順風光電國際有限公司
Shunfeng Photovoltaic International Limited

(incorporated in the Cayman Islands with limited liability)

Stock code: 01165

2011 Interim Report

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Tang Guoqiang *(Chairman)*
Mr. Shi Jianmin *(Vice Chairman)*
(appointment effective from 1 September 2011)
Mr. Lu Jianqing
Mr. Qian Kaiming

Independent Non-executive Directors

Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Ge Ming

AUDIT COMMITTEE

Mr. Ge Ming *(Chairman)*
Mr. Tao Wenquan
Mr. Zhao Yuwen

REMUNERATION COMMITTEE

Mr. Tang Guoqiang *(Chairman)*
Mr. Lu Jianqing
Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Ge Ming

COMPANY SECRETARY

Mr. Tse, Man Kit Keith

AUTHORISED REPRESENTATIVES

Mr. Tang Guoqiang
Mr. Tse, Man Kit Keith

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

99 Yanghu Road
Wujin Hi-Tech Industrial Development Zone
Changzhou City
Jiangsu 213164
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 4631, 4607–11,
The Center
99 Queen's Road Central
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

As to Hong Kong law and U.S. law
Baker & McKenzie

PRINCIPAL BANKS

China Construction Bank
Changzhou Wujin Subbranch
Jiangnan Rural Commercial Bank
Industrial and Commercial Bank of
China Changzhou Branch

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.sf-pv.com

STOCK CODE

01165

Chairman's Statement

On behalf of the Board of Shunfeng Photovoltaic International Limited (the "Company"), I am pleased to report the audited interim results of the Group for the six months ended 30 June 2011 (the "Period"). During the Period, we achieved strong performance and robust growth in shipment volumes, revenues and profitability.

Set out below are some financial and business highlights for the Period:

- Revenue for the Period was RMB1,077.0 million, up approximately 315.2% year-on-year from RMB259.4 million for the corresponding period in 2010;
- Gross profit for the Period was RMB134.4 million, up 100.3% year-on-year from RMB67.1 million for the corresponding period in 2010;
- Gross profit margin for the Period was 12.5%, decreased from 25.9% for the corresponding period in 2010;
- Net profit for the Period was RMB85.8 million, up approximately 95.0% year-on-year from RMB44.0 million for the corresponding period in 2010;
- Net profit margin for the Period was 8.0%, decreased from 17.0% for the corresponding period in 2010;
- Profit attributable to owners of the Company was RMB87.2 million, up 98.2% year-on-year from RMB44.0 million for the corresponding period in 2010;
- Profit attributable to owners of the Company exceeded the estimated profit as disclosed in the "Financial Information — Profit Forecast" section of the prospectus dated 30 June 2011 issued by the Company (the "Prospectus");
- Earnings per share for the Period was RMB7.45 cents, up 98.1% year-on-year from RMB3.76 cents for the corresponding period in 2010;
- Overall shipment volume of our products for the Period was 156.2MW, up 408.8% year-on-year from 30.7MW for the corresponding period in 2010;
- Sales of our 156 mm by 156 mm monocrystalline solar cells represented 78.2% of total revenue for the Period and 1.3% of total revenue for the corresponding period in 2010; and
- The annualized production capacity for our solar cells and silicon wafers during the Period and as at the date of this report was 420MW and 200MW, respectively.

We are pleased with the strong results in the first half of 2011 and in particular our achievement of the highest shipments in our Group's history during the Period. Our strong performance was attributable to the Company's brand recognition and cost advantages which best position us to capitalize on favorable industry demand.

We launched the 156 mm by 156 mm monocrystalline solar cells in 2010. During the Period, demand from our customers for our quality 156 mm by 156 mm solar cells was strong. Sales of our 156 mm by 156 mm monocrystalline solar cells for the Period represented 78.2% of our total revenue.

Chairman's Statement

Owing to our production capacity expansion, our gross profit for the Period was RMB134.4 million, up 100.3% year-on-year from RMB67.1 million for the corresponding period in 2010. Our gross margin decreased from 25.9% for the corresponding period in 2010 to 12.5% for the Period. Our net profit for the Period was RMB85.8million, up 95.0% year-on-year from RMB44.0 million for the corresponding period in 2010. Our net profit margin for the Period decreased from 17.0% for the corresponding period in 2010 to 8.0% for the Period.

We are in the process of expanding our production capacity to capture the anticipated global demand for solar products and enhance our market competitiveness by leveraging our scalable business model and experience in managing rapid production growth. We expect to expand our annual solar cell production capacity from 420MW as of 30 June 2011 to 660MW by the end of 2011.

While we remain our primary focus on solar cells, we will continue to invest in the coordinated expansion of our silicon wafer and solar module production to realize the benefits of vertical integration. As a result, we expect to reach an annual silicon wafers production capacity of 500MW and an annual solar module production capacity of 300MW by the end of 2011.

We currently focus on our core solar cell business and are implementing our vertical integration strategy. We expect to achieve cost savings and enhance our competitiveness through vertical integration.

We have continuously increased the performance and quality of our products, improved the efficiency of our manufacturing process and reduced the processing cost per watt. During the Period, we have received 7 utility model patents granted by the PRC patent authority. We have accumulated significant expertise and experience in silicon materials, solar cell device physics, process technologies and the design and improvement of advanced solar cell manufacturing equipment, for which we have received 14 patents and 10 patent applications pending. As we continue our capacity expansion and vertical integration, we believe our proprietary technologies and research and development achievements will enable us to compete effectively in the global solar power industry.

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their support and trust in us, and also to our management and employees for their hard work. We look forward to creating greater value and return for our shareholders.

INTERIM RESULTS

The Board of Directors is pleased to announce the interim results and the audited consolidated financial statements of the Group for the Period, together with the comparative figures for the corresponding period in 2010. These results have been reviewed by the Company's audit committee ("Audit Committee"), comprising solely the independent non-executive Directors, one of whom chairs the committee.

Tang Guoqiang
Chairman
Jiangsu, the PRC

31 August 2011

Management Discussion and Analysis

BUSINESS REVIEW

We achieved the highest shipments of our products in our Group's history during the Period. Overall shipment volume of our products for the Period was 156.2MW, up 408.8% year-on-year from 30.7MW for the corresponding period in 2010. The strong performance was attributable to the Company's industry-leading brand recognition and cost advantages which best positioned us to capitalize on favorable industry demand. Our strong shipment volume of our products during the Period as well as favourable feedback we received from our customers regarding our products were testimony to the Company's strong market position, technology, quality, and value proposition.

For the Period, demand from our customers for our quality 156 mm by 156 mm monocrystalline solar cells was strong. Sales of our 156 mm by 156 mm monocrystalline solar cells for the Period represented 78.2% of total revenue.

Our top five customers in the Period represented 60.1% of our total revenues, comparing to 88.3% in the corresponding period last year. Our largest customer accounted for approximately 33.1% of our total revenue in the Period while it represented approximately 31.0% in the corresponding period last year. During the Period, our sales to PRC based customers represented approximately 97.5% of our total revenue, comparing to 94.0% in the same period last year. We believe that the leading solar module enterprises in the PRC enjoy superior cost effectiveness compared to other market players, and thus it is our strategy to strengthen our business relationships with such leading solar module enterprises with a view to creating substantial value for the long-term development of the Group.

Our gross profit for the Period was RMB134.4 million, up 100.3% year-on-year from RMB67.1 million for the corresponding period in 2010. The gross profit margin for the Period decreased to 12.5% from 25.9% in the corresponding period last year. Our net profit for the Period was RMB85.8 million, up 95.0% year-on-year from RMB44.0 million for the corresponding period in 2010. The net profit margin for the Period decreased to 8.0% from 17.0% in the corresponding period last year.

We are in the process of expanding our production capacity to capture the anticipated global demand for solar products and enhance our market competitiveness by leveraging our scalable business model and experience in managing rapid production growth. We expect to expand our annual solar cell production capacity from 420MW as of 30 June 2011 to 660MW by the end of 2011. Save as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the Group did not have any other plans for material investments or capital assets.

Subsequent to 30 June 2011, there is no occurrence of any important event that may affect the Group.

FINANCIAL REVIEW

Revenue

Revenue increased by RMB817.6 million, or 315.2%, from RMB259.4 million for the corresponding period in 2010 to RMB1,077.0 million for the Period, primarily as a result of an increase in our sales volume, partially offset by a decrease in the average selling price of our solar products. The increase in our sales volume was generally due to the expansion of our annualized production capacity from 60 MW in the corresponding period in 2010 to 420 MW in the Period and the increase in customer demand for our monocrystalline solar products. The shipment volume of our solar products increased by 408.8% from 30.7 MW for the corresponding period in 2010 to 156.2 MW for the Period.

Management Discussion and Analysis

For the Period, sales of our 156 mm by 156 mm monocrystalline solar cells accounted for 78.2% of our total revenue and sales of our 125 mm by 125 mm monocrystalline solar cells accounted for 21.0% of our total revenue.

Sales of 156 mm by 156 mm monocrystalline solar cells

Revenue from sales of 156 mm by 156 mm monocrystalline solar cells increased by RMB839.0 million, or 246.8 times, from RMB3.4 million for the corresponding period in 2010 to RMB842.4 million for the Period, primarily as a result of an increase of sales volume by 304.0 times from 0.4 MW for the corresponding period in 2010 to 122.0 MW for the Period, partially offset by a decrease in our average unit price for this product by 19.4% from RMB8.57 per watt for the corresponding period in 2010 to RMB6.91 per watt for the Period.

