

Seizing opportunities of
Our Time in building an
Epochal Enterprise

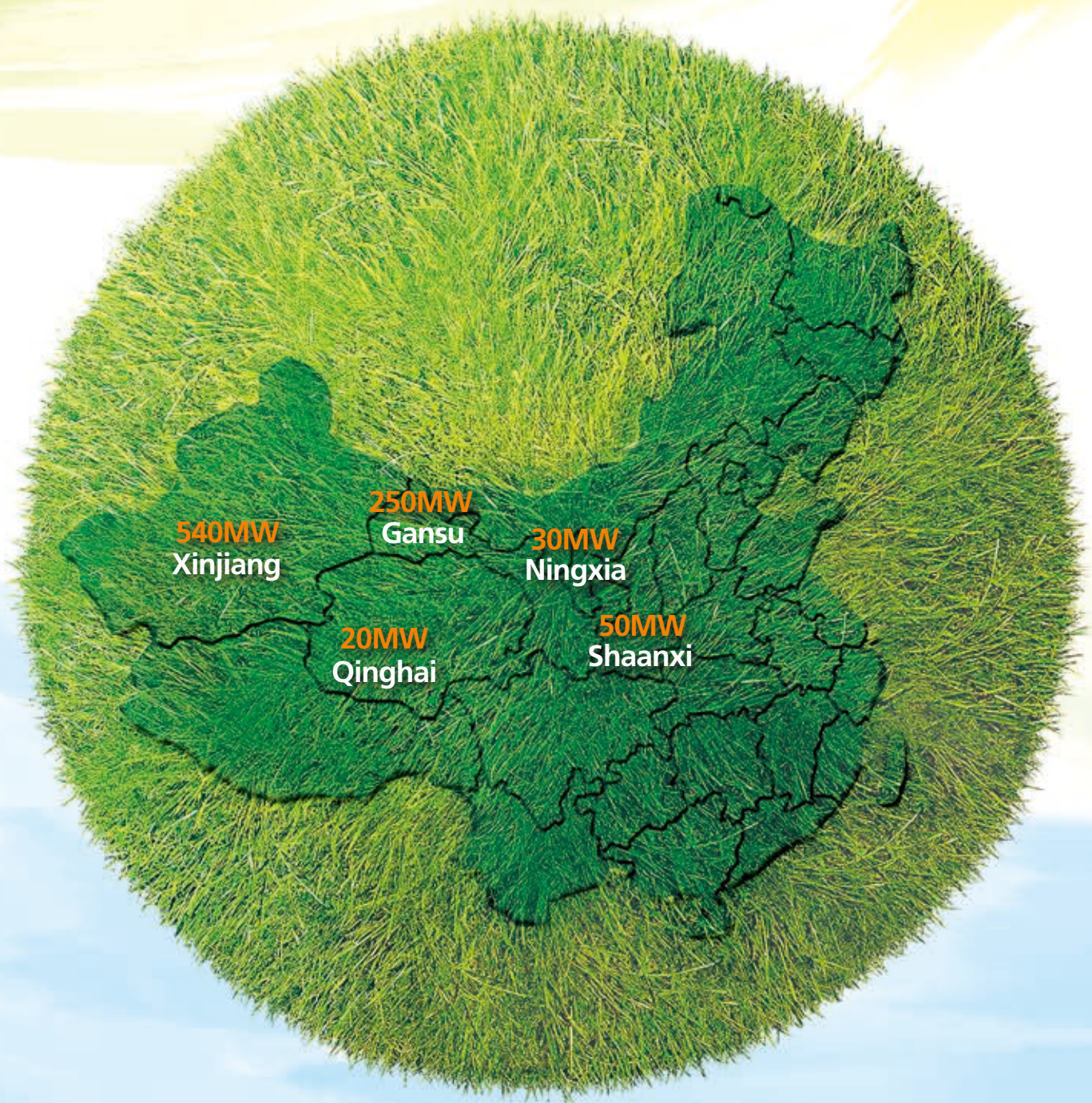
Annual Report 2013



Contents

- 04 Corporate Information
- 06 Chairman's Statement
- 10 Management Discussion and Analysis
- 25 Five-year Statistics
- 26 Corporate Governance Report
- 42 Biographical Details of Directors and Senior Management
- 50 Report of the Directors
- 69 Independent Auditor's Report
- 71 Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 72 Consolidated Statement of Financial Position
- 74 Consolidated Statement of Changes in Equity
- 75 Consolidated Statement of Cash Flows
- 77 Notes to the Consolidated Financial Statements
- 151 Financial Summary
- 152 Definitions





Achieving grid-connected
annual designed capacity of **890** MW



Corporate Information

Directors

Executive Directors

Mr. Zhang Yi (*Chairman*) (*appointed on 12 July 2013*)

Mr. Shi Jianmin (*Vice Chairman*)

Mr. Wang Xiangfu (*Chief Executive Officer*)
(*appointed on 2 September 2013*)

Mr. Qian Kaiming (*resigned from 7 February 2013*)

Mr. Wang Yu

Non-executive Directors

Mr. Tang Guoqiang

(*re-designated on 29 March 2013 and
resigned from 12 July 2013*)

Mr. Chen Shi (*appointed on 29 March 2013 and
resigned from 2 September 2013*)

Mr. Yue Yang (*appointed on 29 March 2013*)

Mr. Lu Bin (*appointed on 29 March 2013 and
re-designated on 2 September 2013*)

Independent Non-executive Directors

Mr. Tao Wenquan

Mr. Zhao Yuwen

Mr. Ge Ming (*resigned from 7 February 2013*)

Mr. Jiang Bin (*appointed on 7 February 2013 and
resigned from 12 July 2013*)

Mr. Siu Wai Keung Francis (*appointed on 12 July 2013*)

Audit Committee

Mr. Siu Wai Keung Francis (*Chairman*)

Mr. Tao Wenquan

Mr. Zhao Yuwen

Remuneration Committee

Mr. Siu Wai Keung Francis (*Chairman*)

Mr. Zhang Yi

Mr. Tao Wenquan

Mr. Zhao Yuwen

Nomination Committee

Mr. Zhang Yi (*Chairman*)

Mr. Siu Wai Keung Francis

Mr. Zhao Yuwen

Company Secretary

Mr. Tse, Man Kit Keith

Authorized Representatives

Mr. Zhang Yi

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



Corporate Information (continued)

Principal Place of Business in Hong Kong

Portion B, 30/F
Bank of China Tower
1 Garden Road, Central
Hong Kong

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

As to Hong Kong law
Herbert Smith Freehills

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

Dear Shareholders,

On behalf of the Board, I am honored to present to the shareholders the annual results of the Group for the year ended 31 December 2013.

For the year ended 31 December 2013, the Group recorded a revenue of RMB1,529.7 million, representing an increase of 44.4% from RMB1,059.5 million in 2012. Gross profit increased by RMB86.2 million, or 132.6%, from RMB65.0 million for the year ended 31 December 2012 to RMB151.2 million for the Year. The revenue and gross profit increased primarily due to an increase in the shipment volume and the decrease in average processing cost of solar cells. The shipment volume of solar products increased by 109.8% to 817.3MW. Attributable to the non-cash accounting treatment in relation to the fair values loss on convertible bonds of RMB1,816.0 million in compliance with the IFRSs, the Group recorded a net loss of RMB1,817.5 million, representing an increase of 569.9% from a net loss of RMB271.3 million for the year ended 31 December 2012.

In 2013, the Group had gone through a successful process of expanding and integrating into downstream development of solar power generation business. The Group has grown from a leading high quality solar cells manufacturer to an integrated one-stop solar enterprise with significant market share of installed solar power capacity in the PRC. In order to accelerate the development of clean and efficient energy, support low carbon development in PRC and curb overcapacity problem in the PV industry, the PRC government has set an important target to increase the solar power generating capacity by four times to 35GW in the next three years and to accelerate the production of enhanced conversion efficiency of solar cells. In light of the PRC government initiatives, we expect the PRC's solar industry will be progressing towards a high-volume and long-term market.





Chairman's Statement (continued)

**TOTAL EXPECTED
ANNUAL DESIGNED
CAPACITY OF 2,608MW
BY 2014.**

To be at the helm of the PRC's solar power industry, the Group spared no efforts in expanding the solar power generation capacity by acquiring solar generation projects with a total expected annual designed capacity of 2,608MW by 2014. The Group is presently targeting to develop a total of 10GW grid-connected annual designed capacity by 2016. Looking into 2014, the Group aims to achieve a total of 4GW on grid. The Group has already witnessed a success in on-grid connection in the reviewing year, during which the Group has achieved a total grid-connected annual designed capacity of 890MW for solar power plants, exceeding initial anticipated capacity.

In 2013, the Group made a significant decision to acquire bankrupted Wuxi Suntech which operates the major manufacturing facilities of Suntech Power and was once the world's top seller of solar panel, which attracted global attention. On 15 November 2013, Wuxi Intermediate People's Court has approved the restructuring plan in relation to Wuxi Suntech. The acquisition of Wuxi Suntech has a vital importance for the long-term development plan of solar power generation business of the Group. With the production facilities, technological expertise and management expertise in solar PV market gained from Wuxi Suntech, the Group will be able to strengthen its upstream operation by ramp up its production capabilities and enhance its technological innovation in solar cell production, all of which will aid the fulfillment of our large scale development plan of building 10GW of solar power plant by 2016.

All these important achievements embedded a solid foundation for the Group to develop into a leading one-stop solar enterprise in the PRC and in the Asia region.

Regarding the solar cell and solar module manufacturing sectors, the global business environment remained challenging and the export of solar products remained dampened under the threat of United States and European Union anti-dumping measures in 2013. Nevertheless, the solar PV industry in the PRC has shown a sign of recovery in the second half of 2013 as a result of the policy-push from the PRC government in driving up the solar power generation capacity and the availability of on-grid tariff of RMB1/ kWh for projects installed in the second half of 2013 and completed grid-connection before the end of 2013. Moreover, an amicable solution has been reached between China and European Union in August 2013 which put the ongoing anti-dumping dispute on the export of China's solar panel products to a halt and sparked a hope in the China's solar panel export market.

Chairman's Statement (continued)

Prospect and Acknowledgement

Despite the challenging global market, looking forward, the Group will spend relentless efforts in further consolidating our solar power generation capacity, enhancing our upstream production capabilities and technological innovation and improving our conversion efficiency and cost control measure. In addition, the Group will also enter into the distributed solar energy market in order to further consolidate our leading position in China's solar energy market. The Group will leverage on Wuxi Suntech's global presence and market position to spearhead overseas expansion and to develop the Group to become a leading one-stop clean energy provider in China and in the Asia region in the long run.

In addition, the Group has plans to expand into power storage and other forms of renewable or clean energy. The Group has the ambition to become a leading renewable and clean energy enterprise.

To fully reflect the Group's fully integrated photovoltaic business model and the future development strategy to become a leading and distinctive renewable and clean energy enterprise, the Group is proposing to change the name of the Group from "Shunfeng Photovoltaic International Limited" to "Shunfeng International Limited". The Group is currently a fully integrated photovoltaic group and we believe the new company name can provide a clearer corporate image and represent our global presence in the clean energy industry.



Chairman's Statement (continued)

Moreover, in March 2014, we acquired 18% equity interests of Shanghai Everpower Power Technology Co., Ltd. (namely "Shanghai Everpower") for a consideration of RMB36.5 million in order to diversify our business into fuel cell business. Shanghai Everpower is mainly engaged in fuel cell technology and related new energy product research, design, development and sales and providing technical advisory services. In order to achieve high efficiency power generation with zero emission, we believe that the acquisition of Shanghai Everpower will bring us a great advantage in diversifying our business into another mode of clean energy that enjoys an enormous market potential in the PRC as pollution-prone fossil fuel energy will need to be largely replaced by clean energy in order to solve the serious pollution problem in the mainland area.

Last but not least, for and on behalf of the Board, I would like to thank for the dedications and efforts made by the management team and our staffs and express my sincere gratitude to our Shareholders and business partners for their continuous support and trust. Through our commitment to excellence, we will spend our best efforts in realizing a satisfactory return to our Shareholders.

Mr. Zhang Yi
Chairman

25 March 2014





**MANAGEMENT
DISCUSSION &
& ANALYSIS**



Management Discussion and Analysis

Business Review

Year 2013 marked a most vital milestone for the Group in acquiring and integrating solar power generation business into the Group and it is very encouraging that the Group was able to achieve grid-connection for a significant portion of our acquired solar power plant projects within 2013. All these important fruitful results achieved in 2013 have embedded a solid foundation for the Group to develop into a leading one-stop solar enterprise in China and in the Asia region.

It is impossible to attain a sustainable economic development without sustainable energy. In 2013, National Development and Reform Commission has set an important target in the 12th five-year plan to increase the installed solar power capacity by four times to 35GW or more over the next three years, by spreading over an average of 10GW per year in order to promote clean and efficient energy, support low carbon development and to establish a robust solar photovoltaic industry that meets domestic market, production, sales and service system needs, and eases China's reliance on exports.

To tap into this fast growing solar market, in 2013, the Group strenuously worked on the expansion and strengthening of solar power generation capacity and solar products manufacturing capability.

Solar power generation

The Group has been actively acquiring solar power plant projects since 2013. With the successful acquisitions completed in 2013 and early 2014, the Group's market share in China's solar power generation market has soared to a prominent position.





Management Discussion and Analysis (continued)

As at 23 March 2014, the Group had in total achieved a grid-connected annual designed capacity of 890MW and expected designed capacity of 1,718MW with details as follow:

Location	A grid-connected annual designed capacity MW	Expected annual designed capacity MW <i>(Note)</i>
Xinjiang	540	160
Gansu	250	579
Ningxia	30	180
Hebei	—	230
Qinghai	20	100
Inner Mongolia	—	300
Jiangsu	—	69
Shandong	—	100
Shaanxi	50	—
Total	890	1,718

Note: The approval of, amongst others, the National Development and Reform Commission of China, the local government and other applicable regulatory bodies will be required for the construction or operation of the Group's solar power plants that are designed by the Group.

In December 2013, the Group has gained a milestone success in the space of on-grid connection with a total annual designed capacity of 890MW in Gansu Province, Ningxia Hui Autonomous Region, Qinghai Province, Shaanxi Province and Xinjiang Uygur Autonomous Region having achieved on-grid connection.



Management Discussion and Analysis (continued)

Manufacture and sales of solar products

Amidst sluggish growth of global solar sector in 2013, there was good news. Under the policy-push by the PRC government in promoting healthy development for its dampened solar photovoltaic sector, there was a significant rebound in the industry in China in the second half of 2013. The government's target of increasing the installed solar power capacity to 35GW in three years has ignited a vigorous local demand on PV products for developing solar power generation. As the on-grid tariff of RMB1/kWh was available for solar power plant projects installed in the second half of 2013 with grid-connection completed before the end of 2013, the sales growth in the solar PV market was further intensified. Another stimulus event was an amicable solution reached between China and European Union in August 2013 which put the ongoing anti-dumping dispute on the export of China's solar panel products to a halt. Chinese exporting producers have to undertake a minimum import price of EURO0.56/W for Chinese solar panels so as to avoid from paying provisional anti-dumping duties. An import quota of 7GW per year without being subject to tariffs has also been agreed by both sides.

For the business segment of manufacture and sale of solar cells, solar modules, solar wafers and related solar products, during 2013, our shipment volume was 817.3MW, which included manufacturing shipment volume of 480.5MW (2012: 373.4MW) and trading shipment volume of 336.8MW (2012: 16.1MW), representing an increase of 109.8% of a total shipment volume from 389.5MW for the year ended 31 December 2012.

Our top 5 customers in 2013 represented approximately 45.0% of our total revenue as compared to approximately 41.3% in 2012. Our largest customer accounted for approximately 14.5% of our total revenue in 2013 as compared to approximately 26.9% in 2012. These changes were mainly due to our continuing efforts to optimize the customer base. We believe product quality and cost advantage will be crucial in the upcoming era of solar energy.





Management Discussion and Analysis (continued)

In 2013, our sales to PRC based customers represented approximately 84.8% of our total revenue, as compared to approximately 87.1% in 2012. Our sales to overseas customers represented approximately 15.2% of our total revenue in 2013, as compared to approximately 12.9% in 2012. Our strong track record of product quality, advanced proprietary technology, and effective cost control measures, have contributed to our reputation and thus our success in optimizing our customer base. We believe such strategic measures will continue to contribute to a strong and sustainable demand for our products.

On 24 October 2013, a wholly-owned subsidiary of the Group, Jiangsu Shunfeng successfully won a bid for the acquisition of Wuxi Suntech with an aggregate consideration of RMB3,000,000,000. The restructuring plan in relation to Wuxi Suntech was approved by the Wuxi Intermediate People's Court on 15 November 2013 and an extraordinary general meeting for Shareholders' approval will be held on 7 April 2014. On 7 April 2014, if the approval from Shareholders is obtained, Wuxi Suntech will become a wholly-owned subsidiary of the Group and the financial results of Wuxi Suntech will be consolidated into the Group's accounts in 2014.

The successful acquisition of Wuxi Suntech will strengthen and complete the foundation for the future development of solar generation business of the Group in China and overseas market as Wuxi Suntech has an annual designed production capacity of 1.6GW for solar cells and an annual designed production capacity of 2.4GW for solar modules.

Management Discussion and Analysis (continued)

Financing Activities

During the Year and early 2014, the Group has earned continuous support from financial institutions to fund the massive expansion of solar business. Apart from bank borrowings, the Company has successfully issued convertible bonds and new shares. These additional funds serve as a significant financial support for enhancing liquidity and future development.

Date	Financing Activities incurred in 2013 and early 2014	Original Currency	
		RMB'000	HK'000
Feb-13	Convertible bonds		449,400
Aug-13	Convertible bonds		930,500
Sep-13	Loan from China Development Bank	200,000	
Oct-13	Bank loan drawn in Hong Kong		980,000
Oct-13	Placing of new shares		1,120,000
Nov-13	Bank loan drawn in Hong Kong		300,000
Dec-13/Jan-14	Loan from China Development Bank	980,000	
Jan-14	Convertible bonds		3,580,000*
Total		1,180,000	7,359,900

* Not yet issued.

Outlook

Looking forward, upon completion of Wuxi Suntech, the Group will become an integrated solar enterprise focusing on solar power generation business. The Group will strive to become a leading one-stop clean energy provider in China and in the Asia region in the long run.



Management Discussion and Analysis (continued)

In order to tap the enormous market in the solar power industry, the Group currently targets to have a total of 10GW grid-connected annual designed capacity by the end of 2016. Looking at 2014, the Group currently targets to achieve a total of 4GW on grid. Thanks to the vision of the management team, the Group believes it is well positioned to achieve the above targets based on the foundation that built through a series of solar plant acquisitions and strengthening of management team in 2013. As a forefront ranking high performance solar cells manufacturer in China, with the recovery of Wuxi Suntech's operation, the Group expects to achieve a total manufacturing capacity of 2.2GW of solar cell and 2.4GW of solar modules in 2014.

