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 2018

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2018, revenue amounted to RMB5,384.12 million, representing an increase of 4.24% over the corresponding period of last year.

- For the six months ended 30 June 2018, profit before taxation amounted to RMB1,008.44 million, representing an increase of 14.38% over the corresponding period of last year.

- For the six months ended 30 June 2018, profit attributable to owners of the Company amounted to RMB863.38 million, representing an increase of 14.97% over the corresponding period of last year.

- For the six months ended 30 June 2018, the basic earnings per share amounted to RMB0.83, representing an increase of RMB0.11 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 2018 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2017. The results were prepared in accordance with the International Accounting Standard (the "**IAS**") 34, "Interim Financial Reporting" and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As of 30 June 2018 RMB'000 (Unaudited)	As of 31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**13,571,572**	13,058,520
Land use rights		**551,144**	557,839
Intangible assets		**49,998**	46,510
Investments accounted for using the equity method		**132,125**	113,593
Financial assets at fair value through profit and loss		**1,000**	—
Available-for-sale financial assets		**—**	1,000
Deferred income tax assets		**135,762**	179,663
Other non-current assets		**2,670,756**	1,755,748
Total non-current assets		**17,112,357**	15,712,873
Current assets			
Inventories		**3,837,137**	3,874,701
Contract assets		**2,287,150**	—
Amounts due from customers for contract work		**—**	2,378,952
Other current assets		**1,072,011**	260,716
Trade and notes receivable	6	**3,566,838**	4,244,084
Other receivables		**414,342**	—
Prepayments and other receivables		**—**	1,376,627
Restricted cash		**1,818,265**	1,500,300
Cash and cash equivalents		**3,278,729**	2,316,610
Total current assets		**16,274,472**	15,951,990
Total assets		**33,386,829**	31,664,863

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	As of 30 June 2018 *RMB'000* (Unaudited)	As of 31 December 2017 *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		**460,198**	457,310
Retained earnings		**3,329,088**	2,674,707
		9,864,666	9,207,397
Non-controlling interests		**54,406**	53,015
Total equity		**9,919,072**	9,260,412
LIABILITIES			
Non-current liabilities			
Borrowings		**7,396,420**	6,487,970
Deferred government grants		**351,235**	378,263
Deferred income tax liabilities		**110,086**	78,742
Total non-current liabilities		**7,857,741**	6,944,975
Current liabilities			
Trade and notes payable	7	**6,549,267**	7,276,778
Provisions and other payables		**1,658,949**	2,894,570
Contract liabilities		**1,638,985**	—
Amounts due to customers for contract work		**—**	489,684
Current income tax liabilities		**4,742**	3,972
Financial liabilities at fair value through profit and loss		**5,541**	—
Borrowings		**5,752,532**	4,794,472
Total current liabilities		**15,610,016**	15,459,476
Total liabilities		**23,467,757**	22,404,451
Total equity and liabilities		**33,386,829**	31,664,863

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	**2018**	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	5	**5,384,123**	5,165,270
Cost of sales		**(3,827,578)**	(3,730,583)
Gross profit		**1,556,545**	1,434,687
Selling and marketing expenses		**(158,094)**	(148,336)
General and administrative expenses		**(263,184)**	(287,603)
Other income		**37,679**	22,596
Other losses-net		**(9,954)**	(10,065)
Operating profit		**1,162,992**	1,011,279
Interest income		**13,522**	9,545
Finance expenses		**(173,717)**	(142,831)
Financial expenses — net		**(160,195)**	(133,286)
Share of profit of investments accounted for using the equity method		**5,638**	3,671
Profit before income tax		**1,008,435**	881,664
Income tax expense	8	**(143,662)**	(126,787)
Profit for the period		**864,773**	754,877

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

	Note	Six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**863,382**	750,983
Non-controlling interests		**1,391**	3,894
		864,773	754,877
Other comprehensive (loss)/income			
Items that may be reclassified to profit and loss			
Currency transaction differences		**(5)**	20
Total comprehensive income for the period		**864,768**	754,897
Total comprehensive income for the period attributable to:			
Owners of the Company		**863,377**	751,003
Non-controlling interests		**1,391**	3,894
		864,768	754,897
Earnings per share for profit attribute to owners of the Company			
Basic earnings per share (RMB)	9	**0.83**	0.72
Diluted earnings per share (RMB)	9	**0.83**	0.72

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.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standards 34, 'Interim Financial Reporting'. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied in this interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements except for the adoption of new and amended standards effective for the financial year ending 31 December 2018.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the financial year beginning on or after 1 January 2018:

- IFRS 9 Financial Instruments (1)
- IFRS 15 Revenue from Contracts with Customers (1)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (2)
- Amendments to IFRS 4 Applying IFRS 9 Financial Instrument with IFRS 4 Insurance Contracts (2)
- Annual improvements 2014–2016 cycle(2)
- Amendments to IAS 40 Transfer of Investment Property(2)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration(2)

(1) The impact of the adoption of these new standards are disclosed in Note 4.

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

3 ACCOUNTING POLICIES (continued)

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

The Group has not applied the following amendments and new standards which are not yet effective for the financial year beginning on or after 1 January 2018 and which have not been early adopted in the Group.

- IFRS 16 Leases

IFRS 16 will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments RMB9,431,000. However, the Group has not 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.

4 CHANGES IN ACCOUNTING POLICIES

(a) IFRS 9 Financial Instruments — Impact of adoption

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

The Group has adopted IFRS 9 Financial Instruments from 1 January 2018. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets into the appropriate IFRS 9 categories. The majority of the Group's financial assets include:

- loans and receivables previously measured at amortised cost which meet the conditions for classification at amortised cost; and

- investment in unlisted companies previously classified as available-for-sale financial assets was classified to financial assets at fair value through profit or loss ("**FVPL**").

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

- trade receivables for sales of goods or provision of services; and

- other receivables.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather than only incurred credit losses model as is the case under IAS 39. The impact of the change in impairment methodology on the Group's retained earnings as at 1 January 2018 was immaterial.

(b) IFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 replacing IAS 18 Revenue which covers contracts for goods and services and IAS 11 Construction Contract which covers construction contract. The Group has adopted the modified retrospective approach and the comparatives were not restated. The impact of the adoption of IFRS 15 was immaterial and there was no adjustments in retained earnings as at 1 January 2018.

