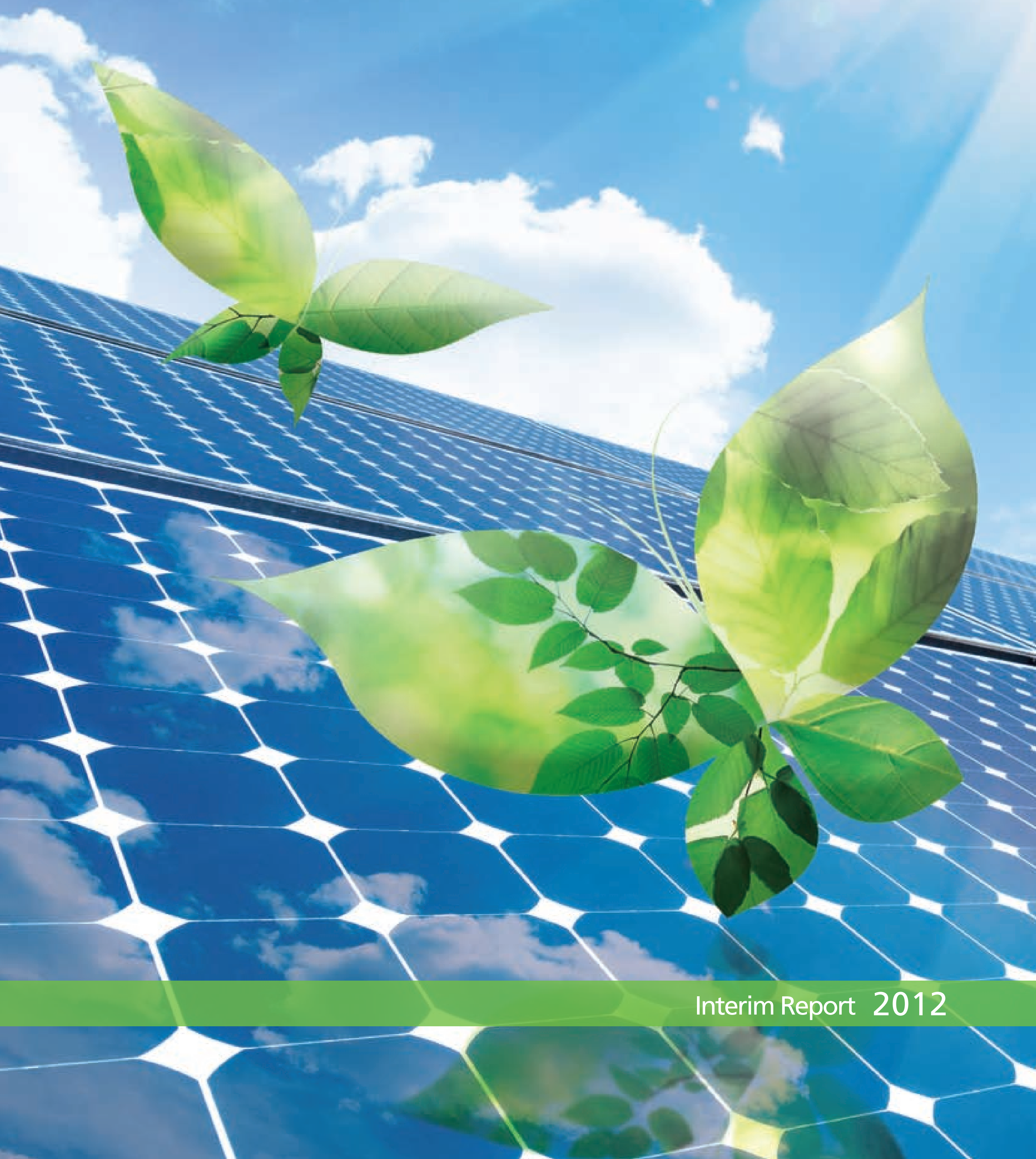
順風光電國際有限公司
Shunfeng Photovoltaic International Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 01165



Interim Report 2012

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Tang Guoqiang *(Chairman)*
Mr. Shi Jianmin *(Vice Chairman)*
Mr. Gao Zhan
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 unaudited condensed consolidated interim results of the Group for the Period.