Solar energy is an indispensable part of China's clean energy development, going ahead, the Group will continuously commit in developing distributed solar energy production in order to further consolidate our leading position in China's solar energy market. In the coming future, leverage on the positive brand awareness of Shunfeng and Suntech gained over the years in the global market, the Group will also eye on developing solar energy business overseas.

Financial Review

Revenue

Revenue increased by RMB470.2 million, or 44.4%, from RMB1,059.5 million for the year ended 31 December 2012 to RMB1,529.7 million for the Year, primarily as a result of an increase in the shipment volume of our solar products. The shipment volume of our solar products increased by 109.8% from 389.5MW for the year ended 31 December 2012 to 817.3MW for the Year. Inter-segment sales of wafers of approximately 207.6MW amounting to RMB291.6 million have been eliminated in the revenue for the Year.

For the year ended 31 December 2013, sales of monocrystalline solar cells and multicrystalline solar cells accounted for 17.4% and 53.8% of the total revenue, respectively, while sales of solar modules and wafers accounted for 5.6% and 23.2% of the total revenue, respectively.



Management Discussion and Analysis (continued)

Sales of 156 mm by 156 mm monocrystalline solar cells

Revenue from sales of 156 mm by 156 mm monocrystalline solar cells decreased by RMB69.5 million, or 20.7% from RMB335.4 million for the year ended 31 December 2012 to RMB265.4 million for the Year, primarily due to decrease in our average unit price for this product by 22.8% from RMB3.2 per watt for the year ended 31 December 2012 to RMB2.5 per watt in the Year, and partially offset by an increased in our shipment volume by 1.1% from 106.5MW for the year ended 31 December 2012 to 107.6MW for the Year.

Sales of 156 mm by 156 mm multicrystalline solar cells

Revenue from sales of 156 mm by 156 mm multicrystalline solar cells increased by RMB190.7 million, or 30.1% from RMB633.2 million for the year ended 31 December 2012 to RMB823.9 million for the Year, primarily as a result of an increase in shipment volume from 257.5MW for the year end 31 December 2012 to 372.8MW for the Year, however which was partially offset by a decrease in our average unit price for this product by 11.6% from RMB2.5 per watt for the year ended 31 December 2012 to RMB2.2 per watt for the Year.

Sales of solar modules

Revenue from sales of solar module increased by RMB30.8 million or 56.4% from RMB54.7 million for the year ended 31 December 2012 to RMB85.5 million for the Year, primarily due to an increase in our shipment volume by 63.0% from 13.5MW for the year ended 31 December 2012 to 22.0MW for the Year but partially offset by a decrease in our average unit price for this product by 4% from RMB4.0 per watt for the year ended 31 December 2012 to RMB3.9 per watt for the Year.

Sales of wafers

Revenue from sales of wafers increased by RMB350.0 million or 7,291.7% from RMB4.8 million for the year ended 31 December 2012 to RMB354.8 million for the Year, primarily due to increase in our shipment volume by 11,559.2% from 2.7MW for the year ended 31 December 2012 to 314.8MW for the Year.



Management Discussion and Analysis (continued)

Geographical market

In terms of geographical markets from which our revenue was generated, approximately 84.8% of the total revenue for the Year was generated from sales to our PRC customers, as compared to 87.1% for the year ended 31 December 2012. The remaining portion was generated from the sales to our overseas customers, who are mainly based in Asian and certain European countries.

Cost of sales

Cost of sales increased by RMB383.9 million, or 38.6% from RMB994.5 million for the year ended 31 December 2012 to RMB1,378.4 million for the Year, primarily due to an increased in our shipment volume.

Gross profit

Gross profit increased by RMB86.2 million, or 132.6%, from RMB65.0 million for the year ended 31 December 2012 to RMB151.2 million for the Year, primarily as a result of the aforesaid reasons and the decrease of the average processing costs.

Other income

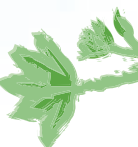
Other income increased by RMB14.7 million, or 48.2%, from RMB30.5 million for the year ended 31 December 2012 to RMB45.2 million for the Year, primarily due to an increase in the government grants represent the amount received from the local government by the PRC operating entities of the Group by RMB13.1 million, or 96.3% from RMB13.6 million for the year ended 31 December 2012 to RMB26.7 million for the Year.

Other gains and losses and other expenses

Other gains and losses and other expenses decreased by RMB196.5 million, or 93.3% from a loss of RMB210.5 million in the year ended 31 December 2012 to a loss of RMB14.0 million in the Year, which was primarily due to an impairment loss on property, plant and equipment of a loss RMB187.7 million for the year ended 31 December 2012 and nil for the Year.

Research and development expenses

Research and development expenses decreased by RMB1.7 million, or 11.2% from RMB15.6 million for the year ended 31 December 2012 to RMB13.9 million for the Year, primarily due to the decrease material costs utilised in research and development.



Management Discussion and Analysis (continued)

Distribution and selling expenses

Distribution and selling expenses increased by RMB8.3 million, or 107.5% from RMB7.6 million for the year ended 31 December 2012 to RMB15.9 million for the Year, primarily due to an increase in our shipment volume of our solar products from 389.5MW for the year ended 31 December 2012 to 817.3MW for the Year.

Administrative and general expenses

Administrative and general expenses increased by RMB35.9 million, or 61.3%, from RMB58.6 million for the year ended 31 December 2012 to RMB94.5 million for the Year, primarily as a result of increased in staff costs and legal and professional fee.

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, factoring of bills receivable and obligations under the finance lease decreased by RMB30.5 million, or 40.8%, from RMB74.7 million for the year ended 31 December 2012 to RMB44.2 million for the Year, primarily as a result of less factoring of bills receivable.

Fair value loss on convertible bond

On 28 February 2013, the Company issued the convertible bond and designated as financial liabilities at fair value through profit or loss upon initial recognition. The convertible bond was subsequently measured at fair value with changes in fair value recognised in profit or loss up to the modification on 19 September 2013. On 19 September 2013, the Company signed a supplementary agreement with the convertible bond holder using a pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26 for calculation of redemption of convertible bond or conversion into shares of the Company. Upon the modification, the original financial liability was extinguished and the fair value of the convertible bond on 19 September 2013 had been split into liability component and equity conversion component.

Loss before tax

Loss before tax increased by RMB1,530.4 million, or 563.7%, from a loss of RMB271.5 million for the year ended 31 December 2012 to a loss of RMB1,801.9 million for the Year, as a result of the reasons stated above.



Management Discussion and Analysis (continued)

Income tax

Income tax increased from a tax credit of RMB0.2 million for the year ended 31 December 2012 to a tax expense of RMB15.6 million for the Year, primarily due to an increase of taxable profit for the Year.

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

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. These entities are still incurring operating loss up to the end of the Year.

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

Loss for the Year

Net Loss increased by RMB1,546.2 million, or 569.9%, from a loss of RMB271.3 million for the year ended 31 December 2012 to a loss of RMB1,817.5 million for the Year, as a result of the reasons stated above. Net loss margin increased from -25.6% for the year ended 31 December 2012 to -118.8% for the Year.

Inventory turnover days

The inventories of the Group mainly comprised of raw materials, work-in-progress and finished goods. The increase in inventories was mainly due to reserving sufficient inventory level to meet increase in customers' orders. Included in the balance of the inventories as at 31 December 2013 was a write-down of inventories of RMB5.2 million (31 December 2012: RMB7.2 million), this write-down was mainly attributable to inventory bought in previous years at higher price. The inventory turnover days as at 31 December 2013 was 11.6 days (31 December 2012: 20.3 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.



Management Discussion and Analysis (continued)

Trade receivables turnover days

The trade receivables turnover days as at 31 December 2013 was 42.1 days (31 December 2012: 75.3 days). The decrease in turnover days was mainly due to the enhancement of credit control, the trade receivables turnover days as at 31 December 2013 was 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 31 December 2013 was 38.6 days (31 December 2012: 68.7 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 share placement on 22 October 2013. As at 31 December 2013, the Group's current ratio (current assets divided by current liabilities) was 0.2 (31 December 2012: 0.4) 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 2013, the Group was in a negative net cash position of RMB2,185.7 million (31 December 2012: RMB885.9 million) which included cash and cash equivalent of RMB207.6 million (31 December 2012: RMB17.3 million) and short-term bank and other borrowings of RMB2,393.3 million (31 December 2012: RMB903.2 million).

The Group's borrowings were denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were denominated in RMB, HKD and Euro. The Group's net debt to equity ratio (net debt divided by shareholders' equity) decreased from 205.4% as at 31 December 2012 to 122.7% as at 31 December 2013.



Management Discussion and Analysis (continued)

During the Year, 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 2012: Nil).

Contingent liabilities and guarantees

As at 31 December 2013, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (31 December 2012: Nil).

Charges on the Group's assets

As at 31 December 2013, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB416.9 million (31 December 2012: RMB287.1 million) to banks to secure banking facilities granted to the Group.

During 2013, the Group obtained other borrowing from an independent third party amounting to RMB20.0 million (31 December 2012: RMB35.0 million), which was unsecured, bearing interest at fixed interest rate of 6.1% (31 December 2012: 6.1%) per annum and repayable within one year. The remaining balance of RMB433,000,000 (31 December 2012: nil) of other loans represented the advances from independent third parties, which was unsecured, interest-free and repayable within one year.

Save as disclosed above and note 15 and note 17 to the consolidate financial statements, as at 31 December 2013, 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 receivables 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.



Management Discussion and Analysis (continued)

Significant investments held and material acquisitions or disposals

During the Year, the Group completed the acquisitions of equity interests of 33 entities from independent third parties for a total consideration of RMB236,407,000. As these entities was at the development stage and had no integrated set of activities existed at the date of acquisitions, the acquisitions had been accounted for as acquisition of assets.

Save as disclosed in note 32 to the consolidated financial statements, there was no material acquisition of subsidiaries and associated companies by the Group in 2013.

Human resources

As at 31 December 2013, the Group had 2,118 employees (31 December 2012: 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.

Final dividend

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



Five-year Statistics

Year	2009	2010	2011	2012	2013
Financial performance					
Turnover growth (%)	(32.8%)	64.4%	216.5%	(46.3%)	44.4%
Gross profit margin (%)	19.2%	20.9%	10.7%	6.1%	132.6%
Net profit margin (%)	14.1%	12.9%	1.2%	(25.6%)	(118.8%)
EBITDA (in RMB thousands)	69,339	111,446	128,459	(115,833)	(1,664,108)
Adjusted EBITDA (in RMB thousands)	68,578	124,487	199,870	86,124	160,053
Adjusted EBITDA margin (%) *	18.1%	20.0%	10.1%	8.1%	10.5%
EPS (in RMB cents)	4.57	6.88	4.22	(11.95)	(110.48)
Adjusted EPS (in RMB cents) **	5.86	10.64	14.76	5.52	9.74
Total indebtedness (in RMB thousands)	—	294,500	999,187	903,217	2,393,324
Gearing ratio (%)	—	43.1%	55.6%	67.3%	55.1%
Interest coverage (times)	46.8	27.0	1.7	(2.6)	(39.8)
Trade receivable turnover (in days)	5.5	16.9	28.8	75.3	42.1
Trade payable turnover (in days)	13.1	19.7	23.9	68.7	38.6
Inventory turnover (in days)	38.8	20.0	11.6	20.3	11.6
Operation performance					
Shipment volume					
Manufacturing					
Monocrystal line solar cells					
156mm by 156mm	1.9MW	7.3MW	234.6MW	106.5MW	107.7MW
125mm by 125mm	39.3MW	64.6MW	59.1MW	9.4MW	—
Multicrystalline solar cells					
156mm by 156mm	—	—	43.7MW	257.5MW	372.8MW
Trading					
Solar Wafers	—	—	—	2.7MW	314.8MW
Solar Modules	—	—	—	13.4MW	22.0MW

* Adjusted EBITDA excluded other gains and losses, Impairment loss on property, plant and equipment, impairment loss on trade and other receivable, impairment loss on prepayment to suppliers, legal and professional fee related to proposed acquisition of Wuxi Suntech, bank interest income and fair value loss on convertible bonds.

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



CORPORATE GOVERNANCE REPORT 2023





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

Save for Code Provision A.6.7 of the Corporate Governance Code, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the Year. For further details, please refer to the section headed “(e) Shareholders’ Rights” below.

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.

(a) Corporate Governance Functions

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

- (i) To develop and review the Group’s policies and practices on corporate governance and make recommendations;
- (ii) To review and monitor the training and continuous professional development of Directors and senior management;
- (iii) To review and monitor the Group’s policies and practices on compliance with all legal and regulatory requirements (where applicable);
- (iv) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and
- (v) To review the Group’s compliance with Corporate Governance Code and disclosure requirements in the corporate governance report.





Corporate Governance Report (continued)

(b) 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.

As at the date of this annual report, the Board comprised a total of nine Directors, including four executive Directors, namely, Mr. Zhang Yi (Chairman), Mr. Shi Jianmin (Vice Chairman), Mr. Wang Xiangfu (Chief Executive Officer) and Mr. Wang Yu; two non-executive Directors, namely, Mr. Yue Yang and Mr. Lu Bin; and three independent non-executive Directors, namely, Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Siu Wai Yeung Francis. Biographical information of the Directors are set out in the section headed "Biographical Details of 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 Year.

Chairman and Chief Executive Officer

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. Zhang Yi acting as the chairman of the Board and Mr. Wang Xiangfu acting as the Chief Executive Officer 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 Chief Executive Officer.



Corporate Governance Report (continued)

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.

During the Year, the Board had three independent non-executive Directors with one of them, Mr. Ge Ming (resigned from 7 February 2013), Mr. Jiang Bin (appointed on 7 February 2013 and resigned from 12 July 2013) and Mr. Siu Wai Keung Francis 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.



Corporate Governance Report (continued)

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Corporate Governance Code on continuous professional development during the Year:

	Notes	Corporate Governance/Updates on laws, rules and regulations Read materials	Attend workshops
<i>Executive Directors</i>			
Mr. Zhang Yi	1	1/1	1/1
Mr. Wang Xiangfu	2	1/1	1/1
Mr. Shi Jianmin		1/1	1/1
Mr. Qian Kaiming	3	0/1	0/1
Mr. Wang Yu		1/1	1/1
<i>Independent non-executive Directors</i>			
Mr. Tao Wenquan		1/1	1/1
Mr. Zhao Yuwen		1/1	1/1
Mr. Ge Ming	3	1/1	1/1
Mr. Jiang Bin	4	0/1	0/1
Mr. Siu Wai Keung Francis	1	1/1	1/1
<i>Non-executive Directors</i>			
Mr. Tang Guoqiang	5	0/1	0/1
Mr. Chen Shi	6	0/1	0/1
Mr. Yue Yang	7	1/1	1/1
Mr. Lu Bin	8	1/1	1/1

Notes:

1. Appointed on 12 July 2013.
2. Appointed on 2 September 2013.
3. Resigned from 7 February 2013.
4. Appointed on 7 February 2013 and resigned from 12 July 2013.
5. Re-designated on 29 March 2013 and resigned from 12 July 2013.
6. Appointed on 29 March 2013 and resigned from 2 September 2013.
7. Appointed on 29 March 2013.
8. Appointed on 29 March 2013 and re-designated on 2 September 2013.



Corporate Governance Report (continued)

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 2013 have been set out as follows:

	Notes	Board Meeting
No. of meetings held		13
No. of meetings attended		
<i>Executive Directors</i>		
Mr. Zhang Yi	1	7/13
Mr. Wang Xiangfu	2	5/13
Mr. Shi Jianmin		13/13
Mr. Qian Kaiming	3	1/13
Mr. Wang Yu		13/13
<i>Independent non-executive Directors</i>		
Mr. Tao Wenquan		10/13
Mr. Zhao Yuwen		10/13
Mr. Ge Ming	3	2/13
Mr. Jiang Bin	4	3/13
Mr. Siu Wai Keung Francis	1	6/13
<i>Non-executive Directors</i>		
Mr. Tang Guoqiang	5	5/13
Mr. Chen Shi	6	4/13
Mr. Yue Yang	7	9/13
Mr. Lu Bin	8	9/13

Notes:

1. Appointed on 12 July 2013.
2. Appointed on 2 September 2013.
3. Resigned from 7 February 2013.
4. Appointed on 7 February 2013 and resigned from 12 July 2013.
5. Re-designated on 29 March 2013 and resigned from 12 July 2013.
6. Appointed on 29 March 2013 and resigned from 2 September 2013.
7. Appointed on 29 March 2013.
8. Appointed on 29 March 2013 and re-designated on 2 September 2013.

Corporate Governance Report (continued)

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 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.



Corporate Governance Report (continued)

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 policy on engaging an external auditor to supply non-audit services. Their written terms of reference are in line with the Corporate Governance Code provisions. During the Year, the audit committee consisted of three members, namely, Mr. Ge Ming (resigned from 7 February 2013), Mr. Tao Wenquan, Mr. Zhao Yuwen, Mr. Jiang Bin (appointed on 7 February 2013 and resigned from 12 July 2013) and Mr. Siu Wai Keung Francis (appointed on 12 July 2013) all of whom are independent non-executive Directors. Mr. Ge Ming and Mr. Jiang Bin were the chairman of the audit committee until their resignation. Mr. Siu Wai Keung Francis has been the chairman of the audit committee since 12 July 2013.

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 2013, including the accounting principles and practice adopted by the Group.

During the Year, two meetings were held by the audit committee. At the meeting, the annual report for the year ended 31 December 2012 and the interim report for the six months ended 30 June 2013 were reviewed.



Corporate Governance Report (continued)

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

	Note	Meeting
No. of meetings held		2
No. of meetings attended		
Mr. Ge Ming	1	0/2
Mr. Tao Wenquan		2/2
Mr. Zhao Yuwen		2/2
Mr. Jiang Bin	2	1/2
Mr. Siu Wai Keung Francis	3	1/2

Notes:

1. Resigned from 7 February 2013.
2. Appointed on 7 February 2013 and resigned from 12 July 2013.
3. Appointed on 12 July 2013.

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. During the Year, the remuneration committee consisted of four members, namely, Mr. Tang Guoqiang (re-designated from executive Director to non-executive Director on 29 March 2013 and resigned from 12 July 2013), Mr. Tao Wenquan (independent non-executive Director), Mr. Zhao Yuwen (independent non-executive Director), Mr. Ge Ming (independent non-executive Director) (resigned from 7 February 2013), Mr. Jiang Bin (appointed on 7 February 2013 and resigned from 12 July 2013) and Mr. Siu Wai Keung Francis (appointed on 12 July 2013). Mr. Ge Ming and Mr. Jiang Bin were the chairman of the remuneration committee until their resignation. Mr. Siu Wai Keung Francis has been the chairman of the remuneration committee since 12 July 2013.



