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

Annual Report 2011

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Corporate Information

DIRECTORS

Executive Directors

Mr. Tang Guoqiang *(Chairman)*
Mr. Shi Jianmin *(Vice Chairman)*
(appointed on 1 September 2011)
Mr. Gao Zhan *(appointed on 29 March 2012)*
Mr. Lu Jianqing *(resigned from 29 March 2012)*
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. Ge Ming *(Chairman)*
Mr. Tang Guoqiang
Mr. Tao Wenquan
Mr. Zhao Yuwen

NOMINATION COMMITTEE

Mr. Tang Guoqiang *(Chairman)*
Mr. Ge Ming
Mr. Zhao Yuwen

COMPANY SECRETARY

Mr. Tse, Man Kit Keith

AUTHORIZED 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

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
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

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

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, I am pleased to present to the Shareholders the audited consolidated annual results of the Group for the year ended 31 December 2011.

Despite the exceptionally challenging operating environment in 2011, the Group achieved a net profit of RMB23.8 million in 2011 and expanded our production capacity to approximately 420 MW. Our shipment volume in 2011 was approximately 351.7 MW, which represents an increase of 389.2% from 71.9 MW in 2010. Even under an unfavourable business environment resulted from the global financial crisis, demand for our products by our customers was robust, we believe this was attributable to our strong track record of product quality and superior branding.

The "Shunfeng Photovoltaic" brand is synonymous with quality. We maintain the strength of our brand by executing a stringent manufacturing process, tailoring our products to meet our customers' needs and leveraging on our extensive track record of superior product quality. In the second half of 2011, we successfully launched the 156mm by 156mm multicrystalline solar cells.

During 2011, the Company successfully raised HKD432.9 million by its listing on the Main Board of the Hong Kong Stock Exchange on 13 July 2011. The proceeds from the Global Offering have been used to fund the Group's long-term development and strengthen our ability to drive innovation, build downstream relationships, increase production capacity and further develop technological expertise to mitigate against the unfavorable business conditions brought on by the global financial crisis.

Our Board and management team have confidence in the prospects of the solar energy industry. We believe governments of various countries will continue to invest heavily in solar and other clean energies with the objective to restore their economies, to create employment opportunities and, at the same time, to establish a low-carbon emission environment. In respect of the PV markets on a global level, countries including Germany, Spain and Italy are currently regarded as the major end-markets. These countries are promoting solar generation by implementing proactive policies (such as government grants), and these policies are driving the fast development of the PV manufacturing industry. Similarly, China and the United States, being the top two energy consuming countries in the world, as well as France, Australia and the Middle East are promising solar energy markets with substantial potential in the future.

At present, solar energy is still a relatively high cost method for generating power compared to traditional sources. However, the cost of generating solar energy (per watt) had reduced substantially since the third quarter of 2011, this is due to the decrease in polysilicon costs, the continuous upgrading of production techniques and the enhancement of operational effectiveness in the industry. This reduction in polysilicon prices has accelerated the industry's progression towards grid-parity and created opportunities for the Group. With our reputation and our stable and well-managed relationships with the suppliers and customers, I am confident that the Group has capability to adapt to the new economical and competitive landscape in the solar industry, and with the support of our Board and management team, I strongly believe that our business will continue to grow and develop in a steady and healthy manner.

Currently, the Group has expanded solar cell production capacity from approximately 180 MW in 2010 to approximately 420 MW. In order to implement vertical integration to capture additional profit along the value chain and achieve greater, we had invested in the coordinated expansion of our silicon wafer and solar module production to realize the benefits of vertical integration. By end of 2011, we had reached an annual silicon wafers production capacity and solar module production capacity of 200 MW installed of which 66.7 MW has been started for production and 60 MW, respectively.

The Group will continue to strive to improve product quality and minimize production cost to further strengthen our competitive advantages. At present, the Group is refining the existing business strategies and identifying potential business opportunities proactively, in an effort to capture the enormous opportunities in the upcoming era of clean and economy solar energy, which will enable us to create the greatest reward for our Shareholders.

Lastly, for and on behalf of the Board, I would like to acknowledge the dedications and efforts made by the management and our staff during the past year and express my gratitude to our Shareholders and business partners for their continuous support and trust. I look forward to reporting to our Shareholders at the forthcoming annual general meeting on our effective stewardship of the Group's business and assets, as well as the value we continuously delivered to our Shareholders.

Tang Guoqiang
Chairman
Jiangsu, the PRC

28 March 2012

Management Discussion and Analysis

Business Review

During 2011, the adverse impact of the collapse of the U.S. mortgage market quickly spread into the wider financial sector and then, inevitably, into what is often referred to as the "real economy". The financial crisis also created short-term challenges in the business environment for the solar industry, which affected the overall demand for solar products as well as the price for the raw materials and solar products.

Despite the adverse impacts of the global economic downturn in 2011, the long-term prospect of the solar industry remains promising. The reduction in price has accelerated the progression to grid-parity, and governments of various countries have invested heavily into solar and other clean energies, with the objective to restore their economies, to create employment opportunities while at the same time establish a low-emission environment.

In respect of the PV markets on a global level, countries including Germany, Spain and Italy are currently the major end markets. China and the United States, being the top two energy consuming countries in the world, as well as France, Australia and the Middle East are emerging markets with substantial potential in the future. These countries either have policies that offer, or plan to introduce policies to offer substantial incentives in the form of direct subsidies for solar power system installations, or rebates for electricity produced from solar power. These would speed up the development of the PV manufacturing industry, as increasing government support for solar power use will drive up demand for solar power.

In addition to the foregoing, the recent economic downturn has also created new opportunities for us. Our customers are beginning to realize the value of buying high-quality solar cells from a reputable and well-established producer with the indispensable strength and stability to support their long term development. This created a strong demand for our high-quality solar cells even amid the challenging environment of 2011.

Our shipment volume for the Year was 351.7 MW which was approximately 389.2% higher than that of approximately 71.9 MW for the year ended 31 December 2010. This indicated that even during the first half of 2011 when the solar industry and global economy were severely threatened by the financial crisis, we still secured strong demand for our products.

Our top 5 customers in 2011 represented approximately 50.0% of our total revenue as compared with approximately 75.9% in 2010. Our largest customers accounted for approximately 27.6% of our total revenue in 2011 while it represented approximately 24.8% in 2010. These changes were mainly the result of our efforts to optimise the customer base. We believe product quality and cost advantage would be crucial in the upcoming era of solar energy.

We have been able to gradually increase the number of customers, as well as expand the geographic coverages we reached during 2011. In addition to our strong solar module manufacturers customer base in the PRC, we were able to expand our customer base to include leading solar cell and module manufacturers in other parts of the world.

During 2011, our sales to PRC based customers represented approximately 95.5% of our total revenue, as compared with approximately 92.7% in 2010. Our sales to overseas customers represented approximately 4.5% of our total revenue in 2011, as compared with approximately 7.3% in 2010. Our strong track record of production quality, advanced proprietary technology and efforts on reducing production costs have contributed to our reputation and thus our success in optimising our customer base, and we believe such strategic move will continue to contribute to a strong and sustainable demand for our products.

Our ability to manufacture high quality monocrystalline solar cells (in terms of industry metrics), reflects on the conversion efficiency and quality of our products. Through utilising our competitive advantages, we strive to maintain our high quality standards in the production of monocrystalline solar cells.

We plan to devote substantial resources into research and development to enhance our manufacturing processes, reduce our production costs, and improve our product quality and performance. We believe these efforts, together with the industry experience of our management team, will enable us to continue to improve production efficiency and enhance product quality. These, we believe, will in turn help to promote our reputation in product innovation within the solar market.

In order to meet the anticipated growth in demand for our solar products, we have expanded our solar cell production capacity from approximately 180 MW to approximately 420 MW during 2011. While we plan to maintain our primary focus on solar cells, we had invested in the coordinated expansion of our silicon wafer and solar module production to realize the benefits of vertical integration. By end of 2011, we had reached an annual silicon wafers production capacity and solar module production capacity of 200 MW installed of which 66.7 MW has been started for production and 60 MW, respectively. We are now in the process of further expanding the production capacity.

We intend to introduce a diversified procurement strategy which, when implemented, will involve purchasing from multiple suppliers. The intention of this initiative is to minimize potential disruptions to our operation in the event that any one of our suppliers is unable to satisfy our order in a timely manner, we will adhere to this strategy and diversify our supply source even when a supplier offers wafers at a more competitive unit price than the other suppliers in the market. To ensure a successful implementation of this strategy, we will develop strategic alliances with key suppliers, continue to maintain existing relationships and expand our network of suppliers to, among others, emerging suppliers who are able to provide us with high-quality wafers.

The past 12 months have not been easy. However, we have successfully managed and took effective steps to mitigate against the impacts of the risks on our business which arose from the volatile and difficult economic environment in 2011. Not only did we ride out the storm, we emerged stronger than ever and stood ready to capture the opportunities for the renewable energy sector in the coming years.

Financial Review

Revenue

Revenue increased by RMB1,348.6 million, or 216.5%, from RMB622.9 million for the year ended 31 December 2010 to RMB1,971.5 million for the Year, primarily as a result of a decrease in the average selling price of our solar products, partially offset by an increase in our sales volume. The decrease in the average selling price of our solar products was generally due to the significant fall in the market prices for solar products, which was caused by the european debt crisis. The increase in our sales volume was generally due to the increase in customer demand for our monocrystalline solar products. The shipment volume of our solar products increased by 389.2% from 71.9 MW for the year ended 31 December 2010 to 351.7 MW for the Year. Inter-segment sales of wafers of approximately 29.4MW and solar cells of approximately 15.5MW amounting to RMB98.7 million and RMB81.5 million have been eliminated in the revenue of the Year, respectively.

Management Discussion and Analysis

For the Year, sales of monocrystalline solar cells and multicrystalline solar cells accounted for 86.9% and 8.4% of total revenue, respectively, while sales of solar modules accounted for 4.7% of total revenue. For the year ended 31 December 2010, sales of monocrystalline solar cells substantially accounted for all total revenue whereas we only derived limited revenue from sales of multicrystalline solar cells and solar modules. In order to capture the demand for multicrystalline solar cells, we successfully launched the 156 mm by 156 mm multicrystalline solar cells in the second half of 2011.

Sales of 156 mm by 156 mm monocrystalline solar cells

Revenue from sales of 156 mm by 156 mm monocrystalline solar cells increased by RMB1,311. 5 million, or 2,175.0%, from RMB60.3 million for the year ended 31 December 2010 to RMB1,371.8 million for the Year, primarily as a result of an increase in shipment volume by 3,113.7% from 7.3 MW for the year ended 31 December 2010 to 234.6 MW for the Year, partially offset by a decrease in our average unit price for this product by 30.1% from RMB8.3 per watt for the year ended 31 December 2010 to RMB5.8 per watt for the Year.

Sales of 156 mm by 156 mm multicrystalline solar cells

Revenue from sales of 156mm by 156mm multicrystalline solar cells increased by RMB166.5 million, or 8,765.5 times, from RMB0.02 million for the year ended 31 December 2010 to RMB166.6 million for the Year, primarily due to launch of this new product in the second half of 2011. Our sales volume increased by 100% to 43.7 MW for the Year.