The continuing uncertainty of economy in the Eurozone and the sluggish recovery of the US economy has adversely affected the solar energy industry. In the current environment, customers have been more cautious and tend to put orders on hold and demand lower prices. The Group recorded a net loss of RMB4.8 million during the Period and our production capacity was approximately 420 MW. Our shipment volume during the Period was approximately 206.1 MW, which represents an increase of 31.9% from 156.2 MW for the corresponding period in 2011. Our shipment volume of solar modules increased to approximately 8.4 MW from zero for the corresponding period in 2011. Even during such unfavourable business environment resulting from the global financial crisis, demand for our products by our customers is still sustainable. We believe this sustainability 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 our extensive track record of superior product quality.

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 in solar and other kinds of clean energy with the objective to restore their economies, to create employment opportunities and, at the same time, to establish a low-carbon emission environment.

At present, compared to traditional sources, solar energy is still a relatively high cost method for generating power. However, the cost of generating solar energy (per watt) has reduced substantially since the third quarter of 2011, which 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 suppliers and customers, I am confident that the Group has the capability to adapt to the new economic and competitive landscapes in the solar energy industry, and with the support of our Board and management team, I strongly believe that our business will continue to develop in a steady and healthy manner.

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

Chairman's Statement

The Group will continue to strive to improve product quality and minimize production cost to further strengthen our competitive advantages. As disclosed in the section headed "Risks relating to our business and industry" of the prospectus dated 30 June 2011 issued by the Company, we must relocate our facilities originally in Xueyan Town, Changzhou City, Jiangsu Province to Wujin Hi-Tech Industrial Zone by no later than 31 December 2012. The relocation is already underway. Upon completion of the relocation, we will be able to fully utilize our facilities in Wujin Hi-Tech Industrial Zone and allocate our resources. At present, the Group is refining its existing business strategies and identifying potential business opportunities proactively with the aim of capturing 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 team and our staff during the Period and express my gratitude to our Shareholders and business partners for their continued support and trust.

Tang Guoqiang
Chairman
Jiangsu, the PRC

27 August 2012

Management Discussion and Analysis

Business Review

Overall, the Group's existing business remains challenging and there is no clear visibility amidst the continuing global economic uncertainties. Concerns over global economic uncertainties, in particular the Eurozone debt crisis, have adversely affected the overall demand for solar products as well as the price for the raw materials and solar products.

In long term, however, we believe that once the global economic uncertainties have been cleared, the solar energy industry prospects will remain promising. The reduction in price has accelerated the progression to grid-parity, and governments of various countries have invested heavily into solar and other kinds of clean energy, with the objective of restoring their economies, to create employment opportunities while at the same time establishing a low-emission environment.

With respect to 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 being emerging markets with substantial potential in the future. These countries either have policies that offer, or plan to introduce policies that offer substantial incentives in the form of direct subsidies for solar power system installations, or rebates for electricity produced from solar power. These policies would speed up the development of the PV manufacturing industry, as increasing government support for solar power use would 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, like our company, to support their long term development.

Our shipment volume during the Period was 206.1 MW, which was approximately 31.9% higher than that of approximately 156.2 MW for the corresponding period in 2011. This has indicated that even during the first half of 2012 when the solar energy industry and global economy were severely threatened by the financial crisis, we still secured strong demand for our products.

Our top 5 customers during the Period represented approximately 55.7% of our total revenue as compared to approximately 60.1% for the corresponding period in 2011. Our largest customers accounted for approximately 28.5% of our total revenue during the Period while it represented approximately 33.1% for the corresponding period in 2011. These changes were mainly the result of our efforts to optimise the customer base. We believe product quality and cost advantage will be crucial in the upcoming era of solar energy.

We have been able to gradually increase the number of customers, as well as expand our geographic coverage during the Period. 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 the Period, our sales to PRC based customers represented approximately 89.2% of our total revenue, as compared to approximately 97.5% for the corresponding period in 2011. Our sales to overseas customers represented approximately 10.8% of our total revenue during the Period, as compared to approximately 2.5% for the corresponding period in 2011. Our strong track record for product quality, advanced proprietary technology, and efforts to reduce production costs, have contributed to our reputation and thus our success in optimising our customer base. We believe such strategic moves will continue to contribute to a strong and sustainable demand for our products.

Management Discussion and Analysis

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 standard in the production of monocrystalline solar cells.

We plan to devote substantial resources in 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 reached our solar cell production capacity of approximately 420 MW during the Period. While we plan to maintain our primary focus on solar cells, we also invested in the coordinated expansion of our silicon wafer and solar module production to realize the benefits of vertical integration. By the end of the Period, 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 intend to introduce a diversified procurement strategy which, once 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 our 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.

Despite the adverse impacts of the global economic downturn, we have successfully taken effective steps to mitigate the relevant risks on our business which resulting from the volatile and difficult economic environment in 2012 and coming future.