4 CHANGES IN ACCOUNTING POLICIES (continued)

(b) IFRS 15 Revenue from Contracts with Customers — Impact of adoption (continued)

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

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

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

5 SEGMENT INFORMATION

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

During the six months ended 30 June 2018, the PV wafer and module manufacturing do not meet the quantitative thresholds required by IFRS 8 for reportable segments, the CODM has combined the PV wafer and module 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.

5 SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2018 are as follows:

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

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
(Unaudited)						
For the six months ended 30 June 2017 (restated):						
Segment revenue and results						
Total segment revenue	1,822,993	2,810,332	158,383	523,292	(149,730)	5,165,270
Inter-segment revenue	(9,255)	(81,029)	—	(59,446)	149,730	—
Revenue from external customers	1,813,738	2,729,303	158,383	463,846	—	5,165,270
Segment results	832,260	442,672	106,945	52,810	—	1,434,687
Other segment items						
Amortisation	7,771	1,423	4,875	1,927	—	15,996
Depreciation	238,152	1,516	42,127	21,138	—	302,933
Provisions of impairment:						
– trade and other receivables	1,028	55,809	—	4,404	—	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

5 SEGMENT INFORMATION (continued)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Polysilicon production	**867,847**	832,260
ECC	**472,523**	442,672
BOO	**178,103**	106,945
Others	**38,072**	52,810
Total gross profit for reportable segments	**1,556,545**	1,434,687
Selling and marketing expenses	**(158,094)**	(148,336)
General and administrative expenses	**(263,184)**	(287,603)
Other income	**37,679**	22,596
Other losses — net	**(9,954)**	(10,065)
Finance expenses — net	**(160,195)**	(133,286)
Share of profit of investments accounted for using the equity method	**5,638**	3,671
Profit before income tax	**1,008,435**	881,664
Income tax expense	**(143,662)**	(126,787)
Profit for the period	**864,773**	754,877

5 SEGMENT INFORMATION (continued)

The segment assets as of 30 June 2018 are as follows:

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
(Unaudited)						
As of 30 June 2018						
Segment assets	**14,863,786**	**15,108,162**	**6,632,803**	**3,958,861**	**(7,444,670)**	**33,118,942**
Investments accounted for using the equity method	**—**	**127,925**	**—**	**4,200**	**—**	**132,125**
	14,863,786	**15,236,087**	**6,632,803**	**3,963,061**	**(7,444,670)**	**33,251,067**
Unallocated assets						**135,762**
Total assets						**33,386,829**
Additions to non-current assets	**281,849**	**745**	**535,554**	**140,183**	**—**	**958,331**
(Audited)						
As of 31 December 2017						
Segment assets	13,029,475	18,311,239	3,443,601	3,191,467	(6,604,175)	31,371,607
Investments accounted for using the equity method	—	109,393	—	4,200	—	113,593
	13,029,475	18,420,632	3,443,601	3,195,667	(6,604,175)	31,485,200
Unallocated assets						179,663
Total assets						31,664,863
Additions to non-current assets	688,389	95,081	1,069,046	184,974	—	2,037,490

Entity-wide information

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of ECC services	**2,783,060**	2,729,303
Sales of goods	**2,523,265**	2,333,637
Provision of services other than ECC	**77,798**	102,330
	5,384,123	5,165,270

5 SEGMENT INFORMATION (continued)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**5,269,128**	5,085,805
Other countries	**114,995**	79,465
	5,384,123	5,165,270

There was one (2017: Nil) external customer contributed more than 10% of the total revenue for the six months ended 30 June 2018.

As of 30 June 2018 and 31 December 2017, all the Group's non-current assets, other than financial instruments and deferred income tax assets, are primarily located in the PRC.

6 TRADE AND NOTES RECEIVABLE

	As of 30 June	As of 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**2,448,579**	2,308,610
Notes receivable	**1,254,637**	2,063,138
	3,703,216	4,371,748
Less: provision for impairment	**(136,378)**	(127,664)
	3,566,838	4,244,084

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

As of 30 June 2018, the Group's trade receivables with the original book value of RMB96,903,000 (31 December 2017: RMB18,949,000) were pledged as security for short-term bank borrowings.

6 TRADE AND NOTES RECEIVABLE (continued)

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

	As of 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**732,987**	1,050,363
3 to 6 months	**277,887**	302,559
6 months to 1 year	**803,942**	296,875
1 to 2 years	**325,211**	356,940
2 to 3 years	**146,009**	232,477
Over 3 years	**162,543**	69,396
	2,448,579	2,308,610

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.

7 TRADE AND NOTES PAYABLE

	As of 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**3,639,665**	3,379,730
Notes payable	**2,909,602**	3,897,048
	6,549,267	7,276,778

The ageing analysis of trade payables is as follows:

	As of 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**2,776,005**	2,515,194
1 to 2 years	**543,012**	555,856
2 to 3 years	**269,537**	269,548
Over 3 years	**51,111**	39,132
	3,639,665	3,379,730

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense	**68,417**	121,195
Deferred income tax expense	**75,245**	5,592
	143,662	126,787

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 a preferential rate of 15%.

9 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 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)*	**863,382**	750,983
Weighted average number of ordinary shares in issue *(thousands)*	**1,045,005**	1,045,005
Basic earnings per share *(RMB)*	**0.83**	0.72

(b) Diluted

No dilutive effect on earnings per share for the six months ended 30 June 2018 and 2017, as the Group had no dilutive potential ordinary shares.

10 DIVIDENDS

On 15 June 2018, the 2017 final dividend of RMB0.2 per share (2016: RMB0.12) totalling approximately RMB209,001,000 (2016: RMB125,401,000) has been approved at the annual general meeting, but has not been paid as of 30 June 2018.

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

Management Discussion and Analysis

I. REVIEW OF INDUSTRY DEVELOPMENT TRENDS

2018 is a critical year as it is a transitional year for the full implementation of China's "13th Five-Year" Plan (「十三五」規劃). It is a year of transformation from scale expansion to quality improvement, efficiency enhancement and technological improvement. The new energy industry is entering into a new stage of development, where using new energy to achieve grid parity is beginning to become more practical. In the first half of 2018, in order to promote the healthy development of the new energy industry and to guide the market and industry to adjust their development strategies according to the new circumstances, the PRC government has published a series of policies to promote technological improvement, reduce costs of power generation, reduce reliance on subsidies, promote grid parity, and stimulate healthy, orderly and high-quality development of the new energy industry.