Sales of 125 mm by 125 mm monocrystalline solar cells

Revenue from sales of 125 mm by 125 mm monocrystalline solar cells decreased by RMB221.3 million, or 39.3%, from RMB562.5 million for the year ended 31 December 2010 to RMB341.2 million for the Year, primarily as a result of a decrease in our average unit price for this product by 33.3% from RMB8.7 per watt for the year ended 31 December 2010 to RMB5.8 per watt for the Year and decrease in our sales volume by 8.5% from 64.6MW for the year ended 31 December 2010 to 59.1 MW for the Year.

Sales of solar modules

Revenue from sales of solar module increased by RMB91.8 million, or 891.4 times, from RMB0.1 million for the year ended 31 December 2010 to RMB91.9 million for the Year, primarily due to successfully installed 60MW production capacity and received the OEM sales orders in the fourth quarter of 2011.

In terms of geographic markets from which our revenue was generated, approximately 95.5% of the total revenue for the Year was generated from the sales to our PRC customers, as compared with 92.7% for the year ended 31 December 2010. The remaining portion was generated from the sales to our overseas customers, who are mainly based in certain Asian and European countries.

Cost of sales

Cost of sales increased by RMB1,268.6 million, or 257.5%, from RMB492.6 million for the year ended 31 December 2010 to RMB1,761.2 million for the Year, primarily as a result of an increase in our shipment volume.

Gross profit

Gross profit increased by RMB80.0 million, or 61.4%, from RMB130.3 million for the year ended 31 December 2010 to RMB210.3 million for the Year, primarily as a result of the above.

Other income

Other income increased by RMB7.7 million, or 228.2%, from RMB3.4 million for the year ended 31 December 2010 to RMB11.1 million for the Year, primarily due to an increase in bank interest income, the government grants and gain on sales of raw and other materials.

Other gains and losses and other expenses

Other gains and losses and other expenses increased by RMB61.0 million, or 448.5% from RMB13.6 million for the year ended 31 December 2010 to RMB74.6 million for the Year, which was primarily due to increase in an impairment loss of approximately RMB63.7 million to write down the carrying amount of certain non-current assets to their recoverable amount. The recognition of this impairment loss is mainly due to the severe and challenging market conditions in solar applications of the late calendar year of 2011 which impact on the market demand and the selling price of industry.

Distribution and selling expenses

Distribution and selling expenses increased by RMB4.4 million, or 174.6% from RMB2.5 million for the year ended 31 December 2010 to RMB6.9 million for the Year, primarily due to the significant increase in our shipment volume to 351.7MW for the Year from 71.9 MW for the year ended 31 December 2010.

Administrative and general expenses

Despite the material increase in production capacity and operation scale, administrative and general expenses increased by RMB37.7 million, or 195.6%, from RMB19.3 million for the year ended 31 December 2010 to RMB56.9 million for the Year, primarily as a result of our cost control measures to improve operating efficiency.

Finance costs

The Group had bank loans carried variable interest rates based on the benchmark interest rates issued by the People's Bank of China and also have fixed rate borrowings. Interest expenses in relation to bank loans and obligation under finance lease increased by RMB44.5 million, or 1,121.8%, from RMB4.0 million for the year ended 31 December 2010 to RMB48.5 million for the Year, primarily as a result of an increase in the amount of bank loans borrowed.

Profit before taxation

Profit before taxation decreased by RMB59.9 million, or 63.5%, from RMB94.4 million for the year ended 31 December 2010 to RMB34.4 million for the Year, as a result of the reasons stated above.

Income tax expense

Income tax expense decreased from RMB14.3 million for the year ended 31 December 2010 to RMB10.7 million for the Year, primarily as a result of the recognition of deferred tax arose from the asset-related government grants received for the Year. Our effective tax rate for the Year was 31.0% (2010: 15.1%).

Profit for the Year

Net profit decreased by RMB56.3 million, or 70.3%, from RMB80.1 million for the year ended 31 December 2010 to RMB23.8 million for the Year, as a result of the reasons stated above. Net profit margin decreased from 12.9% for the year ended 31 December 2010 to 1.2% for the Year.

Management Discussion and Analysis

Inventory turnover days

The inventories of the Group mainly comprised raw materials, work-in-progress and finished goods. The increase in inventories was mainly due to the expansion in the production capacity of the Group and the attractive offers from our wafer suppliers by the end of 2011. Included in the balance of the inventories as at 31 December 2011 was a write-down of inventories of RMB3.6 million (2010: Nil), this write-down was mainly due to the continuous fall in the prices of raw material and product selling prices caused by the global economic slowdown. The inventory turnover days as at 31 December 2011 was 11.6 days (2010: 20.0 days). Unless we get attractive offers from suppliers, the optimal inventory level should be around one to two months of our sales volume to meet the Group's production requirements.

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2011 was 28.8 days (2010: 16.9 days). The increase in turnover days was mainly due to the change in general market environment and even with such increase, the trade receivable turnover days as at 31 December 2011 was still within the credit period (normally 15 to 180 days) which the Group grants to its customers.

Trade payable turnover days

The trade payable turnover days as at 31 December 2011 was 23.9 days (2010: 19.7 days). Given the established relationship and the change in general market environment, our suppliers allowed the Group to have a reasonable payment period throughout the year.

Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings and the proceeds from the Global Offering. As at 31 December 2011, the Group's current ratio (current assets divided by current liabilities) was 0.8 (2010: 0.7) and it was in a negative net cash position. The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a strong liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 31 December 2011, the Group was in a negative net cash position of RMB610.1 million (2010: RMB99.1 million) which included cash and cash equivalent of RMB120.1 million (2010: RMB55.4 million) and short-term bank loans of RMB730.2 million (2010: RMB154.5 million).

The Group's borrowings were denominated in RMB while its cash and bank balances, restricted bank deposits and pledged bank deposits were denominated in RMB, HKD, Euro and JPY. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increase from 75.7% as at 31 December 2010 to 125.1% as at 31 December 2011.

The Group have budgeted RMB148.9 million for its production capacity expansion, which will be funded by proceeds from the Global Offering, our cash flows from operations and/or bank loans.

During 2011, the Group did not entered into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange rate risks (2010: Nil).

Contingent liabilities and guarantees

As at 31 December 2011, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (31 December 2010: Nil).

Charges on the Group's assets

As at 31 December 2011, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB384.6 million (31 December 2010: RMB17.6 million) to banks to secure banking facilities granted to the Group.

As at 31 December 2011, the Group factored bills receivable of approximately RMB205.9 million (31 December 2010: RMB29.5 million) to banks with full recourse. The corresponding bank loans of approximately RMB205.9 million (31 December 2010: RMB29.5 million) will be matured by the end of June 2012 (31 December 2010: February 2011) and are classified as current liability.

Save as disclosed above, as at 31 December 2011 and 31 December 2010, no other assets of the Group was under charge in favor of 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 investments held and material acquisitions or disposals

Save for the Group Reorganization for the purpose of listing of the Shares on the Main Board of the Hong Kong Stock Exchange, there were no significant investment in, and no acquisition or disposal of subsidiaries and associated companies by the Group during the Year.

Human resources

As at 31 December 2011, the Group had 1,107 employees (31 December 2010: 482). 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.

Final dividend

The Board has resolved not to declare a final dividend for the Year.

Management Discussion and Analysis

Use of net proceeds from the listing

The Shares were listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2011 with net proceeds from the Global Offering of approximately HK$416.4 million (after deducting underwriting commissions and related expenses).

The use of the net proceeds from the Global Offering as at 31 December 2011 was as follows:

Use	**Percentage of net proceeds**	**Amount of net proceeds** *(in HK$ million)*	**Amount utilised** *(in HK$ million)*	**Amount remaining** *(in HK$ million)*
Expansion of solar cell production capacity	45%	187.4	93.7	93.7
Expansion of silicon wafer production capacity	45%	187.4	46.9	140.5
Expansion of solar module production capacity	8%	33.3	27.0	6.3
Working capital	2%	8.3	8.3	–
	100%	416.4	175.9	240.5

The Directors intend to apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 30 June 2011.

Future Plan

On 13 April 2012, the Company has entered into a letter of intent (the "LOI") with Huan Tat International Ind Company Limited ("Huan Tat International") and Mr. Mo Weihua ("Mr. Mo"), indirect shareholders of Winsun New Energy Co., Ltd. ("Winsun New Energy"). Pursuant to the LOI, Huan Tat International and Mr. Mo will, subject to the entering of the formal agreement, procure the sale of all their indirect interests (being the entire equity interest) in Winsun New Energy to the Company for new shares and/or convertible bonds to be issued by the Company.

Four-year Statistics

Year	2008	2009	2010	2011
Turnover growth (%)	131.1%	(32.8%)	64.4%	**216.5%**
Gross profit margin (%)	12.0%	19.2%	20.9%	**10.7%**
Net profit margin (%)	9.8%	14.1%	12.9%	**1.2%**
EBITDA (in RMB thousands)	66,555	69,339	111,446	**128,459**
Adjusted EBITDA (in RMB thousands)	66,764	68,578	124,487	**199,870**
Adjusted EBITDA margin (%) *	11.8%	18.1%	20.0%	**10.1%**
EPS (in RMB cents)	4.73	4.57	6.88	**4.22**
Adjusted EPS (in RMB cents) **	5.71	5.86	10.64	**14.76**
Total indebtedness (in RMB thousands)	38,048	–	294,500	**999,187**
Gearing ratio (%)	15.0%	–	43.1%	**55.6%**
Interest coverage (times)	14.8	46.8	27.0	**1.7**
Trade receivable turnover (in days)	–	5.5	16.9	**28.8**
Trade payable turnover (in days)	2.4	13.1	19.7	**23.9**
Inventory turnover (in days)	25.8	38.8	20.0	**11.6**

* Adjusted EBITDA excluded other gains and losses and bank interest income

** Adjusted EPS calculated by Adjusted EBITDA over weighted average number of ordinary shares

Corporate Governance Report

Good corporate governance is conducive to enhancing overall performance, transparency and accountability and is essential in modern corporate administration. The Board continuously observes the principles of good corporate governance in the interests of Shareholders and devotes considerable effort to identifying and formalizing best practice.

Corporate Governance Code

The Company was a private company for more than half an year under review as it was only listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2011. Upon the listing of the Company, the Company has complied with the all of the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

In accordance with the requirement of the Listing Rules, the Company has established an audit committee with defined terms of reference and appointed a chief financial officer to oversee the financial reporting procedures and internal control of the Group. The Company has also established a nomination committee and a remuneration committee with defined terms of reference.

The Company has complied with the relevant code provisions set out in the Corporate Governance Code during the period from the Listing Date to 31 December 2011.

(a) Board of Directors

The overall management of the Company's operation is vested in the Board.

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the general manager and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board comprises seven Directors, consisting of four executive Directors and three independent non-executive Directors. Biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

Model Code

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period from the Listing Date to 31 December 2011.

Chairman and General Manager

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman of the Board and the general manager should be separate and should not be performed by the same individual. The Company has complied with the requirement of separation of these two roles under the Corporate Governance Code with Mr. Tang Guoqiang acting as the chairman of the Board and Mr. Shi Jianmin acting as the general manager of the Company. To the best knowledge of the Company, there is no other financial, business or family relationship between the members and chairman of the Board and the general manager.