Sales of 125 mm by 125 mm monocrystalline solar cells

Revenue from sales of 125 mm by 125 mm monocrystalline solar cells decreased by RMB29.8 million, or 11.6%, from RMB256.0 million for the corresponding period in 2010 to RMB226.2 million for the Period, primarily as a result of a decrease in our average unit price for this product by 17.6% from RMB8.46 per watt for the corresponding period in 2010 to RMB6.97 per watt for the Period, partially offset by an increase in our sales volume by 6.9% from 30.3 MW for the corresponding period in 2010 to 32.4 MW for the Period.

In terms of the geographic markets from which our revenue was generated, approximately 97.5% of total revenue for the Period was generated from sales to our PRC customers, compared to 94.0% for the corresponding period in 2010. Remaining portion was generated from sales to our oversea customers, who are mainly based in certain Asian and European countries.

Cost of sales

Cost of sales increased by RMB750.3 million, or 3.9 times, from RMB192.3 million for the corresponding period in 2010 to RMB942.6 million for the Period, primarily as a result of an increase in sales volume.

Gross profit

Gross profit increased by RMB67.3 million, or 100.3%, from RMB67.1 million for the corresponding period in 2010 to RMB134.4 million for the Period, primarily as a result of the foregoing.

Other income

Other income increased by RMB3.3 million, or 3.0 times, from RMB1.1 million for the corresponding period in 2010 to RMB4.4 million for the Period, primarily due to government subsidies received and gain on sales of raw and other materials during the Period.

Other gains and losses

Other gains and losses decreased by RMB4.9 million, or 54.4%, from RMB9.0 million for the corresponding period in 2010 to RMB4.1 million for the Period, which was primarily due to losses related to a change in fair value of foreign currency forward contracts and recognition of fair values of financial guarantee contracts issued of RMB9.2 million in 2010, partially offset by the increase in legal and professional fees of RMB5.4 million which was incurred in relation to the Global Offering in 2011.

Management Discussion and Analysis

Distribution and selling expenses

Distribution and selling expenses increased by RMB0.9 million, or 90.0% from RMB1.0 million for the corresponding period in 2010 to RMB1.9 million for the Period, primarily due to a strong demand for our products during the Period, which enable us to increase the sales and marketing expenses and increase in our sales volume.

Administrative expenses

Administrative expenses increased by RMB10.2 million, or 136.0%, from RMB7.5 million for the corresponding period in 2010 to RMB17.7 million for the Period, primarily as a result of the significant growth in the scale of our operations during the Period.

Finance costs

Finance costs increased by RMB18.4 million from nil in the corresponding period in 2010 to RMB18.4 million for the Period, primarily as a result of increased interest expenses incurred in connection with the bank loans borrowed to finance the expansion of our production capacity during the Period.

Profit before tax

Profit before tax increased by RMB46.0 million, or 90.7%, from RMB50.7 million for the corresponding period in 2010 to RMB96.7 million for the Period, as a result of the reasons stated above.

Income tax expense

Income tax expense increased by RMB4.1 million, or 60.3%, from RMB6.8 million for the corresponding period in 2010 to RMB10.9 million for the Period, primarily as a result of the increase in our profit before taxation. Our effective tax rate was 11.3% for the Period, decreased from 13.3% for the corresponding period in 2010. The effective tax rates for the Period and the corresponding period in 2010 were lower than the standard PRC Enterprise Income Tax rate of 25% due to 50% reduction in enterprise income tax entitled by Jiangsu Shunfeng Photovoltaic Technology Co., Ltd ("Shunfeng Technology") in both periods. The decrease in effective tax rate in the Period as compared to that of the corresponding period in 2010 was due to recognition of deferred taxation which arose from the asset-related government grants received by the PRC operating subsidiaries of the Company. This impact was slightly offset by the non-deductible legal and professional expenses incurred in the Global Offering.

Profit for the period

Net profit increased by RMB41.8 million, or 95.0%, from RMB44.0 million for the corresponding period in 2010 to RMB85.8 million for the Period, as a result of the reasons stated above. Net profit margin decreased from 17.0% for the corresponding period in 2010 to 8.0% for the Period.

Inventory turnover days

The inventories of the Group mainly comprised raw materials, work-in-progress and finished goods. The inventory turnover days as at 30 June 2011 was 9.7 days, compared to 20.0 days for the financial year ended 31 December 2010. Our management reviews the inventory level of raw materials periodically to ensure a sufficient level of raw material for our production and to avoid overstocking.

Management Discussion and Analysis

Trade receivable turnover days

The trade receivable turnover days as at 30 June 2011 was 21.4 days, compared to 16.9 days for the financial year ended 31 December 2010. The increase in turnover days was mainly due to the significant growth in the scale of our operation during the Period and our receivable turnover days was within the credit periods which the Group grants to its customers. The Group normally grants a credit period of 30 to 180 days to its customers and our policy to accept bills receivable with issue date up to 180 days.

Trade payable turnover days

The trade payable turnover days as at 30 June 2011 was 16.1 days, compared to 19.7 days for the financial year ended 31 December 2010. The decrease in turnover days was mainly due to the increase of settlement to suppliers by bank bills.

Indebtedness, liquidity, gearing ratio and capital structure

As at 30 June 2011, the bank borrowings of the Group increased to RMB963.4 million including RMB273.4 million which are fixed-rate borrowings. As at 30 June 2011, the bank borrowings of RMB13.3 million, RMB3.4 million, RMB96.1 million and RMB41.4 million were denominated in HKD, USD, Euro and JPY, respectively. As at 30 June 2011, bank balances and cash also increased to RMB72.5 million from RMB55.4 million as at 31 December 2010. As at 30 June 2011, bank balances and cash, restricted bank deposits and pledged bank deposits of RMB18.6 million, RMB4.9 million and RMB18.0 million were denominated in USD, HKD and Euro, respectively.

With the expanding development scale and the increasing investment needs, the Group raised funds from various channels to meet the requirements of operation and investments, and maintained the liquidity of the Group while increasing the level of debt. As at 30 June 2011, the ratio of total debt to total capitalization was 69.1%. Healthy debt ratio and abundant financial resources can reinforce the Group's ability to defend against risk exposure and provide support to the Group in capturing investment opportunities.

Contingent liabilities and guarantees

As at 30 June 2011, the Group did not provide any guarantees for any third party and had no significant contingent liability.

Charges on group assets

As at 30 June 2011, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB289.8 million (31 December 2010: RMB17.6 million) to banks to secure banking facilities granted to the Group.

Management Discussion and Analysis

At 30 June 2011, the Group factored bills receivable of approximately RMB30.0 million (31 December 2010: RMB29.5 million) to banks with full recourse. The corresponding bank loans of approximately RMB30.0 million (31 December 2010: RMB29.5 million) will mature by the end of September 2011 (31 December 2010: February 2011) and are classified as current liability.

Save as disclosed above, as at 30 June 2011, no other group asset of the Group was under charge to any financial institution.

Exposure to the fluctuation in exchange rates

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy but the Directors monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile by way of arrangement of foreign currency forward contracts and will consider hedging significant foreign currency exposure should the need arise.

Significant investment held and material acquisitions or disposals

Save for the reorganization for the purposes of listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange, there was no significant investment held, and acquisition or disposal of subsidiaries and associated companies by the Group during the Period.

Human resources

As at 30 June 2011, the Group had 1068 employees (30 June 2010: 298 employees). The remuneration packages of the existing employee include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Interim dividend

The Board has resolved not to declare an interim dividend for the Period.

Use of net proceeds from the listing

The Group was listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2011 (the "Listing Date") and raised net proceeds of approximately RMB330 million (equivalent to approximately HK$401 million) by issuing 390 million new shares at an issue price of HK$1.11 per share.

Reference is made to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus. The net proceeds raised from the initial public offering of shares will be applied to fund the expansion plan of the solar cell production, silicon wafer production, solar module production and general working capital. As of the date of this report, there is no change to the intended use of proceeds.

Corporate Governance and Other Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the relevant code provisions contained in the Code on Corporate Governance Practices based on the principles set out in Appendix 14 to the Listing Rules throughout the Period.

COMPLICANCE WITH THE MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct governing securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Period.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee of the Company has reviewed and agreed with management the accounting principles, treatment and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the interim results and the audited consolidated interim financial statements for the Period with the Directors. The Audit Committee considered that the interim financial statements for the Period is in compliance with the relevant accounting standards, the requirements of the Hong Kong Stock Exchange and the laws of Hong Kong, and the Company has made appropriate disclosure thereof.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the Period.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As dealing in the shares of the Company on the Main Board of the Hong Kong Stock Exchange commenced on the Listing Date, no disclosure of interest or short position of the Directors and chief executive of the Company in any share, underlying share and debenture of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") was made to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO as at 30 June 2011.

As at the Listing Date, the interests and short positions of the Company's directors and chief executive in the shares, underlying shares and debentures of the Company and its Associated Corporations, as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of director	Capacity	Number of ordinary shares held	Approximate percentage in total issued share capital of the Company
Mr. Tang Guoqiang	Interest of controlled corporation (Note 1)	462,501,000 (long position)	29.65%
Mr. Lu Jianqing	Interest of controlled corporation (Note 2)	152,100,000 (long position)	9.75%
Mr. Qian Kaiming	Interest of controlled corporation (Note 3)	54,990,000 (long position)	3.53%

Note 1: Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Mr. Tang Guoqiang is deemed to be interested in the 462,501,000 Shares held by Peace Link Services Limited for the purposes of the SFO.

