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 2021

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2021, the Group's revenue amounted to RMB7,750.87 million, representing an increase of 130.17% over the corresponding period of last year.
- For the six months ended 30 June 2021, the Group's profit before income tax amounted to RMB1,698.68 million, representing an increase of 6,805.50% over the corresponding period of last year.
- For the six months ended 30 June 2021, profit attributable to owners of the Company amounted to RMB1,228.16 million, representing an increase of 70,565.25% over the corresponding period of last year.
- For the six months ended 30 June 2021, the basic earnings per share amounted to RMB1.02, representing an increase of RMB1.02 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 2021 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2020. 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**").

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As of 30 June 2021** *RMB'000* **(Unaudited)**	As of 31 December 2020 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**26,318,860**	25,504,650
Right-of-use assets		**949,215**	786,055
Intangible assets		**118,700**	110,882
Investments accounted for using the equity method		**347,650**	330,502
Financial assets at fair value through other comprehensive income		**—**	1,000
Deferred tax assets		**216,641**	258,819
Other non-current assets		**2,051,455**	2,048,470
Total non-current assets		**30,002,521**	29,040,378
Current assets			
Inventories		**2,041,259**	2,260,492
Contract assets		**1,518,071**	2,065,962
Other current assets		**2,236,337**	1,492,623
Trade and notes receivable	*5*	**6,064,281**	6,092,545
Other receivables		**847,772**	895,114
Financial assets at fair value through profit or loss		**69,807**	63,520
Restricted cash and term deposits with initial term of over three months		**2,100,517**	1,904,458
Cash and cash equivalents		**3,396,921**	1,773,792
Total current assets		**18,274,965**	16,548,506
Total assets		**48,277,486**	45,588,884

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	**As of 30 June 2021** *RMB'000* **(Unaudited)**	As of 31 December 2020 *RMB'000* (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,200,000**	1,200,000
Share premium		**5,964,123**	5,964,123
Other reserves		**607,444**	598,305
Retained earnings		**5,412,455**	4,308,833
		13,184,022	12,071,261
Non-controlling interests		**2,473,698**	2,488,132
Total equity		**15,657,720**	14,559,393
LIABILITIES			
Non-current liabilities			
Borrowings		**15,568,912**	14,245,410
Lease liabilities		**50,832**	49,361
Deferred tax liabilities		**80,175**	64,466
Deferred government grants		**381,958**	406,604
Total non-current liabilities		**16,081,877**	14,765,841
Current liabilities			
Trade and notes payable	*6*	**8,796,960**	10,067,141
Provisions and other payables		**3,158,020**	3,271,978
Contract liabilities		**1,490,532**	831,208
Current income tax liabilities		**176,851**	108,772
Borrowings		**2,914,597**	1,983,684
Lease liabilities		**929**	867
Total current liabilities		**16,537,889**	16,263,650
Total liabilities		**32,619,766**	31,029,491
Total equity and liabilities		**48,277,486**	45,588,884

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**7,750,865**	3,367,426
Cost of sales		**(5,285,012)**	(2,741,771)
Gross profit		**2,465,853**	625,655
Selling and marketing expenses		**(212,081)**	(138,423)
General and administrative expenses		**(305,998)**	(259,462)
Net impairment losses on financial assets and contract assets		**(48,851)**	(3,418)
Other income		**40,484**	43,308
Other gains/(losses) — net		**21,314**	(6,429)
Operating profit		**1,960,721**	261,231
Interest income		**14,327**	20,317
Finance expenses		**(296,178)**	(274,603)
Finance expenses — net		**(281,851)**	(254,286)
Share of profit of investments accounted for using the equity method		**19,814**	17,654
Profit before income tax		**1,698,684**	24,599
Income tax (expense)/credit	*7*	**(343,995)**	14,388
Profit for the period		**1,354,689**	38,987

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

		Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		**1,228,162**	1,738
Non-controlling interests		**126,527**	37,249
		1,354,689	38,987
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**99**	3
Total comprehensive income for the period		**1,354,788**	38,990
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,228,261**	1,741
Non-controlling interests		**126,527**	37,249
		1,354,788	38,990
Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB per share)			
— Basic	*8*	**1.02**	0.00
— Diluted	*8*	**1.02**	0.00

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 December 2015.

This condensed consolidated interim financial information is presented in thousands of Renminbi (the "**RMB**"), unless otherwise stated, and is approved for issue by the Board of Directors on 27 August 2021.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the adoption of amended standards as set out below.

Amended standards adopted by the Group

The following amended standards became applicable for the current Reporting Period:

- Covid-19-related Rent Concessions — Amendments to IFRS 16
- Interest Rate Benchmark Reform — Phase 2 — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

4 SEGMENT INFORMATION

The chief operating decision-makers (the "**CODM**") have been identified as the general manager, deputy general manager and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments on the basis of these reports. As the Group's operations are primarily located in the PRC, the CODM considers the business from a product and service perspective. Management separately considers polysilicon production, ECC and BOO as reportable operating segments. Others segment mainly comprises of businesses including manufacturing and sales of fumed silica, silicone, inverter, flexible direct current (the "**DC**") transmission converter valve, SVG and other retail businesses.

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.

4 SEGMENT INFORMATION *(Continued)*

The segment results for the six months ended 30 June 2021 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 2021:						
Segment revenue and results						
Total segment revenue	3,539,907	4,494,481	727,175	699,839	(1,710,537)	7,750,865
Inter-segment revenue	(7,858)	(1,495,712)	—	(206,967)	1,710,537	—
Revenue from external customers	3,532,049	2,998,769	727,175	492,872	—	7,750,865
Timing of revenue recognition						
At a point in time	3,532,049	43,688	727,175	492,872	—	4,795,784
Over time	—	2,955,081	—	—	—	2,955,081
	3,532,049	2,998,769	727,175	492,872	—	7,750,865
Segment results	1,589,222	296,147	518,877	61,607	—	2,465,853
Amortisation	3,724	4,891	8,502	3,872	—	20,989
Depreciation	431,934	5,308	184,769	42,364	—	664,375
Provision/(reversal) of impairment:						
— trade and other receivables	(3,517)	20,376	30,309	1,042	—	48,210
— inventories	(42)	8,677	—	1,809	—	10,444
— contract assets	—	641	—	—	—	641
Share of profit of investments accounted for using the equity method	—	19,814	—	—	—	19,814

4 SEGMENT INFORMATION *(Continued)*

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

4 SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Polysilicon production	**1,589,222**	114,486
ECC	**296,147**	161,778
BOO	**518,877**	280,057
Others	**61,607**	69,334
Total gross profit for reportable segments	**2,465,853**	625,655
Selling and marketing expenses	**(212,081)**	(138,423)
General and administrative expenses	**(305,998)**	(259,462)
Net impairment losses on financial assets and contract assets	**(48,851)**	(3,418)
Other income	**40,484**	43,308
Other gains/(losses) — net	**21,314**	(6,429)
Finance expenses — net	**(281,851)**	(254,286)
Share of profit of investments accounted for using the equity method	**19,814**	17,654
Profit before income tax	**1,698,684**	24,599
Income tax (expense)/credit	**(343,995)**	14,388
Profit for the period	**1,354,689**	38,987