Financial Review

Revenue

Revenue decreased by RMB417.8 million, or 38.8%, from RMB1,077.0 million for the corresponding period in 2011 to RMB659.2 million during the Period, 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 Eurozone debt crisis. The increase in our sales volume was generally due to the increase in customer demand for our multicrystalline solar products. The shipment volume of our solar products increased by 31.9% from 156.2 MW for the corresponding period in 2011 to 206.1 MW during the Period. Inter-segment sales of wafers of approximately 35.0 MW and solar cells of approximately 9.4 MW amounting to RMB74.2 million and RMB36.5 million, respectively, have been eliminated in the revenue of the Period.

During the Period, sales of monocrystalline solar cells and multicrystalline solar cells accounted for 46.4% and 45.5%, respectively, of the total revenue, while sales of solar modules accounted for 8.1% of the total revenue. For the six months ended 30 June 2011, sales of monocrystalline solar cells accounted for a substantial part of the total revenue whereas we only derived limited revenue from sales of multicrystalline solar cells. In order to capture the demand for multicrystalline solar cells, we successfully launched the 156 mm by 156 mm multicrystalline solar cells since June 2011.

Sales of 156 mm by 156 mm monocrystalline solar cells

Revenue from sales of 156 mm by 156 mm monocrystalline solar cells decreased by RMB568.0 million, or 67.4%, from RMB842.4 million for the corresponding period in 2011 to RMB274.4 million during the Period, primarily as a result of a decrease in shipment volume by 34.3% from 122.0 MW for the corresponding period in 2011 to 80.2 MW during the Period and a decrease in our average unit price for this product by 50.5% from RMB6.91 per watt for the corresponding period in 2011 to RMB3.42 per watt during the Period.

Sales of 156 mm by 156 mm multicrystalline solar cells

Revenue from sales of 156 mm by 156 mm multicrystalline solar cells increased by RMB291.8 million, or 35.2 times, from RMB8.3 million for the corresponding period in 2011 to RMB300.1 million during the Period, primarily as a result of an increase in shipment volume by 59.1 times from 1.8 MW in the corresponding period in 2011 to 108.2 MW during the Period.

Sales of 125 mm by 125 mm monocrystalline solar cells

Revenue from sales of 125 mm by 125 mm monocrystalline solar cells decreased by RMB194.9 million, or 86.2%, from RMB226.2 million for the corresponding period in 2011 to RMB31.3 million during the Period, primarily as a result of a decrease in our average unit price for this product by 51.9% from RMB6.97 per watt for the corresponding period in 2011 to RMB3.35 per watt during the Period and a decrease in our shipment volume by 71.3% from 32.4 MW for the corresponding period in 2011 to 9.3 MW during the Period.

Sales of solar modules

Revenue from sales of solar module increased to RMB53.5 million during the Period, primarily due to the success in installing 60 MW production capacity and from receiving the OEM sales orders in the fourth quarter of 2011. Our shipment volume of solar module was 8.4 MW during the Period.

Geographic markets

In terms of geographic markets from which our revenue was generated, approximately 89.2% of the total revenue during the Period was generated from sales to our PRC customers, as compared to 97.5% for the corresponding period in 2011. 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 decreased by RMB345.4 million, or 36.6%, from RMB942.6 million for the corresponding period in 2011 to RMB597.2 million during the Period, primarily as a result of a decrease in our procurement cost partly offset by the increased in our shipment volume.

Gross profit

Gross profit decreased by RMB72.4 million, or 53.9%, from RMB134.4 million for the corresponding period in 2011 to RMB62.0 million during the Period, primarily as a result of the aforesaid reasons.

Other income

Other income increased by RMB16.4 million, or 371.8%, from RMB4.4 million for the corresponding period in 2011 to RMB20.9 million during the Period, primarily due to an increase in bank interest income, the government grants and gain on sales of raw and other materials.

Management Discussion and Analysis

Other gains and losses

Other gains and losses decreased by RMB0.8 million, or 20.4% from RMB4.1 million for the corresponding period in 2011 to RMB3.3 million during the Period, which was primarily due to an increase in foreign exchange losses, partially offset by the realised gains on foreign currency forward contracts.

Distribution and selling expenses

Distribution and selling expenses increased by RMB2.3 million, or 122.6% from RMB1.9 million for the corresponding period in 2011 to RMB4.2 million during the Period, primarily due to the significant increase in our shipment volume from 156.2 MW for the corresponding period in 2011 to 206.1 MW during the Period.