Note 2: Mr. Lu Jianqing is the beneficial owner of 100% shareholding in Smart Portrait International Limited and, therefore, Mr. Lu Jianqing is deemed to be interested in the 152,100,000 Shares held by Smart Portrait International Limited for the purposes of the SFO.

Note 3: Mr. Qian Kaiming is the beneficial owner of 44.78% shareholding in Witty Yield Development Limited and, therefore, Mr. Qian Kaiming is deemed to be interested in the 54,990,000 Shares held by Witty Yield Development Limited for the purposes of the SFO.

Save as disclosed above, as at the Listing Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the shares of the Company have only been listed on the Main Board of the Hong Kong Stock Exchange as at the Listing Date, no disclosure of interest or short position in any shares and underlying shares of the Company were made to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2011.

As at the Listing Date, so far as was known to the Directors, the following persons (not being a Director or a chief executive of the Company) had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the Company's register pursuant to section 336 of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of substantial shareholders	Capacity	Number of ordinary shares held	Approximate percentage in total issued share capital of the Company
Peace Link Services Limited	Beneficial owner (Note 1)	462,501,000 (long position)	29.65%
Endless Rocket International Limited	Beneficial owner (Note 2)	274,248,000 (long position)	17.58%
Coherent Gallery International Limited	Beneficial owner (Note 3)	226,161,000 (long position)	14.50%
Smart Portrait International Limited	Beneficial owner (Note 4)	152,100,000 (long position)	9.75%
Mr. Zhao Zhengya	Interest of controlled corporation (Note 5)	274,248,000 (long position)	17.58%
Mr. Wang Yichun	Interest of controlled corporation (Note 6)	226,161,000 (long position)	14.50%

Note 1: Peace Link Services Limited is the registered owner of 462,501,000 Shares as at the Listing Date. Peace Link Services Limited is wholly owned by Mr. Tang Guoqiang.

Note 2: Endless Rocket International Limited is the registered owner of 274,248,000 Shares as at the Listing Date. Endless Rocket International Limited is owned as to 87.20% by Mr. Zhao Zhengya and as to 12.80% by Mr. Shi Jianmin.

Note 3: Coherent Gallery International Limited is the registered owner of 226,161,000 Shares as at the Listing Date. Coherent Gallery International Limited is wholly owned by Mr. Wang Yichun.

Note 4: Smart Portrait International Limited is the registered owner of 152,100,000 Shares as at the Listing Date. Smart Portrait International Limited is wholly owned by Mr. Lu Jianqing.

Note 5: Mr. Zhao Zhengya is the beneficial owner of a 87.20% shareholding in Endless Rocket International Limited and, therefore, Mr. Zhao Zhengya is deemed to be interested in the 274,248,000 Shares held by Endless Rocket International Limited as at the Listing Date for the purposes of the SFO.

Note 6: Mr. Wang Yichun is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and, therefore, Mr. Wang Yichun is deemed to be interested in the 226,161,000 Shares held by Coherent Gallery International Limited as at the Listing Date for the purposes of the SFO.

Save as disclosed above and so far as the Directors are aware, as at the Listing Date, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the Company's register pursuant to section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PUBLICATION OF INTERIM REPORT

This interim report containing the relevant information required by the Listing Rules is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.sf-pv.com).

Independent Auditor's Report

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SHUNFENG PHOTOVOLTAIC INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the accompanying consolidated financial statements of Shunfeng Photovoltaic International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 71, which comprise the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2011, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matter

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2010 and the relevant explanatory information have not been audited.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 August 2011

Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2011	2010
	Notes	**RMB'000**	RMB'000
			(Unaudited)
Revenue	6	**1,076,980**	259,373
Cost of sales		**(942,573)**	(192,272)
Gross profit		**134,407**	67,101
Other income	7	**4,420**	1,064
Other gains and losses	8	**(4,133)**	(8,950)
Distribution and selling expenses		**(1,891)**	(1,022)
Administrative expenses		**(17,716)**	(7,465)
Finance costs	9	**(18,383)**	—
Profit before taxation	10	**96,704**	50,728
Income tax expense	12	**(10,898)**	(6,763)
Profit and total comprehensive income for the period		**85,806**	43,965
Profit and total comprehensive income attributable to:			
Owners of the Company		**87,212**	43,965
Non-controlling interests		**(1,406)**	—
		85,806	43,965
		RMB cents	RMB cents
Earnings per share — Basic	13	**7.45**	3.76

Consolidated Statement of Financial Position

	NOTES	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	15	**925,839**	480,071
Prepaid lease payments — non-current	16	**48,633**	24,283
Deposits for acquisition of property, plant and equipment		**99,533**	55,193
Deposits for acquisition of land use rights		**—**	1,646
Prepayments to suppliers	17	**17,000**	17,000
Deferred tax assets	18	**4,740**	—
		1,095,745	578,193
Current assets			
Inventories	19	**65,849**	34,452
Trade and other receivables	20	**276,574**	88,018
Value-added tax recoverable		**69,883**	49,224
Prepayments to suppliers	17	**40,657**	19,155
Prepaid lease payments — current	16	**4,390**	3,886
Pledged bank deposits	21	**113,913**	17,645
Restricted bank deposits	21	**175,850**	—
Bank balances and cash	21	**72,463**	55,432
Other financial assets	22	**348**	—
		819,927	267,812
Current liabilities			
Trade and other payables	23	**453,070**	166,913
Customers' deposits received	24	**30,134**	56,846
Amount due to a director	23	**—**	859
Tax payable		**9,379**	2,468
Borrowings	25	**551,749**	154,500
		1,044,332	381,586
Net current liabilities		**(224,405)**	(113,774)
Total assets less current liabilities		**871,340**	464,419

Consolidated Statement of Financial Position

	NOTES	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital and reserves			
Share capital	27	**1**	1
Reserves		**373,750**	286,538
Equity attributable to owners of the Company		**373,751**	286,539
Non-controlling interests		**57,756**	29,411
Total equity		**431,507**	315,950
Non-current liabilities			
Borrowings	25	**411,700**	140,000
Other payable	23	**4,731**	4,731
Customers' deposits received	24	**1,500**	1,500
Deferred income	26	**21,902**	2,238
		439,833	148,469
Total equity and liabilities		**871,340**	464,419

The consolidated financial statements on pages 16 to 71 were approved and authorised for issue by the Board of Directors on 31 August 2011 and are signed on its behalf by:

Director
Tang Guoqiang

Director
Qian Kaiming

Consolidated Statement of Changes in Equity

	Paid-in capital/ Share capital RMB'000	Special reserve RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Statutory surplus reserve RMB'000 (Note c)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011 (Audited)	1	203,964	—	10,064	72,510	286,539	29,411	315,950
Profit and total comprehensive income for the period	—	—	—	—	87,212	87,212	(1,406)	85,806
Capital contribution from a non-controlling shareholder of a subsidiary, Changzhou Shunfeng Photovoltaic Materials Co., Ltd. 常州順風光電材料有限公司 ("Shunfeng Materials")	—	—	—	—	—	—	29,751	29,751
At 30 June 2011 (Audited)	1	203,964	—	10,064	159,722	373,751	57,756	431,507
Unaudited								
At 1 January 2010 (Audited)	43,636	—	36,364	—	126,085	206,085	—	206,085
Profit and total comprehensive income for the period	—	—	—	—	43,965	43,965	—	43,965
At 30 June 2010 (Unaudited)	43,636	—	36,364	—	170,050	250,050	—	250,050

Consolidated Statement of Changes in Equity

Notes:

a. Special reserve arises on a group reorganization which took place in the year ended 31 December 2010 as detailed in note 1. The shareholders of the Company made a contribution of an aggregate amount of approximately RMB233,968,000 to the Company for the purpose to acquire the entire equity interests of Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. 江蘇順風光電科技有限公司 ("Shunfeng Technology"). The difference between the acquisition consideration paid and the paid-in capital and capital reserve of Shunfeng Technology acquired of approximately RMB30,004,000 is regarded as special reserve arising on group reorganization.

b. Capital reserve represents the difference between actual amount contributed by the then shareholders and the registered paid-in capital of Shunfeng Technology immediately before the group reorganization.

c. In accordance with relevant laws and regulations for foreign investment enterprises in The People's Republic of China (the "PRC"), the PRC subsidiaries are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") to the statutory surplus reserve. Appropriation to statutory surplus reserve shall be approved by the shareholders and may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital.