Corporate Governance Report (continued)

During the Year, the remuneration committee held one meeting to discuss the remuneration policy and annual remuneration package of each Director and senior management of the Company.

	Note	Meeting
No. of meetings held		1
No. of meetings attended		
Mr. Ge Ming	1	0/1
Mr. Tao Wenquan		1/1
Mr. Zhao Yuwen		1/1
Mr. Jiang Bin	2	1/1
Mr. Siu Wai Keung Francis	3	0/1
Mr. Zhang Yi	3	0/1

Notes:

1. Resigned from 7 February 2013.
2. Appointed on 7 February 2013 and resigned from 12 July 2013.
3. Appointed on 12 July 2013.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration of the members of senior management by band for the year ended 31 December 2013 is set out below:

Remuneration band	No. of individuals
Nil to HKD1,000,000	1
HKD1,000,001 to HKD1,500,000	1
HKD1,500,001 to HKD2,000,000	2
HKD3,500,001 to HKD4,000,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

Corporate Governance Report (continued)

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. As at the date of this annual report, the nomination committee consisted of three members, namely, Mr. Zhang Yi, Mr. Siu Wai Keung Francis and Mr. Zhao Yuwen. Mr. Zhang Yi is the chairman of the nomination committee.

During the Year the nomination committee held three meetings to discuss about the appointment of Mr. Zhang Yi, Mr. Wang Xiangfu as the Company's executive Directors, Mr. Yue Yang and Mr. Lu Bin as the Company's non-executive Directors and Mr. Siu Wai Keung Francis as the Company's independent non-executive Directors.

	Note	Meeting
No. of meetings held		3
No. of meetings attended		
Mr. Tang Guoqiang	1	1/3
Mr. Zhao Yuwen		3/3
Mr. Ge Ming	2	0/3
Mr. Zhang Yi	3	1/3
Mr. Siu Wai Keung Francis	3	1/3
Mr. Jiang Bin	4	0/3

Notes:

1. Re-designated on 29 March 2013 and resigned from 12 July 2013.
2. Resigned from 7 February 2013.
3. Appointed on 12 July 2013.
4. Appointed on 7 February 2013 and resigned from 12 July 2013.



Corporate Governance Report (continued)

(c) 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 to operate on a going concern basis.

The responsibility of the Board is to present a balanced, clear and comprehensive 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	2,350



Corporate Governance Report (continued)

(d) 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.

(e) Shareholders' Rights

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.



Corporate Governance Report (continued)

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available through the following means:

By post:

Portion B, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong

By telephone:(852) 2363 9138

By email: ir@sf-pv.com

In respect of code provision A.6.7 of the Corporate Governance Code, the following lists out the individual attendance of each Director to the annual general meeting of the Company which was held on 28 June 2013:

	Meeting
No. of meetings held	1
No. of meetings attended	
<i>Executive Directors</i>	
Mr. Shi Jianmin	1/1
Mr. Wang Yu	1/1
<i>Non-executive Directors</i>	
Mr. Tang Guoqiang	0/1
Mr. Chen Shi	1/1
Mr. Yue Yang	0/1
Mr. Lu Bin	0/1
<i>Independent non-executive Directors</i>	
Mr. Tao Wenquan	0/1
Mr. Zhao Yuwen	0/1
Mr. Jiang Bin	0/1

Code provision A.6.7 of the Corporate Governance Code provides that the independent non-executive Directors and non-executive Director should attend general meetings of the Company. Due to prior business engagements, the independent non-executive Directors and certain non-executive Directors were not able to attend the annual general meeting of the Company held on 28 June 2013.

Corporate Governance Report (continued)

Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company (“EGM”)

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

There are no provision allowing Shareholders to move new resolution at general meetings under the Cayman Islands Companies Law (2012 revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding section headed “Procedures for Shareholders to convene an EGM”.

Procedures for Shareholders to Propose a Person for Election as a Director

Details of the procedures had been made available online in the website of the Company (<http://www.sf-pv.com>).

(f) Constitutional Documents

Pursuant to the amended Listing Rules effective 1 April 2012, the Company had published online its articles of association (the “M&A”) that was resolved and adopted by the Shareholders on 23 May 2011 in the websites of the Company and the Hong Kong Stock Exchange. During the Year, no amendment to the M&A was made therein.



Biographical Details of Directors and Senior Management



Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Zhang Yi (張懿), aged 51, is an executive Director of our Company, the chairman of the Board, a member of the remuneration committee of our Company and a member and the chairman of the nomination committee of our Company. Mr. Zhang has over 31 years of working experience. He was a section chief of The Peoples Bank of China from January 1981 to May 1984. He was the general manager of financial planning department of the Shanghai Municipal Branch of Industrial and Commercial Bank of China Limited (“ICBC (Shanghai)”) from May 1984 to January 2003. He was an assistant general manager of Industrial and Commercial Bank of China (Asia) Limited (中國工商銀行(亞洲)有限公司) (“ICBC (Asia)”) from January 2003 to December 2003 and he was a deputy general manager of ICBC (Asia) from December 2003 to March 2005. He was a director and an alternate chief executive and a deputy general manager of ICBC (Asia) from March 2005 to July 2010. He was also a director of Chinese Mercantile Bank (華商銀行) and the chairman of ICBC (Asia) Investment Management Company Limited (工銀亞洲投資管理有限公司) from November 2006 to July 2010, both of which are wholly-owned subsidiaries of ICBC (Asia). He was the vice president of ICBC (Shanghai) from July 2010 to November 2011. Mr. Zhang was an executive director, a deputy chairman and the chief financial officer of Hopson Development Holdings Limited (合生創展集團有限公司) (a company listed on the Main Board of the Stock Exchange) from November 2011 to July 2013. Mr. Zhang is qualified as a senior economist in the PRC. Mr. Zhang obtained a master degree in money and banking from Shanghai University of Finance and Economics in July 1995.





Biographical Details of Directors and Senior Management (continued)



Mr. Wang Xiangfu (王祥富), aged 53, is an executive Director and the Chief Executive Officer of our Company. Mr. Wang has over 32 years of working experience. Mr. Wang worked as an accountant, then a deputy chief and then the chief of the financial section of Jiangsu Xuzhou Power Plant (江蘇省徐州發電廠) from July 1981 to December 1992, and a deputy chief accountant of Jiangsu Xuzhou Power Plant from June 1992 to December 1992. He worked as a deputy chief and then the chief of the financial department of Jiangsu Electric Power Company (江蘇省電力公司) from December 1992 to July 1999, and a deputy general manager and a member of the Party Committee of Jiangsu Electric Power Company from July 1999 to June 2000. He worked as the chief accountant and a member of the Party Committee of East China Grid Company Limited (華東電網有限公司) from June 2000 to December 2005. He worked as a deputy general manager and a member of the Party Committee of Shanghai Municipal Electric Power Company (上海市電力公司) from December 2005 to July 2006. He worked as a director, the general manager and a member of the Party Committee of Yingda Securities Co., Ltd. (英大證券有限公司) from July 2006 to November 2007. He worked as a deputy chief accountant of China Power Investment Corporation (中國電力投資集團公司) (“CPI”) from November 2007 to January 2011 and has been a general manager assistant of CPI since January 2011. He worked as the general manager and the secretary of the Party Committee from November 2007 to April 2011 of CPI Finance Co., Ltd. (中電投財務有限公司) and the chairman of CPI Finance Co., Ltd. since April 2011. He worked as the chairman of CPI Aluminium International Trading Co., Ltd. (中電投鋁業國際貿易有限公司) from September 2009 to August 2012. He has been the chairman and the secretary of the Party Committee of CPI Guizhou Jinyuan Group Co., Ltd. (貴州金元集團股份有限公司) since December 2008 and an executive director, the general manager and the secretary of the Party Committee of CPI Ronghe Holdings Investment Group Company (中電投融和控股投資有限公司) since December 2011. Mr. Wang obtained a diploma in finance and accounting of electric power system from Nanjing Electric Power School (南京電力學校) in July 1981. He obtained a master degree in industrial economy from Renmin University of China in July 1997. He attended a MBA program jointly given by Renmin University of China and University of California from March 2001 to May 2002, and an EMBA program given by Arizona State University from June 2004 to July 2006.

Biographical Details of Directors and Senior Management (continued)



Mr. Shi Jianmin (史建敏), aged 46, is an executive Director of our Company, the vice chairman of the Board and the general manager of our 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 worked in the Changzhou Branch of Industrial and Commercial Bank of China (中國工商銀行常州分行) (“ICBC Changzhou”) from November 1985 to January 2007. Mr. Shi was previously president of Guanghua Sub-branch of ICBC Changzhou from January 2002 to January 2006 and general manager of the electronic bank department of ICBC Changzhou from February 2006 to January 2007. Mr. Shi was the deputy general manager of Zhenjiang Runfeng Real Estate Development Co., Ltd. (鎮江潤豐房地產開發有限公司) from June 2007 to March 2010. Mr. Shi obtained a diploma in business administration through an online four year degree program from the 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 the PRC on 7 November 1999.



Mr. Wang Yu (王宇), aged 43, is an executive Director of our Company. Mr. Wang has over 17 years of management experience. Mr. Wang worked as the general manager assistant of treasury department of Hong Kong CADTIC (Group) Co., Ltd. (香港中農信(集團)有限公司) from October 1993 to May 1995. He worked as the general manager of investment and management department of Shenzhen Yangguang Fund Management Co., Ltd. (深圳陽光基金有限公司) from January 1996 to May 1998. He worked as the president of Shenzhen Fenghua Telecom Co., Ltd. (深圳風華電信有限公司) from June 1998 to May 2005, a director of Shenzhen New Top Founder Fund Management Co., Ltd. (深圳新同方基金管理有限公司) from May 2005 to December 2011, a vice general manager of Hong Kong Huangshan Company Anhui Co., Ltd. (香港黃山公司安徽公司) from August 2005 to October 2012 and a partner of Tianjin Jasmine Fund Management Co., Ltd. (天津景民基金管理有限公司) since July 2012. Mr. Wang studied in Renmin University of China majoring in economics from September 1988 to October 1990 and studied in Florida State University majoring in finance from March 1991 to July 1993. Mr. Wang obtained an IEMBA degree from Hong Kong University of Science and Technology in 2003.

Biographical Details of Directors and Senior Management (continued)

Non-executive Directors

Mr. Lu Bin (盧斌), aged 44, is a non-executive Director of our Company. Mr. Lu has over 17 years of working experience. Mr. Lu worked as a teacher of Shanghai International Studies University from July 1991 to June 2002. He worked as an investigator of Inland Revenue Department of New Zealand from August 2006 to May 2011. He worked as a director of China Energy Oil Investment Limited (中國能源石油投資有限公司) from June 2011 to February 2013. Mr. Lu obtained a bachelor degree in English and American literature from Shanghai International Studies University in July 1991, a master degree in teaching English as a foreign language from Reading University in December 1996 and a master degree in business administration from Webster University in October 1999. Mr. Lu also obtained a bachelor degree in commerce (double major in financing and accounting) from Auckland University in September 2005 and a graduate diploma in commerce from Auckland University in September 2006. Mr. Lu is a chartered accountant of New Zealand Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lu was appointed to the Board as an executive Director of the Company with effect from 29 March 2013 and was re-designated from an executive Director to a non-executive Director due to work reallocation with effect from 2 September 2013.

Mr. Yue Yang (岳洋), aged 60, is a non-executive Director of our Company. Mr. Yue has over 28 years of working experience. Mr. Yue worked as an assistant to general manager and a vice chairman of Beijing Youth Travel Service Co., Ltd. (北京青年旅行社股份有限公司) from January 1985 to January 2012. He worked as a senior consultant of Caricom Limited from February 2012 to February 2013. Mr. Yue studied at Beijing Railway No. 1 Middle School from 1967 to 1970.

Independent Non-executive Directors

Mr. Tao Wenquan (陶文銓), aged 75, is an independent non-executive Director of our Company and a member of the audit committee and the remuneration committee of our Company. 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. Tao is also an independent director of Beijing Shouhang Resources Saving Co., Ltd. (北京首航艾啓威節能技術股份有限公司) (a company listed on the Shenzhen Stock Exchange) since December 2010. Mr. Tao completed undergraduate studies in power machinery engineering from Xian Jiaotong University in August 1962 and postgraduate studies in heat transfer science from Xian Jiaotong University on 26 December 1966.

Mr. Zhao Yuwen (趙玉文), aged 74, is an independent non-executive Director of our Company and a member of the nomination committee, the remuneration committee and the audit committee of our Company. 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



Biographical Details of Directors and Senior Management (continued)

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 Holdings Co., Ltd. (a company listed on the Nasdaq Stock Market) since 19 October 2009. Mr. Zhao completed undergraduate studies in electrochemistry production engineering from the chemical engineering department of Tianjin University in July 1964.

Mr. Siu Wai Keung Francis (蕭偉強), aged 59, is an independent non-executive Director of our Company, a member of the nomination committee of our company and a member and the chairman of both the audit committee and the remuneration committee of our Company. Mr. Siu has over 31 years of experience in financial audit. Mr. Siu joined KPMG in September 1979. He was a partner of KPMG from July 1993 until his retirement in March 2010. Mr. Siu is currently an independent non-executive director of CITIC Pacific Limited, Hop Hing Group Holdings Limited and China Communications Services Corporation Limited and China Huishan Dairy Holdings Company Limited (these companies are listed on the Main Board of the Stock Exchange of Hong Kong Limited), GuocoLand Limited (a company listed on the Singapore Stock Exchange), Beijing Hualian Hypermarket Company Limited (北京華聯綜合超市股份有限公司) (this company is listed on the Shanghai Stock Exchange). Mr. Siu obtained a bachelor degree in accounting and economics from University of Sheffield in the United Kingdom in 1979. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Institute of Certified Public Accountants.

Senior Management

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

Mr. Qu Hui (瞿輝) (former name being Mr. Qu Fan (瞿凡)), aged 34, is a deputy general manager of our 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 our Company. He has over eight years of working experience, over five years of which is management experience in the solar power industry. He was previously a technician of Wuxi Suntech Power Co., Ltd. (無錫尚德太陽能電力有限公司) from 1 August 2004 to 31 July 2006. Mr. Qu obtained a bachelors degree in physics from Nanjing University on 30 June 2002.

Ms. Tong Caixia (童彩霞), aged 34, is the head of the technological department of our 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 our Company. She has over nine years of working experience, over five years of which is management and research and development experience in the solar power industry. Ms. Tong was previously a technician of Wuxi Suntech Power Co., Ltd. Ms. Tong obtained a bachelors degree in science, majoring in microelectronic technology, from Hefei University of Technology on 27 June 2002.

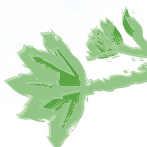
Biographical Details of Directors and Senior Management (continued)

Mr. Tse, Man Kit Keith (謝文傑), aged 40, is the chief financial officer and company secretary of our Company since 9 September 2010. Mr. Tse has around 15 years of working experience, over nine years of which is financial management experience. 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 (a company listed on the Main Board of the Stock Exchange) from 12 March 2008 to 15 August 2010. Mr. Tse has been a member of Certified Practising Accountant of CPA Australia since 17 July 2001 and a member of Hong Kong Institute of Certified Public Accountants since 26 February 2002. Mr. Tse obtained a bachelors degree in commerce, majoring in accountancy and finance, from University of Wollongong, NSW, Australia on 16 July 1997.

Mr. Lei Ting (雷霆), aged 49, joined us as a Vice President since 2013. He is responsible for development and construction of solar power plants. Mr. Lei obtained a MBA degree from Tsinghua University. He is qualified as a senior economist in the PRC. He served as a Vice General Manager of TBEA Co., Ltd. (新疆特變電工公司) and an Executive Director and the General Manager of TBEA Sunoasis Co., Ltd. (新疆新能源股份有限公司) in 2000. He was a Vice President of Suntech Power Holdings Co., Ltd. (尚德電力控股有限公司) in 2008.

Mr. Mo Ji Cai (莫繼才), aged 49, joined us as a Vice President since 2013. He is responsible for finance, procurement and information technology of our Company. Mr. Mo obtained an MBA degree from the Fudan University. He served as an Accountant of Finance Team and a Vice Manager of Audit Department at Jiangsu Provincial Electric Power Bureau (江蘇省電力工業局) in 1984. In 2005, he served as the General Manager of China Electric Finance Company Limited (Eastern China branch) (中國電力財務有限公司華東分公司). In 2009, Mr. Mo served as the Chief Financial Officer of Yingda Changan Insurance Brokers Group Co., Ltd. of State Grid Yingda Group (國家電網英大長安保險經紀集團有限公司).

Mr. Kong Yuan (孔原), aged 50, joined us as a Vice President since 2013. He is responsible for photovoltaic power plants operations, and development and construction of projects in Eastern and Northern parts of China. Mr. Kong obtained a Masters degree in Engineering Management from Wu Han University. He served as a Human Resources Manager and a Vice Economics Analyst at Jiangsu Xuzhou Power Station (江蘇徐州發電廠) in 1981. He was a Vice President of Guohua Xuzhou Power Generation Co., Ltd. (國華徐州發電有限公司) in 2005. In 2013, he worked at GCL New Energy (協鑫集團新能源公司) mainly responsible for development, construction and operation of solar power stations.



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 solar wafers and solar power generation business.

Principal Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2013 are set out in note 39 to the consolidated financial statements.

Financial Statements

The loss of the Group for the year ended 31 December 2013 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 71 to 150 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 74.





Report of the Directors (continued)

Distributable Reserves of the Company

As at 31 December 2013, 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 RMB nil. This amount represents the Company's share premium account of approximately RMB1,368,448,000 and accumulated losses of approximately RMB1,872,611,000 in aggregate as at 31 December 2013.

Operating Results

The operating results of the Group is set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

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 2013 are set out in note 15 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company during the Year are set out in note 29 to the consolidated financial statements.

Report of the Directors (continued)

Directors

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

Executive Directors

Mr. Zhang Yi (*Chairman*) (*appointed on 12 July 2013*)

Mr. Shi Jianmin (*Vice Chairman*)

Mr. Wang Xiangfu (*Chief Executive Officer*) (*appointed on 2 September 2013*)

Mr. Qian Kaiming (*resigned from 7 February 2013*)

Mr. Wang Yu

Non-executive Directors

Mr. Tang Guoqiang (*Chairman*)

(re-designated on 29 March 2013 and resigned from 12 July 2013)

Mr. Chen Shi (*appointed on 29 March 2013 and resigned from 2 September 2013*)

Mr. Yue Yang (*appointed on 29 March 2013*)

Mr. Lu Bin (*appointed on 29 March 2013 and re-designated on 2 September 2013*)

Independent Non-executive Directors

Mr. Tao Wenquan

Mr. Zhao Yuwen

Mr. Ge Ming (*resigned from 7 February 2013*)

Mr. Jiang Bin (*appointed on 7 February 2013 and resigned from 12 July 2013*)

Mr. Siu Wai Keung Francis (*appointed on 12 July 2013*)

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.