4 SEGMENT INFORMATION *(Continued)*

The segment assets as of 30 June 2021 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 2021						
Segment assets	**22,637,210**	**17,610,723**	**21,440,684**	**4,478,040**	**(18,453,464)**	**47,713,193**
Investments accounted for using the equity method	**—**	**347,650**	**—**	**—**	**—**	**347,650**
	22,637,210	**17,958,373**	**21,440,684**	**4,478,040**	**(18,453,464)**	**48,060,843**
Unallocated assets						**216,643**
Total assets						**48,277,486**
Additions to non-current assets	**136,017**	**32,490**	**1,091,295**	**640,479**	**—**	**1,900,281**
(Audited)						
As of 31 December 2020						
Segment assets	21,522,056	17,855,841	17,416,586	3,476,421	(15,271,341)	44,999,563
Investments accounted for using the equity method	—	330,502	—	—	—	330,502
	21,522,056	18,186,343	17,416,586	3,476,421	(15,271,341)	45,330,065
Unallocated assets						258,819
Total assets						45,588,884
Additions to non-current assets	393,538	16,748	9,392,667	307,130	—	10,110,083

4 SEGMENT INFORMATION *(Continued)*

Entity-wide information

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of ECC services	**2,998,769**	1,280,552
Sales of goods	**4,592,040**	1,991,817
Provision of services other than ECC	**160,056**	95,057
	7,750,865	3,367,426

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**7,698,177**	3,304,799
Other countries	**52,688**	62,627
	7,750,865	3,367,426

There were two (for the six months ended 30 June 2020: two) external customers contributed more than 10% of the total revenue for the six months ended 30 June 2021.

As of 30 June 2021 and 31 December 2020, all the Group's non-current assets, other than deferred tax assets, were primarily located in the PRC.

5 TRADE AND NOTES RECEIVABLE

	As of 30 June 2021 *RMB'000* (Unaudited)	As of 31 December 2020 *RMB'000* (Audited)
Trade receivables	**5,150,481**	4,623,606
Notes receivable	**1,285,506**	1,800,503
	6,435,987	6,424,109
Less: provision for impairment	**(371,706)**	(331,564)
	6,064,281	6,092,545

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

As of 30 June 2021, the Group's collection right of certain receivables was pledged as security for long-term bank borrowings and other borrowings.

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

	As of 30 June 2021 *RMB'000* (Unaudited)	As of 31 December 2020 *RMB'000* (Audited)
Within 3 months	**1,329,017**	1,868,921
3 to 6 months	**704,428**	415,350
6 months to 1 year	**1,053,325**	451,659
1 to 2 years	**641,799**	1,078,502
2 to 3 years	**815,592**	460,141
Over 3 years	**606,320**	349,033
	5,150,481	4,623,606

6 TRADE AND NOTES PAYABLE

	As of 30 June 2021 *RMB'000* (Unaudited)	As of 31 December 2020 *RMB'000* (Audited)
Trade payables	**3,771,589**	3,938,764
Notes payable	**5,025,371**	6,128,377
	8,796,960	10,067,141

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

	As of 30 June 2021 *RMB'000* (Unaudited)	As of 31 December 2020 *RMB'000* (Audited)
Within 1 year	**2,633,036**	2,921,201
1 to 2 years	**341,069**	459,592
2 to 3 years	**397,668**	318,970
Over 3 years	**399,816**	239,001
	3,771,589	3,938,764

7 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense	**286,108**	20,431
Deferred income tax expense/(credit)	**57,887**	(34,819)
	343,995	(14,388)

Subsidiaries incorporated in the PRC are subject to PRC enterprise income tax. Certain subsidiaries were exempted or entitled to a preferential tax rate of 15% for the six months ended 30 June 2021 and 2020. The remaining entities are taxed based on the statutory income tax rate of 25% in accordance with the relevant PRC income tax rules and regulations.

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 2021 and 2020.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	**1,228,162**	1,738
Weighted average number of ordinary shares in issue (thousands)	**1,200,000**	1,200,000
Basic earnings per share (RMB)	**1.02**	0.00

(b) Diluted

There was no dilutive effect on earnings per share for the six months ended 30 June 2021 and 2020, as the Group had no dilutive potential ordinary shares.

9 DIVIDENDS

On 16 June 2021, the 2020 final dividend of RMB0.10 per share (2019: RMB0.06) totalling RMB120,000,000 (2019: RMB72,000,000) has been approved at the annual general meeting, but has not been paid as of 30 June 2021.

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF INDUSTRY DEVELOPMENT STATUS

2021 is the starting year of the "14th Five-Year" Plan. In the first half of 2021, the Chinese government successively launched a number of policies to support the development of new energy industry by enhancing the consumption of renewable energy and constructing new power system, further improving the development of wind power and photovoltaic ("**PV**") industry to achieve grid parity.

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

- On 5 February 2021, National Energy Administration of the PRC (the "**NEA**") issued the Letter on Seeking Advice Regarding Weight of Responsible Consumption of Renewable Energy in 2021 and the Expected Goal between 2022 to 2030 (《關於徵求2021年可再生能源電力消納責任權重和2022–2030年預期目標建議的函》), which indicates the national unified weight of responsible consumption of renewable energy will increase from 28.7% in 2021 to 40% in 2030, of which the weight of responsible consumption of non-hydro renewable energy power will increase from 12.7% in 2021 to 25.9% in 2030. At the same time, it also set requirements for the consumption goal of the non-hydro renewable energy in each province between 2021 to 2030. The weight of consumption of non-hydro renewable energy in each province is required to increase by approximately 1.5% in average per year based on the goal in 2021 and follow the principle of "increase only, not decrease".

- On 24 February 2021, National Development and Reform Commission of the PRC (the "**NDRC**"), Ministry of Finance of the People's Republic of China (the "**MOF**"), People's Bank of China, China Banking and Insurance Regulatory Commission and the NEA jointly issued the Notice on the Guidance of Increasing Financial Support to Promote the Sound and Orderly Development in Wind and PV Power Generation Industry (《關於引導加大金融支持力度促進風電和光伏發電等行業健康有序發展的通知》), requiring financial institutions to assume "green responsibility" by extending or renewing loans for renewable energy companies, granting and reasonably supporting the grant to loans with confirmed rights, prioritizing the grant of subsidies and increasing credit support, hence alleviate the production and operation difficulties of the renewable energy companies as a result of cash flow shortage, and further enhance financial support.

- On 25 February 2021, the NDRC and the NEA issued the Guiding Opinions on Promoting the Integration of Power Source and Grid and the Development of Multi-energy Complementary (《關於推進電力源網荷儲一體化和多能互補發展的指導意見》), which clarifies the implementation path of the integration of power source and grid and the development of multi-energy complementary, requires the improvement of policies and measures, enhances the guaranteed capacity, utilisation efficiency and the consumption level of renewable energy, to achieve high-quality development of the power system.