   The PRC subsidiaries may, upon the approval by a resolution, convert their surplus reserve into capital in proportion to their then existing shareholdings. However, when converting the PRC subsidiaries' statutory surplus reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Operating activities		
Profit before taxation	**96,704**	50,728
Adjustments for:		
Interest income	**(240)**	(472)
Finance costs	**18,383**	—
Recognition of fair values of financial guarantee contracts issued	**—**	2,761
Amortisation of financial guarantee liability	**—**	(911)
Depreciation of property, plant and equipment	**18,524**	5,034
Release of prepaid lease payments	**384**	193
Release of deferred income	**(624)**	—
Change in fair values of other financial (assets) liabilities	**(348)**	6,390
Operating cash flows before movements in working capital	**132,783**	63,723
Increase in inventories	**(31,397)**	(2,577)
Increase in trade and other receivables and value-added tax recoverable	**(209,215)**	(23,969)
(Increase) decrease in prepayments to suppliers	**(21,502)**	19,652
Increase (decrease) in trade and other payables	**297,521**	(47,274)
(Decrease) increase in customers' deposits received	**(26,712)**	29,219
Cash generated from operations	**141,478**	38,774
Income taxes paid	**(8,727)**	(3,332)
Net cash from operating activities	**132,751**	35,442
Investing activities		
Release of restricted bank deposits	**37,372**	—
Receipt from government grants	**17,923**	—
Interest income received	**240**	472
Deposits paid for and purchase of land use rights	**(23,592)**	(8,001)
Placement of pledged bank deposits	**(96,268)**	(18,457)
Placement of restricted bank deposits	**(213,222)**	—
Payments for acquisition of property, plant and equipment	**(516,678)**	(25,949)
Net cash used in investing activities	**(794,225)**	(51,935)

Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Financing activities		
New bank borrowings raised	**739,449**	—
Capital contribution from a non-controlling shareholder	**29,751**	—
Repayment to a director	**(859)**	—
Interest paid	**(19,336)**	(129)
Repayment of bank borrowings	**(70,500)**	—
Advance from Former Shareholders (note)	**—**	40,000
Repayment to Former Shareholders	**—**	(20,000)
Net cash from financing activities	**678,505**	19,871
Net increase in cash and cash equivalents	**17,031**	3,378
Cash and cash equivalents at beginning of the period	**55,432**	42,681
Cash and cash equivalents at end of the period, represented by bank balances and cash	**72,463**	46,059

Note: Shenzhen Oriental Fortune Capital Venture Capital Enterprise 深圳市東方富海創業投資企業, Shanghai Orica Vigor Venture Capital Co., Ltd. 上海奧銳萬嘉創業投資有限公司 and Shanghai Lianyang Investment Management Co., Ltd. 上海連陽投資管理有限公司 were the shareholders of Shunfeng Technology in prior to 1 April 2010 (the "Former Shareholders").

Notes to the Consolidated Financial Statements

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 13 July 2011. Its addresses of registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 4631, 4607–11, The Center, 99 Queen's Road Central, Central, Hong Kong, respectively. The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 33.

Pursuant to the group reorganization as disclosed in section headed "History and Corporate Structure — Restructuring" to the prospectus dated 30 June 2011 issued by the Company (the "Prospectus") (the "Group Reorganization"), the Company became the holding company of the Group on 26 September 2010 by interspersing the Company and Shunfeng Photovoltaic Holdings Limited 順風光電控股有限公司 ("Shunfeng HK") between Shunfeng Technology and Shunfeng Technology's then existing shareholders immediately before the Group Reorganization and accordingly, Shunfeng HK became a direct wholly-owned subsidiary of the Company and Shunfeng Technology became an indirect wholly-owned subsidiary of the Company.

The Group comprising the Company and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity. The consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of Shunfeng HK and Shunfeng Technology throughout the six months ended 30 June 2010.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

At 30 June 2011, the Group's current liabilities exceeded its current assets by approximately RMB224,405,000. In July 2011, the Group received net proceeds of approximately RMB330 million (equivalent to approximately HK$401 million) upon listing of its shares on the Hong Kong Stock Exchange. The directors of the Company are confident that the Group will be able to meet its financial obligations in full when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The directors of the Company target to maintain the sufficiency of cashflows with availability of unutilized banking facilities, internally generated funds and funds arose from other financing activities, if required. The Group obtained banking facilities of approximately RMB1,309,749,000 as at 30 June 2011, included in which approximately RMB933,449,000 were utilized and approximately RMB376,300,000 were unutilized as at 30 June 2011. The directors of the Company believe that the banking facilities as mentioned above will continue to be available and will not be withdrawn within the next twelve months from the date of approval and authorized for issue of these consolidated financial statements. In addition, the directors of the Company review the forecasted cashflows on an on-going basis to ensure that the Group will have sufficient capital for operations and expansion. Changes on capital expansion plan will be made should the need arise.

Notes to the Consolidated Financial Statements

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised IFRSs").

- Improvements to IFRSs issued in 2010
- IAS 24 (as revised in 2009) Related Party Disclosure
- Amendments to IAS 32 Classification of Rights Issues
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The application of the above new or revised IFRSs in the current interim has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective:

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[2]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised in 2011)	Employee Benefits[2]
IAS 27 (Revised in 2011)	Separate Financial Statements[2]
IAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2012
[4] Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of related sales taxes.

Revenue from sales of goods is recognized when goods are delivered and title has passed.

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position as liabilities.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss the period in which the item is derecognized.

Leasing

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments

Upfront prepayments made for the land use rights and leasehold land are initially recognized on the consolidated statement of financial position as lease prepayments and are expensed in the profit or loss on a straight-line basis over the periods of the respective lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than its functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary difference associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses

At the end of the report period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Research and development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, any only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank deposits, pledged bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one of more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or
— breach of contract, such as default or delinquency in interest or principal payments; or
— it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recorded as the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a director and borrowings are subsequently measured at amortized cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 Revenue.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of transferred assets, the Group continues to recognize the financial assets and recognized collateralized borrowings of proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Useful lives and residual values of property, plant and equipment

The directors of the Company determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of plant and equipment of similar nature and functions. In addition, the directors of the Company assess impairment whenever events or changes in circumstances and technical innovation of solar products indicate that the carrying amount of an asset may not be recoverable. As at 30 June 2011, the carrying amount of the Group's property, plant and equipment is approximately RMB925,839,000 (31 December 2010: RMB480,071,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Impairment of trade and other receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2011, the carrying amounts of the Group's trade receivable, bills receivable and other receivables is approximately RMB261,360,000 (31 December 2010: RMB81,975,000). No allowance for doubtful debts is recognized as at 30 June 2011 and 31 December 2010.

(c) Write-down of inventories

Inventories are valued at the lower of cost and net realizable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down inventories in that period. No write-down of inventories to net realizable value was recognized during the six months ended 30 June 2011 and 2010. As at 30 June 2011, the carrying amount of the Group's inventories is approximately RMB65,849,000 (31 December 2010: RMB34,452,000).

(d) Impairment of prepayments to suppliers

As detailed in note 17, the Group makes prepayments to suppliers in accordance with the purchase contracts entered into with the suppliers. These prepayments are to be offset against future purchases.

The Group does not require collateral or other security against its prepayments to suppliers. The Group performs ongoing evaluation of impairment of prepayments to suppliers due to a change of market conditions and the financial conditions of its suppliers. The evaluation also takes into account the quality and timeframe of the products to be delivered to the Group. When the prepayments would not be recovered as expected and the credit quality of the suppliers changed, the Group would impair the prepayments to suppliers.

During the six months ended 30 June 2011 and 2010, no impairment of prepayments to suppliers was recognized. As at 30 June 2011, the carrying amounts of prepayments to suppliers is approximately RMB57,657,000 (31 December 2010: RMB36,155,000).

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Financial assets		
Loans and receivables:		
Trade and other receivables	**261,360**	81,975
Pledged bank deposits	**113,913**	17,645
Restricted bank deposits	**175,850**	—
Bank balances and cash	**72,463**	55,432
Total loans and receivables	**623,586**	155,052
Fair value through profit or loss:		
Derivative financial instruments (note)	**348**	—
Financial liabilities		
Liabilities measured at amortized costs:		
Trade and other payables	**456,579**	171,121
Amount due to a director	**—**	859
Borrowings	**963,449**	294,500
Total liabilities measured at amortized costs	**1,420,028**	466,480

Note: The carrying amount of the derivative financial assets at 30 June 2011 was measured using quoted forward exchange rates matching maturities of the foreign currency forward contracts.

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank deposits, pledged bank deposits, bank balances and cash, other financial assets, trade and other payables, amount due to a director and borrowings. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Currency risk

The primary economic environment which the principal subsidiary of the Company operates is the PRC and its functional currency is RMB. However, certain transactions of the principal subsidiary including sales of goods and purchases of machinery and equipment are denominated in foreign currencies.

Details of bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other payables and borrowings that are denominated in foreign currencies, mainly in United States Dollars ("USD"), Hong Kong Dollars ("HKD"), Japanese Yen ("JPY") and European dollars ("Euro") are set out in notes 21, 23 and 25, respectively.

The Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile by way of arrangement of foreign currency forward contracts and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Assets		
USD	**18,649**	762
HKD	**4,997**	15,846
Euro	**18,007**	10,670
Liabilities		
USD	**(9,833)**	(5,431)
HKD	**(15,324)**	(196)
JPY	**(48,942)**	(33,220)
Euro	**(156,771)**	(71,904)

The Group is mainly exposed to foreign currency risk between Euro/RMB, USD/RMB, HKD/RMB and JPY/RMB.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Currency risk (continued)

Sensitivity analysis

This sensitivity analysis details the sensitivity to a 5% appreciation and depreciation in each relevant foreign currency against functional currency, RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the period/year for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the period/year and a negative number below indicates a decrease in post-tax profit for the period/year where the relevant foreign currencies change 5% against RMB.