Report of the Directors (continued)

Pursuant to Article 83(3) of the Articles, Mr. Wang Xiangfu, Mr. Shi Jianmin, Mr. Wang Yu and Mr. Lu Bin who were appointed as a Director pursuant to Article 83(3) of the Articles will retire at the annual general meeting. 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 42 to 49 of this annual report.

Directors' Interests in Contracts

During the Year, there was no contract of significance (as defined in Appendix 16 to the Listing Rules) to which the Company or any member of the Group was a party subsisting and in which a Director is or was materially interested, whether directly or indirectly.

Directors' Service Contracts

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.



Report of the Directors (continued)

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 2013, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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. Zhang Yi	Beneficial owner	512,000	0.02%

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 31 December 2013, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.



Report of the Directors (continued)

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 2013, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, 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 Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Peace Link Services Limited	Beneficial owner (Note 1)	4,171,721,000 (long position)	195.85%
Endless Rocket International Limited	Beneficial owner (Note 2)	274,248,000 (long position)	12.87%
Coherent Gallery International Limited	Beneficial owner (Note 3)	226,161,000 (long position)	10.62%
Faithsmart Limited	Interest of controlled corporation (Note 4)	4,171,721,000 (long position)	195.85%
Triocean Investments Limited	Interest of controlled corporation (Note 5)	274,248,000 (long position)	12.87%



Report of the Directors (continued)

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Mr. Cheng Kin Ming	Interest of controlled corporation (Note 6)	4,171,721,000 (long position)	195.85%
Mr. Zhang Ying	Interest of controlled corporation (Note 7)	274,248,000 (long position)	12.87%
Mr. Lam Chit Wing	Interest of controlled corporation (Note 8)	274,248,000 (long position)	12.87%
Mr. Tang Guoqiang	Interest of controlled corporation (Note 9)	226,161,000	10.62%

Notes:

- Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at 31 December 2013, 3,539,126,543 Shares will be allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds to be subscribed by Peace Link Services Limited pursuant to the subscription agreement dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into between the Company and it.
- Endless Rocket International Limited is wholly owned by Triocean Investments Limited which is owned as to 52% by Mr. Zhang Ying and as to 48% by Mr. Lam Chit Wing.
- Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang, an executive Director.
- Faithsmart Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Faithsmart Limited is deemed to be interested in 4,171,721,000 Shares held by Peace Link Services Limited for the purposes of the SFO.
- Triocean Investments Limited is the beneficial owner of 100% shareholding in Endless Rocket International Limited and, therefore Triocean Investments Limited is deemed to be interested in 274,248,000 Shares held by Endless Rocket International Limited for the purposes of the SFO.



Report of the Directors (continued)

6. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 4,171,721,000 Shares held by Peace Link Services Limited for the purposes of the SFO.
7. Mr. Zhang Ying is the beneficial owner of a 52% shareholding in Triocean Investments Limited. In turn, Triocean Investments Limited is the beneficial owner of 100% shareholding in Endless Rocket International Limited. Therefore, Mr. Zhang Ying is deemed to be interested in 274,248,000 Shares held by Endless Rocket International Limited for the purposes of the SFO.
8. Mr. Lam Chit Wing is the beneficial owner of a 48% shareholding in Triocean Investments Limited. In turn, Triocean Investments Limited is the beneficial owner of 100% shareholding in Endless Rocket International Limited. Therefore, Mr. Lam Chit Wing is deemed to be interested in 274,248,000 Shares held by Endless Rocket International Limited for the purposes of the SFO.
9. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and, therefore, Mr. Tang Guoqiang is deemed to be interested in 226,161,000 Shares held by Coherent Gallery International Limited for the purposes of the SFO.

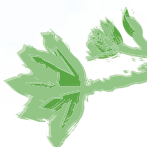
Save as the disclosed above, to the best knowledge of the Directors, as at 31 December 2013, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and 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.

Connected Transaction

Issue of convertible bonds in the principal amount of HK\$449,400,000

On 31 December 2012, the Company and the largest Shareholder, Peace Link Services Limited, entered into a subscription agreement in respect of the issue of the convertible bonds in the principal amount of HK\$449,400,000 (the “**2013 January CBs**”), details of which are set out in the announcement and circular of the Company dated 31 December 2012 and 21 January 2013, respectively.

Peace Link Services Limited, as the subscriber of the 2013 January CBs, was a substantial shareholder of the Company as at 31 December 2012. Accordingly, Peace Link Services Limited is a connected person of the Company under the Listing Rules and the issue of the 2013 January CBs constitutes a connected transaction on the part of the Company under the Listing Rules.



Report of the Directors (continued)

Issue of convertible bonds in the principal amount of HK\$930,500,000

On 28 June 2013, the Company and the largest Shareholder, Peace Link Services Limited, entered into a subscription agreement in respect of the issue of the convertible bonds in the principal amount of HK\$930,500,000 (the “**2013 June CBs**”), details of which are set out in the announcement and circular of the Company dated 28 June 2013 and 24 July 2013, respectively.

Peace Link Services Limited, as the subscriber of the 2013 June CBs, was a substantial shareholder of the Company as at 28 June 2013. Accordingly, Peace Link Services Limited is a connected person of the Company under the Listing Rules and the issue of the 2013 June CBs constitutes a connected transaction of the Company under the Listing Rules.

The net proceeds from the issue of the 2013 June CBs have been used for development and construction of solar power stations.

Issue of convertible bonds in the principal amount of HK\$ 3,580,000,000

On 29 November 2013, the Company and certain subscribers, including Peace Link Services Limited, the largest Shareholder, entered into a subscription agreement in respect of the issue of the convertible bonds in the principal amount of HK\$3,580,000,000 (the “**2013 November CBs**”), details of which are set out in the announcement and circular of the Company dated 29 November 2013 and 20 December 2013.

Peace Link Services Limited, as one of the subscribers of the 2013 November CBs, was a substantial shareholder of the Company as at 28 June 2013. Accordingly, Peace Link Services Limited is a connected person of the Company under the Listing Rules and the issue of the 2013 November CBs constitutes a connected transaction of the Company under the Listing Rules.

The proceeds from the issue of the 2013 November CBs have been applied to ultimately fund the acquisition of Wuxi Suntech Power Co., Ltd. by the Company.



Report of the Directors (continued)

The Company considers that the above issues of the convertible bonds will provide (i) the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders; and (ii) an opportunity for the Company, if the conversion rights attached to the convertible bonds are exercised, to enlarge and strengthen its capital base. Having considered that each of the above convertible bonds bears no interest and has a relatively long maturity date, the Company considers that the above issues of the convertible bonds are appropriate means to strengthen the working capital of the Company.

Acquisition of 45.45% equity interest in Shunfeng Materials

On 14 January 2013, Shunfeng Photovoltaic Holdings Limited, a wholly-owned subsidiary of the Company, entered into an equity purchase agreement with New Capability Limited, pursuant to which Shunfeng Photovoltaic Holdings Limited acquired 45.45% equity interest in Changzhou Shunfeng Photovoltaic Materials Co., Ltd. (常州順風光電材料有限公司) (“**Shunfeng Materials**”) at a consideration of RMB72,000,000. Upon completion of the acquisition, Shunfeng Materials has become a wholly-owned subsidiary of the Company.

Shunfeng Materials is principally engaged in the manufacturing and sales of silicon ingots and wafers which are important materials used for the manufacturing of solar cells. In view of the volatile market price of silicon wafers and the fluctuating profit margins of different solar products, the Group considers that the acquisition allows the Group to (i) have a better control on the margin and cost so as to capture the solar power growth in the long run; and (ii) secure a reliable source of silicon wafer for its solar cells production with better quality assurance.

Before completion of the acquisition, Shunfeng Materials was an indirect non wholly-owned subsidiary of the Company owned as to 54.55% by the Group and 45.45% by New Capability Limited. As New Capability Limited was a substantial shareholder of Shunfeng Materials, it was a connected person of the Company. Accordingly, the entering into of the equity purchase agreement with New Capability Limited constitutes a connected transaction of the Company under the Listing Rules. For further details, please refer to the announcement and circular of the Company dated 14 January 2013 and 4 February 2013, respectively.



Report of the Directors (continued)

Placing agreement with Partners Capital International Limited (“Partners Capital”)

On 16 September 2013, the Company entered into a placing agreement with Partners Capital and BOCOM International Securities Limited (together the “**Placing Agents**”), pursuant to which the Placing Agents placed 400,000,000 Shares at a price of HK\$2.80 per Share (the “**Placing**”). In consideration of the services of the Placing Agents in connection with the Placing, the Company agreed to pay the Placing Agents a placing commission of 1.5% of the amount equal to the placing price multiplied by the number of the total number of Shares placed. Such commission was determined after arm’s length negotiations between the Company and the Placing Agents with regard to the market rate.

The proceeds from the Placing have been used to finance part of the capital expenditure required for the development and construction of the solar power stations and general working capital of the Company. Also, the Company considers that the Placing represents a good opportunity for the Company to broaden the shareholding base and capital base of the Company.

As at 16 September 2013, Mr. Cheng Kin Ming was a substantial shareholder of the Company and Partners Capital is an associate of Mr. Cheng. Partners Capital is therefore a connected person under the Listing Rules. The transaction between the Company and Partners Capital under the placing agreement constitutes a connected transaction of the Company under the Listing Rules. For further details, please refer to the announcement and circular of the Company dated 17 September 2013 and 24 September 2013, respectively.

Financing advisory agreement with Partners Capital

On 9 October 2013, the Company and Partners Capital entered into a financing advisory agreement, pursuant to which Partners Capital agreed to provide financing advisory service to the Group regarding a loan from an authorized financial institution in Hong Kong in the amount of up to HK\$980,000,000 and the Company agreed to pay the financing advisory service fee of HK\$1,960,000 to Partners Capital.

As Partners Capital has, in its ordinary and usual course of business, provided financing advisory service to many companies on, among other things, financing activities, and has a well understanding of the capital market, the Company considers that the entering into of the financing advisory agreement with Partners Capital can ensure an efficient and effective delivery of financing services to the Group.

As at 9 October 2013, Mr. Cheng Kin Ming was a substantial shareholder of the Company and Partners Capital is an associate of Mr. Cheng. Partners Capital is therefore a connected person under the Listing Rules. The transaction between the Company and Partners Capital under the financing advisory agreement constitutes a connected transaction of the Company under the Listing Rules. For further details, please refer to the announcement of the Company dated 9 October 2013.



Report of the Directors (continued)

Appointment of Partners Capital as financial adviser in relation to the Company's acquisition of Wuxi Suntech Power Co., Ltd. ("Wuxi Suntech")

On 1 November 2013, the Company entered into a framework agreement in relation to the acquisition of Wuxi Suntech (the "**Acquisition**"). Partners Capital was appointed by the Company as the financial adviser in respect of the Acquisition.

As at 1 November 2013, Mr. Cheng Kin Ming was a substantial shareholder of the Company and Partners Capital is an associate of Mr. Cheng. Partners Capital is therefore a connected person under the Listing Rules. The appointment of Partners Capital as the financial adviser of the Company in respect of the Acquisition constitutes a connected transaction of the Company under the Listing Rules. For further details, please refer to the announcement of the Company dated 1 November 2013.

Continuing Connected Transaction

On 30 April 2013, Bank of China as the landlord entered into a tenancy agreement with the Company, Tiancheng International Auctioneer Limited ("**Tiancheng International**"), Jingmin Fisheries Investments Management Limited, and Asia Pacific Resources Development Investment Limited. Pursuant to the tenancy agreement, Bank of China agreed to lease to the tenants the premises located on 30/F Bank of China Tower, 1 Garden Road, Central, Hong Kong for a term commencing on 1 May 2013 and expiring on 14 February 2014 for the business administrative purpose of the tenants. As the Company occupied 2,616 square feet of net lettable premises area, representing approximately 16.66% of the total net lettable premises area under the tenancy agreement, the Company agreed to pay to Tiancheng International the aggregate amount of HK\$268,958 per month. The rentals under the tenancy agreement have been determined by Bank of China and the tenants after arm's length negotiation with reference to the prevailing market rates for comparable properties in the vicinity of the leased properties. For further details, please refer to the announcement of the Company dated 30 April 2013.

As Ms. Zheng Yan, being (i) the wife of Mr. Lu Bin, a Director and (ii) the sister of Mr. Cheng Kin Ming, a substantial Shareholder of the Company, holds 90% of the total share capital of Tiancheng International, Tiancheng International is a connected person of the Company under the Listing Rules. As such, the transaction under the tenancy agreement constitutes a continuing connected transaction of the Company under the Listing Rules.



Report of the Directors (continued)

The independent non-executive Directors have reviewed the transaction and confirmed that the continuing connected transaction has been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 61 of the annual report in accordance with the Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in the auditors' report.

The disclosed related party transaction in respect of the tenancy agreement entered into with Tiancheng International constitutes a non-exempt continuing connected transaction of the Company as defined by Chapter 14A of the Listing Rules.

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 Year.



Report of the Directors (continued)

Fund raising activities

On 28 February 2013, the Company issued the 2013 January CBs to Peace Link Services Limited, which was a connected person of the Company. The 2013 January CBs have a term of 20 years and bear no interest. The issue of the 2013 January CBs was approved by the Shareholders at an extraordinary general meeting of the Company held on 5 February 2013. The net proceeds were approximately HK\$448 million. It was used by the Company (i) as to approximately HK\$251 million for part repayment of bank loans with maturity dates ranging from March 2013 to June 2013 and accrued interest; (ii) as to approximately HK\$165 million for payment of the overdue construction and equipment payables of the Group in respect of expanding the Company's solar cell production capacity to 960 megawatt; and (iii) the remaining amount for the general working capital of the Group. During the Year, 170,093,457 Shares were converted. For further details, please refer to the announcement and circular of the Company dated 31 December 2012 and 21 January 2013, respectively.

On 19 August 2013, the Company issued the 2013 June CBs to Peace Link Services Limited, which was a connected person of the Company. The 2013 June CBs have a term of 10 years and bear a fixed interest rate of 8% per annum. The issue of the 2013 June CBs was approved by the Shareholders at an extraordinary general meeting of the Company held on 8 August 2013. The net proceeds were approximately HK\$929.5 million. It was used by the Company for development and construction of solar power stations. No Shares was converted during the Year. For further details, please refer to the announcement and circular of the Company dated 28 June 2013 and 24 July 2013, respectively.

On 16 September 2012, the Company and the Placing Agents entered into a placing agreement, pursuant to which, the Placing Agents agreed to subscribe for and the Company agreed to issue 400,000,000 new Shares (the "New Shares") at a price within the range of HK\$2.5 to HK\$2.8. The issue of the New Shares was approved by the Shareholders at an extraordinary general meeting of the Company held on 10 October 2013. Pursuant to the price determination agreement dated 11 October 2013, the Company and the Placing Agents agreed that the New Shares were to be subscribed at a price of HK\$2.8 per New Share. The New Shares were allotted and issued on 22 October 2013. The proceeds from the Placing have been used to finance part of the capital expenditure required for the development and construction of the solar power stations and general working capital of the Company. For further details, please refer to the announcement and circular of the Company dated 17 September 2013 and 24 September 2013, respectively.



Report of the Directors (continued)

Contracts with the Single Largest Shareholder

Other than those transactions disclosed in the section headed "Connected Transaction" above, during the year, no contract of significance has been entered into between the Company or any of its subsidiaries and the single largest Shareholder of the Company.

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 Year 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.

During the year ended 31 December 2013, two Directors waived emoluments of aggregate amount of RMB604,000. Neither the Chief Executive nor any of the Directors waived any emoluments during the year ended 31 December 2012.



Report of the Directors (continued)

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 14.5% and approximately 45.0% of the Group’s total sales, respectively.

Aggregate purchases attributable to the Group’s largest and five largest suppliers were approximately 9.9% and approximately 36.4% of the Group’s total purchases, respectively.

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.



Report of the Directors (continued)

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.

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 during the Year.

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 2013, 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

Save for Code Provision A.6.7 of the Corporate Governance Code, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the Year. For further details, please refer to the section headed "(e) Shareholders' Rights" in Corporate Government Report.



Report of the Directors (continued)

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 Year.

Audit Committee

Details of the audit committee of the Company are set out in the Corporate Governance Report on page 34 of this annual report.

Production Capacity

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.

As at the date of this report, the annual production capacity of solar cells, silicon ingot, and silicon wafer cutting capacity is approximately 650 MW, 150 MW and 288 MW respectively and solar power generation business has grid-connected annual designed capacity of 890 MW.

Summary Financial Information

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2013 is set out on page 151 of this annual report.

Event after the Year

In 2013, the Group made a significant decision to acquire bankrupted Wuxi Suntech. On 15 November 2013, Wuxi Intermediate People's Court has approved the restructuring plan in relation to Wuxi Suntech. The Acquisition for Shareholders' approval in the extraordinary general meeting of the Company will be held on 7 April 2014. The acquisition of Wuxi Suntech has a vital importance for the long-term development plan of solar power generation business of the Group. With the production facilities, technological expertise and management expertise in solar PV market gained from Wuxi Suntech, the Group will be able to strengthen its upstream operation by ramp up its production capabilities and enhance its technological innovation in solar cell production.