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Mr. Ge Ming, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(1) and (2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills.

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. The number of the meetings held and the attendance of each Director at these meetings for the year ended 31 December 2011 have been set out as follows:

	Board Meeting
No. of meetings held	2
No. of meetings attended	
Executive Directors	
Mr. Tang Guoqiang	2/2
Mr. Shi Jianmin[1]	0/2
Mr. Lu Jianqing	2/2
Mr. Qian Kaiming	2/2
Independent Non-Executive Directors	
Mr. Tao Wenquan	2/2
Mr. Zhao Yuwen	2/2
Mr. Ge Ming	2/2

Note 1: Appointment of Mr. Shi Jianmin took effect on 1 September 2011.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management of the Company and the company secretary at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the articles of association of the Company, as well as relevant rules and regulations.

Appointments, Re-election and removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for a specific term, and is subject to retirement by rotation and reelection at an annual general meeting at least once every three years in accordance with the articles of association of the Company. The articles of association of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Committees

The Board has established (i) audit committee; (ii) remuneration committee; and (iii) nomination committee, with defined terms of reference. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available upon request. The board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

The audit committee was established in May 2011 with written terms of reference. The primary duties of the audit committee are to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and develop and implement policies on engaging an external auditor to supply non-audit services. Their written terms of reference are in line with the Corporate Governance Code provisions. The audit committee consists of three members, namely, Mr. Ge Ming, Mr. Tao Wenquan and Mr. Zhao Yuwen, all of whom are independent non-executive Directors. Mr. Ge Ming is the chairman of the audit committee.

The audit committee monitors the integrity of financial statements of the Company and its annual report and accounts, and has reviewed the Group's consolidated financial statements for the year ended 31 December 2011, including the accounting principles and practice adopted by the Group.

During the period between the Listing Date and 31 December 2011, one meeting was held by the audit committee. At the meeting, the interim report for the six months ended 30 June 2011 and the draft interim results announcement were reviewed.

The attendance record of the committee members at the meeting was as follows:

	Meeting
No. of meetings held	1
No. of meetings attended	
Mr. Ge Ming	1/1
Mr. Tao Wenquan	1/1
Mr. Zhao Yuwen	1/1

Remuneration Committee

The remuneration committee was established in May 2011 with written terms of reference. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and make recommendations to the Board of the remuneration of non-executive Directors. Their written terms of reference are in line with the Corporate Governance Code provisions. The remuneration committee consists of four members, namely, Mr. Tang Guoqiang, Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Ge Ming. Mr. Ge Ming is the chairman of the remuneration committee.

During the period between the Listing Date and 31 December 2011, no meeting was held by the remuneration committee.

During the Year, the remuneration committee considered management recommendation for key terms of new compensation and benefits plans and reviewed management's remuneration proposals with reference to the Board's corporate goals and objectives.

Nomination Committee

The Company established a nomination committee on 28 March 2012 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board at least annually and identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable director candidates and making such recommendations to the Board, the nomination committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their written terms of reference are in line with the Corporate Governance Code provisions. The nomination committee consists of three members, namely, Mr. Tang Guoqiang, Mr. Ge Ming and Mr. Zhao Yuwen. Mr. Tang Guoqiang is the chairman of the nomination committee.

Since the nomination committee was only established on 28 March 2012, no meeting was held by the nomination committee during the period between the Listing Date and 31 December 2011.

(b) Financial Reporting

The Directors, supported by the chief financial officer and the finance department, acknowledge their responsibility for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the Board is to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects, and extends to the annual and interim reports of the Group, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirement.

The responsibilities of Deloitte Touche Tohmatsu, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

External Auditor's Remuneration

The Company engaged Deloitte Touche Tohmatsu as its external auditor. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the Year are as follows:

	RMB'000
Audit services	1,700

(c) Internal Controls

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Company.

During the Year, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. Such review covered financial, compliance and operational controls as well as risk management mechanisms, and in particular, considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and the training programs and budget.

(d) Communications With Shareholders

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes the corporate correspondence on the Company's website www.sf-pv.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees would attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll would be declared at the meeting and published on the websites of the Hong Kong Stock Exchange and the Company respectively.

Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's correspondence address in Hong Kong.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Tang Guoqiang, aged 54, is an executive Director and the chairman of the Board. He has been a director of Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("**Shunfeng Technology**") since 1 April 2010. He has over 18 years of working experience, around 18 years of which is management experience. Mr. Tang obtained a high school diploma from Jiangsu Province Liyang Middle School in 1977. Mr. Tang was previously the general manager of Liyang Economic Development Corporation, a company primarily engaged in the wholesale of metals and metallic ores, from May 1990 to August 1996. He was previously the deputy general manager of Liyang City Qingfeng Fine Chemicals Co., Ltd., a company primarily engaged in the manufacturing and sale of pharmaceutical chemicals, from September 1996 to November 2003. He was previously an executive director of Zhenjiang Runfeng Real Estate Development Co., Ltd., a company primarily engaged in real estate development, property management and related information consultancy services, from November 2003 to April 2007.

Mr. Shi Jianmin, aged 45, is an executive Director, the vice chairman of the Board and the general manager of the Company. He has been a deputy general manager of Shunfeng Technology since 1 April 2010. Mr. Shi is responsible for financial management of the Company. Mr. Shi has over 26 years of working experience, over 10 years of which is management experience. Mr. Shi obtained a diploma in business administration through an online four year degree program from E-learning College, Shanghai Jiao Tong University on 1 July 2007. He obtained a qualification certificate of specialty and technology in financial economics approved and issued by Ministry of Personnel of China on 7 November 1999. Mr. Shi worked in Changzhou Branch of Industrial and Commercial Bank of China ("**ICBC**") from November 1985 to January 2007. Mr. Shi was previously the president of Changzhou Guanghua Sub-branch of ICBC from January 2002 to January 2006 and the general manager of the electronic bank department of Changzhou Branch of ICBC from February 2006 to January 2007. Mr. Shi was the deputy general manager of Zhenjiang Runfeng Real Estate Development Co., Ltd. from June 2007 to March 2010.

Mr. Gao Zhan, aged 42, is an executive Director. Mr. Gao has over 22 years of management experience. Mr. Gao obtained a degree in industrial enterprise management from the School of Management of Changzhou Institute of Technology in July 1990. He obtained a master degree in business administration from Business School of National University of Singapore in June 2010. Mr. Gao worked as the manager of international trade department of Far East Industrial Stock Co., Ltd. from July 1990 to March 1997. He worked as the general manager of Changzhou Xiehong Garments Co., Ltd. from March 1997 to December 2003. He worked as the chairman of board of directors of Tendresse Shanghai Co., Ltd. from October 2008 to February 2012, and an executive director of Justoons Jiangsu Co., Ltd. from December 2008 to February 2012 and a director of Changzhou GF Garment Inspection Co., Ltd. from July 2002 to February 2012.

Mr. Qian Kaiming (former name being Mr. Qian Qifan (錢麒帆)), aged 47, is an executive Director and a deputy general manager of the Company. Mr. Qian has been a director of Shunfeng Technology since 28 March 2006 and a deputy general manager of Shunfeng Technology since 1 April 2006. He has around 25 years of working experience, over 23 years of which is management experience and over five years of which is management experience in the solar power industry. Mr. Qian obtained a diploma in financial accounting from Jiangsu Radio and TV University in July 1991. He also obtained a diploma in the Tenth Jiangsu Provincial Management Program for the Entrepreneurs of Medium and Small Privately-owned Enterprises from College of Economics and Management, Nanjing University of Science and Technology on 27 March 2009. Mr. Qian obtained a qualification certificate of specialty and technology in accounting (enterprise) approved and issued by Ministry of Personnel of China and conferred by Ministry of Finance on 8 October 1994. He was a budget accountant of Changzhou City Wujin District Panjia Town Finance Office from June 1986 to February 1993 and a deputy head and the head of Changzhou City Wujin District Xueyan Town Finance Office from March 1993 to October 1998. He was a member of the third session of the Communist Party of China Committee of the People's Government of Changzhou City Wujin District Xueyan Town and the deputy secretary of Commission for Discipline Inspection of Xueyan Town from October 1998 to April 2000. He was a deputy general manager of Changzhou Shunfeng from May 2000 to September 2005.

Independent Non-Executive Directors

Mr. Tao Wenquan, aged 74, is an independent non-executive Director. Mr. Tao completed undergraduate studies in power machinery engineering from Xi'an Jiaotong University in August 1962 and postgraduate studies in heat transfer science from Xi'an Jiaotong University on 26 December 1966. Mr. Tao has been an academician of the Chinese Academy of Science since 2005. In addition, Mr. Tao is currently a member of the Advisory Board of Numerical Heat Transfer, an associate editor of International Journal of Heat &Mass Transfer and an associate editor of International Communications in Heat &Mass Transfer. Mr. Tao has been an independent director of THT Heat Transfer Technology, Inc. (a company listed on the Nasdaq Stock Market) since 25 September 2009.

Mr. Zhao Yuwen, aged 73, is an independent non-executive Director. Mr. Zhao completed undergraduate studies in electrochemistry production engineering from the chemical engineering department of Tianjin University in July 1964. He is a vice-president of China Solar Energy Association, which changed its name to Chinese Renewable Energy Society in 2007, and the director of its Photovoltaic Solar Committee. Mr. Zhao represented Beijing Solar Energy Research Institute to participate in the World Conference on Photovoltaic Energy Conversion ("WCPEC") as a member of the advisory committee. In 2005, Mr. Zhao was awarded the International Photovoltaic Science and Engineering Achievement Award at the 15th International Photovoltaic Conference. He has also been granted the State Council Special Allowance for Experts in recognition of his immense contribution to scientific research and development in China in 1998 and was certified as a qualified professional researcher in 1994. Mr. Zhao has been an independent director of JA Solar (a company listed on the Nasdaq Stock Market) since 19 October 2009.

Mr. Ge Ming, aged 61, is an independent non-executive Director. Mr. Ge obtained a master's degree in western accounting from Institute of Fiscal Science under the Ministry of Finance in 1982. Mr. Ge obtained the qualification for China Certified Public Accountant on 1 October 1983, the qualification for China Certified Appraiser in 2010 and the qualification for senior member of the Chinese Institute of Certified Public Accountants in 2010. He has been the chairman and the legal representative of Ernst & Young Hua Ming Certified Public Accountants since 1996 and the vice chairman of the Council of China Mergers & Acquisitions Association. He is an executive director of China Consultants of Accounting and Financial Management Inc. of CCAFM—E&Y Management Services Limited and is familiar with the business and regulatory environment in the PRC and Hong Kong. Mr. Ge was previously the chairman of the audit committee of Panva Gas Holdings Limited (currently known as Towngas China Company Limited, a listed company in Hong Kong) from 2005 to 2006 and a member of the audit committee of SEEC Media Group Limited (a listed company in Hong Kong) from September 2004 to February 2007.

Senior Management

Mr. Shi Jianmin is the general manager of the Company. Please refer to the paragraph headed "Directors" in this section for his biography.

Mr. Qian Kaiming is a deputy general manager of the Company. Please refer to the paragraph headed "Directors" in this section for his biography.