	Six months ended 30 June 2011 RMB'000	Year ended 31 December 2010 RMB'000
USD impact		
— if USD strengthens against RMB	391	(198)
— if USD weakens against RMB	(391)	198
HKD impact		
— if HKD strengthens against RMB	(459)	664
— if HKD weakens against RMB	459	(664)
JPY impact		
— if JPY strengthens against RMB	(2,172)	(1,410)
— if JPY weakens against RMB	2,172	1,410
Euro impact		
— if Euro strengthens against RMB	(6,156)	(2,599)
— if Euro weakens against RMB	6,156	2,599

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Currency risk (continued)

Sensitivity analysis (continued)

For the foreign currency forward contracts, the sensitivity analysis has been estimated based on the contracts outstanding at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the period/year and a negative number below indicates a decrease in post-tax profit for the period/year where the relevant foreign currency forward rate of the foreign currency of the Company's principal subsidiary, i.e. Euro and JPY, change 5% against RMB.

	Six months ended 30 June 2011 RMB'000	Year ended 31 December 2010 RMB'000
Euro impact		
— if Euro strengthens against RMB	**2,499**	—
— if Euro weakens against RMB	**(2,499)**	—
JPY impact		
— if JPY strengthens against RMB	**1,232**	—
— if JPY weakens against RMB	**(1,232)**	—

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period end exposures do not reflect the exposure during the period/year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank deposits, pledged bank deposits and bank borrowings (see notes 21 and 25 for details of these restricted bank deposits, pledged bank deposits and borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, restricted bank deposits, bank balances and variable-rate borrowings (see notes 21 and 25 for details of these pledged bank deposits, restricted bank deposits, bank balances and borrowings, respectively). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (including pledged bank deposits, restricted bank deposits, bank balances and borrowings) at the end of the reporting period and the stipulated changes taking place at the beginning of the financial period/year and held constant throughout the reporting period in the case of pledged bank deposits, restricted bank deposits, bank balances and borrowings.

One basis point (31 December 2010: 10 basis point) increase or decrease on variable pledged bank deposits, restricted bank deposits and bank balances, and 100 basis points increase or decrease on variable-rate borrowings are used when reporting interest rate risk internally to key management personnel and represents managements' assessment of the reasonably possible change in interest rates. If interest rates on variable-rate pledged bank deposits, restricted bank deposits and bank balances had been one basis point (31 December 2010: 10 basis point) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit.

	Six months ended 30 June 2011 RMB'000	Year ended 31 December 2010 RMB'000
Increase in post-tax profit for the period/year	**17**	62

The post-tax profit for the period/year would be decreased by the same amount as mentioned above if interest rate on variable-rate pledged bank deposits and bank balances had been one basis point (31 December 2010: 10 basis points) lower and all other variables were held constant.

If the interest rate on variable-rate borrowings had been 100 basis points higher and all other variables were held constant, a positive number below indicates a decrease in post-tax profit for the period/year after taking into consideration of capitalization of interest.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

	Six months ended 30 June 2011 RMB'000	Year ended 31 December 2010 RMB'000
Decrease in post-tax profit for the period/year	**2,856**	1,922

The post-tax profit for the period/year after taking into consideration of capitalization of interest would be increased by the same amount as mentioned above if interest rate on variable-rate borrowings had been 100 basis points lower and all other variables were held constant.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group include failure to discharge an obligation by the counterparties from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to the trade and other receivables. In order to minimize the credit risk, the directors of the Company continuously monitor the credit quality and financial conditions of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 30 June 2011, the credit risk of the Group is concentrated on receivables from five (31 December 2010: four) of the Group's customers, all of which were the Group's major customers engaged in the sales and manufacturing of solar cells and modules in the PRC, which amounted to approximately RMB126,426,000 (31 December 2010: RMB46,000,000) and RMB51,099,000 (31 December 2010: RMB29,500,000) and accounted for approximately 61% (31 December 2010: 99%) and 100% (31 December 2010: 100%) of the Group's total trade receivables and bills receivable, respectively. These customers have good repayment history and credit quality with reference to the track records under internal assessment by the Group. In addition, the Group's credit risk on bills receivable was concentrated on counterparties which were reputable banks in the PRC. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial conditions and credit qualities of its customers and banks to ensure that prompt actions will be taken to lower exposure.

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group has concentration of credit risk on liquid funds which are deposited mainly with several banks in the PRC. However, the credit risk on pledged bank deposits and bank balances is limited because the majority of the counter parties are state-owned banks in the PRC with good reputation.

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short-term funding and liquidity management requirements. The Group manages liquidity risk by closely and continuously monitoring the Group's consolidated financial position. The directors of the Company maintain the sufficiency of cashflows with availability of unutilized banking facilities and internally generated funds. The directors of the Company also review the forecasted cashflows on an on-going basis to ensure that the Group will be able to meet its financial obligations falling due and have sufficient capital for operation and expansion. Maturity of financial obligations will be re-negotiated with creditors and changes on capital expansion plan will be made should the need arise.

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows, include both principal and interest, on financial liabilities based on the earliest date in which the Group can be required to pay. The following tables also detail the Group's liquidity analysis for its derivative financial instruments, which are prepared based on the contractual maturities and undiscounted gross cash flows as the directors of the Company consider that the contractual maturities and undiscounted gross cash flows are essential for an understanding of the timing and impact of the cash flows of derivatives.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

	Weighted average effective interest rate %	Less than 6 months RMB'000	6 months to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 30 June 2011							
Financial liabilities							
Trade and other payables		451,848	—	4,731	—	456,579	456,579
Borrowings							
— Fixed-rate	5.19	152,823	127,253	—	—	280,076	273,364
— Variable-rate	6.30	297,897	13,756	114,508	330,066	756,227	690,085
		902,568	141,009	119,239	330,066	1,492,882	1,420,028
Derivative — gross settlement							
Foreign exchange forward contracts							
— outflow		38,541	49,404	—	—	87,945	(Note 1)
— inflow (Note 2)		(38,924)	(50,550)	—	—	(89,474)	(Note 1)
At 31 December 2010							
Financial liabilities							
Trade and other payables		164,025	2,365	4,731	—	171,121	171,121
Amount due to a director		859	—	—	—	859	859
Borrowings							
— Fixed-rate	5.84	30,230	25,175	—	—	55,405	54,500
— Variable-rate	5.79	46,500	65,695	78,165	74,125	264,485	240,000
		241,614	93,235	82,896	74,125	491,870	466,480

Notes:

1. The carrying amount of foreign currency forward contracts at 30 June 2011 was approximately RMB348,000.

2. The negative number above represented undiscounted cash inflows of the Group based on the relevant contractual maturities at foreign currency exchange rates prevailing at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of the foreign currency forward contracts have been arrived at using the forward rates of similar instruments as at the end of the reporting period; and

- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortized cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognized in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Fair value measurements recognized in the consolidated statement of financial position (continued)

The derivative financial instruments with carrying amount of approximately RMB348,000 at 30 June 2011 (31 December 2010: nil) is grouped into Level 2.

There were no transfers between Level 1 and 2 during the six months ended 30 June 2011 and 2010.

Capital risk management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during reporting period.

The capital structure of the Group consists of pledged bank deposits, cash and cash equivalents, borrowings and equity which includes capital, special reserve, capital reserve and retained earnings.

The directors of the Company review the capital structure regularly. The directors of the Company consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue of capital as well as raising and repayment of bank borrowings.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the manufacturing and sales of solar cells and related products. The chief executive officer who is also a director of the Company, the chief operating decision maker, regularly reviews revenue analysis by major products and the Group's profit for the period to make decisions about resources allocation and performance assessment. No segment information is presented other than entity-wide disclosures as no other discrete financial information is available for the assessment of performance and resources of the Group's business activities.

Entity-wide disclosures

Revenue analyzed by major products

The Group has been engaged in manufacturing and sales of solar cells and related products.

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2011 and 2010:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Monocrystalline solar cells	**1,068,679**	259,251
Other products (note)	**8,301**	122
Total	**1,076,980**	259,373

Note: Included in other products were multicrystalline solar cells and other related solar products.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

The analysis of revenue by geographical location:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
The PRC (country of domicile)	**1,049,674**	243,924
Switzerland	**13,249**	15,379
Other countries (note)	**14,057**	70
Total	**1,076,980**	259,373

All the Group's non-current assets, including property, plant and equipment, prepaid lease payments, deposits for acquisition of property, plant and equipment and deposits for acquisition of land use rights are located in the PRC at the end of the reporting period.

Note: The customers located in other countries are mainly from certain Asian and European countries.

Information about major customers

Details of the customers accounting for 10% or more of total revenue are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Customer A	**356,246**	80,343
Customer B	**—***	60,390
Customer C	**—***	52,002

* The corresponding revenue does not contribute over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

7. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Bank interest income	**240**	472
Government grants (note)	**1,249**	26
Gain on sales of raw and other materials	**2,493**	384
Others	**438**	182
	4,420	1,064

Note: The government grants represent the amount received from the local government by the PRC operating entities of the Group. Government grants of approximately (a) RMB625,000 (six months ended 30 June 2010: RMB26,000 (unaudited)) represents incentive received in relation to activities carried out by the Group in solar business and (b) RMB624,000 (six months ended 30 June 2010: nil (unaudited)) represents subsidy on acquisition of land use rights and machineries amortized to profit or loss (note 26).