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

- On 18 May 2018, the National Energy Administration of the PRC ("**NEA**") issued the Notice on the Relevant Requirements for the Management of Wind Power Construction in 2018 (《關於2018年度風電建設管理有關要求的通知》), requiring new wind power projects to apply the competitive resource allocation method in the future for the determination of the on-grid tariffs, and actively advancing wind power projects for full nearby consumption. Implementing the competitive resource allocation in wind power projects will further reduce the costs of wind power generation, enhance the integrated capabilities in design, manufacture and installation of wind power, reduce electricity subsidies, and hence promote high-quality development of the wind power generation industry.

- On 31 May 2018, the National Development and Reform Commission of the PRC ("**NDRC**"), the Ministry of Finance of the PRC ("**MOF**") and the NEA issued the Notice on Relevant Matters in Relation to Photovoltaic ("**PV**") Power Generation in 2018 (《關於2018年光伏發電有關事項的通知》). The first requirement of such document is the reasonable control of the pace of development and the optimization of the construction scale of new PV power generation. During 2018, the arrangement for the construction of ordinary PV power stations should be suspended temporarily and give room for the 10GW distributive PV projects. Secondly, the reduction of the PV power generation subsidies should be expedited through lowering the levels of subsidies, with on-grid benchmark tariffs of newly operating PV stations and distributive projects to be reduced universally by RMB0.05 per kWh. Thirdly, the decisive role of market-oriented resource allocation should be made use of to further strengthen the marketization of project allocation so that all ordinary PV stations have to go through competitive tendering to determine project owners, and to encourage the increase of trading of distributive power generation in the market. The promulgation of such document will speed up the reduction of subsidies, optimise the construction scale of new PV stations, and give full effect of market-oriented resource allocation, so as to allow the early entry of the PV industry to the era of grid parity. In the short run, profit margin of all parts of the new energy industrial chains will be tightened, which will accelerate the reshuffling of the industry, phase out production capacities which are lagging behind, and accelerate industry consolidation. Yet, in the long run, it is beneficial to technological development and cost reduction, which will promote the quality and efficiency of the PV industry in realizing a high-quality and sustainable development.

2. *Review of polysilicon industry development trends*

According to statistics 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 2018, global polysilicon production was 230,000 tons, representing a year-on-year increase of 8.5%, while consumption was 215,000 tons, representing a year-on-year increase of 2% and a 15,000-ton surplus of global polysilicon supply. In the first half of 2018, polysilicon production in China was 140,000 tons, with net import of 62,000 tons, making up a total supply of 202,000 tons, while polysilicon consumption was 182,000 tons, indicating that polysilicon supply in China was slightly higher than its demand.

In the first half of 2018, the average price of polysilicon in China was RMB127,200/ton, representing a year-on-year increase of 4.7%. Affected by market demand of end-user power stations and the competition of the market share between monocrystalline and polycrystalline silicon wafers in the first half of 2018, the price of polysilicon in China saw a steady downward trend. The highest price point was RMB153,000/ton at the beginning of 2018 and lowest price point was RMB93,800/ton at the end of June 2018, with the maximum drop of 38.7%.

3. *Review of PV generation industry development trends*

According to statistics from the NEA, newly installed PV power generation capacity in China was 24.30GW in the first half of 2018, of which 12.06GW were from ordinary PV stations, representing a year-on-year decrease of 30%, and 12.24GW were from distributive power stations, representing a year-on-year increase of 72%. As of the end of June 2018, China's total installed PV power generation reached 154.51GW, 112.61GW of which were from ordinary PV stations, and 41.90GW of which were from distributive PV stations.

As the consumption situation of clean energy continuously improved, PV power generation curtailment and curtailment rate in China were both reduced in the first half of 2018. The PV curtailment was 3.04 billion kWh, representing a year-on-year decrease of approximately 19%, and the PV curtailment rate was 3.6%, representing a year-on-year decrease of 3.2 percentage points. Across the country, there were 22 provinces (regions or cities) with no PV curtailment, and 6 provinces (regions) with the PV curtailment rate below 5%. Only 3 provinces (regions), namely Gansu, Xinjiang and Shaanxi, had a PV curtailment rate of over 5%.

4. Review of wind power generation industry development trends

According to the NEA's statistics, wind power in China continued to maintain a relatively fast-growing trend for the first half of 2018. Newly installed on-grid capacity was 7.94GW, representing a year-on-year increase of 32.1%. The accumulative installed on-grid wind power capacity was approximately 172GW. China's wind generated power was 191.7 billion kWh, representing a year-on-year increase of 28.7%. The average utilisation hours of such power was 1,143 hours, representing a year-on-year increase of 159 hours, while wind power curtailment was 18.2 billion kWh, representing a year-on-year decrease of 21.63%. The wind power curtailment rate was 8.7%, representing a year-on-year decrease of 5 percentage points. The situation of wind power curtailment continued to improve.

II. MAIN BUSINESS OPERATIONS OF THE GROUP

During the Reporting Period, the number of China's newly installed wind power maintained a certain degree of growth, while distributive PV power demonstrated a relatively faster development. The PV fore-runner scheme continued to promote grid parity. By closely following the direction of national policies, keeping up the trend in the industry, adjusting its production deployment, as well as deepening reforms and innovation, the Group has achieved relatively good results. During the Reporting Period, the Group realised a revenue of RMB5,384.12 million and profit attributable to owners of the Company of RMB863.38 million, representing a growth of 4.24% and 14.97% respectively over the same period last year.

1. Polysilicon production

During the first half of 2018, the Group further released its polysilicon production capacity, realizing a polysilicon production of 18,900 tons, representing a growth of approximately 20% over the same period last year and the further realization of benefits in correspondence with the growth of production scale. At the same time, the Group strengthened its quality control and technological improvement to further reduce production cost and enhance product quality. Its production cost and product quality are both at an advanced level in the industry. During the Reporting Period, gross profit from the polysilicon production segment of the Group was RMB867.85 million, representing a growth of 4.28% over the same period last year.