Biographical Details of Directors and Senior Management

Mr. Gao Zhoumiao, aged 44, is a deputy general manager of the Company. Mr. Gao has been a deputy general manager of Shunfeng Technology since 1 March 2011.Mr. Gao is responsible, under the guidance of the general manager, for the overall management of the business operations of the Company. He has over 21 years of working experience, over 13 years of which is management experience in the production of semiconductor wafers and over three years of which is management experience in the production of solar cells and solar modules. Mr. Gao obtained a bachelor's degree in physics from Fudan University on 15 July 1989 and an Executive Master of Business Administration degree from China Europe International Business School in 1998. Mr. Gao previously worked at Advanced Semiconductor Manufacturing Corporation Limited ("**ASMC**") (a company listed on the Hong Kong Stock Exchange) as an engineer from 1989 to 1994. He was a manufacturing manager at ASMC from 1994 to 1997 and was appointed as the vice president of operations at ASMC from 1997 to 2006. Mr. Gao was a vice president of operations at Solarfun Power Holdings Co., Ltd. ("**Solarfun**") (currently known as Hanwha SolarOne Co., Ltd., a company listed on the Nasdaq Stock Market) in September 2007, a senior vice president of operations at Solarfun and was appointed as the chief operating officer of Solarfun in August 2010. Mr. Gao was previously a director of Solarfun from August 2008 to March 2009.

Mr. Qu Hui (former name being Mr. Qu Fan (瞿凡)), aged 32, is a deputy general manager of the Company. Mr. Qu has been a deputy general manager of Shunfeng Technology since 1 January 2007. Mr. Qu is responsible for production quality and technological management of the Company. He has over seven years of working experience, over five years of which is management experience in the solar power industry. Mr. Qu obtained a bachelor's degree in physics from Nanjing University on 30 June 2002. He was previously a technician of Wuxi Suntech Power Co., Ltd. from 1 August 2004 to 31 July 2006.

Ms. Tong Caixia, aged 32, is the head of the technological department of the Company. Ms. Tong has been the head of the technological department of Shunfeng Technology since 1 January 2007. Ms. Tong is responsible for technology and research and development of the Company. She has over eight years of working experience, over five years of which is management and research and development experience in the solar power industry. Ms. Tong obtained a bachelor's degree in science, majoring in microelectronic technology, from Hefei University of Technology on 27 June 2002. Ms. Tong was previously a technician of Wuxi Suntech Power Co., Ltd..

Mr. Tse, Man Kit Keith, aged 38, is the chief financial officer and company secretary of the Company since 9 September 2010. Mr. Tse has around 14 years of working experience, over nine years of which is financial management experience. Mr. Tse obtained a bachelor's degree in commerce, majoring in accountancy and finance, from University of Wollongong, NSW, Australia on 16 July 1997. He was previously a staff accountant from 27 October 1997 to 30 September 2000, a senior accountant from 1 October 2000 to 30 September 2002 and a manager from 1 October 2002 to 22 October 2002 in the department of assurance and advisory business services in the Hong Kong office of Ernst & Young Business Services Ltd. and a manager in the department of assurance and advisory business services in Ernst & Young Hua Ming Shanghai Branch from 23 October 2002 to 28 December 2004. He was a manager in the assurance department in PricewaterhouseCoopers Ltd. from 10 January 2005 to 18 October 2005, a manager in the assurance division in Grant Thornton from 12 December 2005 to 21 January 2007, a director of corporate accounting in Flash Electronics, Inc. from 25 January 2007 to 26 January 2008 and a senior qualified accountant in Shanghai Fosun High Technology (Group) Co., Ltd. from 15 February 2008 to 15 August 2010 with concurrent appointment as the qualified accountant of Fosun International Limited (Hong Kong stock code: 656) from 12 March 2008 to 15 August 2010. Mr. Tse has been a member of Certified Practicing Accountant of CPA Australia since 17 July 2001 and a member of Hong Kong Institute of Certified Public Accountants since 26 February 2002.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements for the Year.

Principal Activities

The Company and its subsidiaries are principally engaged in manufacturing and sales of solar cells, solar modules and related products.

Principal Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2011 are set out in note 35 to the consolidated financial statements.

Financial Statements

The profit of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 34 to 90 of this annual report.

Dividends

The Board has resolved not to declare a final dividend for the Year.

Reserves

Details of movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 37.

Distributable Reserves of the Company

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB306,450,000. This amount represents the Company's share premium account of approximately RMB320,283,000 and accumulated losses of approximately RMB13,833,000 in aggregate as at 31 December 2011.

Operating Results

The operating results of the Group is set out in the consolidated income statement on page 34 of this annual report.

Report of the Directors

Charitable Donations

The Company did not make any charitable and other donations during the Year under review.

Property, Plant and Equipment

Movements in property, plant and equipment of the Group for the year ended 31 December 2011 are set out in note 15 to the consolidated financial statements.

Property Interests

For the purpose of listing of the Company's shares on the main board of the Hong Kong Stock Exchange in July 2011, a valuation was conducted on the property interest held by the Group. However, those property interests were still carried at historical costs less accumulated depreciation and impairment, if any, on the Group's financial statements.

By reference to the property valuation set out in Appendix IV to the prospectus of the Company dated 30 June 2011, a valuation surplus of approximately RMB37.6 million was recorded in respect of the property interests of the Group as at 30 April 2011. Were the property stated at that valuation the depreciation charge per year would have increased by approximately RMB1.9 million.

Share Capital

Details of the movements in share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

Directors

The Directors during the Year and as of the date of this annual report were:

Executive Directors

Mr. Tang Guoqiang *(Chairman)*
Mr. Shi Jianmin *(Vice Chairman) (appointed on 1 September 2011)*
Mr. Lu Jianqing *(resigned from 29 March 2012)*
Mr. Gao Zhan *(appointed on 29 March 2012)*
Mr. Qian Kaiming

Independent Non-executive Directors

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

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Pursuant to Article 83(3) of the Articles, Mr. Shi Jianmin and Mr. Gao Zhan who were appointed as a Director pursuant to Article 83(3) of the Articles will retire at the AGM. Both of them, being eligible, offer themselves for re-election.

Directors' and Senior Management's Biographies

Biographical details of the Directors and senior management are set out on pages 20 to 22 of this annual report.

Directors' Interests in Contracts

As at 31 December 2011 and during any time from the Listing Date to 31 December 2011, there was no contract of significance (as defined in Appendix 16 to the Listing Rules) subsisting in which a Director is or was materially interested, whether directly or indirectly.

As at 31 December 2011 and during any time from the Listing Date to 31 December 2011, there was no contract of significance in relation to the Company's business subsisting to which the Company, its subsidiary, its holding company or a subsidiary of its holding company was a party and in which a Director has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

As at 31 December 2011 and during any time from the Listing Date to 31 December 2011, none of the Directors was in any way, directly or indirectly, materially interested in any contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

Directors' Service Contracts

Each of the Directors in the Board has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 January 2011 other than Mr. Shi Jianmin and Mr. Gao Zhan who entered into a service contract with the Company commencing from 1 September 2011 and 29 March 2012 respectively, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term. No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company and their respective Associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions they have or deemed to have pursuant to the relevant provisions of the SFO), or required to be kept in the register under Section 352 of the SFO or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code, were as follows:

Name of Director	Capacity	Number of Shares held	Approximate percentage of interest 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 ("Peace Link") and, therefore, Mr. Tang Guoqiang is deemed to be interested in the 462,501,000 Shares held by Peace Link 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, to the best knowledge of the Directors of the Company, as at 31 December 2011, none of the Directors and the chief executive of the Company and their respective Associates have interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions they have or deemed to have pursuant to the relevant provisions of the SFO), or required to be kept in the register under Section 352 of the SFO or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

Rights to Purchase Shares or Debentures of Directors and Chief Executive

No arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in or debentures of the Company or any other body corporate subsisted at the end of the year or at any time during the Year.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2011, so far as was known to the Directors or chief executive of the Company, the interests or short positions of the following persons (other than the Directors or chief executive of the Company) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Peace Link	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 is the registered owner of 462,501,000 Shares as at the Listing Date. Peace Link 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 the disclosed above, to the best knowledge of the Directors, as at 31 December 2011, no person (other than the Directors or chief executive of the Company) had any 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 Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2011.

Contracts With Mr. Tang Guoqiang and Peace Link

No contract of significance has been entered into between the Company or any of its subsidiaries and Mr. Tang Guoqiang, who through Peace Link (a company which is wholly owned by him), the single largest shareholder of the Company, during the period from the Listing Date to 31 December 2011.

Directors' Interest in Competing Business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the period from the Listing Date to 31 December 2011 and up to and including the date of this annual report.

Management Contracts

There was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the Year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands where the Company is incorporated which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

Emolument Policy

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

None of the directors waived any emoluments during the Year.

Retirement Benefits Schemes

The Group participates in a defined contribution mandatory provident fund scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance for eligible employees. Contributions by the Group, which are matched by the employees, are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group and are invested in funds under the control of independent trustees. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute certain percentages of basic salaries of the employees 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. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the state-managed retirement benefits scheme.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

Major Customers And Suppliers

Aggregate sales attributable to the Group's largest and five largest customers were approximately 27.6% and approximately 50.0% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 10.1% and approximately 30.5% of the Group's total purchases, respectively.

Report of the Directors

At no time during the Year did a Director, his/her associate(s) or a Shareholder (which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

Auditor

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

Global Offering

The Company completed its Global Offering on 13 July 2011 and issued a total of 390,000,000 shares at HK$1.11 per share and raised HK$432.9 million from the Global Offering. Net proceeds of HK$416.4 million was received after deduction of relevant expenses. During the period from the Listing Date to 31 December 2011, the proceeds were used strictly in accordance with the prospectus of the Company dated 30 June 2011.

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 annual 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 from the Listing Date to 31 December 2011.

Borrowings

The details of borrowings of the Group for the Year are set out in note 26 to the consolidated financial statements.

Entrusted Deposit and Matured Time Deposit

As at 31 December 2011, the Company had not held any deposits under trust or any time deposit in any financial institution in the PRC which could not be withdrawn upon maturity.

Tax Relief and Exemption

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

Compliance With the Corporate Governance Code

Since the Shares were listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2011, The Company has complied with the relevant code provisions set out in the Corporate Governance Code during the period from the Listing Date to 31 December 2011.

Compliance 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 regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period from the Listing Date to 31 December 2011.

Audit Committee

Details of the audit committee of the Company are set out in the Corporate Governance Report from page 14 and page 19 of this annual report.

Production Capcity

The expected production capacity of solar cells, silicon wafers and solar modules for the Year set out in the prospectus of the Company dated 30 June 2011 is 660MW, 500MW and 300MW respectively and the actual production capacity of solar cells, silicon wafers and solar modules as of the date of this annual report is 420MW, 200MW and 60MW respectively.

With reference to the challenging market environment, the Board considered it would be in the best interests of the Company to defer the original expansion plan until we observe clear improvements in the general market conditions.