8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Foreign exchange gains (losses), net	**957**	(710)
Change in fair values of foreign currency forward contracts	**348**	(6,390)
Legal and professional fees (note)	**(5,438)**	—
Recognition of fair values of financial guarantee contracts issued	**—**	(2,761)
Amortization of financial guarantee liability	**—**	911
	(4,133)	(8,950)

Note: The amount mainly represented legal and professional expenses incurred for the preparation of the listing of the Company's shares on the Hong Kong Stock Exchange.

Notes to the Consolidated Financial Statements

9. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Interest on bank borrowings wholly repayable within five years	**18,461**	—
Finance charges on factoring of bills receivable	**852**	—
Total borrowing costs	**19,313**	—
Less: amounts capitalized	**(930)**	—
	18,383	—

Borrowing costs capitalized during the six months ended 30 June 2011 arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.35% (six months ended 30 June 2010: nil (unaudited)) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	**763**	744
Other staff costs	**18,986**	8,977
Other staff's retirement benefits scheme contributions	**967**	392
Total staff costs	**20,716**	10,113
Auditor's remuneration	**420**	20
Cost of inventories recognized as expense	**942,573**	192,272
Depreciation of property, plant and equipment	**18,524**	5,034
Release of prepaid lease payments	**384**	193
Research expenses (included in administrative expenses)	**1,587**	1,574
Operating lease rentals in respect of rented premises	**541**	63

Notes to the Consolidated Financial Statements

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the six (the six months ended 30 June 2010: six) directors of the Company were as follows:

	Fees	Basic salaries and allowance	Performance-related incentive bonus	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000 (note c)	RMB'000	RMB'000
For the six months ended 30 June 2011					
Executive directors:					
Mr. Lu Jianqing ("Mr. Lu") (note a)	—	250	—	7	257
Mr. Qian Kaiming ("Mr. Qian") (note a)	—	150	—	7	157
Mr. Tang Guoqiang "(Mr. Tang") (note a)	—	100	—	—	100
Independent non-executive directors:					
Mr. Tao Wenquan ("Mr. Tao") (note b)	83	—	—	—	83
Mr. Zhao Yuwen ("Mr. Zhao") (note b)	83	—	—	—	83
Mr. Ge Ming ("Mr. Ge") (note b)	83	—	—	—	83
	249	500	—	14	763
For the six months ended 30 June 2010 (Unaudited)					
Executive directors:					
Mr. Lu (notes a and d)	—	250	179	2	431
Mr. Qian (notes a and d)	—	150	159	4	313
Mr. Tang (note a)	—	—	—	—	—
Independent non-executive directors:					
Mr. Tao (note b)	—	—	—	—	—
Mr. Zhao (note b)	—	—	—	—	—
Mr. Ge (note b)	—	—	—	—	—
	—	400	338	6	744

Notes to the Consolidated Financial Statements

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Notes:

(a) The director was appointed on 6 August 2010.

(b) The director was appointed on 1 January 2011.

(c) The performance-related incentive bonus for the six months ended 30 June 2011 and 2010 was determined based on the performance of the Group and the individuals.

(d) The director acted as a director of Shunfeng Technology, which was the sole operating entity in the PRC immediately before the Group Reorganization, and received emoluments for the six months ended 30 June 2010.

(b) Employees' emoluments

The five highest paid individuals of the Group included two (six months ended 30 June 2010: two (unaudited)) directors during the six months ended 30 June 2011. Details of whose emoluments are set out above. The emoluments of the remaining three individuals during the six months ended 30 June 2011 and 2010 are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Employees		
— basic salaries and allowances	**594**	393
— performance-related incentive bonuses	**300**	407
— retirement benefit scheme contributions	**21**	5
	915	805

The emoluments of each of these three individuals of the Group during the six months ended 30 June 2011 and 2010 were less than HK$1,000,000.

During the six months ended 30 June 2011 and 2010, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the six months ended 30 June 2011 and 2010.

12. TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**15,638**	7,473
Deferred taxation (note 18):	**(4,740)**	(710)
Tax charge	**10,898**	6,763

No Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, Shunfeng Technology is exempted from PRC enterprise income tax for two years starting from first profit-making year, followed by a 50% reduction for the next three years. As a result, Shunfeng Technology was exempted from enterprise income tax for two years, starting from its first profitable year, which are 2007 and 2008, and is then entitled to a 50% reduction in enterprise income tax for three years thereafter from 2009 to 2011.

The taxation for the period is reconciled to profit before taxation as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Profit before taxation	**96,704**	50,728
Tax at the PRC tax rate of 25%	**24,176**	12,682
Tax effect of expenses not deductible for tax purpose	**1,939**	759
Tax effect of income not taxable for tax purpose	**—**	(228)
Effect on a 50% tax reduction granted to a PRC subsidiary	**(13,159)**	(6,450)
Others (note)	**(2,058)**	—
Tax charge for the period	**10,898**	6,763

Note: The amount mainly represents difference between taxes paid on the asset-related government grants received by a PRC operating subsidiary of the Company at current applicable PRC Enterprise Income Tax rate, which is 12.5%, and deferred tax assets recognized on the related grants at tax rates, mainly 25%, that are expected to apply in the period in which the deferred tax assets are realized.

Notes to the Consolidated Financial Statements

12. TAXATION (continued)

PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or a lower tax rate, if applicable.

No deferred tax have been recognized in respect of the aggregate amount of temporary differences associated with earnings of Shunfeng Technology prior to the date of Group Reorganization as withholding income taxes upon dividends distribution on those earnings to Shunfeng Technology's then existing equity holders who did not form part of the Group were borne by these then existing equity holders. Subsequent to the Group Reorganization, deferred tax liabilities have not been recognized in respect of the aggregate amount of temporary differences associated with undistributed earnings of the PRC operating entities of the Group, for an aggregate amount of approximately RMB206 million at 30 June 2011 (31 December 2010: RMB101 million) as the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of profits derived from these PRC operating subsidiaries will be retained by these subsidiaries and will not be distributed in the foreseeable future. Therefore, it is probable that such difference will not reverse in the foreseeable future.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**87,212**	43,965

	Six months ended 30 June	
	2011	2010
		(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,170,000,000**	1,169,950,000

Notes to the Consolidated Financial Statements

13. EARNINGS PER SHARE (continued)

The number of shares for the purpose of basic earnings per share has been determined assuming Group Reorganization occurred on the first day of the six months ended 30 June 2011 and 2010 and the capitalization issue on 13 July 2011 has been adjusted retrospectively.

No diluted earnings per share for the six months ended 30 June 2011 and 2010 was presented as there were no potential ordinary shares outstanding.

14. DIVIDENDS

The directors do not recommend the payment of an interim dividend.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2010	21,039	94,786	1,397	1,118	320	118,660
Additions	9,049	1,564	666	351	382,677	394,307
Transfers	15,838	197,262	—	—	(213,100)	—
At 31 December 2010	45,926	293,612	2,063	1,469	169,897	512,967
Additions	864	1,979	1,190	978	459,281	464,292
Transfer	869	169,752	—	—	(170,621)	—
At 30 June 2011	47,659	465,343	3,253	2,447	458,557	977,259
DEPRECIATION						
At 1 January 2010	1,975	18,043	725	542	—	21,285
Provided for the year	1,042	10,042	301	226	—	11,611
At 31 December 2010	3,017	28,085	1,026	768	—	32,896
Provided for the period	1,056	17,055	238	175	—	18,524
At 30 June 2011	4,073	45,140	1,264	943	—	51,420
CARRYING VALUES						
At 30 June 2011	43,586	420,203	1,989	1,504	458,557	925,839
At 31 December 2010	42,909	265,527	1,037	701	169,897	480,071

Notes to the Consolidated Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives after taking into account the residual values:

Buildings	Over the shorter of the period of the respective lease or 20 years
Plant and machinery	10 years
Motor vehicles	4–5 years
Furniture, fixtures and equipment	3–5 years

The above buildings are located on land leases in the PRC which are under medium-term lease.

16. PREPAID LEASE PAYMENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Analyzed for reporting purpose as:		
Non-current assets	**48,633**	24,283
Current assets	**4,390**	3,886
	53,023	28,169

The land use rights in the PRC are under medium-term lease.

17. PREPAYMENTS TO SUPPLIERS

From time to time, the Group makes prepayments to suppliers prior to delivery of raw materials by these suppliers.

The Group did not hold any collateral over these balances at 30 June 2011 and 31 December 2010. No allowance for doubtful debts in respect of prepayments to suppliers was recognized as at 30 June 2011 and 31 December 2010.

In September 2010, the Group entered into purchase contracts with two major suppliers for a contractual period of one year and three years (the "Supply Period"). Both of the suppliers are independent third parties not connected or related to the Group. Pursuant to the terms of the contracts, the Group is committed to purchase an annual minimum quantity of raw materials (to be used in the manufacture of its products) from each of these two suppliers during the period from 1 October 2010 to 30 September 2011 and 1 January 2011 to 31 December 2013, respectively. According to the terms of contracts, the Group made certain prepayments to these suppliers during the year ended 31 December 2010. The prepayments are unsecured, interest-free and will be used to offset the purchases during the contractual period.

17. PREPAYMENTS TO SUPPLIERS (continued)

In accordance with the terms of the contracts, the monthly material purchase price will be determined by the Group and the suppliers with reference to market prices and related expenses to be incurred by the suppliers prevailing at that time.