- On 11 May 2021, the NEA issued the Notice on Matters Relating to the Development and Construction of Wind and PV Power Generation in 2021 (《關於2021年風電、光伏發電開發建設有關事項的通知》), which stipulates the requirement for strengthening the weight guidance mechanism of renewable energy power consumption responsibility, establishing multiple grid connection guarantee mechanisms such as guaranteed grid connection and market-oriented grid connection, and accelerating the project stocks and construction, to continuously promote the high-quality development of wind and PV power generation.

- On 7 June 2021, the NDRC issued the Notice on Matters Relating to the 2021 Feed-In-Tariff Policy for New Energy (《關於2021年新能源上網電價政策有關事項的通知》), which proposes that central finance will no longer subsidise the newly filed centralized PV power plants, commercial and industrial distributed PV projects and newly approved onshore wind power projects, and the grid parity will be achieved in 2021; the newly established projects in 2021 can form the on-grid tariff by voluntarily participating in market-oriented transactions. From 2021, the on-grid tariff for newly approved (filed) offshore wind power projects and PV thermal power projects shall be stipulated by the provincial pricing authorities, and the on-grid tariff for qualified projects can be formed through competitive allocation. For on-grid tariff higher than the local benchmark price of coal-fired power generation, the power grid companies shall settle the portion within the benchmark price.

- On 20 June 2021, the NEA issued the Notice on Submitting the County (City, District) Roof Distributed PV Development Pilot Scheme (《關於報送整縣（市、區）屋頂分佈式光伏開發試點方案的通知》), which proposes the pilot work on promoting roof distributed PV development within the entire county (city, district) and clarifies the requirements for the pilot scheme application, stipulates the minimum requirements for the proportion of PV power generation that can be installed on the roofs of specific public buildings and rural residential buildings. It can fully allow the mobilization and the leverage of the local strength, integrate resources to achieve intensive development, and further accelerate the promotion of the roof distributed PV development.

2. Review of Development Status of the Polysilicon Industry

According to the statistics of China Nonferrous Metals Industry Association Silicon Industry Branch (中國有色金屬工業協會硅業分會), the polysilicon production capacity in the PRC reached approximately 227,000 tons in the first half of 2021, representing a year-on-year increase of 10.7%. The import volume of polysilicon was approximately 60,100 tons, representing a year-on-year increase of 13.6%. In terms of specific price, the average price of monocrystalline dense materials rises from RMB87,200/ton (tax included) in January 2021 to RMB212,400/ton (tax included) in June 2021, representing an increase of 143.58%.

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

According to the statistics from the NEA, newly installed PV power generation capacity in China was 13.01GW in the first half of 2021, representing a year-on-year increase of 12.93%, of which newly installed capacity of centralised power stations was approximately 5.36GW; newly installed capacity of distributed power stations was approximately 7.65GW. In terms of the allocation of newly installed capacity, north China, east China and central China accounted for higher proportions of the installed capacity, representing 44%, 22% and 14% of newly installed capacity, respectively. As at the end of June 2021, China's accumulative installed PV power generation capacity reached 268GW.

In the first half of 2021, China's PV power generation was 157.64 billion kWh, representing a year-on-year increase of 23.4%; the average utilisation hours of such power were 660 hours, representing a year-on-year decrease of 3 hours. Northeast China and north China have higher utilisation hours, which were 790 hours and 652 hours, respectively. The PV power curtailment of China was 3.32 billion kWh with the PV power curtailment rate of 2.1%, representing a year-on-year decrease of 0.07 percentage point. The curtailment rates of northwest China and north China where PV consumption problem is relatively prominent, reduced to 4.9% and 2% respectively, representing a year-on-year decrease of 0.3 and 0.5 percentage point respectively.

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

According to the statistics from the NEA, the newly installed wind power capacity in China was 10.84GW in the first half of 2021, representing a year-on-year increase of 71.52%, of which newly installed capacity of onshore wind power was 8.69GW and newly installed capacity of offshore wind power was 2.15GW. In terms of the allocation of newly installed capacity, the central eastern and southern China accounted for approximately 59%, northeast China, north China and northwest China accounted for approximately 41%, indicating the further optimisation of wind power development allocation. As at the end of June 2021, the accumulative installed wind power capacity in China reached 292GW.

In the first half of 2021, the output of wind power in China was 344.18 billion kWh, representing a year-on-year increase of approximately 44.6%. The average utilisation hours of such power stations were 1,212 hours, representing a year-on-year increase of 88 hours. Among provinces with higher utilisation hours, the utilisation hours in Yunnan, western Inner Mongolia and Sichuan were 1,769 hours, 1,426 hours and 1,415 hours, respectively. The wind power curtailment was 12.64 billion kWh with the curtailment rate of 3.6%, representing a year-on-year decrease of 0.3 percentage point. The year-on-year decrease of wind power curtailment rates was particularly notable in Xinjiang, Hunan and Gansu where the curtailment rates were 8%, 2% and 4%, respectively, representing a year-on-year decrease of 4.2, 3.2, and 3 percentage points, respectively.

II. PRINCIPAL BUSINESS OPERATIONS OF THE GROUP

During the Reporting Period, under the guidance of industry policies and market demand drives, the new energy industry in China achieved rapid development, with newly installed wind power capacity representing a significant year-on-year increase. Due to the short-term supply-demand imbalance within certain segments of the PV industry chain, the price of polysilicon rose sharply, and the terminal demand for newly installed PV power generation capacity slows down but maintains a stable growth. The Group seized the opportunity of global development in new energy industry, continuously improved the polysilicon quality through technical innovation and process optimisation, accelerated the construction of the 100,000-ton-per-annum high-purity polysilicon green energy circular economy construction project in Inner Mongolia (the "**100,000-ton Polysilicon Project**") and the technical reformation of polysilicon production lines in Xinjiang. Meanwhile, by increasing the acquisition of wind and PV power resources, the Group constantly reduced the power generation cost through technical innovation and management technique reformation, further improved the Group's comprehensive competitiveness. During the Reporting Period, the Group achieved revenue of RMB7,750.87 million and the profit attributable to owners of the Company of RMB1,228.16 million, representing an increase of 130.17% and 70,565.25% respectively over the corresponding period of last year.

1. Polysilicon Production

During the first half of 2021, the polysilicon production of the Group was affected to a certain extent due to the supply shortage of cold hydrogenation materials of the existing production lines, price increase of raw materials and routine maintenance of production lines, resulting in an increase in average production costs as compared to the corresponding period of last year. Through technological innovation and process improvement, the Group restructured and standardized production capacity with the focus on an increase in the proportion of monocrystalline silicon materials and a reduction in the concentration of impurities, in an attempt to continuously improve the product quality. During the Reporting Period, the Group achieved a sales volume of approximately 35,400 tons of polysilicon, representing an increase of approximately 36% over the corresponding period of last year. The polysilicon production segment recorded revenue of RMB3,532.05 million, representing an increase of 157.36% over the corresponding period of last year, and achieved gross profit of RMB1,589.22 million, representing an increase of 1,288.14% over the corresponding period of last year.

To ensure long-term stable sales of polysilicon, the Group has successively entered into polysilicon sales framework agreements with a number of downstream silicon wafer customers, which has basically secured the sales of polysilicon products in the next 3 to 5 years.