In order to capture the market, seize the opportunities brought by the rapid development of the PV industry, reduce costs by leveraging on the benefits in correspondence with the growth of production scale and enhance profitability, the Group commenced construction of an industrial upgrade project involving the production of 36,000 tons/year high-purity polysilicon ("**36,000-ton Polysilicon Project**") in the first half of 2018. The quality of the polysilicon produced by the 36,000-ton Polysilicon Project will all reach electronic grade level 2 and above, and serve the market of materials for quality monocrystalline silicon wafers and polysilicon wafers. At the same time, some products will satisfy the quality requirements for materials used in semi-conductor grade electronic wafers. During the Reporting Period, the Group formulated a rigorous work plan and progressively carried out the construction of the 36,000-ton Polysilicon Project. The 36,000-ton Polysilicon Project is expected to be completed and put into production in the first half of 2019.

2. *Development and reserve of China's PV and wind power resources*

In the first half of 2018, the Group closely followed the national and regional policies and plans in development of wind and PV resources, with a key focus on the deployment of national level ultra-high voltage power transmission and distribution base market in Xilin Gol League ("**Ximeng**"), Inner Mongolia Autonomous Region ("**Inner Mongolia**"), and regular deployment in conventional markets of wind and PV resources projects, as a result of which the Group obtained a series of wind and PV resources projects in Ximeng of Inner Mongolia, Yuncheng of Shanxi, and Shangqiu of Henan. At the same time, the Group treated the distributive and PV poverty alleviation project markets as differentiated business supplementary segments, and actively explored and deployed new types of businesses such as PV poverty alleviation and distributive wind power projects, shifting development direction from the conventional large-scale ground-mounted wind and PV resources development to a multi-business and diversified business development with wind power as the major driving force.

During the first half of 2018, the total installed capacity of PV and wind power projects of the Group completed under the EPC and BT models of which revenue was recognized was 462.75MW. As at 30 June 2018, the Group had a total of 670MW of BT projects, which included projects under construction and completed projects pending transfer.

In June 2018, the NDRC, the MOF and the NEA jointly issued the Notice on Announcing the Renewable Energy Tariff Subsidies Catalogue (The Seventh Batch) (《關於公佈可再生能源電價附加資金補助目錄（第七批）的通知》), in which a total of 610MW projects, including the Group's BT projects that were completed pending transfer and BOO projects that were completed, were incorporated into the subsidies list of the seventh batch of renewable energy projects, successfully securing higher on-grid tariff and stable financial subsidies in the future.

3. *Power plant operation — BOO projects*

During the first half of 2018, the Group accelerated the advancement of the 100MW PV forerunner project in Shiguai, Inner Mongolia and the construction of the 50MW wind power project in Chongren, Jiangxi, successfully completed the full on-grid power connection of the 200MW wind power project in Jingxia, Hami, Xinjiang, and started design and tendering works for the 975MW wind power project of the ultra-high voltage transmission lines base in Ximeng, Inner Mongolia. The Group's BOO scale has been expanding steadily, and the Group is strategically transforming from a power plant builder into an operator in order to diversify the Group's revenue channels and further increase profitability.

As at 30 June 2018, the Group had a total of 749.5MW BOO projects completed. In the first half of 2018, BOO projects of the Group generated a cumulative electricity output of 421 million kWh, including 416 million kWh of on-grid electricity, realising a power generation revenue of RMB253.62 million and a gross profit of RMB178.10 million, representing a growth of 60.13% and 66.54% over the same period last year respectively.

4. International market

The Group leverages on the initial layout of the global market, focuses on the countries along the "Belt and Road" routes, keeps an eye on the prominent areas with stable political and economic conditions, sound legal systems, affluent resources and better investment returns, and actively advances the development of new projects in countries such as Argentina, Malaysia and Jordan. With tenders awarded in 2017, the construction of the 186MW PV project in Egypt and 50MW PV project in Pakistan have commenced successfully in the first half of 2018. The Group was actively advancing the implementing for a 49MW PV project in Vietnam, a 50MW PV project in Nigeria, a 50MW wind power project and a new 50MW PV project in Pakistan.

5. Driving industry development with technological innovation

With an accelerating pace of new energy grid parity, there have been higher requirements for technological innovation in the market. The Group has reviewed the present situation and promoted product transformation and upgrading by strengthening its technological innovation.

In terms of polysilicon production, the Group, as per its strategic principle of "refining its main business and extending towards high-end industry", has conducted research on more than 50 topics such as quality improvement of electronic grade level 1 polysilicon and recycling of wastes, and has been involved in the industry of new materials which is mainly related to silicon-based materials and advanced ceramics. Taking advantage of its research and development center and focusing on the extended industry of silicon and the bottleneck technical problems of silicon wafer preparation, the Group has carried out its strategic cooperation of "production, study and research" and introduction of high-end talents, with an aim to improve project research and development efficiency, as well as industrial application.

In terms of the development, operation and maintenance of wind and PV resources, the Group has focused on the development of PV grid parity, optimization of wind power engineering design, intelligent micro-grid, and intelligent optimization of E-cloud platform. Technological innovations have been conducted with core focuses on lowest cost per unit of electricity, highest revenue as well as intelligent operation and maintenance, so as to continuously improve the competitiveness of the Group.

In terms of inverter manufacturing, the Group has completed research and development of new products according to the market needs of PV poverty alleviation, small and medium commercial roofs and double-sided component power stations, and launched its SolarPoint series string inverter products and SolarHome series smart inverters for households. The MPPT (Maximum Power Point Tracking) penetration rate of the products reaches 100%. The problem of mismatch loss between the strings has been completely solved, making our products safer and more reliable.

6. Safety comes first with endeavors in environmental protection

In the first half of 2018, the Group has strictly focused on its production and operation indicators, clarified its objectives, strengthened its measures and earnestly carried out its self-examination and self-review of the management system for health, safety, security, and environmental protection ("**HSSE**"), and has constantly refined its establishment of HSSE system standards. To fully utilise its control and management functions, the Group has adopted a combination of pre-incident prevention, process control, and post-incident experience summary sharing to thoroughly implement the establishment of its safety management system, which is behavioral safety based, production process equipment safety focused, and with controlled production management as its core. In response to the new type of network information security, the Group has strengthened its management of internal control procedures. The office software and data were encrypted to prevent data fraud and theft which may result in misappropriation of confidential information.