Pursuant to the terms of the contracts, the Group is obliged to purchase certain minimum quantity of raw materials from these two suppliers for the years ending 31 December 2011, 2012 and 2013.

At the end of the reporting period, the directors of the Company estimated the amount of prepayments that is expected to be settled by offsetting purchases in accordance to the terms specified in the contracts which will be made in the next twelve months and classified it as current assets at the end of the reporting period. The remaining balance is classified as non-current asset in the consolidated statement of financial position.

18. DEFERRED TAX

The following is the deferred tax assets recognized and movements thereon for the year ended 31 December 2010 and the six months ended 30 June 2011:

	Write-down of inventories RMB'000	Allowance for prepayment to suppliers RMB'000	Deferred income RMB'000 (note)	Change in fair value of other financial assets RMB'000	Total RMB'000
At 1 January 2010	95	280	—	—	375
Charge to profit or loss	(95)	(280)	—	—	(375)
At 31 December 2010	—	—	—	—	—
Credit (charge) to profit or loss	—	—	4,791	(51)	4,740
At 30 June 2011	—	—	4,791	(51)	4,740

Note: It represents deferred tax arose from the asset-related government grants received by the PRC operating subsidiary of the Company in the six months ended 30 June 2011.

Notes to the Consolidated Financial Statements

19. INVENTORIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	**26,995**	30,367
Work-in-progress	**22,953**	2,415
Finished goods	**15,901**	1,670
	65,849	34,452

20. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables	**206,666**	46,174
Bills receivable	**51,099**	29,500
Other receivables and prepayments	**18,809**	12,344
	276,574	88,018

The Group normally requests prepayments from customers before delivery of goods and allows an average credit period up to 30 days to 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the end of the reporting period.

Age	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
0 to 30 days	**203,464**	46,174
31 to 60 days	**3,202**	—
	206,666	46,174

Notes to the Consolidated Financial Statements

20. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of the Group's bills receivable presented based on issue date at the end of the reporting period:

Age	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
0 to 30 days	51,099	—
31 to 60 days	—	15,500
61 to 90 days	—	9,500
91 to 180 days	—	4,500
	51,099	29,500

At 30 June 2011, the Group factored bills receivable of approximately RMB30,000,000 (31 December 2010: RMB29,500,000) to banks with full recourse and the bills receivables will be matured by the end of September 2011 (31 December 2010: matured in February 2011). Details of the transactions are set out in note 25.

No interest is charged on the Group's trade receivables and bills receivable. The Group did not hold any collateral over these balances. Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customer.

At the end of the reporting period, the Group does not have trade receivables and bills receivable which are past due. The Group's trade receivables and bills receivable that are neither past due nor impaired at 30 June 2011 and 31 December 2010 have no default history and of good credit quality.

At 30 June 2011 and 31 December 2010, the Group did not have allowance for doubtful debts on trade receivable and bills receivable.

In determining the recoverability of the trade and other receivables, the Group reassesses any change in the credit quality of the debtors since the credit was granted and up to the reporting date. After reassessment, the directors of the Company believe that no allowance is required.

21. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and restricted bank deposits of the Group represent deposits placed in banks for the purpose to arrange banking facilities granted to the Group. All these deposits are to secure short-term bank loans and to facilitate arrangement of undrawn facilities at the end of the relevant reporting period and therefore classified as current asset.

21. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

The ranges of effective interest rate of the Group's pledged bank deposits and restricted bank deposits are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Effective interest rate:		
Fixed-rate	**2.60% to 3.05%**	0.36%
Variable-rate	**0.50%**	N/A

The pledged bank deposits of the Group will be released upon the settlement of relevant bank loans as set out in note 25.

Bank balances and cash of the Group carry interest at market rates ranging from 0.01% to 0.50% (31 December 2010: 0.10% to 0.36%) per annum.

Bank balances and cash, restricted bank deposits and pledged bank deposits that were denominated in USD, HKD and Euro, foreign currencies of the relevant group entity, were re-translated to RMB and stated for reporting purpose as:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
USD	**18,649**	762
HKD	**4,912**	15,846
Euro	**18,007**	10,670

Certain bank balances and cash, restricted bank deposits and pledged bank deposits of the Group of approximately RMB320,658,000 (31 December 2010: RMB45,779,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

22. OTHER FINANCIAL ASSETS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Foreign currency forward contracts	**348**	—

As at 30 June 2011, the Group had several arrangements with two established commercial banks in the PRC that the Group would purchase Euro and JPY (31 December 2010: N/A) and sell RMB at pre-determined forward rates for contractual periods from three to twelve months from the banks for settlement of its payable to suppliers in Euro and JPY for the acquisition of plant and equipment.

Major terms of foreign currency forward contracts of the Group are as follows:

Principal amount	Maturity	Forward exchange rate
Euro 1,650,000	June 2012	Buy Euro/Sell RMB at 9.1503
Euro 1,753,500	June 2012	Buy Euro/Sell RMB at 9.1503
Euro 173,250	June 2012	Buy Euro/Sell RMB at 9.1288
Euro 173,250	June 2012	Buy Euro/Sell RMB at 9.1288
Euro 1,650,000	June 2012	Buy Euro/Sell RMB at 9.1503
Euro 1,042,500	December 2011	Buy Euro/Sell RMB at 9.0581
JPY 320,700,000	December 2011	Buy JPY/Sell RMB at 0.0800
JPY 42,760,000	September 2011	Buy JPY/Sell RMB at 0.0803

As at 30 June 2011, the fair values of the foreign currency forward contracts are measured using quoted forward exchange rates matching maturities of the contracts at the end of the reporting period.

During the six months ended 30 June 2011, a gain on change in fair values of the foreign currency forward contracts amounting to approximately RMB348,000 (six months ended 30 June 2010: loss of RMB6,390,000 (unaudited)) has been recognized in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

23. TRADE AND OTHER PAYABLES/AMOUNT DUE TO A DIRECTOR

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current liabilities		
Trade payables	132,641	33,703
Bills payable	192,977	—
Payables for acquisition of property, plant and equipment	111,902	120,878
Other tax payables	—	87
Other payables and accrued charges	15,550	12,245
	453,070	166,913
Amount due to a director	—	859
Non-current liabilities		
Other payable (note 26)	4,731	4,731

The following is an aged analysis of the Group's trade payables presented based on invoice date at the end of the reporting period:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Age		
0 to 30 days	111,008	33,295
31 to 60 days	16,814	262
61 to 90 days	2,836	75
91 to 180 days	1,775	25
Over 180 days	208	46
	132,641	33,703

23. TRADE AND OTHER PAYABLES/AMOUNT DUE TO A DIRECTOR (continued)

The following is an aged analysis of the Group's bills payable presented based on issue date at the end of the reporting period:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Age		
0 to 30 days	**37,188**	—
31 to 60 days	**101,135**	—
61 to 90 days	**54,654**	—
	192,977	—

The credit period on purchases of goods is 0 to 90 days and certain suppliers allow longer credit period up to 180 days on a case-by-case basis.

The amount due to a director as at 31 December 2010 was balance with Mr. Tang which was unsecured, interest-free and repayable on demand. It was settled during the six months ended 30 June 2011.

The trade and other payables denominated in HKD, USD, JPY and Euro, the foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade and other payables denominated in:		
USD	**6,459**	5,431
HKD	**2,019**	196
JPY	**7,552**	33,220
Euro	**60,691**	71,904

24. CUSTOMERS' DEPOSITS RECEIVED

Customers' deposits received are unsecured, interest-free and will be settled by the delivery of products by the Group. At the end of the reporting period, the directors of the Company estimate the amount of customers' deposits received that is expected to be settled by the delivery of products of the agreed contract quantity in the next twelve months and such amount is classified as current liability at the end of the reporting period. The remaining balance is classified as non-current liability in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

25. BORROWINGS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank loans	**963,449**	294,500
Secured	**141,676**	29,500
Unsecured	**821,773**	265,000
	963,449	294,500
Fixed-rate borrowings	**273,364**	54,500
Variable-rate borrowings	**690,085**	240,000
	963,449	294,500
Carrying amount repayable:		
On demand or within one year	**551,749**	154,500
More than one year, but not exceeding two years	**89,700**	70,000
More than two years but not more than five years	**322,000**	70,000
	963,449	294,500
Less: amounts repayable within one year shown under current liabilities	**(551,749)**	(154,500)
Amounts shown under non-current liabilities	**411,700**	140,000

At 30 June 2011, the Group factored bills receivable of approximately RMB30,000,000 (31 December 2010: RMB29,500,000) to banks with full recourse. The corresponding bank loans of approximately RMB30,000,000 (31 December 2010: RMB29,500,000) will be matured by the end of September 2011 (31 December 2010: February 2011) and are classified as current liability.

At 30 June 2011 and 31 December 2010, the Group had variable-rate borrowings which carried interest based on the benchmark interest rate issued by the People's Bank of China. Interest was reset every one month, three months or one year.

25. BORROWINGS (continued)

The ranges of effective interest rate of the Group's borrowings are as follows:

	At 30 June 2011	At 31 December 2010
Effective interest rate:		
Fixed-rate borrowings	**2.40 to 6.94%**	5.84%
Variable-rate borrowings	**2.26 to 7.04%**	5.61 to 5.88%

The unsecured bank borrowings of approximately RMB795,173,000 (31 December 2010: RMB265,000,000) at 30 June 2011 were guaranteed by independent third parties.