Report of the Directors (continued)

In March 2014, we acquired 18% equity interests of Shanghai Everpower Power Technology Co., Ltd. (namely “Shanghai Everpower”) for a consideration of RMB36.5 million in order to diversify our business into fuel cell business. Shanghai Everpower is mainly engaged in fuel cell technology and related new energy product research, design, development and sales and providing technical advisory services. In order to achieve high efficiency power generation with zero emission, we believe that the acquisition of Shanghai Everpower will bring us a great advantage in diversifying our business into another mode of clean energy that enjoys an enormous market potential in the PRC as pollution-prone fossil fuel energy will need to be largely replaced by clean energy in order to solve the serious pollution problem in the mainland area.

by order of the Board

Zhang Yi

Chairman

Hong Kong

25 March 2014



Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS 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 71 to 150, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 (continued)

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 2013, and of its loss 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1(B) to the consolidated financial statements, which states that the Group incurred net loss of RMB1,817,493,000 for the year ended 31 December 2013 and as of that date, the Group's current liabilities exceeded its current assets by RMB5,971,765,000. In addition, as at 31 December 2013, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB1,673,423,000 as disclosed in note 34 to the consolidated financial statements. The Company is implementing several measures as disclosed in note 1(B) to the consolidated financial statements to improve the financial position of the Group and after taking into account these steps, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 1(B) to the consolidated financial statements. These conditions, along with the other matters as set forth in note 1(B) to the consolidated financial statements, indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
Revenue	6	1,529,676	1,059,489
Cost of sales		(1,378,441)	(994,507)
Gross profit		151,235	64,982
Other income	7	45,189	30,529
Other gains and losses and other expenses	8	(14,004)	(210,479)
Research and development expense		(13,854)	(15,584)
Distribution and selling expenses		(15,860)	(7,645)
Administrative expenses		(94,482)	(58,591)
Finance costs	9	(44,162)	(74,733)
Profit (loss) before tax and fair value loss on convertible bonds		14,062	(271,521)
Fair value loss on convertible bonds	27	(1,815,998)	—
Loss before tax	10	(1,801,936)	(271,521)
Income tax (expense) credit	12	(15,557)	185
Loss and total comprehensive expense for the year		(1,817,493)	(271,336)
Loss and total comprehensive expense attributable to:			
Owners of the Company		(1,815,641)	(186,347)
Non-controlling interests		(1,852)	(84,989)
		(1,817,493)	(271,336)
		RMB cents	RMB cents
Loss per share	13		
— Basic		(110.48)	(11.95)
— Diluted		(110.48)	(11.95)



Consolidated Statement of Financial Position

	NOTES	As at 31 December	
		2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	15	1,440,859	1,265,832
Solar power plants under construction	16	5,847,313	—
Prepaid lease payments — non-current	17	57,420	50,218
Deposits paid	18	1,179,121	29,034
Deferred tax assets	19	15,709	11,514
Other receivable due after one year	21	—	8,317
		8,540,422	1,364,915
Current assets			
Inventories	20	54,483	32,905
Trade and other receivables	21	211,310	241,238
Value-added tax recoverable		132,476	84,220
Prepayments to suppliers		74,111	19,335
Prepaid lease payments — current	17	1,293	1,122
Tax recoverable		—	3,463
Pledged bank deposits	22	3,351	10,695
Restricted bank deposits	22	413,522	276,437
Bank balances and cash	22	207,614	17,280
		1,098,160	686,695
Current liabilities			
Trade and other payables	23	4,249,333	600,449
Customers' deposits received	24	221,084	12,512
Obligations under finance leases	25	329,827	27,215
Tax liabilities		17,827	—
Borrowings	26	2,067,724	903,217
Convertible bonds	27	184,130	—
		7,069,925	1,543,393
Net current liabilities	1	(5,971,765)	(856,698)
Total assets less current liabilities		2,568,657	508,217

Consolidated Statement of Financial Position (continued)

	NOTES	As at 31 December	
		2013 RMB'000	2012 RMB'000
Capital and reserves			
Share capital	29	17,390	12,892
Reserves		1,759,821	477,656
Equity attributable to owners of the Company		1,777,211	490,548
Non-controlling interests	31	4,012	(59,256)
Total equity		1,781,223	431,292
Non-current liabilities			
Borrowings	26	325,600	—
Obligations under finance leases	25	—	21,545
Deferred income	28	50,178	55,380
Convertible bonds	27	411,656	—
		787,434	76,925
		2,568,657	508,217

The consolidated financial statements on pages 71 to 150 were approved and authorized for issue by the Board of Directors on 25 March 2014 and are signed on its behalf by:

DIRECTOR
Zhang Yi

DIRECTOR
Wang Yu



Consolidated Statement of Changes in Equity

	Attributable to owners of the Company								Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
	Paid-in capital/ Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Convertible bonds equity reserve RMB'000 (note 27)	Statutory surplus reserve RMB'000 (note b)	Retained earnings (deficits) RMB'000	Total RMB'000	Non-controlling interests RMB'000			
At 1 January 2012	12,892	320,283	203,964	—	24,974	114,782	676,895	25,733	702,628		
Loss and total comprehensive expense for the year	—	—	—	—	—	(186,347)	(186,347)	(84,989)	(271,336)		
At 31 December 2012	12,892	320,283	203,964	—	24,974	(71,565)	490,548	(59,256)	431,292		
Loss and total comprehensive expense for the year	—	—	—	—	—	(1,815,641)	(1,815,641)	(1,852)	(1,817,493)		
Issue of shares through non-public offering (note 29)	3,169	884,163	—	—	—	—	887,332	—	887,332		
Transaction costs attributable to issue of new shares	—	(14,178)	—	—	—	—	(14,178)	—	(14,178)		
Modification of First CB (note 27 (a))	—	—	—	2,119,094	—	—	2,119,094	—	2,119,094		
Issue of Second CB (note 27(b))	—	—	—	235,295	—	—	235,295	—	235,295		
Issue of shares upon conversion of convertible bonds (note 27(a))	1,329	178,180	—	(171,640)	—	—	7,869	—	7,869		
Acquisition of subsidiaries (note 32)	—	—	—	—	—	—	—	3,812	3,812		
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	200	200		
Acquisition of additional interests in a subsidiary (note c)	—	—	(133,108)	—	—	—	(133,108)	61,108	(72,000)		
Transfer	—	—	—	—	5,770	(5,770)	—	—	—		
At 31 December 2013	17,390	1,368,448	70,856	2,182,749	30,744	(1,892,976)	1,777,211	4,012	1,781,223		

Notes:

- Special reserve arose on a group reorganization ("Group Reorganization") in preparation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited in year 2011. 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. The difference between the acquisition consideration paid and the paid-in capital and capital reserve of Jiangsu Shunfeng acquired of approximately RMB30,004,000 is regarded as special reserve arising on group reorganization.
- 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.
- On 28 March 2013, the Group acquired the remaining equity interests of 45.45% in Changzhou Shunfeng Photovoltaic Materials Co.,Ltd. ("Shunfeng Materials") for a consideration of RMB72,000,000. After the acquisition, Shunfeng Materials becomes an indirect wholly-owned subsidiary of the Company. The special reserve arising as a result of the acquisition was approximately RMB133,108,000.

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Operating activities		
Loss before tax	(1,801,936)	(271,521)
Adjustments for:		
Interest income	(5,562)	(7,936)
Finance costs	44,162	74,733
Foreign exchange loss	3,691	—
Impairment loss recognized in respect of property, plant and equipment	—	187,708
Depreciation of property, plant and equipment	92,487	79,833
Release of prepaid lease payments	1,179	1,122
Release of deferred income related to government grants	(5,237)	(4,358)
Release of deferred income related to sales and leaseback arrangement	(2,331)	(2,331)
Fair value loss of foreign currency forward contracts	—	3,006
Fair value loss on convertible bonds	1,815,998	—
Loss (gain) on disposal of property, plant and equipment	4	(7)
Allowance for inventories	5,227	7,223
Impairment loss on trade and other receivables	9,801	21,494
Impairment loss on prepayment to suppliers	—	762
Operating cash flows before movements in working capital	157,483	89,728
(Increase) decrease in inventories	(26,805)	34,179
Decrease in trade and other receivables	87,446	250,312
(Increase) decrease in value-added tax recoverable	(48,256)	28,164
Increase in prepayments to suppliers	(54,776)	(9,487)
Increase (decrease) in trade and other payables	391,805	(145,128)
Increase in customers' deposits received	208,572	7,808
Settlement of foreign currency forward contracts	—	(10,764)
Cash generated from operations	715,469	244,812
Income taxes refunded (paid)	1,538	(5,223)
Net cash from operating activities	717,007	239,589



Consolidated Statement of Cash Flows (continued)

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Investing activities		
Withdrawal of restricted bank deposits	276,437	958,481
Withdrawal of pledged bank deposits	10,695	170,129
Receipt from government grants	2,366	12,104
Interest income received	5,562	7,936
Payments of land use rights	(41,918)	7,789
Placement of pledged bank deposits	(3,351)	(32,318)
Placement of restricted bank deposits	(413,522)	(998,843)
Payments of property, plant and equipment	(284,982)	(266,899)
Payment for construction cost in respect of solar power plants	(3,109,475)	—
Proceeds on disposal of property, plant and equipment	2	125
Deposit paid for proposed acquisition of Wuxi Suntech (note 1)	(500,000)	—
Net cash outflows arising from acquisition of subsidiaries (note 32)	(131,456)	—
Net cash used in investing activities	(4,189,642)	(141,496)
Financing activities		
New borrowings raised	2,950,724	974,394
Capital contribution from a non-controlling shareholder	200	—
Proceeds from sale and leaseback arrangement	300,000	—
Proceeds from issue of shares	887,332	—
Payment of transaction costs attributable to issue of new shares	(14,178)	—
Issue of convertible bonds	1,102,209	—
Interest paid	(99,749)	(79,964)
Repayment of borrowings	(1,460,617)	(1,070,364)
Receipt in advance for subscription of Third CB (as defined in note 1)	100,637	—
Repayment of obligations under finance leases	(27,898)	(25,001)
Acquisition of addition interest in a subsidiary	(72,000)	—
Net cash from (used in) financing activities	3,666,660	(200,935)
Net increase (decrease) in cash and cash equivalents	194,025	(102,842)
Cash and cash equivalents at beginning of the year	17,280	120,122
Effect of foreign exchange rate changes	(3,691)	—
Cash and cash equivalents at end of the year, represented by bank balances and cash	207,614	17,280

Notes to the Consolidated Financial Statements

1. General and Basis of Preparation

(A) General Information

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Portion B, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong, respectively. The Company is an investment holding company. The principal activities of the Company's subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 39.

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

On 24 October 2013, Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("Jiangsu Shunfeng"), a wholly owned subsidiary of the Company, entered into a conditional reorganization agreement between Wuxi Suntech Power Co., Ltd. ("Wuxi Suntech") and the Administrator (defined as below) (the "Agreement") in relation to the proposed acquisition of the entire equity interest in Wuxi Suntech at a cash consideration of RMB3,000,000,000 plus certain undertakings as detailed in the circular dated 21 March 2014 issued by the Company in connection with "Very Substantial Acquisition — acquisition of equity interest in Wuxi Suntech" (the "VSA Circular") (the "Proposed Acquisition"). Wuxi Suntech went into administration on 20 March 2013 pursuant to an order of the Wuxi Municipal Intermediate People's Court as Wuxi Suntech failed to pay its debts when they fell due. An administrator was designated by the Wuxi Municipal Intermediate People's Court pursuant to a court order dated 20 March 2013 (the "Administrator") to administer the restructuring of Wuxi Suntech.

Wuxi Suntech's restructuring plan was approved by Wuxi Intermediate People's Court pursuant to the Enterprise Bankruptcy Law of the PRC ("Restructuring Plan") on 15 November 2013 ("Approval Date"). In accordance with the Restructuring Plan, Jiangsu Shunfeng will pay RMB3,000,000,000 (the "Consideration") to the designated account of the Administrator for the settlement of Wuxi Suntech's debts and restructuring cost in the manner as detailed in the Restructuring Plan. In return, the equity interest of Wuxi Suntech will be transferred to Jiangsu Shunfeng or an entity as designated by Jiangsu Shunfeng. The Group completed the payment of RMB500,000,000 to the designated account of the Administrator in October 2013, which was non-refundable and accounted for as deposits paid in the consolidated statement of financial position as at 31 December 2013.

Pursuant to further negotiations between Jiangsu Shunfeng and the Administrator and at the request of the Administrator, the balance of the Consideration, being RMB2,500,000,000, was required to be paid within one month after the Approval Date to facilitate payments to the creditors. To facilitate the above request of the Administrator, Mr. Cheng Kin Ming ("Mr. Cheng"), a substantial shareholder of the Company, has agreed to, in his sole and personal capacity, transfer the balance of the Consideration to the Administrator (the "Arrangement").

Pursuant to this Arrangement and as announced by the Company, Mr. Cheng, a substantial shareholder of the Company, through his wholly-owned subsidiary, Peace Link Services Limited ("Peace Link"), completed the transfer of RMB2,500,000,000 to the Administrator on 19 December 2013.



Notes to the Consolidated Financial Statements (continued)

1. General and Basis of Preparation (Continued)

(A) General Information (Continued)

As the Proposed Acquisition is subject to the approval of the shareholders of the Company in respect of the Agreement and the transactions contemplated thereunder (the "Approval"), if the Approval is not obtained and the Company does not proceed with the Proposed Acquisition, the Company will not be responsible for the RMB2,500,000,000 paid by Mr. Cheng. If the Approval is obtained and the Company proceeds with the Proposed Acquisition, the Company will be responsible for such balance of the Consideration.

Please refer to the VSA Circular for further details.

In order to satisfy the consideration payable, the Group plans to issue 10-year zero coupon convertible bonds ("Third CB") with an aggregate amount of up to HK\$3,580,000,000 (equivalent to approximately RMB2,841,264,000), at par value pursuant to the conditional subscription agreement (the "Subscription Agreement") entered into between the Company and the subscribers on 29 November 2013. The Company has the right to terminate the Subscription Agreement with no liability to the subscribers, if all of the conditions precedent to the Proposed Acquisition have not been fulfilled in accordance with the terms of the Agreement or the Proposed Acquisition does not proceed. The Company expects to exercise its right to terminate the issue of the Third CB if the Proposed Acquisition falls through. The parties to the Subscription Agreement unconditionally agreed to grant the termination right to the Company in the event that the Proposed Acquisition falls through.

Given this specific termination right, the directors of the Company do not consider it necessary to make the issue of the Third CB conditional to the Proposed Acquisition. Please refer to the circular dated 20 December 2013 by the Company in connection with "Connected transaction — issue of convertible bonds" for further details. The issuance of the Third CB was approved by the shareholders of the Company at the extraordinary general meeting held on 10 January 2014. As at 31 December 2013, the Group received HK\$128,000,000 (equivalent to RMB100,637,000) in advance from a subscriber, an independent third party, in relation to the issuance of the Third CB, such amount was non-interest bearing and refundable if the Third CB was not issued. This amount has been included in trade and other payables as at 31 December 2013. As at the date of this report, the Third CB was not issued.

Notes to the Consolidated Financial Statements (continued)

1. General and Basis of Preparation (Continued)

(B) Basis of preparation

The directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group reported a net loss of RMB1,817,493,000 for the year ended 31 December 2013 and as of that date, the current liabilities exceeded its current assets by RMB5,971,765,000 as well as the possible financial impact of the Proposed Acquisition on the Group. In addition as at 31 December 2013, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB1,673,423,000 as disclosed in note 34 to the consolidated financial statements.

In respect of the adequacy of the Group's working capital requirement in the event that the Proposed Acquisition is completed, the directors of the Company had made the following statement in the Section "Financial Information of the Group" of the VSA Circular, which is also relevant to the preparation of the consolidated financial statements:

"Taking into account the financial resources available to the Group, including the internally generated funds and the available facilities from banks, and the Group's current operations, the directors of the Company forecast that the Group will, following the completion of the Proposed Acquisition, have a deficit of approximately RMB7,863 million of working capital for the next 12 months from the date of this report, absent unforeseeable events or any material subsequent change to the Group's plans and assuming the provision of different forms of government support to Wuxi Suntech sought by Jiangsu Shunfeng would be obtained. The forecast shortfall principally arises from amounts payable or committed by the Group for its 35 existing solar power plant projects.

The amount of RMB7,863 million mainly represents capital expenditures to be incurred by the Group for its 35 existing solar power plant projects that remain payable under engineering, procurement and construction ("EPC") agreements entered into for the construction of the solar power plants. The Group proposes to fund the amounts payable by the Group for its 35 existing solar power plant projects by way of: (i) as to approximately RMB5,016 million through bank facilities from financial institutions; and (ii) as to approximately RMB2,847 million through debt and/or equity capital offerings.



Notes to the Consolidated Financial Statements (continued)

1. General and Basis of Preparation (Continued)

(B) Basis of preparation (Continued)

In summary, the current plan of the Group to finance the shortfall of working capital for the next 12 months involves:

- the borrowing of bank facilities with a total principal of approximately RMB5,016 million to satisfy part of the capital expenditures for the Group's remaining existing solar power plant projects. During 2013, the Group has obtained a total of RMB2,178 million bank facilities for the funding of its 12 solar power plant projects. As at the date of this report, the Company was in discussion or negotiation with 4 financial institutions for a total principal amount of RMB5,016 million for the financing of the existing remaining solar power plant projects of the Group. Given the past track record of obtaining related project finance loans, the directors of the Company are optimistic that the Group will be able to obtain bank loans for its existing solar power plant projects; and
- the raising of funds through debt and/or equity capital offerings in the total amount of approximately RMB2,847 million to satisfy the remaining capital expenditure for the Group's remaining existing solar power plant projects. If the Proposed Acquisition and the proposed issue of the Third CB with a principal amount of HK\$3,580 million (or approximately RMB2,828 million) are completed, the directors of the Company envisages that there will be approximately RMB328 million of surplus proceeds from such issue after applying RMB2,500 million for the payment of the remainder of the Consideration, and the Company intends to apply such RMB328 million towards the payment of the remaining capital expenditure for the Group's remaining solar power plant projects. In such a case, the amount which are required to be raised through debt and/or equity capital offerings for the purpose of satisfying the above needs will be reduced accordingly to RMB2,519 million. The Company is currently in confidential discussion with certain investment banks with the view of exploring the terms of and market demand for the Company's debt and/or equity capital. The Group has, in the year ended 31 December 2013, raised a total of RMB1,950 million through debt and/or equity capital raising and the Company is optimistic that it will be able to raise funds through capital offerings. Nevertheless, if it was not able to do so, the Group intends to raise funds through other means, such as through further bank borrowings.

The above reflects the Company's current plan to finance the shortfall of working capital for the 12 months which have been prepared based on present market conditions and internal expansion plan. The implementation of the above plan will be subject to factors such as prevailing market conditions, interest rates and terms acceptable to both the Group and the lenders or capital providers. If the Group is able to obtain finance through other means at more satisfactory terms, the Group will consider using alternative financing methods and the above plan may change accordingly. In addition, the conduct of the above finance transactions will be in accordance with the Listing Rules."

Notes to the Consolidated Financial Statements (continued)

1. General and Basis of Preparation (Continued)

(B) Basis of preparation (Continued)

The Proposed Acquisition by the Group is conditional upon the approval by the shareholders of the Company. The directors of the Company are of the view that after the series of Wuxi Suntech's restructuring events as detailed in the VSA Circular (including the completion of the receipt of non-refundable consideration of RMB500,000,000 from the Company and RMB2,500,000,000 from Mr. Cheng on 19 December 2013, the debt restructuring plan as included in the Restructuring Plan (as defined in the VSA Circular) which was approved by Wuxi Intermediate People's Court on 15 November 2013, the completion of disposal of Suntech Singapore Power Investment Pte Ltd, a subsidiary of Wuxi Suntech which remained at a current liability and net liability position as at 31 December 2013, to an independent third party on 27 February 2014 for US\$1 and different forms of government support are successfully obtained by Wuxi Suntech as further described in the VSA Circular), Wuxi Suntech would have sufficient working capital to continue its operations and would not require further financial support from the Group.