2. Polysilicon Project Construction

In order to fundamentally address the bottlenecks in the production process of the existing polysilicon production line in Xinjiang, further release the production capacity and reduce the cost, the Group has determined to implement technical transformation of the existing polysilicon production line in Xinjiang through technological innovation, process optimization and potential exploration and transformation to increase the production capacity of 34,000 tons per year, which is expected to be completed in the first quarter of 2022. Upon completion, the Group's polysilicon production capacity in Xinjiang will be increased to 100,000 tons per year, and the average production cost of polysilicon will be further reduced.

In order to capture the opportunity of the rapid development of the PV power industry, make full use of the scale effect to reduce costs and enhance profitability, the Group has commenced the construction of the 100,000-ton Polysilicon Project through Inner Mongolia Xinte Silicon Materials Co., Ltd.* (內蒙古新特硅材料有限公司) ("**Inner Mongolia Xinte**", a subsidiary of the Company). The project will adopt the world's advanced, efficient, energy-saving and environmental friendly cold hydrogenation, distillation, reduction and tail gas recovery technologies to create a digital and intelligent polysilicon plant with better product quality, lower production costs and higher overall efficiency. The project is progressing steadily in accordance with a rigorous plan. At present, the Group has completed the project filing, environmental assessment, safety assessment, energy assessment and other important approvals as well as the acquisition of the project land, and has basically completed the design, tendering and procurement of the key core equipment. Land construction and engineering is currently under progress. The Group aims to complete and commence production in the second half of 2022. After the commencement of production, the polysilicon production capacity of the Group will reach 200,000 tons per year, which will further enhance the Group's industry position and core competitiveness.

In order to leverage on respective professional advantages of the PV power industry chain and strengthen in-depth strategic cooperation, the Company has introduced its downstream customers, namely Shangrao Jinko Energy Industry Development Co., Ltd.* (上饒市晶科能源產業發展有限公司) and JA Solar Technology Co., Ltd.* (晶澳太陽能科技股份有限公司) (the "**Investors**"), as shareholders of Inner Mongolia Xinte, each holding 9% equity interests in Inner Mongolia Xinte and forming a strategic partnership with capital linkage, which is beneficial to complementary advantages and win-win cooperation.

3. PV and Wind Power Resources Development in the PRC

Since 2021, new energy generation has entered the era of subsidy-free grid parity, which makes it particularly important to seek quality grid-parity resources and reduce generation costs. The Group kept close abreast with the national policy, timely followed up the wind and PV project construction management regulations and competitive profiles of various provinces and municipalities, fully analyzed the impact of consumption space on the development value of the regional market, focused on the "generation, grid, load and storage" and "multi-energy complementary applications" strategies, and gathered advantageous resources to quickly enter into grid parity projects with favorable conditions and guaranteed revenue. At the same time, the Group insisted on the development philosophy of "foundation, scale and intensification-driven" approaches, and actively deployed the project development of national ultra-high voltage transmission lines base. During the Reporting Period, the Group secured parity projects of more than 1GW.

In the first half of 2021, there was a decrease in wind turbine prices; however, the increase in component prices due to the short-term supply shortage of polysilicon, and the increase in prices such as support brackets and cables due to the rise in the prices of steel, copper, aluminum and other bulk raw materials also exerted an impact on the construction cost of new energy power plant to some extent. The Group is keeping abreast with market changes and has been reducing the impact of rising costs due to the increase of raw material price through various measures to achieve the optimal life cycle costs of power stations:

- Reduce engineering and construction costs through system design and circuit optimization, application of new materials, etc.;

- Continue to build quality projects and enhance customer reliability by breaking down project quality objectives and refining project quality control requirements at each stage;

- Continue to optimize supplier structure, reduce procurement costs through centralized tenders for components, support brackets, fans, towers, transformers, cables, engineering, etc., keep abreast with the project progress, ensure on-time supply, and secure the overall construction progress and costs of the project;

- Continue to improve and optimize the functions of the E-Cloud Platform and the integrated solution for new energy power stations, monitor the status, diagnose faults and provide predictive maintenance for various types of new energy equipment such as wind turbines, components and inverters, enhance the operation and maintenance service capability of power stations and enhance power generation.

During the Reporting Period, the completed total installed capacity of PV and wind power projects of the Group which had been recognised as revenue was approximately 550MW. The revenue of ECC segment was RMB2,998.77 million, representing an increase of 134.18% over the corresponding period of last year. The gross profit of the Group was RMB296.15 million, representing an increase of 83.06% over the corresponding period of last year.

4. Power Plant Operation — BOO Projects

The Group accelerated the final work of commissioning, elimination and acceptance of the wind power project of the ultra-high voltage transmission lines base in Ximeng, Inner Mongolia ("**Ximeng**") and Zhundong, Xinjiang. In the first half of 2021, it has started to contribute to revenue from power generation. The installed capacity scale of BOO power plants, which is expected to generate revenue from power generation by the end of 2021, will exceed 2GW.

The Group further reduced the operating cost of power stations and improved the operating income of BOO projects by enhancing technological innovation in intelligent auxiliary monitoring system for substations, intelligent operation and maintenance system with less staff on duty, life cycle health status monitoring of wind turbine blades with AI technology and remote auxiliary monitoring system for wind and PV power station operation. At the same time, the Group has vigorously expanded its electricity sales and trading business, actively participated in market-based electricity trading, and realized the value-added electricity generation in addition to the guaranteed annual utilization hours, so as to improve the revenue of BOO projects.

During the Reporting Period, the revenue of the Group's BOO segment was RMB727.18 million, representing an increase of 72.49% over the corresponding period of last year. The gross profit of the Group was RMB518.88 million, representing an increase of 85.28% over the corresponding period of last year.

5. Technology and Research and Development ("R&D")

The Group kept close abreast with the policy of the new energy industry, insisted on technological innovation and actively promoted the applications of new technologies, new processes and new products to ensure the healthy and long-term sustainable development of the Group.

In terms of polysilicon production, the Group focused on the proportion of monocrystalline silicon materials, improvement of quality stability, customer's experience in using materials at the ingot-pulling end, quality control of raw materials, etc. The Group carried out technology innovation projects with respect to the reduction process, optimization of cold hydrogenation system, tail gas recovery and utilization, finished product crushing, extension of polysilicon industry chain, etc., strengthening the process quality information traceability management and standardization implementation, commencing quality improvement work with customer-oriented approaches, and continuously promoting the production of N-type monocrystalline trial materials of our downstream customers and customer verification work.

In terms of the development of wind and PV power resources, the Group conducted technology planning for different new business scenarios in the context of grid parity, built a platform to support resource quality assessment, expanded and seized new business integration technologies, prepared and completed a cost standardization manual for engineering projects, unified technology standards and management standards, and achieved the optimal life cycle costs of power generation of the projects. At the same time, the Group also strengthened product technology innovation and digitalization construction, continued to promote the R&D and application of new products of inverters, miniaturization of power routers and compactness of flexible DC converter valves, accelerated the construction of digitalization and demonstration workshops, and continuously improved product R&D efficiency and quality control capabilities.