Administrative and general expenses

Administrative and general expenses increased by RMB17.4 million, or 98.5%, from RMB17.7 million for the corresponding period in 2011 to RMB35.2 million during the Period, primarily as a result of the material increase in production capacity and operation scale.

Finance costs

The Group had bank loans carrying variable interest rates based on the benchmark interest rates issued by the People's Bank of China and also had fixed rate borrowings. Interest expenses in relation to bank loans and obligations under the finance lease increased by RMB23.0 million, or 125.2%, from RMB18.4 million for the corresponding period in 2011 to RMB41.4 million during the Period, primarily as a result of an increase in the amount of bank loans borrowed.

(Loss) Profit before taxation

Profit before taxation decreased by RMB97.9 million, or 101.3%, from a profit of RMB96.7 million for the corresponding period in 2011 to a loss of RMB1.2 million during the Period, as a result of the reasons stated above.

Income tax expense

Income tax expense decreased from RMB10.9 million for the corresponding period in 2011 to RMB3.6 million during the Period, primarily as a result of the recognition of deferred tax which arose from the asset-related government grants received during the Period.

On 8 November 2011, Shunfeng Technology obtained "High Technology Enterprise" status for 3 years that entitles Shunfeng Technology a preferential tax rate of 15% until year 2013 according to PRC Tax law. Shunfeng Technology was subject to 15% tax rate for the current period.

The remaining subsidiaries of the Company established in the PRC are subject to PRC enterprise income tax rate of 25%.

(Loss) Profit for the Period

Net profit decreased by RMB90.6 million, or 105.6%, from a profit of RMB85.8 million for the corresponding period in 2011 to a loss of RMB4.8 million during the Period, as a result of the reasons stated above. Net profit margin decreased from 8.0% for the corresponding period in 2011 to -0.7% during the Period.

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. Included in the balance of the inventories as at 30 June 2012 was a write-down of inventories of RMB1.7 million (31 December 2011: RMB3.6 million), 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 30 June 2012 was 18.5 days (31 December 2011: 11.6 days). Unless we received attractive offers from suppliers, the optimal inventory level should be around one month of our sales volume to meet the Group's production requirements.

Trade receivables turnover days

The trade receivables turnover days as at 30 June 2012 was 61.9 days (31 December 2011: 28.8 days). The increase in turnover days was mainly due to the change in the general market environment and even with such increase, the trade receivables turnover days as at 30 June 2012 was still within the credit period (normally 15 to 180 days) which the Group grants to its customers.

Trade payables turnover days

The trade payables turnover days as at 30 June 2012 was 59.3 days (31 December 2011: 23.9 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 30 June 2012, the Group's current ratio (current assets divided by current liabilities) was 0.7 (31 December 2011: 0.8) 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 30 June 2012, the Group was in a negative net cash position of RMB908.3 million (31 December 2011: RMB610.1 million) which included cash and cash equivalent of RMB54.4 million (31 December 2011: RMB120.1 million) and short-term bank and other borrowings of RMB962.7 million (31 December 2011: RMB730.2 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 125.1% as at 31 December 2011 to 165.8% as at 30 June 2012.

The Group have budgeted RMB124.7 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 the Period, 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 (31 December 2011: Nil).

Management Discussion and Analysis

Contingent liabilities and guarantees

As at 30 June 2012, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (31 December 2011: Nil).

Charges on the Group's assets

As at 30 June 2012, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB369.4 million (31 December 2011: RMB384.6 million) to banks to secure banking facilities granted to the Group.

During the Period, the Group obtained other borrowing from an independent third party amounting to RMB35,000,000 (six months ended 30 June 2011: nil), which was unsecured, bearing interest at fixed interest rate of 6.10% per annum and repayable within one year.

Save as disclosed above, as at 30 June 2012 and 31 December 2011, 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

There was no significant investment in, and no acquisition or disposal of subsidiaries and associated companies by the Group during the Period.

Human resources

As at 30 June 2012, the Group had 1,418 employees (31 December 2011: 1,107). The remuneration packages for the existing employee include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Interim dividend

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

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 30 June 2012 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	187.4	–
Expansion of silicon wafer production capacity	45%	187.4	71.8	115.6
Expansion of solar module production capacity	8%	33.3	27.0	6.3
Working capital	2%	8.3	8.3	–
	100%	416.4	294.5	121.9

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

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions under the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Listing Rules) for the period from 1 January 2012 to 31 March 2012 and Corporate Governance Code (the new edition of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules) for the period from 1 April 2012 to 30 June 2012.

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.

REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

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 30 June 2012, 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. Qian Kaiming	Interest of controlled corporation (Note 2)	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. 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 30 June 2012, 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.

Corporate Governance and Other Information

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

As at 30 June 2012, 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. Gu Jiajin	Interest of controlled corporation (Note 6)	226,161,000 (long position)	14.50%
Mr. Lu Jianqing	Interest of controlled corporation (Note 7)	152,100,000 (long position)	9.75%

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. Gu Jiajin.

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 for the purposes of the SFO.

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

Note 7: 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 purpose of the SFO.

Save as the disclosed above, to the best knowledge of the Directors, as at 30 June 2012, 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.

PUBLICATION OF INTERIM REPORT

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

		Six months ended 30 June	
	NOTES	**2012** ***RMB'000*** **(Unaudited)**	2011 *RMB'000* (Audited)
Revenue	*3*	**659,194**	1,076,980
Cost of sales		**(597,217)**	(942,573)
Gross profit		**61,977**	134,407
Other income	*4*	**20,853**	4,420
Other gains and losses	*5*	**(3,289)**	(4,133)
Distribution and selling expenses		**(4,210)**	(1,891)
Administrative expenses		**(35,162)**	(17,716)
Finance costs	*6*	**(41,395)**	(18,383)
(Loss) profit before taxation	*7*	**(1,226)**	96,704
Income tax expense	*8*	**(3,558)**	(10,898)
(Loss) profit and total comprehensive income for the period		**(4,784)**	85,806
(Loss) profit and total comprehensive income attributable to:			
Owners of the Company		**292**	87,212
Non-controlling interests		**(5,076)**	(1,406)
		(4,784)	85,806
		RMB cents	*RMB cents*
Earnings per share			
– Basic	*9*	**0.02**	7.45

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	NOTES	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**1,449,024**	1,285,558
Prepaid lease payments – non-current		**50,779**	51,340
Deposits for acquisition of property, plant and equipment	11	**21,834**	30,318
Deposits for acquisition of land use rights		**20,476**	19,060
Deferred tax assets		**11,232**	11,829
		1,553,345	1,398,105
Current assets			
Inventories		**43,315**	74,307
Trade and other receivables	12	**630,941**	525,014
Value-added tax recoverable		**97,462**	112,384
Prepayments to suppliers	13	**33,095**	10,610
Prepaid lease payments – current		**1,122**	1,122
Pledged bank deposits	14	**–**	148,506
Restricted bank deposits	14	**369,353**	236,075
Bank balances and cash		**54,418**	120,122
		1,229,706	1,228,140
Current liabilities			
Trade and other payables	15	**734,821**	785,982
Customers' deposits received		**12,970**	4,704
Amount due to a director	16	**10,000**	–
Obligations under finance leases	17	**26,244**	25,105
Tax payable		**1,995**	2,260
Other financial liabilities	18	**288**	7,758
Bank and other borrowings	19	**962,736**	730,187
		1,749,054	1,555,996
Net current liabilities		**(519,348)**	(327,856)
Total assets less current liabilities		**1,033,997**	1,070,249

Condensed Consolidated Statement of Financial Position

As at 30 June 2012 (continued)

	NOTES	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Capital and reserves			
Share capital	21	12,892	12,892
Reserves		664,295	664,003
Equity attributable to owners of the Company		677,187	676,895
Non-controlling interests		20,657	25,733
Total equity		697,844	702,628
Non-current liabilities			
Bank and other borrowings	19	249,000	269,000
Obligations under finance leases	17	35,382	48,656
Deferred income	20	51,771	49,965
		336,153	367,621
		1,033,997	1,070,249

The condensed consolidated financial statements on pages 16 to 35 were approved and authorised for issue by the Board of Directors on 27 August 2012 and are signed on its behalf by:

DIRECTOR DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Paid-in capital/ Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011 (Audited)	1	–	203,964	10,064	72,510	286,539	29,411	315,950
Profit (loss) and total comprehensive income for the period	–	–	–	–	87,212	87,212	(1,406)	85,806
Capital contribution from a non-controlling shareholder of a subsidiary, Changzhou Shunfeng Photovoltaic Materials Co., Ltd. 常州順風光電材料有限公司	–	–	–	–	–	–	29,751	29,751
At 30 June 2011 (Audited)	1	–	203,964	10,064	159,722	373,751	57,756	431,507
At 1 January 2012 (Audited)	12,892	320,283	203,964	24,974	114,782	676,895	25,733	702,628
Profit (loss) and total comprehensive income for the period	–	–	–	–	292	292	(5,076)	(4,784)
At 30 June 2012 (Unaudited)	12,892	320,283	203,964	24,974	115,074	677,187	20,657	697,844