Summary Financial Information

A summary of the results and of the assets and liabilities of the Group for the four financial years ended 31 December 2011 is set out on page 91 of this annual report.

by order of the Board
Tang Guoqiang
Chairman
Jiangsu, the PRC

28 March 2012

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 consolidated financial statements of Shunfeng Photovoltaic International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 90, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 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 state of affairs of the Group as at 31 December 2011, and of its profit and cash flows for the year 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2012

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2011	2010
	NOTES	***RMB'000***	*RMB'000*
Revenue	*6*	**1,971,530**	622,922
Cost of sales		**(1,761,244)**	(492,595)
Gross profit		**210,286**	130,327
Other income	*7*	**11,076**	3,375
Other gains and losses and other expenses	*8*	**(74,605)**	(13,601)
Distribution and selling expenses		**(6,919)**	(2,520)
Administrative expenses		**(56,922)**	(19,255)
Finance costs	*9*	**(48,506)**	(3,970)
Profit before taxation	*10*	**34,410**	94,356
Income tax expense	*12*	**(10,657)**	(14,266)
Profit and total comprehensive income for the year		**23,753**	80,090
Profit and total comprehensive income attributable to:			
Owners of the Company		**57,182**	80,449
Non-controlling interests		**(33,429)**	(359)
		23,753	80,090
		RMB cents	*RMB cents*
Earnings per share – Basic	*13*	**4.22**	6.88

Consolidated Statement of Financial Position

	NOTES	As at 31 December 2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	1,285,558	480,071
Prepaid lease payments – non-current	16	51,340	24,283
Deposits for acquisition of property, plant and equipment		30,318	55,193
Deposits for acquisition of land use rights		19,060	1,646
Prepayments to suppliers	17	–	17,000
Deferred tax assets	18	11,829	–
		1,398,105	578,193
Current assets			
Inventories	19	74,307	34,452
Trade and other receivables	20	525,014	88,018
Value-added tax recoverable		112,384	49,224
Prepayments to suppliers	17	10,610	19,155
Prepaid lease payments – current	16	1,122	3,886
Pledged bank deposits	21	148,506	17,645
Restricted bank deposits	21	236,075	–
Bank balances and cash	21	120,122	55,432
		1,228,140	267,812
Current liabilities			
Trade and other payables	23	785,982	166,913
Customers' deposits received	24	4,704	56,846
Amount due to a director	23	–	859
Obligations under finance leases	25	25,105	–
Tax payable		2,260	2,468
Other financial liabilities	22	7,758	–
Borrowings	26	730,187	154,500
		1,555,996	381,586
Net current liabilities		(327,856)	(113,774)
Total assets less current liabilities		1,070,249	464,419

Consolidated Statement of Financial Position

	NOTES	As at 31 December 2011 RMB'000	2010 RMB'000
Capital and reserves			
Share capital	*28*	**12,892**	1
Reserves		**664,003**	286,538
Equity attributable to owners of the Company		**676,895**	286,539
Non-controlling interests		**25,733**	29,411
Total equity		**702,628**	315,950
Non-current liabilities			
Borrowings	*26*	**269,000**	140,000
Other payable	*23*	**–**	4,731
Obligations under finance leases	*25*	**48,656**	–
Customers' deposits received	*24*	**–**	1,500
Deferred income	*27*	**49,965**	2,238
		367,621	148,469
		1,070,249	464,419

The consolidated financial statements on pages 34 to 90 were approved and authorised for issue by the Board of Directors on 28 March 2012 and are signed on its behalf by:

DIRECTOR	*DIRECTOR*
Tang Guoqiang	**Qian Kaiming**

Consolidated Statement of Changes In Equity

	Paid-in capital/ Share capital RMB'000	Share premium 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 2010	43,636	–	–	36,364	–	126,085	206,085	–	206,085
Profit and total comprehensive income for the year	–	–	–	–	–	80,449	80,449	(359)	80,090
Capitalization of dividends (note 14)	123,960	–	–	–	–	(123,960)	–	–	–
Issue of new share	1	–	–	–	–	–	1	–	1
Capital contribution from shareholders of the Company	–	–	233,968	–	–	–	233,968	–	233,968
Special reserve arising on Group Reorganization	(167,596)	–	(30,004)	(36,364)	–	–	(233,964)	–	(233,964)
Capital contribution from a non-controlling shareholder of Changzhou Shunfeng Photovoltaic Materials Co., Ltd. ("Shunfeng Materials")	–	–	–	–	–	–	–	29,770	29,770
Transfers	–	–	–	–	10,064	(10,064)	–	–	–
At 31 December 2010	1	–	203,964	–	10,064	72,510	286,539	29,411	315,950
Profit and total comprehensive income for the year	–	–	–	–	–	57,182	57,182	(33,429)	23,753
Issue of new share	3,223	354,526	–	–	–	–	357,749	–	357,749
Capitalization issue of new shares (note 28(b))	9,668	(9,668)	–	–	–	–	–	–	–
Transaction costs attributable to issue of shares	–	(24,575)	–	–	–	–	(24,575)	–	(24,575)
Capital contribution from a non-controlling shareholder of Shunfeng Materials	–	–	–	–	–	–	–	29,751	29,751
Transfers	–	–	–	–	14,910	(14,910)	–	–	–
At 31 December 2011	12,892	320,283	203,964	–	24,974	114,782	676,895	25,733	702,628

Consolidated Statement of Changes In Equity

Notes:

a. Special reserve arose 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 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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Operating activities		
Profit before taxation	**34,410**	94,356
Adjustments for:		
Interest income	**(3,194)**	(895)
Finance costs	**48,506**	3,970
Impairment loss recognized in respect of property, plant and equipment	**63,652**	–
Depreciation of property, plant and equipment	**44,598**	11,611
Release of prepaid lease payments	**945**	1,844
Release of deferred income	**(2,196)**	(129)
Change in fair values of foreign currency forward contracts	**7,758**	–
Loss on disposal of property, plant and equipment	**1**	–
Allowance for inventories	**3,627**	–
Recognition of fair values of financial guarantee contracts issued	**–**	2,761
Amortization of financial guarantee liability	**–**	(3,612)
Operating cash flows before movements in working capital	**198,107**	109,906
Increase in inventories	**(43,482)**	(15,043)
Increase in trade and other receivables and value-added tax recoverable	**(460,701)**	(74,101)
Decrease (increase) in prepayments to suppliers	**25,545**	(12,125)
Increase (decrease) in trade and other payables	**622,763**	(26,192)
(Decrease) increase in customers' deposits received	**(53,642)**	58,156
Cash generated from operations	**288,590**	40,601
Income taxes paid	**(22,694)**	(11,286)
Net cash from operating activities	**265,896**	29,315
Investing activities		
Withdrawal of restricted bank deposits	**350,548**	–
Withdrawal of pledged bank deposits	**66,358**	165,523
Receipt from government grants	**38,202**	9,463
Interest income received	**3,194**	895
Deposits paid for and purchase of land use rights	**(42,652)**	(28,472)
Advance to a third party	**(32,650)**	–
Placement of pledged bank deposits	**(197,219)**	(143,689)
Placement of restricted bank deposits	**(586,623)**	–
Payments for acquisition of property, plant and equipment	**(885,001)**	(321,491)
Net cash used in investing activities	**(1,285,843)**	(317,771)

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Financing activities		
New bank borrowings raised	**1,291,495**	294,500
Capital contribution from a non-controlling shareholder of Shunfeng Materials	**29,751**	29,770
Proceeds from sale and leaseback arrangement	**80,000**	–
Proceeds from issue of shares	**357,749**	1
Payment of transaction costs attributable to issue of new shares	**(24,575)**	–
Repayment to a director	**(859)**	–
Interest paid	**(55,877)**	(3,927)
Repayment of bank borrowings	**(586,808)**	–
Repayment of obligations under finance leases	**(6,239)**	–
Advance from Former Shareholders (note)	**–**	40,000
Advance from a director	**–**	859
Payments to owners of Shunfeng Technology upon Group Reorganization	**–**	(233,964)
Repayment to Former Shareholders	**–**	(60,000)
Capital contribution from shareholders	**–**	233,968
Net cash from financing activities	**1,084,637**	301,207
Net increase in cash and cash equivalents	**64,690**	12,751
Cash and cash equivalents at beginning of the year	**55,432**	42,681
Cash and cash equivalents at end of the year, represented by bank balances and cash	**120,122**	55,432

Note: The amount represented loan advanced from the then existing shareholders of Shunfeng Technology 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 "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 35.

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 year ended 31 December 2010.

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

At 31 December 2011, the Group's current liabilities exceeded its current assets by approximately RMB327,856,000. 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 RMB1,777,517,000 as at 31 December 2011, included in which approximately RMB999,187,000 were utilized and approximately RMB778,330,000 were unutilized as at 31 December 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.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new or revised standards and interpretations ("new or revised IFRSs").

- Amendments to 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 year 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 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
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[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[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 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 7 Disclosures – Transfer of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and the application of new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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 in the consolidated statement of financial position 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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the disposal or retirement of the asset is determined as the difference between the sales proceeds and the carrying amount of the item and 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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease, except another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 prepaid lease prepayments and are expensed in the profit or loss on a straight-line basis over the periods of the respective lease.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

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 recognized as expenses when employees have rendered service entitling them to the contributions.

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 the 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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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. Current and deferred tax is recognized in profit or loss.

Impairment losses

At the end of the reporting 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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 (or a cash-generating unit) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method (continued)

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 considered to be 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.

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, the amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Equity instruments

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.

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 (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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.

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.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

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.

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. These estimate are 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 31 December 2011, the carrying amount of the Group's property, plant and equipment is approximately RMB1,285,558,000 (31 December 2010: RMB480,071,000).

(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 31 December 2011, the carrying amounts of the Group's trade receivable, bills receivable and other receivables is approximately RMB512,311,000 (31 December 2010: RMB81,975,000). No allowance for doubtful debts is recognized as at 31 December 2011 and 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. As at 31 December 2011, the carrying amount of the Group's inventories is approximately RMB74,307,000 (net of allowance for inventories of RMB3,627,000) (31 December 2010: carrying amount of RMB34,452,000, net of allowance for inventories of nil).

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

(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 year ended 31 December 2011 and 2010, no impairment of prepayments to suppliers was recognized. As at 31 December 2011, the carrying amounts of prepayments to suppliers is approximately RMB10,610,000 (31 December 2010: RMB36,155,000).

(e) Impairment of property, plant and equipment

In assessing the impairment of property, plant and equipment, the Group requires to estimate the recoverable amount of the cash-generating units or the underlying assets. The recoverable amount, which is determined by the value-in-use calculation, requires the Group to estimate the future cash flows expected to arise from the cash-generating units or the underlying assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2011, the Group carried out a review on the recoverable amount of the property, plant and equipment, and determined that an impairment loss of RMB63,652,000 (2010: nil) should be recognized in profit or loss. Details of the recoverable amount calculation are set out in note 15.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables:		
Trade and other receivables	**512,311**	81,975
Pledged bank deposits	**148,506**	17,645
Restricted bank deposits	**236,075**	–
Bank balances and cash	**120,122**	55,432
Total loans and receivables	**1,017,014**	155,052
Financial liabilities		
Liabilities measured at amortized costs:		
Trade and other payables	**781,259**	171,121
Amount due to a director	**–**	859
Borrowings	**999,187**	294,500
Total liabilities measured at amortized costs	**1,780,446**	466,480
Obligation under finance leases	**73,761**	–
Fair value through profit or loss:		
Derivative financial instruments (note 22)	**7,758**	–

Note: The carrying amount of the derivative financial instruments at 31 December 2011 was measured using quoted forward exchange rates matching maturities of the foreign currency forward contracts.