In the first half of 2021, the Group achieved fruitful results in technological innovations. A total of 52 applications for patents and technical secrets were submitted with 44 applications granted. As of 30 June 2021, the Group had a total of 583 domestic authorized patents and 7 international patents. The Group has participated in the formulation of 91 standards, including 4 international standards, 47 national standards and 34 industry standards.

6. Safety and Environmental Protection Management and Control

The Group continues to accomplish safety and environmental protection management and control, and integrates the deployment and requirements of pandemic prevention and control to fully implement safety and environmental protection responsibilities and enhances the construction of HSSE (health, safety, security and environmental protection) system. The Group strengthened the construction of a professional safety team and organized regular professional safety knowledge training for safety management to improve the safety professional skills, capability of hidden hazards detection and the quality of safety management operation. At the same time, the Group implemented the responsibility system for the coverage of major hazards, carried out self-assessment of major hazards and safety standardization teams, and strengthened the identification and evaluation of safety risks and environmental factors as well as the construction of the dual control system to ensure that all aspects of safety production work can be commenced on a normal basis. In the first half of 2021, the Group did not have any major production safety and environmental protection incidents.

7. Talent Team Building

In the first half of 2021, the Group strengthened its talent pool building in accordance with its business strategy, and accelerated the matching of the organization construction in line with its business development needs. The Group continued to adjust the talent structure in its core business segments, including technology R&D, market development, engineering management and power generation in an attempt to promote the quality of the talent team and continuously enhance the overall competitiveness of the Group’s human resources team. In addition, the Group fostered the cultivation of technological innovation talent and front-line skilled talent by organizing project simulation competitions and matching the corresponding skillset by stage, personnel and level to continuously improve the ability to address actual production issues and practical skills.

III. OPERATING RESULTS AND ANALYSIS

Financial Review:

Business Performance Table

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**7,750,865**	3,367,426
Cost of sales	**(5,285,012)**	(2,741,771)
Gross profit	**2,465,853**	625,655
Other income	**40,484**	43,308
Other gains/(losses) — net	**21,314**	(6,429)
Selling and marketing expenses	**(212,081)**	(138,423)
General and administrative expenses	**(305,998)**	(259,462)
Finance expenses — net	**(281,851)**	(254,286)
Share of profit of investments accounted for using the equity method	**19,814**	17,654
Profit before income tax	**1,698,684**	24,599
Income tax (expense)/credit	**(343,995)**	14,388
Profit attributable to the owners of the Company	**1,228,162**	1,738
Profit attributable to the non-controlling interests	**126,527**	37,249

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC and BOO. For the six months ended 30 June 2021, the revenue of the Group was RMB7,750.87 million, representing an increase of RMB4,383.44 million or 130.17% from RMB3,367.43 million in the corresponding period of last year, which was mainly attributable to the increase in sales of the Group's polysilicon products and significant increase in sales prices, as well as the increase in scale of ECC business during the Reporting Period.

	For the six months ended 30 June	
	2021	2020
Business Segments	***RMB'000***	*RMB'000*
Polysilicon production	**3,532,049**	1,372,429
ECC	**2,998,769**	1,280,552
BOO	**727,175**	421,582
Others	**492,872**	292,863
Total revenue	**7,750,865**	3,367,426

For the six months ended 30 June 2021, the revenue of polysilicon production segment was RMB3,532.05 million, representing an increase of RMB2,159.62 million or 157.36% from RMB1,372.43 million in the corresponding period of last year, which was mainly attributable to the increase in sales of the Group's polysilicon products and significant increase in sales prices during the Reporting Period.

For the six months ended 30 June 2021, the revenue of ECC segment was RMB2,998.77 million, representing an increase of RMB1,718.22 million or 134.18% from RMB1,280.55 million in the corresponding period of last year, which was mainly due to the Group strengthened efforts in market development, which led to the expansion of ECC business scale during the Reporting Period.

For the six months ended 30 June 2021, the revenue of BOO segment was RMB727.18 million, representing an increase of RMB305.59 million or 72.49% from RMB421.58 million in the corresponding period of last year, which was mainly attributable to the increase in scale of the BOO projects achieved by the Group which resulted in increased capacity of power generation during the Reporting Period.

Cost of sales

For the six months ended 30 June 2021, the cost of sales incurred by the Group was RMB5,285.01 million, representing an increase of RMB2,543.24 million or 92.76% from RMB2,741.77 million in the corresponding period of last year, which was mainly due to the increase in the revenue of the Group during the Reporting Period.

	For the six months ended 30 June	
	2021	2020
Business Segments	***RMB'000***	*RMB'000*
Polysilicon production	**1,942,827**	1,257,943
ECC	**2,702,622**	1,118,774
BOO	**208,298**	141,525
Others	**431,265**	223,529
Total cost	**5,285,012**	2,741,771

For the six months ended 30 June 2021, the cost of sales incurred by polysilicon production segment was RMB1,942.83 million, representing an increase of RMB684.88 million or 54.44% from RMB1,257.94 million in the corresponding period of last year, which was mainly due to the increase in costs resulting from the increase in sales of the Group's polysilicon products and the increase in prices of raw materials such as silicon powder and trichlorosilane during the Reporting Period, as well as the increase in electricity costs during the Reporting Period.

For the six months ended 30 June 2021, the cost of sales incurred by ECC segment was RMB2,702.62 million, representing an increase of RMB1,583.85 million or 141.57% from RMB1,118.77 million in the corresponding period of last year, which was mainly due to the increase in costs resulting from the expansion of the ECC business scale of the Group, as well as the increase in construction costs of some of the projects during the Reporting Period.

For the six months ended 30 June 2021, the cost of sales incurred by BOO segment was RMB208.30 million, representing an increase of RMB66.77 million or 47.18% from RMB141.53 million in the corresponding period of last year, which was mainly attributable to the increase in the cost resulting from the increase in the scale of the Group's BOO projects with achieved power generation during the Reporting Period.

Gross profit and gross profit margin

For the six months ended 30 June 2021, the gross profit of the Group was RMB2,465.85 million, representing an increase of RMB1,840.20 million or 294.12% from RMB625.66 million in the corresponding period of last year, which was mainly attributable to the increase in sales of the Group's polysilicon products and significant increase in sales prices, as well as the increase in the scale of the BOO projects and power generation capacity during the Reporting Period; the comprehensive gross profit margin was 31.81%, representing an increase of 13.23 percentage points over the corresponding period of last year, which was mainly due to the significant increase in the sales prices of the Group's polysilicon products and the significant increase in the gross profit margin of the polysilicon production segment during the Reporting Period.

Other income

For the six months ended 30 June 2021, other income of the Group was RMB40.48 million, representing a decrease of RMB2.82 million or 6.52% from RMB43.31 million in the corresponding period of last year, which was mainly due to the decrease in government grants during the Reporting Period.

Other gains/(losses) — net

For the six months ended 30 June 2021, the net other gains of the Group were RMB21.31 million, representing an increase of RMB27.74 million from the net other losses of RMB6.43 million in the corresponding period of last year, which was mainly due to the increase in fines and indemnity income received from certain suppliers by the Group during the Reporting Period.