The Group has achieved a circular economy of polysilicon production. The waste gas in the production process is processed and recycled, and the solid waste is processed into aerated concrete blocks for construction use, greatly reducing the waste discharge in the production process. Our self-equipped power plant has adhered to the control of the source of pollution, strengthened the process control, and introduced energy-saving and environmentally-friendly technologies to achieve efficient use of resources and ultra-low emission of pollutants. The plant has been included in the list of the first batch of ultra-low emission coal-fired units in the Xinjiang Uygur Autonomous Region in 2018. The Group's wind and PV resources development mainly uses solar energy and wind power to generate electricity. This green and environmentally-friendly approach has actively promoted the global popularization and utilisation of green energy which is conducive to reducing greenhouse gas emissions, thereby contributing to global climate change and sustainable human development.

7. People-orientation and strengthened team establishment

In the first half of 2018, the Group has strengthened its introduction of high-quality talents and introduced talents through various channels such as professional tertiary institutions and external recruitment of experienced personnel, while strengthening its professional training in chemical, electrical and engineering management. The Group has been devoted to combine its internal training with the engagement and training through external institutions to strive for the enhancement of the employees' comprehensive professional abilities. At the same time, the Group has strengthened its reform of remuneration and performance system, and has inspected and explored outstanding reserve talents, so as to balance the effect of enhancing our employment efficiency and the improvement in the welfare package of employees. As such, the sharing of interests among enterprise and employees has been achieved, which will in turn contribute to the stability of employees and the long-term sustainable development of the Group.

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**5,384,123**	5,165,270
Cost of sales	**(3,827,578)**	(3,730,583)
Gross profit	**1,556,545**	1,434,687
Other income	**37,679**	22,596
Other losses — net	**(9,954)**	(10,065)
Selling and marketing expenses	**(158,094)**	(148,336)
General and administrative expenses	**(263,184)**	(287,603)
Finance expenses — net	**(160,195)**	(133,286)
Share of profit of investments accounted for using the equity method	**5,638**	3,671
Profit before income tax	**1,008,435**	881,664
Income tax expenses	**(143,662)**	(126,787)
Profit attributable to the owners of the Company	**863,382**	750,983
Profit attributable to the non-controlling interests	**1,391**	3,894

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC, and BOO. For the six months ended 30 June 2018, the revenue of the Group was RMB5,384.12 million, representing an increase of RMB218.85 million or 4.24% from RMB5,165.27 million in the corresponding period last year, which was mainly due to an increase in polysilicon sales by the Group and an increase in the generated power of BOO projects.

	For the six months ended 30 June	
	2018	2017
Business Segments	***RMB'000***	*RMB'000*
Polysilicon Production	**2,127,955**	1,813,738
ECC	**2,783,060**	2,729,303
BOO	**253,622**	158,383
Others	**219,486**	463,846
Total Revenue	**5,384,123**	5,165,270

For the six months ended 30 June 2018, the revenue of the polysilicon production segment was RMB2,127.96 million, representing an increase of RMB314.22 million or 17.32% from RMB1,813.74 million in the corresponding period last year, which was mainly due to an increase in polysilicon sales during the Reporting Period.

For the six months ended 30 June 2018, the revenue of ECC segment was RMB2,783.06 million, representing an increase of RMB53.76 million or 1.97% from RMB2,729.30 million in the corresponding period last year.

For the six months ended 30 June 2018, the revenue of BOO segment was RMB253.62 million, representing an increase of RMB95.24 million or 60.13% from RMB158.38 million in the corresponding period 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 2018, the cost of sales incurred by the Group was RMB3,827.58 million, representing an increase of RMB97.00 million or 2.60% from RMB3,730.58 million in the corresponding period last year, which was mainly due to the increase in revenue and the Group's strengthening cost management and control during the Reporting Period.

	For the six months ended 30 June	
	2018	2017
Business Segments	***RMB'000***	*RMB'000*
Polysilicon Production	**1,260,108**	981,478
ECC	**2,310,537**	2,286,631
BOO	**75,519**	51,438
Others	**181,414**	411,036
Total cost	**3,827,578**	3,730,583

For the six months ended 30 June 2018, the cost of sales incurred by polysilicon production segment was RMB1,260.11 million, representing an increase of RMB278.63 million or 28.39% from RMB981.48 million in the corresponding period last year, which was mainly due to an increase in polysilicon sales during the Reporting Period, and the rise of raw material and fuel prices, which in turn increased the cost.

For the six months ended 30 June 2018, the cost of sales incurred by ECC segment was RMB2,310.54 million, representing an increase of RMB23.91 million or 1.05% from RMB2,286.63 million in the corresponding period last year.

For the six months ended 30 June 2018, the cost of sales incurred by BOO segment was RMB75.52 million, representing an increase of RMB24.08 million or 46.82% from RMB51.44 million in the corresponding period last year, mainly due to the increase in the generated power of the Group's BOO projects during the Reporting Period, which in turn increased the cost.

Gross profit and gross profit margin

For the six months ended 30 June 2018, the gross profit of the Group was RMB1,556.55 million, representing an increase of RMB121.86 million or 8.49% from RMB1,434.69 million in the corresponding period last year, mainly due to the increase in polysilicon sales during the Reporting Period and the increase in the generated power of BOO projects. Comprehensive gross margin was 28.91%, representing an increase of 1.13 percentage points over the same period last year. Gross margin of polysilicon segment decreased 5.10 percentage points as compared with the corresponding period of last year, mainly due to the increase of costs resulted from the rise of raw material and fuel prices during the Reporting Period.

Other income

For the six months ended 30 June 2018, the other income of the Group was RMB37.68 million, representing an increase of RMB15.08 million or 66.75% from RMB22.60 million in the corresponding period last year. This increase was mainly because of the increment of government grants during the Reporting Period compared with that in the corresponding period last year.

Other losses — net

For the six months ended 30 June 2018, the other net losses of the Group amounted to RMB9.95 million, representing a decrease of RMB0.11 million or 1.10% from RMB10.07 million in the corresponding period last year.