5. FINANCIAL INSTRUMENTS (continued)

(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 liabilities, trade and other payables, obligations under finance leases 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.

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, 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 20, 21, 23 and 26, 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:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Assets		
USD	**16,270**	762
HKD	**7,780**	15,846
Euro	**33,320**	10,670
JPY	**17**	–
Liabilities		
USD	**(10,097)**	(5,431)
HKD	**(1,964)**	(196)
JPY	**(45,826)**	(33,220)
Euro	**(144,264)**	(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 year for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year and a negative number below indicates a decrease in post-tax profit for the year where the relevant foreign currencies change 5% against RMB.

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
USD impact		
– if USD strengthens against RMB	**275**	(198)
– if USD weakens against RMB	**(275)**	198
HKD impact		
– if HKD strengthens against RMB	**259**	664
– if HKD weakens against RMB	**(259)**	(664)
JPY impact		
– if JPY strengthens against RMB	**(2,042)**	(1,410)
– if JPY weakens against RMB	**2,042**	1,410
Euro impact		
– if Euro strengthens against RMB	**(4,944)**	(2,599)
– if Euro weakens against RMB	**4,944**	2,599

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 year and a negative number below indicates a decrease in post-tax profit for the year where the relevant foreign currency forward rate i.e. Euro and JPY, change 5% against RMB.

5. FINANCIAL INSTRUMENTS (continued)

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

Currency risk (continued)

Sensitivity analysis (continued)

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Euro impact		
– if Euro strengthens against RMB	**(4,357)**	–
– if Euro weakens against RMB	**4,357**	–
JPY impact		
– if JPY strengthens against RMB	**(1,326)**	–
– if JPY weakens against RMB	**1,326**	–

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 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 26 for details). 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 26 for details). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

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 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 (2010: 10 basis points) increase or decrease on variable pledged bank deposits, restricted bank deposits and bank balances, and 100 basis points (2010: 100 basis points) increase or decrease on variable-rate borrowings are used when reporting interest rate risk internally to key management personnel and represents management's 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 (2010: 10 basis points) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit.

5. FINANCIAL INSTRUMENTS (continued)

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

Interest rate risk (continued)

Sensitivity analysis (continued)

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Increase in post-tax profit for the year	**21**	62

The post-tax profit for the 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 (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 (2010: 100 basis points) higher and all other variables were held constant, a positive number below indicates a decrease in post-tax profit for the year after taking into consideration of capitalization of interest.

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Decrease in post-tax profit for the year	**4,689**	1,922

The post-tax profit for the 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.

5. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

At 31 December 2011, the credit risk of the Group is concentrated on receivables from ten (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 RMB208,083,000 (2010: RMB46,000,000) and RMB158,854,000 (2010: RMB29,500,000) and accounted for approximately 78% (2010: 99%) and 76% (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 minimize 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.

There is concentration of credit risk on pledged bank deposits, restricted bank deposits and bank balances and cash for the Group as at 31 December 2011 and 31 December 2010. As at 31 December 2011, balances with four largest banks accounted for 79% (2010: 100%) of the total pledged bank deposits, restricted bank deposits and bank balances and cash (2010: pledged bank deposits and bank balances and cash) of the Group. The credit risk on liquid funds is limited because majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state owned banks with good reputation.

The Group's credit risk on bills and trade receivables is concentrated in the PRC. However, the exposure spread over a large number of counterparties and customers.

The Group has concentration of credit risk on deposits for acquisition of property, plant and equipment, deposits for acquisition of land use rights and advance to a third party. However, the credit risk on deposits for acquisition of property, plant and equipment, deposits for acquisition of land use rights and advance to a third party is limited because the counter parties are in good credit quality.

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 and long-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	On demand or less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011							
Financial liabilities							
Trade and other payables		781,259	–	–	–	781,259	781,259
Obligations under finance leases	7.32	14,950	14,951	29,901	22,425	82,227	73,761
Borrowings							
– Fixed-rate	4.85	439,174	–	–	–	439,174	436,479
– Variable-rate	6.60	214,604	107,410	284,283	–	606,297	562,708
		1,449,987	122,361	314,184	22,425	1,908,957	1,854,207
Derivative – gross settlement							
Foreign exchange forward contracts							
– outflow		137,645	6,672	–	–	144,317	note a
– inflow (note b)		(144,685)	(7,505)	–	–	(152,190)	note a
At 31 December 2010							
Financial liabilities							
Trade and other payables		164,025	3,365	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:

a. The carrying amount of foreign currency forward contracts at 31 December 2011 was approximately RMB7,758,000.

b. 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).

The derivative financial instruments with carrying amount of approximately RMB7,758,000 at 31 December 2011 (2010: nil) is grouped into Level 2.

There were no transfers between Level 1 and 2 during the year ended 31 December 2011 and 2010.

5. FINANCIAL INSTRUMENTS (continued)

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

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, restricted bank deposits, cash and cash equivalents, obligations under finance leases, 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.

6. REVENUE AND SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the manufacturing and sales of solar cells, solar modules 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 year 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, solar modules and related products.

The following table sets forth a breakdown of the Group's revenue for the year ended 31 December 2011 and 2010:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Monocrystalline solar cells	**1,713,053**	622,800
Multicrystalline solar cells	**166,563**	19
Solar modules	**91,914**	103
Total	**1,971,530**	622,922

6. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

The analysis of revenue by geographical location:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
The PRC (country of domicile)	**1,883,131**	577,386
Spain	**27,073**	–
Switzerland	**13,249**	43,802
Other countries (note)	**48,077**	1,734
Total	**1,971,530**	622,922

All the Group's non-current assets, including property, plant and equipment, prepaid lease payments, deposits for acquisition of property, plant and equipment, deposits for acquisition of land use rights and prepayments to suppliers 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:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Customer A	**544,813**	154,277
Customer B	*	138,486
Customer C	*	92,991

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

Notes to the Consolidated Financial Statements

7. OTHER INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Bank interest income	**3,194**	895
Government grants (note)	**3,563**	981
Gain on sales of raw and other materials	**3,167**	1,209
Others	**1,152**	290
	11,076	3,375

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) RMB1,949,000 (2010: RMB852,000) represents incentive received in relation to activities carried out by the Group and (b) RMB1,614,000 (2010: RMB129,000) represents subsidy on acquisition of land use rights and plant and equipment amortized to profit or loss (note 27).

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Foreign exchange gains (losses), net	**9,284**	(2,203)
Release of gain on a sale and leaseback arrangement	**582**	–
Change in fair values of foreign currency forward contracts	**(7,758)**	(3,002)
Legal and professional fees (note i)	**(13,060)**	(9,247)
Impairment loss on property, plant and equipment (note 15)	**(63,652)**	–
Loss on disposal of property, plant and equipment	**(1)**	–
Recognition of fair values of financial guarantee contracts issued (note ii)	**–**	(2,761)
Amortization of financial guarantee liability	**–**	3,612
	(74,605)	13,601

Notes:

(i) The amount mainly represented legal and professional expenses incurred for the preparation of the listing of the Company's shares on the Stock Exchange.

(ii) The amount mainly represented the fair values of financial guarantee provided to banks in favour of certain third parties relating to banking facilities grant to these third parties. The financial guarantees provided by the Group have been released upon the termination of credit facilities and/or repayment of respective loans by 31 December 2010.

9. FINANCE COSTS

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**44,849**	3,635
Finance charges on factoring of bills receivable	**4,919**	580
Interest on finance leases wholly repayable within five years	**1,235**	–
Total borrowing costs	**51,003**	4,215
Less: amounts capitalized	**(2,497)**	(245)
	48,506	3,970

Borrowing costs capitalized during the year ended 31 December 2011 arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.52% (2010: 5.67%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	**1,487**	1,107
Other staff costs	**61,191**	20,626
Other staff's retirement benefits scheme contributions	**3,745**	958
Total staff costs	**66,423**	22,691
Auditor's remuneration	**1,777**	20
Cost of inventories recognized as expense	**1,761,244**	492,595
Depreciation of property, plant and equipment	**44,598**	11,611
Release of prepaid lease payments	**945**	1,844
Research expenses (included in administrative expenses)	**4,081**	2,654
Operating lease rentals in respect of rented premises	**1,924**	203

Note: Included in cost of inventories recognized as expense were write-down of inventories to net realizable values of approximately RMB3,627,000 (2010: nil).

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (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 year ended 31 December 2011					
Executive directors:					
Mr. Lu Jianqing ("Mr. Lu") (note a)	–	376	–	12	388
Mr. Qian Kaiming ("Mr. Qian") (note a)	–	299	–	15	314
Mr. Tang Guoqiang ("Mr. Tang") (note a)	–	197	–	–	197
Mr. Shi Jianmin ("Mr. Shi") (note e)	–	88	–	5	93
Independent non-executive directors:					
Mr. Tao Wenquan ("Mr. Tao") (note b)	165	–	–	–	165
Mr. Zhao Yuwen ("Mr. Zhao") (note b)	165	–	–	–	165
Mr. Ge Ming ("Mr. Ge") (note b)	165	–	–	–	165
	495	960	–	32	1,487
For the year ended 31 December 2010					
Executive directors:					
Mr. Lu (notes a and d)	–	473	179	5	657
Mr. Qian (notes a and d)	–	283	159	8	450
Mr. Tang (note a)	–	–	–	–	–
Independent non-executive directors:					
Mr. Tao (note b)	–	–	–	–	–
Mr. Zhao (note b)	–	–	–	–	–
Mr. Ge (note b)	–	–	–	–	–
	–	756	338	13	1,107

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 year ended 31 December 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 year ended 31 December 2010.

(e) The director was appointed on 1 September 2011.

(b) Employees' emoluments

The five highest paid individuals of the Group included one (2010: two) director(s) during the year ended 31 December 2011. Details of whose emoluments are set out above. The emoluments of the remaining four (2010: three) individuals during the year ended 31 December 2011 and 2010 are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Employees		
– basic salaries and allowances	**1,624**	850
– performance-related incentive bonuses	**300**	298
– retirement benefit scheme contributions	**62**	10
	1,986	1,158

Each of their emoluments during the year ended 31 December 2011 were less than HK$1,000,000 (2010: less than HK$1,000,000).

During the year ended 31 December 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 year ended 31 December 2011 and 2010.

12. TAXATION

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**22,486**	13,891
Deferred taxation (note 18):	**(11,829)**	375
Tax charge	**10,657**	14,266

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 was then entitled to a 50% reduction in enterprise income tax for three years thereafter from 2009 to 2011.

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**34,410**	94,356
Tax at the PRC tax rate of 25%	**8,603**	23,589
Temporary differences or losses not recognized	**16,656**	–
Tax effect of expenses not deductible for tax purpose	**6,153**	5,480
Tax effect of income not taxable for tax purpose	**(66)**	(903)
Effect on a 50% tax reduction granted to a PRC subsidiary	**(17,266)**	(13,900)
Others (note)	**(3,423)**	–
Tax charge for the year	**10,657**	14,266

Note: The amount mainly represents difference between taxed 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 year in which the deferred tax assets are realized.