Selling and marketing expenses

For the six months ended 30 June 2021, the selling and marketing expenses of the Group were RMB212.08 million, representing an increase of RMB73.66 million or 53.21% from RMB138.42 million in the corresponding period of last year, which was mainly due to the increase in marketing expenses resulting from the Group's intensified efforts to develop the market during the Reporting Period.

General and administrative expenses

For the six months ended 30 June 2021, the general and administrative expenses of the Group were RMB306.00 million, representing an increase of RMB46.54 million or 17.94% from RMB259.46 million in the corresponding period of last year, which was mainly due to the increase in the leasing expenses, handling expenses and depreciation expenses of the Group during the Reporting Period.

Finance expenses — net

For the six months ended 30 June 2021, the net finance expenses of the Group were RMB281.85 million, representing an increase of RMB27.57 million or 10.84% from RMB254.29 million in the corresponding period of last year, which was mainly due to the reclassification of the 36,000 tons/per annum high-purity polysilicon industry upgrade project of the Group (the "**36,000-ton Polysilicon Project**") to fixed assets at the end of March 2020, and the increase in interest expenses as a result of the increase in the scale of the Group's borrowings during the Reporting Period.

Share of profit of investments accounted for using the equity method

For the six months ended 30 June 2021, the profit of investments accounted for using the equity method of the Group was RMB19.81 million, representing an increase of RMB2.16 million or 12.24% from RMB17.65 million in the corresponding period of last year, which was mainly due to the increase in profit of the Group's associates during the Reporting Period.

Income tax (expense)/credit

For the six months ended 30 June 2021, the income tax expense of the Group was RMB344.00 million, representing an increase of RMB358.38 million from the income tax credit of RMB14.39 million in the corresponding period of last year, which was mainly due to the increase in the Group's estimated taxable profit as compared with the corresponding period last year during the Reporting Period.

Profit attributable to the owners of the Company

For the six months ended 30 June 2021, the profit attributable to the owners of the Company was RMB1,228.16 million, representing an increase of RMB1,226.42 million or 70,565.25% from RMB1.74 million in the corresponding period of last year, which was mainly due to the increase in the Group's profit before income tax as compared with the corresponding period last year during the Reporting Period.

Profit attributable to the non-controlling interests

For the six months ended 30 June 2021, the profit attributable to the non-controlling interests of the Group was RMB126.53 million, representing an increase of RMB89.28 million or 239.68% from RMB37.25 million in the corresponding period of last year, which was mainly due to the increase in the profit of Xinjiang Xinte Crystal Silicon Hightech Co., Ltd.* (新疆新特晶體硅高科技有限公司), a subsidiary of the Group during the Reporting Period.

Cash Flows

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**990,566**	(40,021)
Net cash used in investing activities	**(1,053,091)**	(1,763,263)
Net cash generated from financing activities	**1,685,196**	1,548,440
Net increase/(decrease) in cash and cash equivalents	**1,622,671**	(254,844)

Net cash generated from/(used in) operating activities

For the six months ended 30 June 2021, the net cash generated from operating activities of the Group was RMB990.57 million, representing an increase of RMB1,030.59 million from the net cash used in operating activities of RMB40.02 million in the corresponding period of last year, which was mainly due to the increase in the operating cash received resulting from the increase in the sales revenue of polysilicon and in the scale of the ECC business of the Group during the Reporting Period.

Net cash used in investing activities

For the six months ended 30 June 2021, the net cash used in investing activities of the Group was RMB1,053.09 million, representing a decrease of RMB710.17 million or 40.28% from RMB1,763.26 million in the corresponding period of last year, mainly attributable to the increase in construction expenditure of the Group's 36,000-ton Polysilicon Project and Ximeng and Zhundong BOO projects in the corresponding period of last year, and a decrease in the construction expenditure of the Group's projects during the Reporting Period compared to the corresponding period last year.

Net cash generated from financing activities

For the six months ended 30 June 2021, the net cash generated from financing activities of the Group was RMB1,685.20 million, representing an increase of RMB136.76 million or 8.83% from RMB1,548.44 million in the corresponding period of last year, which was mainly due to the decrease in the Group's repayment of borrowings during the Reporting Period compared to the corresponding period last year.

Operation Fund

	As of 30 June 2021	As of 31 December 2020
Cash and cash equivalents at the end of the period *(RMB'000)*	**3,396,921**	1,773,792
Gearing ratio	**83.27%**	86.55%
Inventory turnover rate *(times)*	**2.46**	4.29
Inventory turnover days *(days)*	**73.26**	83.92

As of 30 June 2021, the cash and cash equivalents of the Group were RMB3,396.92 million (31 December 2020: RMB1,773.79 million).

The required capital fund of the BT and BOO businesses in which the Group is engaged generally accounts for 20%–30% of the total investment of a project, the rest of which is mainly bank loans that could materially affect the Group's gearing ratio. As of 30 June 2021, the gearing ratio of the Group was 83.27% while that as of 31 December 2020 was 86.55%. The gearing ratio was calculated by dividing its net debts by total equity, and net debts was calculated by deducting restricted bank balances and cash balances at bank from total interest-bearing liabilities.

BT projects under construction and completed pending for transfer were included in the inventory item, and whether BT projects can be transferred in time is significantly important for the Group's inventory turnover rate and turnover days. The inventory turnover rate and turnover days of the Group were 2.46 times and 73.26 days on 30 June 2021, respectively, and the inventory turnover rate and turnover days of the Group were 4.29 times and 83.92 days on 31 December 2020, respectively.

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

Capital expenditure

For the six months ended 30 June 2021, the major capital expenditure of the Group included: RMB1,307.79 million for the purchases of property, plant and equipment and RMB17.12 million for the purchases of intangible assets.

Contingent liabilities

The Group has contingent liabilities in respect of claims or other legal proceedings arising in its ordinary course of business from time to time. As of 30 June 2021, the directors of the Company did not foresee that any material liabilities would arise from the contingent liabilities other than those provided in the condensed consolidated interim financial information.

Pledge of assets

As of 30 June 2021, secured short-term bank borrowings with amount of RMB8,235,000 were pledged with the Group's certain land use rights and property, plant and equipment; secured short-term bank borrowings with amount of RMB2,710,000 represented proceeds received under trade receivable factoring agreements with recourse entered into with banks by the Group; secured long-term bank borrowings with amount of RMB13,782,142,000 were guaranteed by TBEA and the Company, and were pledged with certain inventory, land use rights, property, plant and equipment and collection right of certain receivable of the Group, respectively; secured long-term bank borrowings with amount of RMB300,000,000 were pledged with notes receivable from certain subsidiaries of the Group; secured long-term other borrowings with amount of RMB199,000,000 were guaranteed by the bank credit; secured long-term other borrowings with amount of RMB1,000,000,000 were pledged with certain property, plant and equipment and collection right of certain receivable of the Group.

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

On 18 June 2021, the Company, Inner Mongolia Xinte and the Investors entered into the Capital Injection Agreement, pursuant to which, the Company and the Investors have agreed to inject capital of RMB2.81 billion and RMB0.63 billion to Inner Mongolia Xinte, respectively. The shareholding of the Company in Inner Mongolia Xinte will be reduced from 100% to 82% upon completion of the Capital Injection. Please refer to the circular of the Company dated 6 August 2021 for further details.