Selling and marketing expenses

For the six months ended 30 June 2018, the selling and marketing expenses of the Group were RMB158.09 million, representing an increase of RMB9.76 million or 6.58% from RMB148.34 million in the corresponding period last year, mainly due to the Group's intensification of market development, which in turn increased the selling and marketing expenses during the Reporting Period.

General and administrative expenses

For the six months ended 30 June 2018, the general and administrative expenses of the Group were RMB263.18 million, representing a decrease of RMB24.42 million or 8.49% from RMB287.60 million in the corresponding period last year, mainly due to the strengthening of the Group's settlement and collection of accounts receivable during the Reporting Period, resulting in a significant decrease in impairment loss in respect of accounts receivables.

Finance expenses — net

For the six months ended 30 June 2018, the net finance expenses of the Group was RMB160.20 million, representing an increase of RMB26.91 million or 20.19% from RMB133.29 million in the corresponding period last year, which was mainly due to the Group's expansion of overall borrowings scale 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 2018, the share of profit of investments accounted for using the equity method of the Group was RMB5.64 million, representing an increase of RMB1.97 million or 53.58% from RMB3.67 million in the corresponding period last year, which was mainly due to the increase in the profit of its associates during the Reporting Period.

Income tax expense

For the six months ended 30 June 2018, the income tax expense of the Group was RMB143.66 million, representing an increase of RMB16.88 million or 13.31% from RMB126.79 million in the corresponding period last year, which was mainly due to the increase in the Group's profit before income tax for the Reporting Period compared with the same period of last year.

Profit attributable to the owners of the Company

For the six months ended 30 June 2018, profit attributable to the owners of the Company was RMB863.38 million, representing an increase of RMB112.40 million or 14.97% from RMB750.98 million in the corresponding period last year.

Profit attributable to the non-controlling interests

For the six months ended 30 June 2018, profit attributable to the non-controlling interests of the Group was RMB1.39 million, representing a decrease of RMB2.50 million or 64.28% from RMB3.89 million in the corresponding period last year. This decrease was mainly due to a decrease in the realised profit of Xi'an TBEA Electric Power Design Co., Ltd, a subsidiary of the Group during the Reporting Period.

Cash Flows

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**559,558**	(177,606)
Net cash used in investing activities	**(1,385,937)**	(916,454)
Net cash generated from financing activities	**1,793,790**	2,168,544
Net increase in cash and cash equivalents	**967,411**	1,074,484

Net cash generated from/(used in) operating activities

For the six months ended 30 June 2018, the net cash generated from operating activities of the Group was RMB559.56 million, representing an increase of RMB737.16 million from the net cash used in operating activities of RMB177.61 million over the same period last year, which was mainly due to the Group's strengthened management of trade receivables during the Reporting Period which resulted in an increase in collection of receivables.

Net cash used in investing activities

For the six months ended 30 June 2018, the net cash used in investing activities of the Group was RMB1,385.94 million, representing an increase of RMB469.48 million or 51.23% from RMB916.45 million over the same period last year, which was mainly due to the substantial construction capital expenditure for the Group's 36,000-ton Polysilicon Project and BOO projects during the Reporting Period.

Net cash generated from financing activities

For the six months ended 30 June 2018, the net cash generated from financing activities of the Group was RMB1,793.79 million, representing a decrease of RMB374.75 million or 17.28% from RMB2,168.54 million in the same period last year, which was mainly due to an increase in the Group's repayment of borrowings during the Reporting Period compared with that in the same period last year.

Operating Fund

	As of 30 June 2018	As of 31 December 2017
Closing cash and cash equivalents (RMB'000)	**3,278,729**	2,316,610
Gearing ratio	**81.18%**	80.62%
Inventory turnover rate (times)	**0.99**	2.16
Inventory turnover days (days)	**181.82**	166.86

As of 30 June 2018, the cash and cash equivalents of the Group were RMB3,278.73 million (31 December 2017: RMB2,316.61 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 or financial leases, which has a relatively large impact on the Group's gearing ratio. As of 30 June 2018, the Group's gearing ratio was 81.18%. As of 31 December 2017, the Group's gearing ratio was 80.62%. Gearing ratio is calculated based on net liabilities divided by total equity, of which net liabilities is calculated based on total interest-bearing liabilities less restricted bank balances and bank cash balances.

The Group's BT projects that were under construction or completed pending transfer were included in the calculation of inventory items. Whether BT projects can be transferred timely has relatively large impact on the Group's inventory turnover rate and turnover days. As of 30 June 2018, the Group's inventory turnover rate and inventory turnover days were 0.99 times and 181.82 days respectively. As of 31 December 2017 the Group's inventory turnover rate and inventory turnover days were 2.16 times and 166.86 days respectively.

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

Capital expenditure

For the six months ended 30 June 2018, the major capital expenditure of the Group included: RMB1,090.35 million for the purchase of property, plant and equipment, RMB7.38 million for the purchase of intangible assets, and RMB1.43 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 trade secrets misappropriation, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case fell within the jurisdiction of the Xinjiang Province People's Court. As at the date of this announcement, the aforementioned litigation was still under the process of transfer, and therefore no trial had been conducted by Xinjiang Province People's Court yet. After considering the opinion of an independent legal counsel, the directors of the Company (the "**Directors**") were of the opinion that the litigation was still at a preliminary stage and the contingent obligation cannot be measured with sufficient reliability. Accordingly, no provision was made with respect to the aforementioned claim as at 30 June 2018.

Apart from the above, the Group and the Company incur contingent liabilities in respect of claims or other legal proceedings arising in their ordinary course of business from time to time. For the six months ended 30 June 2018, the Directors anticipated that no material liabilities would arise from the contingent liabilities other than those provided for in the consolidated financial statements.

Pledge of assets

As of 30 June 2018, secured short-term bank borrowings with amount of RMB340,650,000 were pledged with the Group's certain property, plant and equipment and land use rights. As of 30 June 2018, secured short-term bank borrowings with amount of RMB1,177,000,000 were pledged with trade receivables. As of 30 June 2018, secured long-term bank borrowings with amount of RMB6,867,070,000 were pledged with the Group's certain property, plant and equipment, land use rights, inventories, and future trade receivables collection right. As of 30 June 2018, secured short-term other borrowings with amount of RMB80,605,000 were pledged with the Group's guarantee deposits amounting to RMB15,000,000. As of 30 June 2018 and 31 December 2017, secured long-term other borrowings with amount of RMB143,000,000 and RMB36,000,000 were guaranteed respectively by the Company and TBEA Xinjiang New Energy Co., Ltd., the Company's subsidiary, respectively. As of 30 June 2018, secured long-term other borrowings with amount of RMB198,500,000 were guaranteed by the bank credit.