Should the Proposed Acquisition fail to be completed, the payment of deposit amounting to RMB500,000,000, representing part of the payment of Consideration for the Proposed Acquisition completed in October 2013, would not be refunded and the proposed issuance of the Third CB would not proceed and the receipt in advance of HK\$128,000,000 (equivalent to approximately RMB100,637,000) in relation to the Third CB would be required to be refunded to the independent subscriber. However, the directors of the Company are of the opinion that this would not have a significant impact on the Group's ability to continue as a going concern, after taking into account of the new facilities currently in negotiation with financial institutions. Taking into account the past track record of obtaining related project finance loans, the directors of the Company are optimistic that the Group will be able to obtain bank loans for its existing solar power plant projects.

Taking account of the factors described above, as well as the measures being implemented by the Group, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis. However, should the Group fail to obtain new facilities with financial institutions, the Group will be unable to meet the working capital requirements of its 35 solar power plant projects. This would have a significant impact on the Group's ability to continue as a going concern. In these circumstances, adjustments might be required to reduce the value of assets to their recoverable amounts and to reclassify the non-current assets and liabilities as current assets and liabilities.



Notes to the Consolidated Financial Statements (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRSs”)

New and revised IFRSs applied in the current year

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time in the current year.

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1 I(IFRIC)-Int 20	Presentation of Items of Other Comprehensive Income Stripping Costs in the Production Phase of a Surface Mine

Except as disclosed below, the application of the new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure and is applicable to entities that have interests in subsidiaries, joint ventures and associates. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 31).

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements.

The scope of IFRS 13 is broad, and 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, subject to a few exceptions. IFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 5.

Notes to the Consolidated Financial Statements (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to IAS 1, the Group’s “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income”. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs issued but not yet effective

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle ²
IFRS 9	Financial Instruments ³
IFRS 14	Regulatory Deferral Accounts ⁵
I(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016



Notes to the Consolidated Financial Statements (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

Annual Improvements to IFRSs 2010–2012 Cycle

The *Annual Improvements to IFRSs 2010–2012 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2010–2012 Cycle* will have a material effect on the Group’s consolidated financial statements.

Annual Improvements to IFRSs 2011–2013 Cycle

The *Annual Improvements to IFRSs 2011–2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to IFRSs 2011–2013 Cycle* will have a material effect on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial asset and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.



Notes to the Consolidated Financial Statements (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Acquisition of assets

When the Group acquires a subsidiary, a group of assets or net assets that does not constitute a business, the cost of the acquisition is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the acquisition date. No goodwill will be recognized for acquisition of a subsidiary that is accounted for as acquisition of assets.

Allocation of total comprehensive income to non-controlling interests

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 and services provided in the normal course of business, net of discounts and sales related 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.

Service income is recognized when services are provided.

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

Notes to the Consolidated Financial Statements (continued)

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 is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate 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 for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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 an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognized in profit or loss.

Solar power plants

Completed solar power plants, being solar power plants held for the generation of electricity income, are stated at in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.



Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Solar power plants (Continued)

Solar power plants in the course of construction for generation of electricity income are carried at cost, less any recognized impairment loss. Costs include costs of solar modules, permits applied, professional fee and, for qualifying assets, borrowing costs and other costs capitalized in the course of construction. Solar power plants under construction are stated in the consolidated statement of financial position at cost less subsequent impairment losses, if any. Such solar power plants under construction are reclassified to completed solar power plants upon completion and are ready for intended use. Depreciation of these solar power plants commences when the solar power plants are successfully connected to grids and completed trial operation.

Depreciation is recognized so as to write off the cost of assets (other than solar power plants under construction) less their residual values over their estimated useful lives, 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.

Completed solar power plants are derecognized upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of completed solar power plants is determined as the difference between the sales proceeds which is recognized as revenue of the Group and the carrying amount of the asset and is recognized in profit or loss.

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.

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 lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

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 payments” and are amortized over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than its functional currency (foreign currency) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

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

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

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis 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 an expense when employees have rendered service entitling them to the contributions.



Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “loss before tax” as reported in the consolidated statement of profit or loss and other 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. 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 those 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.

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 on tangible and intangible assets

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.

Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

Impairment losses on tangible and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) 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 realizable value. Cost of inventories are calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 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 ("FVTPL") 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 debt instrument 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 and 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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



Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (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. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, restricted bank deposits and bank balances and cash) 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 when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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 re-organization.

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.

Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt 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.

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 the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss includes any interest paid on the financial liabilities and is included in fair value change on convertible bonds in profit or loss.



Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities including trade and other payables, obligations under finance leases, borrowings and liability component of convertible bonds are subsequently measured at amortized cost, using the effective interest method.

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. Other than those financial liabilities classified as FVTPL, of which the interest expense is included in net gains or losses.

Convertible bonds

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. Early redemption option embedded in non-derivative host liability component with risks and characteristics that are closely related to the liability component is not separated from the liability component.

Convertible bonds contain liability and equity components

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity (convertible bonds equity reserve), net of income tax effects, and is not subsequently remeasured.

In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in convertible bonds reserve will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Notes to the Consolidated Financial Statements (continued)

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Convertible bonds (Continued)

Convertible bonds contain liability and equity components (Continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible bonds using the effective interest method.

Convertible loan notes contains liability component and conversion option derivative

At the date of issue, both the liability and conversion option components are recognized at fair value. In subsequent periods, the conversion option derivative, financial liabilities that designated at FVTPL and other embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Transaction costs relating to the derivative components are charged to profit or loss immediately.

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.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.



Notes to the Consolidated Financial Statements (continued)

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, estimates and assumption about the carrying amounts of assets that are not readily apparent from other sources. Critical accounting judgements regarding the preparation of the consolidated financial statements on a going concern basis has been discussed in note 1 above. 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 on-going 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 estimates 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 2013, the carrying amount of the Group's property, plant and equipment is approximately RMB1,440,859,000 (31 December 2012: RMB1,265,832,000).

(b) Impairment of property, plant and equipment and solar power plants under construction

In assessing the impairment of property, plant and equipment and solar power plants under construction, 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 and/or fair value less cost to sell, 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 2013, the directors of the Company were of the view that there was no impairment indicator on the Group's property, plant and equipment and solar power plants under construction (2012: impairment loss of RMB187,708,000 on property, plant and equipment and no impairment loss on solar power plants under construction).

Notes to the Consolidated Financial Statements (continued)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

(c) 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 2013, the carrying amount of trade and other receivables is approximately RMB211,310,000 (net of allowance for doubtful debt of RMB31,295,000) (2012: RMB249,555,000 (net of allowance for doubtful debt of RMB21,494,000)).

(d) Impairment of deposit for Proposed Acquisition

As mentioned in note 1, non-refundable deposit of RMB500,000,000 was paid by the Company as deposit (the "Deposit") for part of the Consideration of the Proposed Acquisition. The Proposed Acquisition was subject to the approval of the shareholders of the Company at the extraordinary general meeting (the "EGM"), being the only condition precedent to the Proposed Acquisition. The Deposits would not be refundable if the Proposed Acquisition is not proceeded. The directors of the Company are of the opinion that the Proposed Acquisition is likely to be approved and proceeded and determined that no impairment loss on the Deposit to be recognized for the year ended 31 December 2013.

(e) 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 2013, the carrying amount of the Group's inventories is approximately RMB54,483,000 (net of allowance for inventories of RMB5,227,000) (31 December 2012: carrying amount of RMB32,905,000, net of allowance for inventories of RMB7,223,000).

(f) Impairment of prepayments to suppliers and deposits paid for engineering, procurement and construction ("EPC") of solar power plants

The Group makes prepayments and deposits to suppliers and EPC contractors in accordance with the purchase contracts and EPC contracts entered into with the suppliers and EPC contractors, respectively. These prepayments and deposits are to be offset against future purchases from suppliers and future progress billings received from EPC contractors, respectively.



Notes to the Consolidated Financial Statements (continued)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

(f) Impairment of prepayments to suppliers and deposits paid for engineering, procurement and construction (“EPC”) of solar power plants (Continued)

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

As at 31 December 2013, the carrying amounts of prepayments to suppliers were RMB74,111,000 (without allowance of doubtful debt) (31 December 2012: RMB19,335,000 (net of allowance of doubtful debt of RMB762,000)) and the carrying amount of deposits paid for EPC of solar power plants were RMB614,799,000 (without allowance for doubtful debt) (2012: nil).

(g) Deferred taxation

Deferred tax assets relating to certain deductible temporary differences are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax in the periods in which such estimate is changed.

Notes to the Consolidated Financial Statements (continued)

5. Financial Instruments

(a) Categories of financial instruments

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Financial assets		
<i>Loans and receivables:</i>		
Trade and other receivables	190,981	239,540
Pledged bank deposits	3,351	10,695
Restricted bank deposits	413,522	276,437
Bank balances and cash	207,614	17,280
Total loans and receivables	815,468	543,952
Financial liabilities		
<i>Liabilities measured at amortized costs:</i>		
Trade and other payables	1,058,421	596,134
Obligations under finance leases	329,827	48,760
Borrowings	2,393,324	903,217
Liability component of convertible bonds	595,786	—
Total liabilities measured at amortized costs	4,377,358	1,548,111

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, restricted bank deposits, bank balances and cash, trade and other payables, obligations under finance leases, borrowings and liability component of convertible bonds. Details of these financial instruments are disclosed in respective notes.

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

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



Notes to the Consolidated Financial Statements (continued)

5. Financial Instruments (Continued)

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

Currency risk

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

Details of trade and other receivables, pledged bank deposits, restricted bank deposits, bank balances and cash, trade and other payables and borrowings that are denominated in foreign currencies, mainly in United States Dollars ("USD"), Hong Kong Dollars ("HK\$"), Japanese Yen ("JPY") and European dollars ("Euro") are set out in notes 21, 22, 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	
	2013	2012
	RMB'000	RMB'000
Assets		
USD	19,376	7,566
HK\$	206,689	366
JPY	—	—
Euro	10,232	35,051
Liabilities		
USD	(4,172)	(7,612)
HK\$	(1,110,193)	(1,394)
JPY	(4,273)	(11,819)
Euro	(1,494)	(12,585)

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

Notes to the Consolidated Financial Statements (continued)

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% (2012: 5%) appreciation and depreciation in each relevant foreign currency against functional currency, RMB 5% (2012: 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% (2012: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax loss for the year and a positive number below indicates an increase in post-tax loss for the year where the relevant foreign currencies change 5% (2012: 5%) against RMB.

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
USD impact		
— if USD strengthens against RMB	(733)	2
— if USD weakens against RMB	733	(2)
HK\$ impact		
— if HK\$ strengthens against RMB	45,175	51
— if HK\$ weakens against RMB	(45,175)	(51)
JPY impact		
— if JPY strengthens against RMB	166	591
— if JPY weakens against RMB	(166)	(591)
Euro impact		
— if Euro strengthens against RMB	(435)	(1,123)
— if Euro weakens against RMB	435	1,123

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, restricted bank deposits, borrowings and liability component of convertible bonds (see notes 22, 26 and 27 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, obligations under finance leases and variable-rate borrowings (see notes 22, 25 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.



Notes to the Consolidated Financial Statements (continued)

5. Financial Instruments (Continued)

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

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (including pledged bank deposits, restricted bank deposits, bank balances, obligations under finance leases 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, obligations under finance leases and borrowings.

10 basis points (2012: 10 basis point) increase or decrease on variable-rate pledged bank deposits, restricted bank deposits and bank balances, and 100 basis points (2012: 100 basis points) increase or decrease on obligations under finance leases and 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 10 basis points (2012: 10 basis point) higher/lower and all other variables were held constant, the post-tax loss for the year would decrease/increase by RMB195,000 (2012: RMB27,000).

If the interest rate on obligations under finance lease and variable-rate borrowings had been 100 basis points (2012: 100 basis points) higher/lower and all other variables were held constant, the post-tax loss for the year would increase/decrease by RMB4,894,000 (2012: RMB4,151,000).

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group include (i) 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 and (ii) issuing banks fail to settle the bills transferred to collecting banks or suppliers through discounting the bills to collecting banks or endorsing the bills to suppliers with full recourse as described in note 21A.

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.

Notes to the Consolidated Financial Statements (continued)

5. Financial Instruments (Continued)

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

Credit risk (Continued)

At 31 December 2013, the credit risk of the Group is concentrated on trade receivables from ten (2012: ten) 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 RMB146,122,000 (2012: RMB131,592,000) and accounted for approximately 98% (2012: 86%) of the Group's total trade receivables. These customers have good repayment history and credit quality under internal assessment by the Group. 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 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 2013 and 2012. As at 31 December 2013, balances deposited at four banks accounted for 85% (2012: 86%) of the total pledged bank deposits, restricted 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 trade receivables is concentrated in the PRC. However, the exposure spread over a large number of counterparties and customers.

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.



Notes to the Consolidated Financial Statements (continued)

5. Financial Instruments (Continued)

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

Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 months to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2013								
Financial liabilities								
Trade and other payables		1,058,421	—	—	—	—	1,058,421	1,058,421
Obligations under finance leases	7.91	324,408	7,428	—	—	—	331,836	329,827
Borrowings								
— Fixed-rate	6.23	135,292	167,790	63,068	117,209	266,521	749,880	529,950
— Variable-rate	5.23	313,316	1,026,465	141,837	—	—	1,481,618	1,430,374
— Interest free		433,000	—	—	—	—	433,000	433,000
Liability component of convertible bonds	21.21	67,375	149,317	47,263	755,447	295,000	1,314,402	595,786
		2,331,812	1,351,000	252,168	872,656	561,521	5,369,157	4,377,358
At 31 December 2012								
Financial liabilities								
Trade and other payables		596,134	—	—	—	—	596,134	596,134
Obligations under finance leases	6.77	14,857	14,858	22,286	—	—	52,001	48,760
Borrowings								
— Fixed-rate	6.56	332,109	107,062	—	—	—	439,171	427,217
— Variable-rate	6.48	243,373	249,280	—	—	—	492,653	476,000
		1,186,473	371,200	22,286	—	—	1,579,959	1,548,111

Notes to the Consolidated Financial Statements (continued)

5. Financial Instruments (Continued)

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

Liquidity risk management (Continued)

In addition to the amounts shown in the above table as at 31 December 2013, the Group may also be required to settle the maximum exposure to loss arising from discounted bills and endorsed bills arrangements with full recourse which were derecognized by the Group as detailed in note 21A in the next six months, amounting to RMB18,252,000 and RMB274,646,000 (31 December 2012: RMB207,758,000 and RMB78,551,000), respectively.

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.

As at 31 December 2013, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as borrowings are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

Fair value

The fair values of financial assets and financial liabilities 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 (except for the liability component of the convertible bonds as disclosed below) recognized in the consolidated financial statements approximate their fair values.

	2013	
	Carrying amount	Fair value
	RMB'000	RMB'000
Liability component of convertible bonds	595,786	520,941

The fair value of the liability component of convertible bonds as at 31 December 2013 is under level 3 category and was determined by the directors of the Company with reference to the valuation performed by an independent professional valuer. The fair value of the debt portion of the convertible bonds is determined by discounted cash flow using the inputs including contractual cash flows over the remaining contractual terms of the convertible bonds and discount rate that reflected credit risk of the Company.



Notes to the Consolidated Financial Statements (continued)

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, liability component of convertible bonds and equity which includes capital, special reserve, convertible bonds equity reserve and retained deficits.

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 convertible bonds, issue of capital as well as raising and repayment of borrowings.

6. Revenue and Segment Information

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker (the "CODM"), the Chairman of the Group (2012: Chief Executive Officer who was also a director) for the purposes of resource allocation and performance assessment. During the year, the Group commenced the business of solar power generation and the internal reports submitted to the CODM has been analyzed based on different categories of business since then. Two reportable and operating segments were presented for the current year:

- (1) Manufacturing and sales of solar products; and
- (2) Solar power generation

Notes to the Consolidated Financial Statements (continued)

6. Revenue and Segment Information (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Manufacturing and sales of solar products		Solar power generation		Total	
	2013 RMB'000	2012 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000 (Restated)
Revenue						
External sales	1,529,676	1,059,489	—	—	1,529,676	1,059,489
Segment profit (loss)	89,268	(197,959)	(12,876)	—	76,392	(197,959)
Unallocated income						
— Interest income					5,562	7,936
— Foreign exchange gain					586	739
Unallocated expenses						
— Central administration costs					(24,316)	(7,504)
— Finance costs					(44,162)	(74,733)
Profit (loss) before tax and fair value loss of convertible bonds					14,062	(271,521)
Fair value loss on convertible bonds					(1,815,998)	—
Loss before tax					(1,801,936)	(271,521)

Segment profit (loss) represents the profit (loss) incurred by each segment without allocation of interest income, other income, central administration costs, finance costs and fair value loss of convertible bonds. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.



Notes to the Consolidated Financial Statements (continued)

6. Revenue and Segment Information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2013 RMB'000	2012 RMB'000 (Restated)
Segment assets		
Manufacturing and sales of solar products	2,408,413	1,747,198
Solar power generation	6,605,682	—
Total segment assets	9,014,095	1,747,198
Other unallocated assets	624,487	304,412
Consolidated assets	9,638,582	2,051,610
Segment liabilities		
Manufacturing and sales of solar products	1,464,115	668,341
Solar power generation	4,983,821	—
Total segment liabilities	6,447,936	668,341
Other unallocated liabilities	1,409,423	951,977
Consolidated liabilities	7,857,359	1,620,318

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than pledged bank deposits, restricted bank deposits and bank balances and cash; and
- all liabilities are allocated to operating segments other than general borrowings for corporate use, obligations under finance lease and liability portion of First CB (as defining in note 27 (a)).

Notes to the Consolidated Financial Statements (continued)

6. Revenue and Segment Information (Continued)

Entity-wide disclosures

Revenue analyzed by major products

The following table sets forth a breakdown of the Group's revenue for the year ended 31 December 2013 and 2012:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Monocrystalline solar cells	265,409	366,723
Multicrystalline solar cells	823,911	633,233
Solar modules	85,541	54,710
Solar wafers	354,815	4,823
Total	1,529,676	1,059,489

Geographical information

Revenue from external customers, based on locations of customers, attributable to the Group by geographic areas is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
The PRC	1,297,188	922,895
Canada	138,907	36,506
Germany	29,019	39,882
Malaysia	16,650	—
Slovenia	12,165	8,312
Lithuania	9,191	2,345
Other countries (note)	26,556	49,549
Total	1,529,676	1,059,489

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

All the Group's non-current assets, excluding those related to financial instruments and deferred tax assets are located in the PRC at the end of the reporting period.