Save as disclosed above, the Group had no material acquisition and disposal of assets, subsidiaries, associates and joint ventures during the Reporting Period.

Significant investments

The Group had no significant investments during the Reporting Period.

Foreign exchange risk

Most of the Group's business is located in China and is traded in RMB. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The Directors believe that the exposure of the foreign exchange risk of the Group is minimal, and will not have material adverse impact on the financial position of the Group. The Group currently does not have a foreign currency hedging policy, but the management of the Group closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when needed.

Interest rate risk

The Group's interest rate risk mainly arises from short-term borrowings and long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group analyses its interest rate exposure on a dynamic basis, and various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

Capital liquidity

As of 30 June 2021, current assets of the Group amounted to RMB18,274.97 million, among which, RMB3,396.92 million was cash and cash equivalents; RMB6,064.28 million was trade and notes receivable, primarily consisting of receivables of ECC and sales of inverters; and RMB3,084.11 million were other receivables and other current assets, primarily consisting of deductible VAT and prepayments to customers.

As of 30 June 2021, current liabilities of the Group amounted to RMB16,537.89 million, including RMB8,796.96 million of trade and notes payable, primarily consisting of payables for purchase of PV and wind power projects, equipment, laboring, materials, coal fuels, and polysilicon producer goods; RMB3,158.02 million of provisions and other payables, primarily consisting of payables relating to purchase of property, plant, and equipment; and RMB2,914.60 million of short-term borrowings.

As of 30 June 2021, net current assets of the Group amounted to RMB1,737.08 million, representing an increase of RMB1,452.22 million as compared with the net current assets of RMB284.86 million as of 31 December 2020. The current ratio was 110.50% as of 30 June 2021, representing an increase of 8.75 percentage points as compared with the current ratio of 101.75% as of 31 December 2020. Restricted cash amounted to RMB2,100.52 million, mainly including deposits for bills and issuance of the letter of credit.

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

Borrowings and notes payable

As of 30 June 2021, the Group's balance of the borrowings and notes payable amounted to RMB23,508.88 million, representing an increase of RMB1,151.41 million as compared with the balance of the borrowings and notes payable of RMB22,357.47 million as of 31 December 2020. As of 30 June 2021, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB7,939.97 million (including long-term borrowings due within one year of RMB2,103.65 million and notes payable of RMB5,025.37 million), and long-term borrowings amounting to RMB15,568.91 million.

Credit risk

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

Events after the balance sheet date

Placing of H Shares

On 12 August 2021, the Company completed the placing of new H shares under the general mandate (the "**Placing of H Shares**") by placing 62,695,126 new H shares at a placing price of HK$16.5 per share, with net proceeds (after deduction of the commissions and estimated expenses) from the placing amounting to approximately HK$1,017 million, which will be used for the construction of the 100,000-ton Polysilicon Project through capital injection to Inner Mongolia Xinte.

Please refer to the announcements of the Company dated 10 May 2021, 3 August 2021, 5 August 2021 and 12 August 2021 for the details of the Placing of H Shares.

Issuance of Domestic Shares

The Company intends to issue not more than 167,304,874 and 10,000,000 domestic shares to TBEA and Jinglong Technology Holdings Limited (晶龍科技控股有限公司), respectively, by way of non-public issuance of domestic shares under the specific mandate (the "**Issuance of Domestic Shares**"), which was considered and approved at the second extraordinary general meeting of 2021, first H Shares Shareholders class meeting of 2021 and first Domestic Shares Shareholders class meeting of 2021 of the Company held on 28 June 2021. The Company has submitted the application materials for the Issuance of Domestic Shares to the China Securities Regulatory Commission (the "**CSRC**"). On 8 July 2021, the CSRC accepted the application for further processing. On 5 August 2021 (before trading hours of The Stock Exchange of Hong Kong Limited), the Company and TBEA entered into the TBEA Subscription Agreement, pursuant to which TBEA has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue a total of 167,304,874 Domestic Shares at the Subscription Price of RMB13.73 per domestic share, amounting to a total of approximately RMB2,297 million (equivalent to HK$2,761 million). As of the date of this announcement, the Issuance of Domestic Shares is under review by the CSRC. The Issuance of Domestic Shares will be completed at appropriate window(s) in accordance with market conditions upon satisfaction of the conditions precedent under the TBEA Subscription Agreement.

Please refer to the circular of the Company dated 11 June 2021, the announcements of the Company dated 29 April 2021, 14 May 2021, 8 July 2021 and 5 August 2021 for the details of the Issuance of Domestic Shares.

Save as disclosed above, the Group had no other material events after the balance sheet date as of the date of this announcement.

IV. PROSPECTS

Market Prospects

In December 2020, President Xi Jinping emphasized at the virtual Climate Ambition Summit that by 2030 China will lower its carbon dioxide emissions per unit of GDP by over 65% from the 2005 level, increase the share of non-fossil fuels in primary energy consumption to around 25%, increase the forest stock volume by 6 billion cubic meters from the 2005 level, and total installed capacity of wind and solar power will increase to over 1.2 billion kilowatts.

In March 2021, it was proposed at the ninth meeting of the Central Commission for Financial and Economic Affairs that the "14th Five-Year" period was the key and window period for reaching carbon dioxide emission peak. China must build a clean, low-carbon, safe and efficient energy system, implement replacement with renewable energy, deepen the reform of the power system, and construct a new power system with new energy as the main part. At the same time, the "14th Five-Year" Plan and the outline of the Long-Range Objectives through the Year 2035 (《「十四五」規劃和2035年遠景目標綱要》) considered and approved at the Fourth Meeting of the 13th National People's Congress clearly proposed that it was necessary to build a clean, low-carbon, safe and efficient energy system, which set a direction for the development of new energy in the PRC. The bright market prospect will bring good development opportunities for the development of new energy industry.

Business Plan in the Second Half of 2021

As the opening year of the "14th Five-Year" Plan, in 2021, the Group will capture the opportunities to adjust and accelerate the industrial development, commence in-depth innovation and cost reduction, improve product quality, and ensure the healthy and sustainable development of the enterprise under China's "carbon emissions peaking and carbon neutrality" strategy. We will make continuous efforts to achieve better development of our businesses in 2021 by keeping abreast with the "14th Five-Year" Plan.

1. Insist on "emphasis on safety" to safeguard the business operation

In the second half of 2021, the Group will continue to insist on the construction of the HSSE system to safeguard the business operation, put an emphasis on the construction of safety culture and professional team, organize regular training for all employees on safety-related laws and regulations, standards, safety systems and professional safety knowledge, and practically improve the safety professional skills, hidden hazards detection capability and the business quality of safety management. The Group continues to strengthen its management and control over major production and engineering projects such as production, technical transformation projects, construction of 100,000-ton Polysilicon Project and construction of new energy power stations. The Group also formulates corresponding emergency plans for key areas of concern and major hazardous operations of resource development projects, and conducts drills as required to ensure that safety risks are always under control.