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net cash (used in) from operating activities	**(25,531)**	132,751
Investing activities		
Release of restricted bank deposits	**279,541**	37,372
Withdrawal of pledged bank deposits	**148,506**	–
Receipt from government grants	**5,000**	17,923
Interest income received	**4,547**	240
Deposits paid for and purchase of land use rights	**(1,416)**	(23,592)
Placement of pledged bank deposits	**–**	(96,268)
Placement of restricted bank deposits	**(412,819)**	(213,222)
Payments for acquisition of property, plant and equipment	**(222,679)**	(516,678)
Net cash used in investing activities	**(199,320)**	(794,225)
Financing activities		
New bank and other borrowings raised	**902,876**	739,449
Capital contribution from a non-controlling shareholder	**–**	29,751
Repayment of obligations under finance leases	**(12,135)**	–
Advance from a director	**10,000**	–
Repayment to a director	**–**	(859)
Interest paid	**(51,267)**	(19,336)
Repayment of bank borrowings	**(690,327)**	(70,500)
Net cash from financing activities	**159,147**	678,505
Net (decrease) increase in cash and cash equivalents	**(65,704)**	17,031
Cash and cash equivalents at beginning of the period	**120,122**	55,432
Cash and cash equivalents at end of the period, represented by bank balances and cash	**54,418**	72,463

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The Group had net current liabilities as at 30 June 2012. The Directors are of the opinion that, taking into account the presently available banking facilities of RMB847,460,000 as at the date of issuance of the condensed consolidated financial statements, and internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the condensed consolidated financial statements. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB.

Amendments to IFRS 7	Disclosures – Offsetting Financial Assets
Amendments to IAS 12	Deferred tax: Recovery of Underlying Assets

While the application of the above amendments to IFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, the directors of the Company consider that the application of amendments to IFRS 7 may increase the disclosure requirements for transactions involving transfers of financial assets in its 2012 annual financial statements. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. REVENUE AND SEGMENT INFORMATION

The Group mainly operates in manufacturing and sales of solar cells and related products. The chief executive officer, who is also a director of the Company and the chief operating decision maker, regularly reviews revenue analysis by major products and the Group's profit for the period to make decisions about resources allocation and performance assessment. Accordingly, the Group has only one operating and reporting segment for financial reporting purpose. No segment information is presented as no 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 six months ended 30 June 2012 and 2011:

	Six months ended 30 June	
	2012 ***RMB'000*** **(Unaudited)**	2011 *RMB'000* (Audited)
Monocrystalline solar cells	**305,660**	1,068,679
Multicrystalline solar cells	**300,084**	8,301
Solar modules	**53,450**	–
	659,194	1,076,980

4. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank interest income	**4,547**	240
Government grants (note)	**10,996**	1,249
Gain on sales of raw and other materials	**4,360**	2,493
Others	**950**	438
	20,853	4,420

Note: The government grants represent the amount received from the local government by the entities of the Group operating in the People's Republic of China (the "PRC"). Government grants of approximately (a) RMB7,417,000 (six months ended 30 June 2011: RMB625,000) represents incentive received in relation to activities carried out by the Group; (b) RMB2,029,000 (six months ended 30 June 2011: RMB624,000) represents subsidy on acquisition of land use rights and machineries amortized to profit or loss and (c) RMB1,550,000 (six months ended 30 June 2011: nil) represents grants in recognition of the Group's successful listing in Hong Kong Stock Exchange in year 2011.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Foreign exchange (losses) gains, net	**(3,879)**	957
Release of gain on a sale and lease back arrangement	**1,165**	–
Change in fair values of foreign currency forward contracts	**(19)**	348
Legal and professional fees (note)	**–**	(5,438)
Others	**(556)**	–
	(3,289)	(4,133)

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

6. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on bank borrowings wholly repayable within five years	**24,365**	18,461
Finance charges on factoring of bills receivable	**16,665**	852
Interest on finance leases	**2,816**	–
Total borrowing costs	**43,846**	19,313
Less: amounts capitalized	**(2,451)**	(930)
	41,395	18,383

Borrowing costs capitalized during the current period arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.21% (six months ended 30 June 2011: 6.35%) per annum to expenditure on qualifying assets.

7. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(Loss) profit before taxation has been arrived at after charging:		
Cost of inventories recognized as expense	**597,217**	942,573
Depreciation of property, plant and equipment	**38,798**	18,524
Research expenses (included in administrative expenses)	**3,072**	1,587

Included in costs of inventories recognized as expense were write-down of inventories to net realizable values of approximately RMB1,738,000 (six months ended 30 June 2011: nil) during the current period.

8. TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
PRC Enterprise Income Tax	**2,961**	15,638
Deferred taxation	**597**	(4,740)
	3,558	10,898

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, Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("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 were 2007 and 2008, and was then entitled to a 50% reduction in enterprise income tax for three years thereafter from year 2009 to 2011. Shunfeng Technology was subject to 12.5% tax rate for the year ended 31 December 2011.

On 8 November 2011, Shunfeng Technology obtained "High Technology Enterprise" status for 3 years that entitles Shunfeng Technology a preferential tax rate of 15% until year 2013 according to PRC Tax law. Shunfeng Technology was subject to 15% tax rate for the current period.

The remaining subsidiaries of the Company established in the PRC are subject to PRC enterprise income tax rate of 25%.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**292**	87,212
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	**1,560,000,000**	1,170,000,000

The number of ordinary shares for the purpose of calculation of 2011 basic earnings per share has been determined based on the 50,000 shares in issue during the six months ended 30 June 2011 and assuming the capitalization issue of 1,169,950,000 shares on 13 July 2011 has been in effect since 1 January 2011.

No diluted earnings per share for the period was presented as no potential ordinary shares outstanding during both periods.

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend (2011: nil).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group had additions to property, plant and equipment (including capital expenditure for construction in progress) of approximately RMB202,276,000 (six months ended 30 June 2011: RMB464,292,000).

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 ***RMB'000*** **(Unaudited)**	At 31 December 2011 *RMB'000* (Audited)
Trade receivables	**187,991**	265,267
Bills receivable	**387,140**	210,399
Other receivables and prepayments (note)	**55,810**	49,348
	630,941	525,014

Note: During the year ended 31 December 2011, the Group entered into an agreement (the "Agreement") with an independent third party engaged in the building of photovoltaic power generation plant. According to the terms of the Agreement, the Group advanced an amount of European dollars ("Euro") 4,000,000 (approximately RMB31,484,000) 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 no later than November 2012. In March 2012, the parties involved signed a supplementary agreement and mutually agreed that the advance carries interest at a rate of 5% per annum since the date of the Agreement. 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 to certain trade customers on a case by case basis. The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period.

	At 30 June 2012 ***RMB'000*** **(Unaudited)**	At 31 December 2011 *RMB'000* (Audited)
0 to 30 days	**79,780**	143,397
31 to 60 days	**38,094**	92,021
61 to 90 days	**60,996**	5,758
91 to 180 days	**9,121**	24,091
	187,991	265,267

12. TRADE AND OTHER RECEIVABLES (continued)

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

	At 30 June 2012 *RMB'000* (Unaudited)	At 31 December 2011 *RMB'000* (Audited)
0 to 30 days	**53,631**	41,372
31 to 60 days	**90,958**	8,000
61 to 90 days	**96,594**	145,927
91 to 180 days	**145,957**	15,100
	387,140	210,399

13. PREPAYMENTS TO SUPPLIERS

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

14. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

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.

15. TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Trade payables	170,075	196,683
Bills payable	458,224	450,436
Payables for acquisition of property, plant and equipment	83,903	115,253
Other payables and accrued charges	22,619	23,610
	734,821	785,982

The following is an analysis of the trade payables by age, presented based on the invoice date at the end of the reporting period:

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
0 to 30 days	113,582	139,505
31 to 60 days	32,664	39,409
61 to 90 days	16,204	12,159
91 to 180 days	3,382	5,602
Over 180 days	4,243	8
	170,075	196,683

15. TRADE AND OTHER PAYABLES (continued)

The following is an analysis of the bills payable by age, presented based on the issue date at the end of the reporting period:

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
0 to 30 days	**56,246**	55,698
31 to 60 days	**73,502**	64,339
61 to 90 days	**64,478**	60,815
91 to 180 days	**263,998**	269,584
	458,224	450,436

16. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, bearing interest at fixed interest rate of 5.85% per annum and repayable within one year.

17. OBLIGATIONS UNDER FINANCE LEASES

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Analyzed for reporting purposes as:		
Current liabilities	**26,244**	25,105
Non-current liabilities	**35,382**	48,656
	61,626	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 2011: 3 years). Interest rate underlying the obligations under finance leases is fixed at 7.32% (31 December 2011: 7.32%) per annum.