Notes to the Consolidated Financial Statements (continued)

6. Revenue and Segment Information (Continued)

Information about major customers

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Customer A	221,475	285,843
Customer B	154,110	—

7. Other Income

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Bank interest income	5,562	7,936
Government grants (note)	26,659	13,565
Gain on sales of raw and other materials	5,667	1,868
Subcontract processing fee	4,929	5,332
Others	2,372	1,828
	45,189	30,529

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) RMB21,422,000 (2012: RMB7,657,000) represents incentive received in relation to activities carried out by the Group; (b) RMB5,237,000 (2012: RMB4,358,000) represents subsidy on acquisition of land use rights and machineries amortized to profit or loss and (c) nil (2012: RMB1,550,000) represents grants in recognition of the Group's successful listing in the Stock Exchange in 2011.

Notes to the Consolidated Financial Statements (continued)

8. Other Gains and Losses and Other Expenses

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Other gains and losses:		
(Loss) gain on disposal of property, plant and equipment	(4)	7
Foreign exchange gains, net	586	739
Fair value loss of foreign currency forward contracts	—	(3,006)
Release of gain on a sale and leaseback arrangement	2,331	2,331
	2,913	71
Other expenses:		
Legal and professional fees (note)	(6,837)	—
Impairment loss on property, plant and equipment (note 15)	—	(187,708)
Impairment loss on prepayment to suppliers	—	(762)
Impairment loss on trade and other receivables	(9,801)	(21,494)
Others	(279)	(586)
	(16,917)	(210,550)
Total	(14,004)	(210,479)

Note: The amount mainly represented legal and professional expenses incurred for the Proposed Acquisition of Wuxi Suntech for the year ended 31 December 2013.



Notes to the Consolidated Financial Statements (continued)

9. Finance Costs

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Interest on borrowings		
— wholly repayable within five years	53,240	46,584
— not wholly repayable within five years	2,214	—
Finance charges on factoring of bills receivable	19,868	32,062
Interest on finance leases wholly repayable within five years	8,965	4,808
Effective interest on convertible bonds		
— wholly repayable within five years	37,412	—
— not wholly repayable within five years	2,425	—
Total borrowing costs	124,124	83,454
Less: amounts capitalized	(79,962)	(8,721)
	44,162	74,733

Borrowing costs capitalized during the year ended 31 December 2013 included those finance cost arising from specific bank borrowings and those from general borrowing pool of which calculated by applying a capitalization rate of 6.13% (2012: 6.71%) per annum to expenditure on qualifying assets.

10. Loss Before Tax

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Loss before tax has been arrived at after charging:		
Directors' remuneration (note 11)	8,584	2,008
Other staff costs	102,156	82,544
Other staff's retirement benefits scheme contributions	6,242	5,870
Total staff costs	116,982	90,422
Auditor's remuneration	2,350	1,504
Cost of inventories recognized as expense (note)	1,378,441	994,507
Depreciation of property, plant and equipment	92,487	79,833
Release of prepaid lease payments	1,179	1,122
Operating lease rentals in respect of rented premises	2,412	2,194

Note: Included in cost of inventories recognized as expense were write-down of inventories to net realizable values of approximately RMB5,227,000 (2012: RMB7,223,000).

Notes to the Consolidated Financial Statements (continued)

11. Directors', Chief Executive's and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the fourteen (2012: nine) directors of the Company were as follows:

	Fees RMB'000	Basic Salaries and allowance RMB'000	Retirement benefit scheme contribution RMB'000	Performance related bonus RMB'000 (note)	Total RMB'000
For the year ended 31 December 2013					
Executive and non-executive directors:					
Mr. Zhang Yi ("Mr. Zhang") (note i)	—	751	6	—	757
Mr. Wang Xiangfu ("Mr. Wang") (note ii)	—	320	6	—	326
Mr. Shi Jianmin ("Mr. Shi") (note iii)	—	1,454	18	1,286	2,758
Mr. Lu Bin ("Mr. Lu") (note iv)	—	128	8	1,070	1,206
Mr. Wang Yu ("Mr. Wang")	—	191	8	1,053	1,252
Mr. Tang Guoqiang ("Mr. Tang") (note v)	—	—	—	—	—
Mr. Qian Kaiming ("Mr. Qian") (note vi)	—	550	2	—	552
Mr. Yue Yang (note iv)	—	120	7	503	630
Mr. Chen Shi (note iv and vii)	—	66	4	556	626
Independent non-executive directors:					
Mr. Siu Wai Keung Francis ("Mr. Siu") (note i)	75	—	—	—	75
Mr. Tao Wenquan ("Mr. Tao")	159	—	—	—	159
Mr. Zhao Yuwen ("Mr. Zhao")	159	—	—	—	159
Mr. Jiang Bin (note v and viii)	67	—	—	—	67
Mr. Ge Ming ("Mr. Ge") (note vi)	17	—	—	—	17
	477	3,580	59	4,468	8,584

Note: The performance related bonus is determined having regard to the performance of individuals and market trends.



Notes to the Consolidated Financial Statements (continued)

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Basic Salaries and allowance RMB'000	Retirement benefit scheme contribution RMB'000	Bonus RMB'000	Total RMB'000
For the year ended 31 December 2012					
Executive directors:					
Mr. Shi (note iii)	—	590	23	—	613
Mr. Wang	—	16	—	—	16
Mr. Lu Jianqing ("Mr. Lu") (note ix)	—	—	—	—	—
Mr. Qian	—	542	23	—	565
Mr. Tang	—	195	—	—	195
Mr. Gao Zhan (note x)	—	130	—	—	130
Independent non-executive directors:					
Mr. Tao	163	—	—	—	163
Mr. Zhao	163	—	—	—	163
Mr. Ge	163	—	—	—	163
	489	1,473	46	—	2,008

Notes:

- (i) These directors were appointed with effect from 12 July 2013.
- (ii) Mr. Wang was appointed as director and Chief Executive of the Company with effect from 2 September 2013. His emolument during the year ended 31 December 2013 disclosed above include those for services rendered by him as Chief Executive.
- (iii) Mr. Shi was appointed on 1 September 2011. He was also the Chief Executive of the Company from 29 March 2012 to 2 September 2013. Mr. Shi resigned as the Chief Executive of the Company with effect from 2 September 2013. His emolument during the year ended 31 December 2013 and 2012 disclosed above include those for service rendered by him as Chief Executive.
- (iv) These directors were appointed with effect from 29 March 2013.
- (v) These directors resigned with effect from 12 July 2013.
- (vi) These directors resigned with effect from 7 February 2013.
- (vii) The director resigned with effect from 2 September 2013.
- (viii) The director was appointed with effect from 7 February 2013.

Notes to the Consolidated Financial Statements (continued)

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

(a) Directors' emoluments (Continued)

Notes: (Continued)

- (ix) Mr. Lu was appointed on 6 August 2010 and resigned on 29 March 2012. He was also the Chief Executive of the Company until his resignation. His emoluments during the year ended 31 December 2012 disclosed above include those for services rendered by him as the Chief Executive.
- (x) The director resigned with effect from 11 December 2012.

During the year ended 31 December 2013, two directors waived emoluments of aggregate amount of RMB604,000. Neither the Chief Executive nor any of the directors waived any emoluments during the year ended 31 December 2012.

(b) Employees' emoluments

The five highest paid individuals of the Group included four (2012: two) directors of the Company during the year ended 31 December 2013. Details of whose emoluments are set out above. The emoluments of the remaining one (2012: three) individual(s) during the year ended 31 December 2013 and 2012 are as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Employees		
— basic salaries and allowances	916	2,518
— performance-related incentive bonuses	—	413
— retirement benefit scheme contributions	18	57
	934	2,988

Their emoluments of the five highest paid individuals were within the following bands:

	Year ended 31 December	
	2013	2012
HK\$ Nil to HK\$1,000,000	1	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$3,500,001 to HK\$4,000,000	1	—

During the year ended 31 December 2013 and 2012, no emoluments were paid by the Group to the five highest paid individuals (including directors, Chief Executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.



Notes to the Consolidated Financial Statements (continued)

12. Income Tax

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Current tax:		
PRC Enterprise Income Tax	19,752	—
Over provision in prior year:		
PRC Enterprise Income Tax	—	(500)
	19,752	(500)
Deferred tax (credit) charge (note 19):	(4,195)	315
Income tax expense (credit)	15,557	(185)

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

On 8 November 2011, Jiangsu Shunfeng obtained “High Technology Enterprise” status for 3 years that entitles Jiangsu Shunfeng a preferential tax rate of 15% for year 2012 and 2013 according to PRC Tax law. Jiangsu Shunfeng was therefore subject to 15% tax rate for both years.

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived.

The remaining subsidiaries of the Company established in the PRC are subject to PRC Enterprise Income Tax rate of 25%.

Notes to the Consolidated Financial Statements (continued)

12. Income Tax (Continued)

The income tax expense (credit) for the year is reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Loss before tax	(1,801,936)	(271,521)
Tax at the PRC tax rate of 25% (2012: 25%)	(450,484)	(67,880)
Tax effect of expenses not deductible for tax purpose	484,481	2,821
Tax effect of income not taxable for tax purpose	(8,122)	—
Over provision in respect of prior year	—	(500)
Reversal of temporary differences previously recognized	—	3,947
Effect of tax losses not recognized	4,427	60,426
Utilization of temporary differences or tax losses previously not recognized	(9,065)	—
Tax effect of concessions granted to a PRC subsidiary	(5,680)	1,001
Income tax expense (credit) for the year	15,557	(185)

13. Loss Per Share — BASIC AND DILUTED

The calculation of the basic loss per share for the year is based on the consolidated loss attributable to the owners of the Company by the weighted average number of ordinary shares of 1,643,459,000 (2012: number of ordinary shares 1,560,000,000) in issue during the year.

The computation of diluted loss per share for current year does not assume the conversion of convertible bonds because the conversion of convertible bonds would be anti-dilutive. Diluted earnings per share was the same as basic earnings for the year ended 31 December 2012 as no dilutive potential shares were outstanding during that period.

14. Dividends

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).



Notes to the Consolidated Financial Statements (continued)

15. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2012	84,953	760,957	3,475	2,383	574,927	1,426,695
Additions	—	26,237	385	870	220,441	247,933
Transfer	60,588	69,771	—	—	(130,359)	—
Disposals	—	(145)	(131)	(12)	—	(288)
At 31 December 2012	145,541	856,820	3,729	3,241	665,009	1,674,340
Acquired on acquisition of subsidiaries (note 32)	—	—	638	9	—	647
Additions	—	45,714	2,826	1,311	217,022	266,873
Transfer	345,489	281,212	—	—	(626,701)	—
Disposals	—	(10)	—	(5)	—	(15)
At 31 December 2013	491,030	1,183,736	7,193	4,556	255,330	1,941,845
DEPRECIATION						
At 1 January 2012	12,253	90,025	1,545	1,166	36,148	141,137
Provided for the year	4,780	73,977	623	453	—	79,833
Impairment loss recognized in profit or loss	35,649	54,058	—	160	97,841	187,708
Eliminated on disposals	—	(41)	(118)	(11)	—	(170)
At 31 December 2012	52,682	218,019	2,050	1,768	133,989	408,508
Provided for the year	10,368	80,951	713	455	—	92,487
Eliminated on disposals	—	(4)	—	(5)	—	(9)
Transfer	78,839	19,936	—	—	(98,775)	—
At 31 December 2013	141,889	318,902	2,763	2,218	35,214	500,986
CARRYING VALUES						
At 31 December 2013	349,141	864,834	4,430	2,338	220,116	1,440,859
At 31 December 2012	92,859	638,801	1,679	1,473	531,020	1,265,832

Notes to the Consolidated Financial Statements (continued)

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 plant and machinery of approximately RMB864,834,000 (31 December 2012: RMB638,801,000) includes an amount of approximately RMB378,165,000 (31 December 2012: RMB78,082,000) in respect of assets held under finance leases.

As at 31 December 2013, the directors of the Company were of the view that there was no impairment indicator on the Group's property, plant and equipment and determined that the carrying amounts were approximate to their recoverable amounts, no further impairment loss was recognised.

During the year ended 31 December 2012, as a result of severe and challenging market conditions in solar industry towards the end of 2012 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 12.0% 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. Impairment loss of RMB187,708,000 was recognized for the year ended 31 December 2012.

Certain property, plant and equipment of the Group has been pledged as securities for securing loans and general credit facilities granted to the Group in both years as detailed in note 36.



Notes to the Consolidated Financial Statements (continued)

16. Solar Power Plants under construction

	Solar power plants under construction
	RMB'000
Cost	
At 1 January 2012 and 31 December 2012	—
Acquired on acquisition of subsidiaries	139,091
Additions	5,708,222
At 31 December 2013	5,847,313

During current year, the Group commenced the business of solar power generation in the PRC. The solar power plants under construction would be transferred to completed solar power plants when the solar power plants complete trial operation and are successfully connected to grids and generate electricity.

17. Prepaid Lease Payments

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Analyzed for reporting purpose as:		
Non-current assets	57,420	50,218
Current assets	1,293	1,122
	58,713	51,340

Certain prepaid lease payment, of the Group has been pledged as securities for securing loans and general credit facilities granted to the Group in both years as detailed in note 36.

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

Notes to the Consolidated Financial Statements (continued)

18. Deposits Paid

	2013 RMB'000	2012 RMB'000
Deposits paid for:		
Acquisition of property, plant and equipment (note a)	19,685	17,763
EPC of solar power plants (note b)	614,799	—
Acquisition of land use right (note c)	44,637	11,271
Proposed acquisition of Wuxi Suntech (note d)	500,000	—
	1,179,121	29,034

Notes:

- (a) The amount represents the partial payments made by the Group for the acquisition of property, plant and equipment. Such amount would be transferred to property, plant and equipment when they are ready for intended use.
- (b) The amount represents the deposits paid to the EPC contractor for the solar power plants. Such amount would be transferred to solar power plants under construction upon receipt of the progress billing.
- (c) The amount represents the partial payment made by the Group for the acquisition of prepaid lease payment of certain land situated in the PRC. Such amount would be transferred to prepaid lease payment when the title of land is obtained and ready for use by the Group.
- (d) The amount represents the non-refundable deposits forming part of the Consideration for the proposed acquisition of Wuxi Suntech.

19. Deferred Tax

The following is the deferred tax assets and (liabilities) recognized and movements thereon for the year ended 31 December 2013 and 2012:

	Write-down of inventories RMB'000	Allowance for receivable 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 2012	618	—	10,176	1,164	(129)	11,829
(Charge) credit to profit or loss	(253)	3,338	(2,365)	(1,164)	129	(315)
At 31 December 2012	365	3,338	7,811	—	—	11,514
(Charge) credit to profit or loss	(86)	4,485	(204)	—	—	4,195
At 31 December 2013	279	7,823	7,607	—	—	15,709

Notes to the Consolidated Financial Statements (continued)

19. Deferred Tax (Continued)

Note: It represents deferred tax asset arising from the asset-related government grants received by the PRC operating subsidiaries of the Company which had been taxed upon receipt in the current and prior years.

At the end of the reporting period, the Group has unused tax losses of RMB19,144,000 (2012: RMB34,686,000) 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. As at 31 December 2013, tax losses of RMB1,442,000 and RMB17,702,000 (2012: RMB1,442,000 and RMB33,244,000) will expire in 2016 and 2018 (2012: 2016 and 2017), respectively.

At the end of the reporting period, the Group has deductible temporary differences of RMB269,311,000 (2012: RMB272,319,000) not been recognized as deferred tax assets as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Under the Law of the People's Republic of China on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB242,000,000 (2012: RMB184,000,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. Inventories

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Raw materials	26,594	16,800
Work-in-progress	11,647	3,868
Finished goods	16,242	12,237
	54,483	32,905

Notes to the Consolidated Financial Statements (continued)

21. Trade and Other Receivables

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Trade receivables	181,010	172,006
Less: Allowance for doubtful debts	(31,295)	(21,494)
	149,715	150,512
Bills receivable	29,996	47,972
Other receivables and prepayments (note)	31,599	51,071
	211,310	249,555
Less: Amount due for settlement within one year shown under current assets	(211,310)	(241,238)
Amount shown under non-current assets	—	8,317

Note: The Group entered into an agreement (the "Original Agreement") with an independent party which is not related to the Group and is engaged in the construction of solar power plant. According to the terms of the Original Agreement, the Group advanced an amount of Euro4,000,000 (approximately RMB33,271,000) to the counterparty in year 2011 for the construction of a solar power plant project. 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 Original Agreement with interest at a rate of 5% per annum. In December 2012, the parties involved signed another supplement agreement and mutually agreed that the advance is charged with interest at 6% per annum and will be repayable in the following manner: (i) Euro1,000,000 to be paid before 15 May 2013, (ii) Euro1,000,000 to be paid in July 2013, (iii) Euro1,000,000 to be paid in September 2013 and (iv) Euro1,000,000 and all outstanding interest payment to be paid in February 2014. The amount is also guaranteed by the owner of the counterparty. Euro3,000,000 (equivalent to RMB24,688,000) (31 December 2012: nil) was settled during the year ended 31 December 2013 and Euro1,000,000 (equivalent to RMB8,419,000) (31 December 2012: Euro4,000,000) remained outstanding as at 31 December 2013. The management of the Group considers that the credit quality of the counterparty is good and no impairment loss is recognized. As at 31 December 2012, an amount of Euro1,000,000 (equivalent to RMB8,317,000) (31 December 2013: nil) is repayable after one year and was therefore classified as non-current assets.

The Group allows credit period up to 180 days (2012: up to 180 days) to its trade customers on a case by case basis. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the goods delivery dates, which approximated the respective revenue recognition date.

Age	As at 31 December	
	2013 RMB'000	2012 RMB'000
0 to 30 days	134,841	23,326
31 to 60 days	7,467	46,218
61 to 90 days	1,025	29,140
91 to 180 days	5,648	16,353
181 to 360 days	8	28,423
Over 360 days	726	7,052
	149,715	150,512

Notes to the Consolidated Financial Statements (continued)

21. 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	
	2013 RMB'000	2012 RMB'000
0 to 30 days	29,466	5,226
31 to 60 days	500	8,517
61 to 90 days	10	11,480
91 to 180 days	20	22,749
	29,996	47,972

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 RMB3,568,000 (31 December 2012: RMB92,689,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The directors of the Company have considered the credit quality of the relevant customers and subsequent settlements and concluded that the Group is not required to provide for an impairment loss. The average age of these receivables is 89 days (2012: 124 days).