2. Enhance polysilicon production capacity and continue to promote quality improvement and cost reduction

In the second half of 2021, due to the rebound in demand from PV terminals, it is expected that the supply of polysilicon will remain less than the demand. The Group will capture the market opportunities to further increase polysilicon production by enhancing the reduction efficiency and improving the stable operation rate of the equipment, so as to realize the reduction in production cost and the improvement in quality stability.

In addition, the Group will accelerate the implementation of the polysilicon technology transformation project at the Xinjiang production line, releasing cold hydrogenation production capacity as soon as possible in the third quarter of 2021, while further increasing polysilicon production capacity by adding reduction furnaces and other equipment, with all technology transformation expected to be completed in the first quarter of 2022. Meanwhile, the Group will accelerate the construction of the 100,000-ton Polysilicon Project, implement the project in strict accordance with the design plan, technical standards and construction standards, strengthen the supervision and sampling of the major equipment, combine the experience of previous project construction and production, address bottlenecks in advance, and build an intelligent plant surrounding three major lines covering production integration optimization, production integration and control, and life-cycle asset management, so as to realize the quality, cost, and electricity consumption of polysilicon and secure its leading position around the world. We will strive to commence production in the second half of 2022, and ensure full production and long-term stable operation after the project is put into operation.

3. Keep abreast with the industry policy, innovative wind and PV resource development model

In the second half of 2021, the Group will keep close abreast with the national policy, capture the opportunities of the “14th Five-Year” Plan, focus on innovative development models such as “the integration of power source and grid”, “multi-energy complementary”, and “county-wide distributed PV”. We will unwaveringly promote the project development, including large bases of ultra-high voltage and complex resources, carry out centralised and distributed projects, and accomplish synergetic development of power generation and energy storage.

At the same time, the Group will accelerate the completion, acceptance and subsidy application of the wind power project of the ultra-high voltage transmission lines base in Ximeng, Inner Mongolia and Zhundong, Xinjiang, and ensure that they are all included in the national subsidies catalog, as well as promote spot trading of electricity in each region to improve the income of power stations.

4. ***Strengthen technology innovation and promote the transformation of technology achievements***

In the second half of 2021, the Group will focus on the objectives of quality improvement, cost reduction and lowest cost per unit of electricity to carry out science and technology innovation, continuously accelerate the reform in technology R&D system and promote the transformation of science and technology achievements.

With respect to the polysilicon products, the Group will continue to promote technology research projects focusing on the improvement of the lifespan of polysilicon products, the reduction in donor and acceptor impurity and the stable operation of key equipment to improve the intrinsic quality of polysilicon products and steadily increase the proportion of polysilicon monocrystalline materials; continue to promote process optimization to achieve effective reduction in core indicators such as main material unit consumption and electricity unit consumption, and continuously optimize polysilicon production costs.

Regarding the wind and PV resource development, operation and maintenance, the Group will continue to improve the resource quality assessment platform to provide front-end technical support for wind and PV resource acquisition with the emphasis on the business development needs; accelerate the construction and operation of the centralized control platform at the intelligent power stations to enhance the capability of remote monitoring, intelligent diagnosis, online evaluation and fault prediction, realize real-time health monitoring of power stations and build a digital operation and maintenance team. At the same time, the Group will facilitate the construction of digital demonstration plants surrounding the product R&D and design, raw material procurement, process quality control, production plan adjustment and optimization and manufacturing process improvement to standardize R&D project management and improve product R&D efficiency and quality control capability.

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with changes in policies

The new energy industry belongs to a strategic emerging industry. Benefiting from the promotion of the national industrial policy, the new energy industry has undergone rapid development over the past decade or so. At the current stage, some areas in China have achieved or are approaching grid parity; however, the industrial support policy adjustment promoted by the government has still exerted a greater impact on the new energy industry. With the gradual maturity of the new energy industry technology, the rapid expansion of the industry scale and the continuous decline in costs, the national policy support for the new energy industry in general has witnessed a weakening trend. Any significant changes in the policy regarding the new energy industry in the future may have an adverse impact on the Group's operations and profitability.

The Group will continue to follow up and analyze the impact of the policy and adopt effective countermeasures to protect its own interests.

2. Risks associated with a drop in polysilicon prices

During the Reporting Period, due to the imbalanced supply and demand in the industry chain, the price of polysilicon rose sharply. Imbalanced supply and demand or an oversupply of polysilicon may occur, if there is an increase in the production capacity of the polysilicon industry in the near future, a significant progress of other technology that can replace production process of the improved Siemens approach, or if the government adjusts the policies related to PV power generation and a decrease in the downstream demand for PV. As a result, there may be risks associated with possible decrease in the polysilicon prices, which may have an adverse impact on the Group's profitability.

The Group will improve its technology R&D ability, accelerate the construction and production of the 100,000-ton Polysilicon Project, and further enhance its competitiveness through improvement in production and quality, and reduction in production costs.

3. Risks associated with intensified market competition

The obvious acceleration of the global energy transformation, the rapid new energy structure adjustment in the PRC and new initiatives regarding the industry transformation and upgrade have accelerated the wind and PV industries to fully achieve grid parity and market-oriented development. In this new era of development, enterprises with outdated technology and high costs will be gradually eliminated from the market, and market competition will become increasingly fierce. The above factors may exert an impact on the Group's market share and revenue to a certain extent, and further affect the Group's operating results.

The Group will actively respond to the market challenges, leverage on its strengths, supply the market with quality and low cost products, provide its customers with professional services and continuously optimize its business structure to further consolidate and enhance its industry position.

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

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

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

5. Risks associated with the impact of the pandemic

In 2020, the COVID-19 pandemic (the "**Pandemic**") broke out on a global scale, causing a sudden crisis, and impacting human health, economic growth, social development and international relations, etc. The Pandemic also inevitably has an adverse impact on the development of the global new energy industry, and various segments of the industry have also been affected to varying degrees. The above factors may result in a recession in demand of PV power products such as polysilicon and inverter, and intensify market competition; and tight supply of key equipment such as fans and towers, thus delaying the construction progress of the power plants, which in turn affect the Group's operating results.

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

VI. OTHER INFORMATION

Employees

As at 30 June 2021, the Group had a total of 4,495 employees. Remuneration paid to the Group's employees is comprised of basic salary of the respective position and performance-based salary, with the performance-based salary determined based on the performance of the Group and performance assessment results of the employees.

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

During the Reporting Period, the Group paid employees remuneration of RMB441.25 million in aggregate.

Interim Dividend

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2021.

Compliance with Corporate Governance Code

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 2021, 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 Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on terms no less exact than those in the Model Code. The Company is not aware any breach of the above guidelines by any employees.

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 during the Reporting Period.

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 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 CG Code.

The audit committee of the Company reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2021 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 which was 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 https://www.xinteenergy.com. The 2021 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.
Zhang Jianxin
Chairman

Xinjiang, the PRC
27 August 2021

As at the date of this announcement, the Board of the Company consists of Mr. Zhang Jianxin, Mr. Yin Bo and Mr. Xia Jinjing as executive directors; Mr. Zhang Xin, Mr. Huang Hanjie and Ms. Guo Junxiang as non-executive directors; and Mr. Cui Xiang, Mr. Chen Weiping and Mr. Tam, Kwok Ming Banny as independent non-executive directors.

* *for identification purpose only*