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 RMB216 million as at 31 December 2011 (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:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**57,182**	80,449

	Year ended 31 December	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,353,780,822**	1,169,970,274

The number of shares for the purpose of basic earnings per share has been determined assuming the Group Reorganization occurred on the first day of the year ended 31 December 2010 and the capitalization issue on 13 July 2011 has been adjusted retrospectively.

The over-allotment option of the Company did not have a dilutive effect to the Company's earnings per share during the year ended 31 December 2011 because the exercise price of such option was higher than the average market prices of the Company's share during the period when the option was exercisable. No diluted earnings per share for the year ended 31 December 2010 was presented as there were no potential ordinary shares outstanding.

14. DIVIDENDS

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

Pursuant to a shareholders' resolution on 8 July 2010, Shunfeng Technology declared a dividend of approximately RMB123,960,000 to the then equity holders of Shunfeng Technology immediately before the Group Reorganization and the amount was re-invested by the then equity holders as paid-in capital of Shunfeng Technology.

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	815	9,832	1,412	924	900,755	913,738
Transfer	38,212	457,513	–	–	(495,725)	–
Disposals	–	–	–	(10)	–	(10)
At 31 December 2011	84,953	760,957	3,475	2,383	574,927	1,426,695
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 year	2,130	41,542	519	407	–	44,598
Impairment loss recognized in profit or loss	7,106	20,398	–	–	36,148	63,652
Eliminated on disposals	–	–	–	(9)	–	(9)
At 31 December 2011	12,253	90,025	1,545	1,166	36,148	141,137
CARRYING VALUES						
At 31 December 2011	72,700	670,932	1,930	1,217	538,779	1,285,558
At 31 December 2010	42,909	265,527	1,037	701	169,897	480,071

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.

The net book value of property and machinery of approximately RMB670,932,000 (2010: RMB265,527,000) includes an amount of approximately RMB79,645,000 (2010: nil) in respect of assets held under finance leases.

During the year, as a results of reserve and challenging market conditions in solar industry towards the end of 2011 which impacted the selling prices of the products of the industry, the Group carried out a review of the recoverable amount of related cash generating units. The recoverable amount of the cash generating units have been determined on the basis of their values in use which were cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using a discount rate of 11.0% that reflects current market assessments of the time value of money and the risks specific to the cash generating units. The cash flows beyond the next five years are extrapolated using zero growth rate based on the industry expectation. Accordingly, an impairment loss of RMB63,652,000 is recognized in profit or loss. No impairment assessment was performed in 2010 as there was no indication of impairment.

16. PREPAID LEASE PAYMENTS

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Analyzed for reporting purpose as:		
Non-current assets	**51,340**	24,283
Current assets	**1,122**	3,886
	52,462	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 31 December 2011 and 2010. No allowance for doubtful debts in respect of prepayments to suppliers was recognized as at 31 December 2011 and 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, from 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.

In accordance with the terms of the contracts, the purchase prices of raw materials will be determined by the Group and the suppliers with reference to market prices and related expenses to be incurred by the suppliers prevailing each month during the Supply Period.

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 relevant contractual periods.

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.

During the year ended 31 December 2011, the Group entered into a supplementary purchase contract with one of the two major suppliers to accelerate the utilization of the prepayments with the Group's purchases from this supplier since November 2011. As a result, the directors of the Company estimated that the prepayment to this supplier at 31 December 2011, of approximately RMB17,000,000 which was previously classified as non-current asset at 31 December 2010, will be fully settled in the coming year and therefore, the prepayment was classified as current asset at the end of the reporting period.

18. DEFERRED TAX

The following is the deferred tax assets and liabilities recognized and movements thereon for the year ended 31 December 2011 and 2010:

	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 liabilities RMB'000	Finance lease 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	618	–	10,176	1,164	(129)	11,829
At 31 December 2011	618	–	10,176	1,164	(129)	11,829

Note: It represents deferred tax arose from the asset-related government grants received by the PRC operating subsidiaries of the Company in the year ended 31 December 2011.

At the end of the reporting period, the Group has unused tax losses of RMB1,448,000 (2010: nil) available for offset against future profits. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams. Tax losses of RMB1,448,000 (2010: nil) will expire in 2016.

At the end of the reporting period, the Group has deductible temporary differences of RMB65,175,000 (2010: nil). No deferred tax asset has been recognized in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

19. INVENTORIES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Raw materials	**26,209**	30,367
Work-in-progress	**22,646**	2,415
Finished goods	**25,452**	1,670
	74,307	34,452

20. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**265,267**	46,174
Bills receivable	**210,399**	29,500
Other receivables and prepayments (note)	**49,348**	12,344
	525,014	88,018

Note:

The Group entered into an agreement (the "Agreement") with an independent party which is neither related nor connected to the Group and is engaged in the building of photovoltaic power generation plant. According to the terms of the Agreement, the Group advanced an amount of approximately RMB32,650,000 to the counterparty during the year ended 31 December 2011 for the purpose of a photovoltaic power generation project. The counterparty will repay the advance to the Group in the next twelve months, therefore it is classified as current asset at the end of the reporting period. In March 2012, the parties involved signed a supplementary agreement and mutually agreed that the advance will be repayable in one year since the date of the Agreement with interest at a rate of 5% per annum. The management of the Group considers that the credit quality of the counterparty is good and no impairment loss is recognized.

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days (2010: 30 days to 180 days) to certain trade customer on a case by case basis. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period.

	As at 31 December	
Age	**2011**	2010
	RMB'000	*RMB'000*
0 to 30 days	**143,397**	46,174
31 to 60 days	**92,021**	–
61 to 90 days	**5,758**	–
91 to 180 days	**24,091**	–
	265,267	46,174

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	As at 31 December 2011 RMB'000	 2010 RMB'000
0 to 30 days	**41,372**	–
31 to 60 days	**8,000**	15,500
61 to 90 days	**145,927**	9,500
91 to 180 days	**15,100**	4,500
	210,399	29,500

At 31 December 2011, the Group factored bills receivable of approximately RMB205,862,000 (31 December 2010: RMB29,500,000) to banks with full recourse and the bills receivables will be matured by the end of June 2012 (31 December 2010: matured in February 2011). Details of the transactions are set out in note 26.

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.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB37,791,000 (2010: nil) which are past due at the end of reporting period. However, the directors of the Company have considered the credit quality of the relevant customers and concluded that the Group is not required to provide for impairment loss. The average age of these receivables in 103 days (2010: N/A).

Ageing of trade receivables which are past due but not impaired

Age	2011 RMB'000	2010 RMB'000
0 to 30 days	**614**	–
31 to 60 days	**11,827**	–
61 to 90 days	**1,359**	–
91 to 180 days	**23,991**	–
	37,791	–

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

20. TRADE AND OTHER RECEIVABLES (continued)

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.

Trade and other receivables that were denominated in USD, HKD and Euro, foreign currencies of the relevant group entities, were re-translated to RMB and stated for reporting purpose as:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
USD	**16,270**	–
HKD	**1,192**	–
Euro	**32,650**	–

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.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Effective interest rate:		
Fixed-rate	**2.6%-3.3%**	0.36%
Variable-rate	**0.5%**	N/A

The pledged bank deposits of the Group will be released upon the settlement of relevant short-term bank loans as set out in note 26.

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

Bank balances and cash of the Group carry interest at market rates ranging from 0.01% to 0.65% (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, Euro and JPY, foreign currencies of the relevant group entities, were re-translated to RMB and stated for reporting purpose as:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
USD	**–**	762
HKD	**6,588**	15,846
Euro	**670**	10,670
JPY	**17**	–

Certain bank balances and cash, restricted bank deposits and pledged bank deposits of the Group of approximately RMB497,428,000 (31 December 2010: RMB45,799,000) 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 LIABILITIES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Foreign currency forward contracts	**7,758**	–

As at 31 December 2011, the Group had several arrangements with three established commercial banks in the PRC pursuant to which 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 foreign-currency denominated liabilities.

22. OTHER FINANCIAL ASSETS (continued)

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

Principal amount	Maturity	Forward exchange rate
Derivatives-gross settlement		
Euro 1,650,000	June 2012	Buy Euro/Sell RMB at 9.1503
Euro 1,754,000	June 2012	Buy Euro/Sell RMB at 9.1503
Euro 173,000	June 2012	Buy Euro/Sell RMB at 9.1288
Euro 173,000	June 2012	Buy Euro/Sell RMB at 9.1288
Euro 1,650,000	June 2012	Buy Euro/Sell RMB at 9.1503
Euro 3,152,000	March 2012	Buy Euro/Sell RMB at 8.4953
Euro 825,000	March 2012	Buy Euro/Sell RMB at 8.2796
Euro 784,000	January 2012	Buy Euro/Sell RMB at 9.2133
Euro 1,547,000	February 2012	Buy Euro/Sell RMB at 8.7400
Euro 772,800	November 2012	Buy Euro/Sell RMB at 8.6331
JPY 381,994,000	February 2012	Buy JPY/Sell RMB at 0.08196

As at 31 December 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 year ended 31 December 2011, a loss on change in fair values of the foreign currency forward contracts amounting to approximately RMB7,758,000 (2010: RMB3,002,000) has been recognized in the consolidated statement of comprehensive income.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current liabilities		
Trade payables	**196,683**	33,703
Bills payable	**450,436**	–
Payables for acquisition of property, plant and equipment	**115,253**	120,878
Other tax payables	**276**	87
Other payables and accrued charges	**23,334**	12,245
	785,982	166,913
Amount due to a director	**–**	859
Non-current liabilities		
Other payable (note 27)	**–**	4,731

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

The credit period on purchases of goods is 0 to 180 days (2010: 0 to 90 days) and certain suppliers allow longer credit period on a case-by-case basis.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Age		
0 to 30 days	**139,505**	33,295
31 to 60 days	**39,409**	262
61 to 90 days	**12,159**	75
91 to 180 days	**5,602**	25
Over 180 days	**8**	46
	196,683	33,703

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Age		
0 to 30 days	**55,698**	–
31 to 60 days	**64,339**	–
61 to 90 days	**60,815**	–
91 to 180 days	**269,584**	–
	450,436	–

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 year ended 31 December 2011.

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

The 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:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade and other payables denominated in:		
USD	**10,097**	5,431
HKD	**1,192**	196
JPY	**15,096**	33,220
Euro	**43,069**	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.

25. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Analyzed for reporting purposes as:		
Current liabilities	**25,105**	–
Non-current liabilities	**48,656**	–
	73,761	–

It is the Group's policy to lease certain of its machineries under finance leases. The average lease term is 3 years (31 December 2010: nil). Interest rate underlying the obligations under finance leases is fixed at 7.32% per annum (31 December 2010: nil).