17. OBLIGATIONS UNDER FINANCE LEASES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2012	As at 31 December 2011	**As at 30 June 2012**	As at 31 December 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Amounts payable under finance leases:				
Within one year	**29,901**	29,901	**26,244**	25,105
In more than one year but not more than two years	**29,901**	29,901	**28,044**	27,035
In more than two years but not more than five years	**7,475**	22,425	**7,338**	21,621
	67,277	82,227	**61,626**	73,761
Less: future finance charges	**(5,651)**	(8,466)	**–**	–
Present value of lease obligations	**61,626**	73,761	**61,626**	73,761
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(26,244)**	(25,105)
Amount due for settlement after 12 months			**35,382**	48,656

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

18. OTHER FINANCIAL LIABILITIES

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Foreign currency forward contracts	288	7,758

As at 30 June 2012, the Group had several arrangements with one commercial bank in the PRC pursuant to which the Group would purchase Euro and sell RMB at pre-determined forward rate for contractual periods for twelve months from the banks for settlement of foreign-currency denominated liability.

Major terms of foreign currency forward contract at 30 June 2012 of the Group are as follows:

Principal amount	Maturity	Forward exchange rate
Derivatives – gross settlement		
Euro772,800	November 2012	Buy Euro/Sell RMB at 8.6331

As at 30 June 2012, the fair values of the foreign currency forward contract is measured using quoted forward exchange rate matching maturity of the contract at the end of the reporting period.

During the current period, a loss on change in fair values of the foreign currency forward contracts amounting to approximately RMB19,000 (six months ended 30 June 2011: gain of RMB348,000) has been recognized in the condensed consolidated statement of comprehensive income.

19. BANK AND OTHER BORROWINGS

During the current period, the Group obtained new bank loans amounting to RMB867,876,000 (six months ended 30 June 2011: RMB739,449,000), and made repayments in bank loans amounting to RMB690,327,000 (six months ended 30 June 2011: RMB70,500,000).

During the current period, the Group obtained other borrowing from an independent third party amounting to RMB35,000,000 (six months ended 30 June 2011: nil), which was unsecured, bearing interest at fixed interest rate of 6.10% per annum and repayable within one year.

The proceeds were used to finance the acquisition of property, plant and equipment, and to fund working capital for operation.

20. DEFERRED INCOME

During current period, the Group received a government subsidy of approximately RMB5,000,000 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.

21. SHARE CAPITAL

Ordinary shares of HK$0.01 each
Issued and fully paid:

	Number of shares	Amount *HK$*
Ordinary shares of HK$0.01 each as at 1 January 2011 and 30 June 2011	50,000	500
Ordinary shares of HK$0.01 each as at 1 January 2012 and 30 June 2012	1,560,000,000	15,600,000

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Presented in the condensed consolidated financial statements as	12,892	12,892

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

22. CAPITAL COMMITMENTS

	At 30 June 2012 *RMB'000* (Unaudited)	At 31 December 2011 *RMB'000* (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment		
– contracted for but not provided in the condensed consolidated financial statements	**124,674**	148,947
– authorized but not contracted for	**1,135,441**	1,331,436
	1,260,115	1,480,383

23. RELATED PARTY DISCLOSURES

(a) Related party transactions

Saved as disclosed in the note 16, the Group had the following significant transactions with related parties during the current period:

		Six months ended 30 June	
Name of related party	**Nature of transaction**	**2012** ***RMB'000*** **(Unaudited)**	2011 *RMB'000* (Audited)
Changzhou Shunfeng Electric Power Equipment Co., Ltd.* ("Changzhou Shunfeng") (note)	Purchase of property, plant and equipment	**–**	513

* The English name is for identification purpose only.

Note: Mr. Lu Jianqing, a director of the Company up to 29 March 2012, has controlling interests in Changzhou Shunfeng.

23. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the current period was as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Basic salaries and allowances	**3,522**	1,724
Performance – related incentive bonuses	**350**	300
Retirement benefits scheme contributions	**85**	60
	3,957	2,084

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

24. LITIGATION MATTERS

A law firm, which was previously engaged by the Company's sponsor in the listing of the Company's shares on the Main Board of Hong Kong Stock Exchange, has presented a petition for winding up against the Company on 5 June 2012 for alleged outstanding legal fees in the approximate sum of US$400,000 (equivalent to approximately RMB2,529,000). The Company is defending the proceedings. After due consideration, the directors are of the opinion that such allegation is groundless and therefore, has no material financial impact to the condensed consolidated financial statements and no provision in respect of the claim has been made in the condensed consolidated financial statements.

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 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
"Period"	six months ended 30 June 2012
"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