Major acquisition and disposal of assets

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

Major investments

During the Reporting Period, the Group had no major investments other than investment in the construction of an industrial upgrade project involving the production of 36,000 tons/year high-purity Polysilicon Project and the 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 that involve exchange risks and transactions arising from 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 the said risk will not have material adverse impact on the financial performance of the Group. The Group currently adopts foreign exchange products of forward settlement and sales to reduce the risk of foreign exchange fluctuations.

Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. All of the borrowings are obtained with floating interest rates, which expose the Group to cash flow interest rate risk. Yet, part of such risk is offset by cash held with floating interest rates. Therefore, it will have no material adverse impact on the financial performance of the Group.

Capital liquidity

As of 30 June 2018, current assets of the Group amounted to RMB16,274.47 million, among which, RMB3,278.73 million was cash and cash equivalents, RMB3,566.84 million was trade and notes receivable (primarily consisting of receivables from ECC and sales of inverters), and RMB1,486.35 million were other receivables and other current assets (primarily consisting of deductible value-added tax and advances).

As of 30 June 2018, current liabilities of the Group amounted to RMB15,610.02 million, including RMB6,549.27 million of trade and notes payable (primarily consisting of payables for procurement of equipment, labour, raw materials, coal fuels for PV and wind power projects), RMB1,658.95 million of provisions and other payables (primarily consisting of payables for project construction and engineering retention deposits for PV and wind power projects), and RMB5,752.53 million of short-term borrowings.

As of 30 June 2018, net current assets of the Group amounted to RMB664.46 million, representing an increase of RMB171.94 million compared with net current assets of RMB492.51 million as of 31 December 2017. The current ratio was 104.26% as of 30 June 2018, representing an increase of 1.07 percentage points compared with the current ratio of 103.19% as of 31 December 2017. Restricted cash amounted to RMB1,818.27 million, mainly including deposits for notes and letters of credit.

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

Borrowing and notes payable

As of 30 June 2018, the Group's balance of the borrowings and notes payable amounted to RMB16,058.55 million, representing an increase of RMB879.06 million compared with balance of the borrowings and notes payable of RMB15,179.49 million as of 31 December 2017. As of 30 June 2018, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB8,662.13 million (including long-term borrowings of RMB1,161.15 million and notes payable of RMB2,909.60 million that were due within one year) and long-term borrowings of RMB7,396.42 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, deposits with banks and financial institutions (including restricted cash), and customers' exposure to credit risk (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

As of the date of this announcement, the Group had no events after the balance sheet date.

IV. PROSPECTS

- ***Market prospects***

  In May 2018, the PRC government announced the "531 PV New Deal" (531光伏新政) and the policy of competitive tariff bidding for wind power, bringing PV and wind power industries into a fast track for grid parity. This is an important step in the marketization of the new energy industry, which is transforming step by step from the pursuit of size and speed to the pursuit of quality and efficiency. This will further speed up consolidation in the industry and phase out production capacities which lag behind, so as to allow truly advanced technologies and quality products to become mainstream in the industry.

In June 2018, the State Council of the PRC issued the Notice of the Three-Year Action Plan to Win the Blue Sky Defence War (《打贏藍天保衛戰三年行動計劃的通知》), which demanded an acceleration of development of the new energy industry, and indicated that the proportion of non-fossil energy consumption should reach 15% of total energy consumption by 2020. The development strategy of wind power and solar power should be optimised and consumption of renewable energy should be increased, such that the problem of hydro power, wind power and solar power curtailments will be fundamentally solved.

Following the transformation of national energy strategies and the acceleration of energy restructuring, the Chinese new energy industry will continue to maintain a steady growth trend in the future. Facing new situations and changes in the new energy industry, the Group will continue to follow the guidance of the national energy policy, maintain a strong footing in the stable development of domestic operations while setting eyes on the international market, insist on continuous innovation, upgrade efficiency through quality improvement and cost reduction, promote technological improvement, and develop products with core competitiveness, so as to sustain its efforts in becoming a leading global green intelligent energy supplier.

- ***Business plan in the second half of 2018***

1. *Continue to do well in enhancing efficiency through quality improvement and cost reduction of polysilicon, and scientifically planning maintenance work*

   After the announcement of the "531 PV New Deal", more stringent requirements have been proposed for all parts of the industrial chain for PV grid parity. High-quality and low-cost polysilicon will become the mainstream in the market, while lagged production capacity will be gradually eliminated. The Group will continuously enhance its technological improvement and technological innovation work, strengthen its effort on efficiency upgrading through cost reduction to further reduce the total cost of polysilicon products, and safeguard the improvement in polysilicon quality in order to adapt to changes in market demands and to improve competitiveness of products.

   According to the annual work plan and market conditions of 2018, the Group will conduct the annual maintenance for polysilicon production equipment and self-owned power plants in the second half of 2018. The Group will coordinate the overall maintenance work. Following the core maintenance principles of being "rigorous and meticulous, safe and standardised, and fully controllable", the Group will implement standardised and lean management in maintenance work and specify schedules for various works with specific personnel assigned for specific jobs with an aim to meet the standard and obtain approval efficiently and within a short time, ensuring maintenance work to be completed with quality and quantity.

2. *Carry out high-quality construction of the 36,000-ton Polysilicon Project*

   In order to carry out high-quality construction of the 36,000-ton Polysilicon Project, the Group will strictly follow the design plan, technical standard and construction standard to guide the project construction, strengthen the supervision and inspection of the main facilities, take advantage of previous experiences on project construction and production so as to optimise bottleneck areas in advance, and ensure quick achievement of production at full capacity and of long-term steady operation after commencement of operation. After the completion of the Group's 36,000-ton Polysilicon Project, product quality will be further improved and cost will be further reduced, which will in turn help increase the competitiveness of the Group's polysilicon products.