25. OBLIGATIONS UNDER FINANCE LEASES (continued)

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2011 *RMB'000*	2010 *RMB'000*	**2011** *RMB'000*	2010 *RMB'000*
Amounts payable under finance leases:				
Within one year	**29,901**	–	**25,105**	–
In more than one year but not more than two years	**29,901**	–	**27,035**	–
In more than two years but not more than five years	**22,425**	–	**21,621**	–
	82,227	–	**73,761**	–
Less: future finance charges	**(8,466)**	–	**–**	–
Present value of lease obligations	**73,761**	–	**73,761**	–
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(25,105)**	–
Amount due for settlement after 12 months			**48,656**	–

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

26. BORROWINGS

	As at 31 December	
	2011 *RMB'000*	2010 *RMB'000*
Bank loans	**999,187**	294,500
Secured	**309,787**	29,500
Unsecured	**689,400**	265,000
	999,187	294,500

26. BORROWINGS (continued)

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Fixed-rate borrowings	**436,479**	54,500
Variable-rate borrowings	**562,708**	240,000
	999,187	294,500
Carrying amount repayable (note):		
Within one year	**730,187**	154,500
More than one year, but not exceeding two years	**269,000**	70,000
More than two years but not more than five years	**–**	70,000
	999,187	294,500
Less: amounts repayable within one year shown under current liabilities	**(730,187)**	(154,500)
Amounts shown under non-current liabilities	**269,000**	140,000

Note:

The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2011, the Group factored bills receivable of approximately RMB205,862,000 (31 December 2010: RMB29,500,000) to banks with full recourse. The corresponding bank loans of approximately RMB205,862,000 (31 December 2010: RMB29,500,000) will be matured by the end of June 2012 (31 December 2010: February 2011) and are classified as current liability.

At 31 December 2011 and 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.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Effective interest rate:		
Fixed-rate borrowings	**2.40 to 6.94%**	5.84%
Variable-rate borrowings	**2.26 to 7.32%**	5.61 to 5.88%

26. BORROWINGS (continued)

The unsecured bank borrowings of approximately RMB579,900,000 (31 December 2010: RMB265,000,000) at 31 December 2011 were guaranteed by independent third parties.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Euro	**101,195**	–
JPY	**30,730**	–

27. DEFERRED INCOME

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Government grants (note a)	**43,557**	2,238
Finance lease (note b)	**6,408**	–
	49,965	2,238

Notes:

(a) 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 for each year, the Group will be obliged to repay the portion of government grant related to the particular year 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.

During the year ended 31 December 2011, an amount previously included in non-current other payables of approximately RMB2,366,000, and an amount of approximately RMB2,365,000 previously included in current other payable at 31 December 2010 have 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 year ended 31 December 2011 was approximately RMB80,000 (2010: RMB129,000). The remaining balance of grant of approximately RMB2,365,000 was included in current other payable as at 31 December 2011 (2010: RMB2,365,000) as the attached conditions have yet fulfilled by the Group in coming year(s).

During the year ended 31 December 2011, the Group received certain government subsidies of approximately RMB38,202,000 mainly related to compensation for acquisition of plant and equipment. 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 RMB1,534,000 has been credited to income during the year ended 31 December 2011 (2010: nil).

27. DEFERRED INCOME (continued)

Notes: (continued)

(b) During the year ended 31 December 2011, the Group entered into sale and leaseback arrangement with a financial institution on certain of the Group's machineries for a principal amount of RMB80,000,000. The sale and leaseback transaction results in a finance lease of which RMB6,990,000, representing the excess of sales proceeds of RMB80,000,000 (i.e. the principal amount of the transaction) over the carrying amount of the machineries at the date of the arrangement of approximately RMB73,010,000 was recognized as a deferred income and amortized over the contractual term of the arrangement. During the year ended 31 December 2011, approximately RMB582,000 was released from the deferred income and recognized in other gains and losses in the consolidated statement of comprehensive income. Details of the transaction are set out in note 25.

28. PAID-IN CAPITAL/SHARE CAPITAL

The paid-in capital at 1 January 2010 represented the fully paid and registered capital of Shunfong Technology.

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 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 a)	4,961,000,000	49,610,000
Ordinary shares of HK$0.01 each on 31 December 2011	5,000,000,000	50,000,000

Issued and fully paid:

	Number of shares	Amount
		HK$
Ordinary shares of HK$0.01 each on 6 August 2010 (date of incorporation) and 31 December 2010	50,000	500
Capitalization issue (note b)	1,169,950,000	11,699,500
Issue of new shares upon listing of the Company's shares on the Stock Exchange (note b)	390,000,000	3,900,000
Ordinary shares of HK$0.01 each on 31 December 2011	1,560,000,000	15,600,000

28. PAID-IN CAPITAL/SHARE CAPITAL (continued)

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Presented in the consolidated financial statements as	**12,892**	1

Notes:

(a) Pursuant to 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.

(b) 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), resulting in proceeds of HK$432,900,000 (equivalent to approximately RMB357,749,000). On the same date, the Company allotted and issued at par 1,169,950,000 ordinary shares of HK$0.01 each to the then shareholders of the Company in proportion to their respective existing shareholdings to the Company by way of capitalization of the amount of approximately HK$11,699,500 (equivalent to approximately RMB9,668,000) standing to the credit of the share premium account of the Company.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
ASSETS		
Investment in a subsidiary and amounts due from subsidiaries	**587,408**	233,969
Other receivables	**1,095**	4,832
Bank balances and Cash	**17**	–
	588,520	238,801
LIABILITIES		
Other payables	**13,639**	7,036
Amounts due to subsidiaries	**21,571**	6,055
	35,210	13,091
NET ASSETS	**553,310**	225,710
Capital and reserves		
Share capital	**12,892**	1
Reserves (note i)	**540,418**	225,709
Total equity	**553,310**	225,710

29. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note i : Reserves

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 6 August 2010 (date of incorporation)	–	–	–	–
Loss and total comprehensive losses for the year	–	–	(8,259)	(8,259)
Capital contribution from shareholders of the Company (note ii)	–	233,968	–	233,968
At 31 December 2010	–	233,968	(8,259)	225,709
Issue of new shares	354,526	–	–	354,526
Transaction costs attributable to issue of shares	(24,575)	–	–	(24,575)
Capitalization issue (note 28(b))	(9,668)	–	–	(9,668)
Loss and total comprehensive losses for the year	–	–	(5,574)	(5,574)
At 31 December 2011	320,283	233,968	(13,833)	540,418

Note ii: 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.

30. 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:

	As at 31 December	
	2011 ***RMB'000***	2010 *RMB'000*
Within one year	**578**	528
In the second to fifth year inclusive	**187**	12
	765	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.

30. OPERATING LEASE COMMITMENTS (continued)

The Group as lessee (continued)

At the end of the reporting period, the Group was committed to acquire land leases:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
– contracted for but not provided in the consolidated financial statements	**–**	6,184
– authorized but not contracted for	**7,460**	–
	7,460	6,184

31. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2010, dividends of approximately RMB123,960,000 were declared by Shunfeng Technology to the then equity holders and the amount was re-invested by the then equity holders of Shunfeng Technology as paid-in capital of Shunfeng Technology.

32. CAPITAL COMMITMENTS

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment		
– contracted for but not provided in the consolidated financial statements	**148,947**	707,231
– authorized but not contracted for	**1,331,436**	1,686,890
	1,480,383	2,394,121

Included in the commitment for the year ended 31 December 2010 represented amount of approximately RMB1,331,436,000 related to development of production plant for wafer, cell and module production lines which the Group suspended the plan in December 2011.

33. 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.

34. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the year ended 31 December 2011 and 2010, the Group has the following significant transactions with related parties:

		Year ended 31 December	
Name of related party	Nature of transaction	**2011** ***RMB'000***	2010 *RMB'000*
Changzhou Shunfeng Electric Power Equipment Co., Ltd.* ("Changzhou Shunfeng") (note)	Purchase of property, plant and equipment	**713**	1,355

* The English name is for identification purpose only.

Note: Mr. Lu has controlling interests in Changzhou Shunfeng.

34. RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

During the year ended 31 December 2011 and 2010, the Group obtained banking facilities with credit limit which were guaranteed by the following related parties:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Personal guarantee from Mr. Lu and corporate guarantee from Changshou City Wujun Power Equipment Factory 常州市武進發電設備廠 ("Wujin Equipment Factory") (note) jointly	**–**	7,500
Corporate guarantee from Wujin Equipment Factory	**–**	22,500
	–	30,000

Note: Mr. Lu is a director and controlling shareholder of Wujin Equipment Factory.

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 year ended 31 December 2011 and 2010 was as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Basic salaries and allowances	**3,555**	2,079
Performance – related incentive bonuses	**300**	745
Retirement benefits scheme contributions	**119**	25
	3,974	2,849

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

35. SUBSIDIARIES

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

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Group As at 31 December 2011	2010	Issued and fully paid share capital/ registered capital at 31 December 2011	Principal activities
Shunfeng HK	Hong Kong 16 August 2010	**100%**	100%	HK$500	Investment holding
Shunfeng Technology (Note a)	PRC 10 October 2005 as a wholly-owned foreign enterprise ("WOFE")	**100%**	100%	RMB367,316,727	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%	RMB179,520,837 (Note b)	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%	USD15,014,740 (Note c)	Manufacturing and sales of solar modules and provision of related installation services

Notes:

(a) Shunfeng Technology was a sino foreign joint venture and has become a wholly owned foreign enterprise since 26 September 2010 upon the Group Reorganization. Pursuant to the Certificate of Approval issued by government authorities in Jiangsu Province in the PRC, total registered capital was increased from RMB167,600,000 to RMB367,317,000 on 12 August 2011.

(b) 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.

(c) The registered capital is USD100,000,000. During the year ended 31 December 2011, the amount paid up is approximately USD 15 million.

Financial Summary

Results	2008 *RMB'000*	2009 *RMB'000*	2010 *RMB'000*	**2011** ***RMB'000***
	For the year ended 31 December			
Turnover	563,646	378,974	622,922	**1,971,530**
Profit before interest expenses and taxation	58,768	59,319	98,326	**82,916**
Interest expense	(3,981)	(1,268)	(3,970)	**(48,506)**
Profit before taxation	54,787	58,051	94,356	**34,410**
Income tax credit/(expense)	567	(4,573)	(14,266)	**(10,657)**
Profit and total comprehensive income for the year	55,354	53,478	80,090	**23,753**
Profit and total comprehensive income attributable to:				
Owners of the Company	55,354	53,478	80,449	**57,182**
Non-controlling interests	–	–	(359)	**(33,429)**
	55,354	53,478	80,090	**23,753**

Assets and liabilities	2008 *RMB'000*	2009 *RMB'000*	2010 *RMB'000*	**2011** ***RMB'000***
	As at 31 December			
Total assets	248,209	296,700	846,005	**2,626,245**
Total liabilities	(95,602)	(90,615)	(530,055)	**(1,923,617)**
	152,607	206,085	315,950	**702,628**
Equity attributable to owners of the Company	152,607	206,085	286,539	**676,895**
Non-controlling interests	–	–	29,411	**25,733**
	152,607	206,085	315,950	**702,628**

Note:
The results and summary of assets and liabilities for each of the three years ended 31 December 2010 were extracted from the Company's prospectus dated 30 June 2011 have been prepared on a combination basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout those years.

Definitions

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

"Associate"	has the meaning ascribed thereto under the Listing Rules
"Board"	Board of directors of the Company
"Company", "we" or "us"	Shunfeng Photovoltaic International Limited
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"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", "HK$"	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 Date"	13 July 2011, the date on which the Shares were listed on the Main Board of the Hong Kong Stock Exchange
"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
"PV"	Photovoltaic
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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"	the United States of America
"Year"	twelve months ended 31 December 2011