The borrowings denominated in HKD, USD, Euro and JPY, the foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
HKD	**13,306**	—
USD	**3,374**	—
Euro	**96,079**	—
JPY	**41,390**	—

26. DEFERRED INCOME

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Government grants	**21,902**	2,238

During the year ended 31 December 2010, the Group received a government subsidy of approximately RMB9,463,000 in relation to certain land use rights acquired by the Group. There are certain conditions related to the performance of Shunfeng Technology in each of the three years ending 31 December 2012. When the conditions attached to the grant cannot be fulfilled in accordance with the specified timeline, the Group is obliged to repay to the relevant government authorities. During the year ended 31 December 2010, certain of the relevant conditions attached to the related grant were fulfilled and a portion of grant in an amount of approximately RMB2,367,000 became non-refundable and was reclassified from other payables to deferred income, out of which approximately RMB129,000 has been credited to profit or loss for the year then ended.

During the six months ended 30 June 2011, an amount of RMB2,365,000 which was included in other payables at 31 December 2010 has been reclassified as deferred income as the relevant conditions attached to the related grant have been fulfilled. The related portion of subsidy credited to profit or loss during the six months ended 30 June 2011 was approximately RMB155,000 (six months ended 30 June 2010: nil (unaudited)). The remaining balance at 30 June 2011 of approximately RMB4,731,000 (31 December 2010: RMB4,731,000) which is subject to the conditions to be fulfilled in the year ending 31 December 2012 (31 December 2010: year ending 31 December 2012) is included in non-current other payables.

During the six months ended 30 June 2011, the Group received a government subsidy of approximately RMB17,923,000 for compensation of the purchase cost of certain machineries. The amount is treated as deferred income and amortized to income over the useful lives of related assets upon the machineries are ready for their intended use and depreciation commences. As a result, an amount of approximately RMB469,000 has been credited to income during the six months ended 30 June 2011 (six months ended 30 June 2010: nil (unaudited)).

Notes to the Consolidated Financial Statements

27. SHARE CAPITAL

On 6 August 2010, the Company was incorporated with 39,000,000 authorized ordinary shares of HK$0.01 each.

Authorized:

	Number of shares	Amount
		HK$
Ordinary shares		
Ordinary shares of HK$0.01 each on 6 August 2010 (date of incorporation) and 31 December 2010	39,000,000	390,000
Increase in authorized share capital (note)	4,961,000,000	49,610,000
Ordinary shares of HK$0.01 each on 30 June 2011	5,000,000,000	50,000,000

Issued and fully paid:

	Number of shares	Amount
		HK$
Ordinary shares		
Ordinary shares of HK$0.01 each on 6 August 2010 (date of incorporation), 31 December 2010 and 30 June 2011	50,000	500

	At 31 December 2010
	RMB'000
Presented in the consolidated financial statements as RMB:	
Ordinary shares	1

Note: Pursuant to the written resolutions of the shareholders of the Company dated 23 May 2011, the authorized share capital of the Company was increased from HK$390,000 to HK$50,000,000 by the creation of an additional 4,961,000,000 shares of HK$0.01 each.

Notes to the Consolidated Financial Statements

28. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current asset		
Investment in a subsidiary	**233,969**	233,969
Current asset		
Other receivables	**9,410**	4,832
Current liabilities		
Other payable	**10,616**	7,036
Amounts due to subsidiaries	**13,686**	6,055
	24,302	13,091
Net current liabilities	**(14,892)**	(8,259)
Total assets less current liabilities	**219,077**	225,710
Capital and reserves		
Share capital	**1**	1
Reserves (note i)	**219,076**	225,709
Total equity	**219,077**	225,710

Note i: Reserves

	Special reserve RMB'000 (note)	**Accumulated losses** RMB'000	**Total** RMB'000
At 6 August 2010 (date of incorporation)	—	—	—
Loss and total comprehensive losses for the period	—	(8,259)	(8,259)
Capital contribution from shareholders of the Company	233,968	—	233,968
At 31 December 2010	233,968	(8,259)	225,709
Loss and total comprehensive losses for the period	—	(6,633)	(6,633)
At 30 June 2011	233,968	(14,892)	219,076

Note: The shareholders of the Company injected capital of approximately RMB233,968,000 to the Company for the purpose to acquire the equity interests of Shunfeng Technology pursuant to the Group Reorganization in 2010.

29. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group was committed to make the following future minimum leases payments in respect of rented promises under non-cancellable operating leases which fall due as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within one year	515	528
In the second to fifth year inclusive	—	12
	515	540

Operating lease payments represented rental payable by the Group for certain of its office properties and factory premises. The leases are negotiated for an average term from one to three years.

At 31 December 2010, the Group was committed to pay a consideration of approximately RMB6,184,000 to acquire land use rights which was settled in the six months ended 30 June 2011.

30. CAPITAL COMMITMENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
— contracted for but not provided in the consolidated financial statements	617,408	707,231
— authorized but not contracted for	1,443,950	1,686,890
	2,061,358	2,394,121

31. RETIREMENT BENEFITS SCHEMES

The Group operates MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees of the subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

32. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the six months ended 30 June 2011 and 2010, the Group has the following significant transactions with related parties:

Name of related party	Nature of transaction	**Six months ended 30 June**	
		2011	2010
		RMB'000	RMB'000
			(Unaudited)
Changzhou Shunfeng Electric Power Equipment Co., Ltd.* ("Changzhou Shunfeng") (note)	Purchase of property, plant and equipment	**513**	—

* The English name is for identification purpose only.

Note: Changzhou City Wujin Power Equipment Factory 常州市武進發電設備廠 ("Wujin Equipment Factory"), which Mr. Lu is a director and controlling shareholder of, has controlling interests in Changzhou Shunfeng.

Notes to the Consolidated Financial Statements

32. RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

During the six months ended 30 June 2011 and 2010, the Group obtained banking facilities with credit limit which were guaranteed by the following related parties:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Personal guarantee from Mr. Lu and corporate guarantee from Wujin Equipment Factory jointly	**—**	7,500
Corporate guarantee from Wujin Equipment Factory	**—**	22,500
	—	30,000

The guarantees provided by Mr. Lu and Wujin Equipment Factory were released in December 2010.

(b) Related party balances

Details of the balances with a director at the end of the reporting period are set out in note 23.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the six months ended 30 June 2011 and 2010 was as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Basic salaries and allowances	**1,724**	999
Performance — related incentive bonuses	**300**	745
Retirement benefits scheme contributions	**60**	7
	2,084	1,751

The remuneration of directors and key executives is determined with reference to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

33. SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2011 and 31 December 2010, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Group		Issued and fully paid share capital/ registered capital at 30 June 2011	Principal activities
		As at 30 June 2011	As at31 December 2010		
Shunfeng HK	Hong Kong 16 August 2010	**100%**	100%	HK$500	Investment holding
Shunfeng Technology (Note 1)	PRC 10 October 2005 as a wholly-owned foreign enterprise ("WOFE")	**100%**	100%	RMB167,600,000	Manufacturing and sales of solar cells and related products
Shunfeng Materials	PRC 21 September 2010 as a sino foreign equity joint venture	**54.55%**	54.55%	RMB135,020,837 (Note 2)	Manufacturing and sales of silicon wafers and related products
Jiangsu Shunfeng Photovoltaic Electronic Power Co., Ltd. 江蘇順風光電電力有限公司 ("Shunfeng Electronic")	PRC 29 December 2010 as a WOFE	**100%**	100%	— (Note 3)	Manufacturing and sales of solar modules and provision of related installation services

Notes:

(1) Shunfeng Technology was a sino foreign joint venture and has become a wholly owned foreign enterprise since 26 September 2010 upon the Group Reorganization.

(2) Pursuant to the Certificate of Approval issued by government authorities in Jiangsu Province in the PRC, total registered capital was increased from RMB10,000,000 to RMB220,000,000 on 18 November 2010.

(3) The registered capital is USD100,000,000. At 30 June 2011, the registered capital was not yet paid up.

34. EVENTS AFTER THE REPORTING PERIOD

On 13 July 2011, 390,000,000 shares of HK$0.01 each of the Company were issued at HK$1.11 by way of Global Offering (as defined in the Prospectus). In addition, the Company allotted and issued at par 1,169,950,000 ordinary shares of HK$0.01 each to the shareholders of the Company on 23 May 2011 in proportion to their respective existing shareholdings to the Company by way of capitalisation of the amount of approximately HK$11,699,500 (equivalent to approximately RMB9,945,000) standing to the credit of the share premium account of the Company.

On the same date, the Company's shares were listed on the Hong Kong Stock Exchange. The net proceeds received by the Company from the Global Offering were approximately HK$401 million.

Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

"Board" or "Board of Directors"	Board of Directors of the Company
"Directors(s)"	the director(s) of the Company
"Euro"	European Dollars, the lawful currency of the member states of European Union
"Global Offering"	the global offering of 390,000,000 Shares by the Company by way of Hong Kong public offering and international offering
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"JPY"	Japanese Yen, the lawful currency of Japan
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals to one million watt
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"United States" or "U.S."	the United States of America
"USD"	United States dollars, the lawful currency of the United States
"*"	for identification purposes only