3. *Strengthen the management of safety and environmental protection responsibilities*

   The Group will continue to strictly implement safety and environmental protection responsibilities, create a new era of universal monitoring and management, strengthen the production and construction with safety and environmental protection, and strengthen engineering safety management so as to construct a double control mechanism for safety and environmental protection, establish a new mode for accident prevention and control, develop a safety and environmental protection culture, and to lead the new direction on ideas of safety and environmental protection. The Group will continuously strengthen the formation of internal professional teams and will create an evaluation mechanism involving interaction between internal resource of the Group and external professional consulting organisations so as to ensure efficient production and operation.

4. *Adjust resource structure by focusing on ultra-high voltage and grid parity bases*

   While using wind resource as the major driving business segment, the Group will closely follow the construction pace of key national constructions such as the ultra-high voltage project and the renewable energy micro-grid project in Ximeng, Inner Mongolia and Zhundong district, Xinjiang, get hold of high-quality wind power resources, pay close attention to national policies on PV grid parity pilot demonstration sites, and quickly occupy resources in areas with high tariffs. Meanwhile, the Group will also put more effort in the development of centralised wind power and distributive wind power projects, continue to focus on PV fore-runner and PV poverty alleviation power station projects, make an attempt to explore micro-grid and multi-energy complementation businesses, and diversify its operation to gradually raise the Group's profitability.

5. *Increase effort in international market expansion, focus on areas with high-quality wind power and PV resources*

   The Group will take advantage of the market opportunities and financing conditions brought by China's "Belt and Road" strategy to accelerate the development of its internationalization strategy, steadily implementing the constructions of the 50MW PV project in Pakistan and the 186MW PV project in Egypt. Meanwhile, the Group will make plans for production deployment markets in West Asia and South Asia in advance in order to fully cover the hot spots of wind power and PV areas. The Group will also expedite the implementation of tracked projects, and actively promote the development of wind and PV resources in the global market for the achievement of continuous breakthroughs in the international market.

6. *Improve competitiveness in the new energy industry through strengthened technological innovations*

   The Group will continue to focus on the operating direction of "efficiency upgrades through increased production, improved quality and speed, and reduced cost", fasten the implementation of technological innovative projects, and, in accordance with the direction of national policies and the needs of corporate development, continuously carry out the research, development and application works for the industry chain's derivative products made from new silicon-based materials (such as silicon nitride and advanced ceramics). In the meantime, the Group will keep up with the policies related to new energy, increase its efforts in research and development of PV products for self-consumption by small industrial and commercial businesses and residents, create more benefits and services for customers, promote the development of standardised and digitalised wind farm platform projects, improve the precision of wind resource assessment and the accuracy of power generation calculation for wind power projects from the start, deal with the project risks in advance, and improve project profitability. The Group will also continuously promote intelligent operation and maintenance as well as network safety construction work by enhancing the level of intelligent maintenance and operation and strengthening network safety, optimise the mode for operational management, and centralize the control and management of power stations, in order to achieve efficiency upgrading through cost reduction.

V. RISK FACTORS AND RISK MANAGEMENT

1. *Risks associated with falling price of polysilicon*

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

In the second half of 2018 and in 2019, the newly added production capacities of a number of polysilicon manufacturers will be released gradually, further increasing the market supply. In addition, the release of the "531 PV New Deal" facilitates the early entrance of the Chinese PV industry to the era of grid parity and rigorously limits newly installed PV capacity. With the reduced end-user demand which causes the fall of polysilicon price, profit margin will be tightened.

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

2. Risks associated with intensified market competition

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

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

3. Risks associated with tariff cuts

In May 2018, the PRC government released policies on wind power and PV industries in relation to competitive bidding for grid connection of wind power projects, and tariff cut and grid parity of PV projects respectively, clearly indicating that development pace should be reasonably controlled. In addition, the scale of newly installed wind power and PV power generation should be optimised, the reduction of subsidies on the new energy industry should be sped up, and the level of subsidies should be scaled down. The above factors may have certain impacts on the Group's market share, profit margin and income from the new BOO power stations in future.

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

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

In the first half of 2018, grid connection and consumption problems of PV and wind power had been improved to a certain extent, although the problem of wind and PV power curtailment still existed in certain regions, as problems such as low local consumption capacity, grid stability, control and management had not been fundamentally resolved yet.

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

V. OTHER INFORMATION

Employees

As of 30 June 2018, there are a total of 3,303 employees in the Group. Remuneration paid to the Group's employees is comprised of basic salary of the respective position and performance-based salary, with the performance-based salary determined based on the performance of the Group and performance assessment results of the employees.

Interim Dividend

The Board does not recommend the declaration of interim dividend for the six months ended 30 June 2018.

Compliance with Corporate Governance Code

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

For the six months ended 30 June 2018, the Company had fully complied with all the code provisions contained in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors and Supervisors

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

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

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2018.

Audit Committee

The Company has established the audit committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the audit committee are to review the annual internal audit plan of the Company; oversee the appointment, re-appointment and removal of external auditors, and make recommendations to the Board to approve the remuneration and terms of appointment of external auditors; review and oversee the independence and objectiveness of external auditors and effectiveness of audit procedures; formulate and implement policies in relation to non-audit services provided by external auditors; oversee the quality of internal audit and disclosure of financial information of the Company and review interim and annual financial statements before submission to the Board; oversee the financial reporting system and internal control procedures of the Company; evaluate the effectiveness of the internal control and risk management system; review and supervise internal audit control system and risk management function to ensure the independence of the audit function, to ensure co-ordination between the internal and external auditors and to ensure that functions in respect of accounting, internal auditing and financial reporting are operating with adequate resources in the Company and the relevant staff have been trained with sufficient qualifications and experience and are provided with regular training programmes or other similar arrangement. Moreover, the audit committee will discuss the risk management and internal control system with the management to ensure that the management has duly performed its duties and established effective system. It will also supervise relevant departments in disclosing the details about how the Company complies with the code provisions in respect of risk management and internal control during the reporting period under the Corporate Governance Report.

The audit committee of the Company reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2018 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 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 2018 interim report containing all the information required by the Listing Rules will be dispatched to the Shareholders 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
24 August 2018

As at the date of this announcement, the Board consists of Mr. Zhang Jianxin, Mr. Yin Bo and Mr. Xia Jinjing as executive Directors; 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.