Ageing of trade receivables which are past due but not impaired

	2013 RMB'000	2012 RMB'000
0 to 30 days	3	55,504
31 to 60 days	440	21,008
61 to 90 days	1,025	6,192
91 to 180 days	1,366	8,235
181 to 365 days	8	1,024
1 to 2 years	726	726
	3,568	92,689

Notes to the Consolidated Financial Statements (continued)

21. Trade and Other Receivables (Continued)

Movement in the allowance for doubtful debts

	2013 RMB'000	2012 RMB'000
1 January	21,494	—
Impairment losses recognized on trade receivables	9,801	21,494
31 December	31,295	21,494

Included in the allowance for doubtful debts are individually fully impaired trade receivables with an aggregate balance of RMB31,295,000 (31 December 2012: RMB21,494,000) which have been placed under liquidation or in severe financial difficulties.

Trade and other receivables that were denominated in USD, HK\$ and Euro, foreign currencies other than functional currencies of the relevant group entities, were retranslated to RMB and stated for reporting purpose as:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
USD	5,648	7,477
HK\$	—	334
Euro	8,428	34,522

21A. Transfers of Financial Assets

The Group has discounted certain bills receivables to banks and transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers, both with full recourse. The Group has derecognized these bills receivables and the payables to suppliers in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rule and regulations. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2013, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB18,252,000 and RMB274,646,000 (31 December 2012: RMB207,758,000 and RMB78,551,000), respectively.

All the bills receivables discounted to banks or endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period in both years.



Notes to the Consolidated Financial Statements (continued)

22. Pledged Bank Deposits/Restricted Bank Deposits/Bank Balances and Cash

Pledged bank deposits and restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Interest rate:		
Fixed-rate	2.8%–3.0%	2.8%–3.5%
Variable-rate	0.1%–0.4%	0.4%–0.5%

The pledged bank deposits and restricted bank deposits will be released upon the settlement of relevant bank borrowings and short-term banking facilities.

Bank balances carry interest at market rates ranging from 0.01% to 1.31% (31 December 2012: 0.01% to 0.40%) per annum.

22. Pledged Bank Deposits/Restricted Bank Deposits/Bank Balances and Cash (Continued)

Bank balances and cash, restricted bank deposits and pledged bank deposits that were denominated in USD, HK\$ and Euro, foreign currencies other than functional currencies of the relevant group entities, were re-translated to RMB and stated for reporting purpose as:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
USD	13,728	89
HK\$	206,689	32
Euro	1,804	529

Certain bank balances and cash, restricted bank deposits and pledged bank deposits of the Group of approximately RMB402,266,000 (31 December 2012: RMB303,762,000) were denominated in RMB which is not freely convertible currency in the international market. The exchange of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restriction imposed by the Government of the PRC.

Notes to the Consolidated Financial Statements (continued)

23. Trade and Other Payables

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade payable	113,415	177,818
Bills payable	655,430	323,244
Payables for acquisition of property, plant and equipment	53,661	75,011
Payables for EPC of solar power plants (note a)	3,177,307	—
Other tax payables	4,867	1,296
Consideration payable for acquisition of subsidiaries (note 32)	90,357	—
Receipt in advance for subscription of Third CB (note b) (note 1)	100,637	—
Other payables and accrued charges	53,659	23,080
	4,249,333	600,449

Notes:

- (a) Amount represented payables incurred for EPC of solar power plants. The amounts would be repayable within 12 months after the end of the reporting period and such amounts were therefore classified as current liabilities at the end of the reporting period.
- (b) The amount is unsecured, interest-free and refundable to the independent subscriber immediately in any event causing the failure of the the issuance of Third CB.

The credit period on purchases of goods is 0 to 180 days (2012: 0 to 180 days) and certain suppliers allow longer credit period on a case-by-case basis.

The following is an aged analysis of the trade payable presented based on the invoice date at the end of the reporting period:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Age		
0 to 30 days	63,340	86,169
31 to 60 days	31,987	34,434
61 to 90 days	8,633	16,375
91 to 180 days	8,952	33,937
Over 180 days	503	6,903
	113,415	177,818

Notes to the Consolidated Financial Statements (continued)

23. Trade and Other Payables (Continued)

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Age		
0 to 30 days	285,180	36,521
31 to 60 days	60,695	76,775
61 to 90 days	184,524	38,279
91 to 180 days	125,031	171,669
	655,430	323,244

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
USD	4,172	7,612
HK\$	103,819	1,394
JPY	4,273	11,819
Euro	1,494	12,585

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 that 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 therefore such amount is classified as current liability at the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

25. Obligations Under Finance Leases

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Analyzed for reporting purposes as:		
Current liabilities	329,827	27,215
Non-current liabilities	—	21,545
	329,827	48,760

It is the Group's policy to lease certain of its machineries under finance leases. The original lease terms ranging from 4 months to 3 years (2012: 3 years). Included in the obligations under finance leases, amount of RMB306,400,000 (31 December 2012: nil) carried fixed interest at 8% per annum. Interest rate underlying the remaining obligations under finance leases is floating at 110% to the benchmark interest rate issued by the People's Bank of China ("PBOC") in both years.

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Amounts payable under finance leases:				
Within one year	331,836	29,715	329,827	27,215
In more than one year but not more than two years	—	22,286	—	21,545
In more than two years but not more than five years	—	—	—	—
	331,836	52,001	329,827	48,760
Less: future finance charges	(2,009)	(3,241)	N/A	N/A
Present value of lease obligations	329,827	48,760	329,827	48,760
Less: Amount due for settlement within 12 months (shown under current liabilities)			(329,827)	(27,215)
Amount due for settlement after 12 months			—	21,545

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



Notes to the Consolidated Financial Statements (continued)

26. Borrowings

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Bank loans	1,940,324	868,217
Other loans (note a)	453,000	35,000
	2,393,324	903,217
Secured	401,000	282,217
Unsecured	1,992,324	621,000
	2,393,324	903,217
Fixed-rate borrowings	962,950	427,217
Variable-rate borrowings	1,430,374	476,000
	2,393,324	903,217
Carrying amount repayable (note b):		
Within one year	2,067,724	903,217
More than one year, but not exceeding two years	114,600	—
More than two years	211,000	—
	2,393,324	903,217
Less: amounts repayable within one year shown under current liabilities	(2,067,724)	(903,217)
Amounts shown under non-current liabilities	325,600	—

Notes:

- (a) As at 31 December 2013, the Group had other loans from an independent third party amounting to RMB20,000,000 (31 December 2012: RMB35,000,000), which was unsecured, bearing interest at fixed interest rate of 6.1% (31 December 2012: 6.1%) per annum and repayable within one year. The remaining balance of RMB433,000,000 (31 December 2012: nil) of other loans represented the advances from independent third parties, which was unsecured, interest-free and repayable within one year.

At 31 December 2013 and 2012, the Group had variable-rate borrowings which carried interest based on the benchmark interest rate issued by the PBOC. Interest was reset every one month, three months or one year.

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

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

Notes to the Consolidated Financial Statements (continued)

26. Borrowings (Continued)

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Effective interest rate:		
Fixed-rate borrowings	5.50% to 7.00%	2.40% to 7.28%
Variable-rate borrowings	2.26% to 7.28%	3.22% to 7.32%

The unsecured bank borrowings of approximately RMB464,350,000 (31 December 2012: RMB576,000,000) at 31 December 2013 were guaranteed by independent third parties.

The borrowings denominated in HK\$, the foreign currency other than functional currency of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
HK\$	1,006,374	—

27. Convertible Bonds

(a) First CB (as defined below)

On 28 February 2013, the Company issued convertible bonds at par to Peace Link, with principal amount of HK\$449,400,000 (equivalent to RMB363,717,000) ("First CB"). The First CB bears no interest and is denominated in HK\$ with a conversion period of 20 years from the issue date and can be converted into ordinary shares of the Company at HK\$0.214 per share, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues.



Notes to the Consolidated Financial Statements (continued)

27. Convertible Bonds (Continued)

(a) First CB (as defined below) (Continued)

The holder(s) has the right to require the Company to redeem the outstanding convertible bond at an amount equals to the principal amount of the First CB prior to the twentieth anniversary of the date of issue of the First CB (the "First CB Maturity Date") in the following manner:

- (i) up to 5% of the aggregate amount of the First CB, i.e. HK\$22,470,000, during the period from the first anniversary of the date of issue of the First CB to the fifth anniversary of the date of issue of the First CB;
- (ii) subject to (i) above, up to 10% of the aggregate amount of the First CB, i.e. HK\$44,940,000, during the period from the first anniversary of the date of issue of the First CB to the tenth anniversary of the date of issue of the First CB; and
- (iii) up to 100% of the aggregate amount of the First CB during the period from the date after the tenth anniversary of the date of issue of the First CB to the First CB Maturity Date.

The Company has the right to redeem the outstanding First CB at an amount equals to the principal amount of the First CB prior to the First CB Maturity Date in the following manner:

- (I) up to 5% of the aggregate amount of the First CB, i.e. HK\$22,470,000, during the period from the first anniversary of the date of issue of the First CB to the fifth anniversary of the date of issue of the First CB;
- (II) subject to (I) above, up to 10% of the aggregate amount of the First CB, i.e. HK\$44,940,000, during the period from the first anniversary of the date of issue of the First CB to the tenth anniversary of the date of issue of the First CB; and
- (III) up to 100% of the aggregate amount of the First CB during the period from the date after the tenth anniversary of the date of issue of the First CB to the First CB Maturity Date.

On 19 September 2013, the Company signed a supplementary agreement ("Supplementary Agreement") with the holders of the First CB, which modified the original terms of the First CB as follows:

- (i) the outstanding of the First CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26; and
- (ii) the First CB can be converted into ordinary shares of the Company at HK\$0.214 using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26 while the principal extinguished upon conversion would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26.

Notes to the Consolidated Financial Statements (continued)

27. Convertible Bonds (Continued)

(a) First CB (as defined below) (Continued)

The First CB was designated as financial liabilities at FVTPL upon initial recognition on 28 February 2013. The First CB was subsequently measured at fair value with changes in fair value recognised in profit or loss up to 19 September 2013. Upon the modification on 19 September 2013 as mentioned above, the original financial liability was extinguished and the fair value of the First CB on 19 September 2013 had been split into liability component and equity conversion component. At modification, the fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond while the equity conversion component was estimated using binomial option pricing model and was included in equity as "convertible bonds equity reserve". The liability component after modification was subsequently measured at amortized costs using the effective interest rate method while the equity conversion component remains in equity until the conversion option is exercised.

The fair values of the First CB were estimated using binomial option pricing model and the inputs into the model at each respective date were as follows:

	28/02/2013	19/09/2013
Conversion price	HK\$0.214	HK\$0.214
Quoted market price	HK\$1.200	HK\$3.050
Expected volatility	73.05%	77.04%
Remaining life	20.00	19.45
Risk-free interest rate	1.450%	2.437%

On 5 December 2013, principal sum of HK\$36,400,000 of the First CB was converted by the bond holder to 170,093,458 ordinary shares of the Company. The corresponding liability component at amortized costs amounting to RMB7,869,000 was eliminated and credited to reserve accordingly. The effective interest rate of the liability component which was measured at amortized costs was 26.31% per annum.



Notes to the Consolidated Financial Statements (continued)

27. Convertible Bonds (Continued)

(a) First CB (as defined below) (Continued)

The movements of the components of First CB during current year are set out below:

	Liability component at FVTPL RMB'000	Liability component at amortised cost RMB'000	Conversion bonds option reserve RMB'000	Total RMB'000
Carrying amount at 1 January 2013	—	—	—	—
Issued during the year	363,717	—	—	363,717
Fair value loss	1,815,998	—	—	1,815,998
Modification on 19 September 2013	(2,179,715)	60,621	2,119,094	—
Effective interest expense charged for the year	—	3,894	—	3,894
Converted during the year	—	(7,869)	(171,640)	(179,509)
At 31 December 2013	—	56,646	1,947,454	2,004,100

As at 31 December 2013, RMB15,782,000 of the First CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 5% of the First CB within 12 months of the period end date.

(b) Second CB (as defined below)

On 19 August 2013, the Company issued convertible bonds at par to Peace Link with principal amount of HK\$930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26) ("Second CB"). The Second CB bears fixed interest rate on 8% per annum with interest to be paid annually in arrears at RMB using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26. The Second CB is with a conversion period of 10 years from the issue date and can be converted into ordinary shares of the Company at HK\$0.922 with pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivative issues. The principal extinguished upon conversion and the corresponding unpaid interest to be distributed would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26.

Notes to the Consolidated Financial Statements (continued)

27. Convertible Bonds (Continued)

(b) Second CB (as defined below) (Continued)

The holder(s) of the Second CB has the right to require the Company to redeem the outstanding Second CB at an amount equals to the principal amount of the Second CB prior to the tenth anniversary of the date of issue of the Second CB (the "Second CB Maturity Date") in the following manner:

- (i) up to 20% of the aggregate amount of the Second CB, i.e. HK\$186,100,000, during the period from the first anniversary of the date of issue of the Second CB to the fifth anniversary of the date of issue of the Second CB; and
- (ii) up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

The Company has the right to redeem the outstanding Second CB at an amount equals to the principal amount of the Second CB prior to the Second CB Maturity Date in the following manner:

- (I) up to 20% of the aggregate amount of the Second CB, i.e. HK\$186,100,000, during the period from the first anniversary of the date of issue of the Second CB to the fifth anniversary of the date of issue of the Second CB; and
- (II) up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Maturity Date.

The outstanding Second CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26.

The Second CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds equity reserve". The liability component was subsequently measured at amortized cost using the effective interest rate method. The effective interest rate of the Second CB is 20.67% per annum.



Notes to the Consolidated Financial Statements (continued)

27. Convertible Bonds (Continued)

(b) Second CB (as defined below) (Continued)

The movements of the components of the Second CB during current year are set out below:

	Liability component at amortised cost RMB'000	Convertible bonds equity reserve RMB'000	Total RMB'000
Carrying amount at 1 January 2013	—	—	—
Issued during the year	503,197	235,295	738,492
Effective interest expense charged for the year	35,943	—	35,943
At 31 December 2013	539,140	235,295	774,435

As at 31 December 2013, RMB168,348,000 of the Second CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 20% of the Second CB within 12 months of the period end date.

Analyzed for reporting purpose as:

	First CB		Second CB		Total	
	31/12/2013 RMB'000	31/12/2012 RMB'000	31/12/2013 RMB'000	31/12/2012 RMB'000	31/12/2013 RMB'000	31/12/2012 RMB'000
Current liabilities	15,782	—	168,348	—	184,130	—
Non-current liabilities	40,864	—	370,792	—	411,656	—
	56,646	—	539,140	—	595,786	—

Notes to the Consolidated Financial Statements (continued)

28. Deferred Income

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Government grants (note a)	48,432	51,303
Finance lease (note b)	1,746	4,077
	50,178	55,380

Notes:

- (a) During the year, the Group received a government subsidy of approximately RMB2,366,000 (2012: 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.
- (b) During year 2011, the Group entered into a 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 2013, approximately RMB2,331,000 (2012: RMB2,331,000) was released from the deferred income and recognized in other gains and losses in the consolidated statement of comprehensive income. Details of the finance lease are set out in note 25.

29. Share Capital

Ordinary shares of HK\$0.01 each.

Authorized:

	Number of shares	Amount HK\$
At 1 January 2012 and 31 December 2012	5,000,000,000	50,000,000
Increase on 10 October 2013 (note a)	5,000,000,000	50,000,000
At 31 December 2013	10,000,000,000	100,000,000



Notes to the Consolidated Financial Statements (continued)

29. Share Capital (Continued)

Issued and fully paid:

	Number of shares	Amount HK\$
At 1 January 2012 and 31 December 2012	1,560,000,000	15,600,000
Additional shares issued to specific investors (note b)	400,000,000	4,000,000
Issue of new shares upon conversion of convertible bonds (note c) (note 27(a))	170,093,457	1,700,935
At 31 December 2013	2,130,093,457	21,300,935

	As at 31 December 2013 RMB'000	2012 RMB'000
Presented in the consolidated financial statements as	17,390	12,892

Notes:

- (a) Pursuant to the written resolutions of the shareholders of the Company dated 10 October 2013, the authorized share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 5,000,000,000 shares of HK\$0.01 each.
- (b) Having been approved by the shareholders at the extraordinary general meeting held on 10 October 2013, the Company has made non-public offering on its ordinary shares during the current year. On 22 October 2013, the Company issued 400,000,000 ordinary shares with nominal value of HK\$0.01 per share and issuing price of HK\$2.80 per share to independent third parties. The net proceeds from the fund-raising was HK\$1,102,104,000 (equivalent to RMB873,154,000), which has been netted off with issuance costs of which RMB14,178,000. The net proceeds of RMB3,169,000 and RMB869,985,000 were recorded in "share capital" and "share premium", respectively.
- (c) During the year, the Company issued and allotted 170,093,458 ordinary shares of HK\$0.1 each upon conversion of First CB. The new ordinary shares rank pari passu with the then existing shares in all aspects.

Notes to the Consolidated Financial Statements (continued)

30. Information of the Statement of Financial Position of the Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
ASSETS		
Investment in a subsidiary and amounts due from subsidiaries	2,648,549	583,005
Other receivables	176	210
Bank balances and cash	109	16
	2,648,834	583,231
LIABILITIES		
Other payables	112,016	9,927
Amounts due to subsidiaries	29,370	24,443
Convertible bonds	595,786	—
	737,172	34,370
NET ASSETS	1,911,662	548,861
Capital and reserves		
Share capital	17,390	12,892
Reserves	1,894,272	535,969
Total equity	1,911,662	548,861



Notes to the Consolidated Financial Statements (continued)

30. Information of the Statement of Financial Position of the Company (Continued)

The movement of the Company's reserves has set forth below:

	Share premium RMB'000	Special reserve RMB'000	Convertible bonds equity reserve RMB'000	Retained deficits RMB'000	Total RMB'000
At 1 January 2012	320,283	233,968	—	(13,833)	540,418
Loss and total comprehensive expenses for the year	—	—	—	(4,449)	(4,449)
At 31 December 2012	320,283	233,968	—	(18,282)	535,969
Loss and total comprehensive expenses for the year	—	—	—	(1,872,611)	(1,872,611)
Issue of shares through non-public offering	884,163	—	—	—	884,163
Transaction costs attributable to issue of new Shares	(14,178)	—	—	—	(14,178)
Modification of First CB (note 27(a))	—	—	2,119,094	—	2,119,094
Issue of Second CB (note 27(b))	—	—	235,295	—	235,295
Issue of shares upon conversion of convertible bonds (note 27(a))	178,180	—	(171,640)	—	6,540
At 31 December 2013	1,368,448	233,968	2,182,749	(1,872,611)	1,894,272

Notes to the Consolidated Financial Statements (continued)

31. Non-controlling Interests

	Total RMB'000
At 1 January 2012	25,733
Share of loss for the year	(84,989)
At 31 December 2012	(59,256)
Share of loss for the year	(1,852)
Non-controlling interest arising on acquisition of subsidiaries (note 32)	3,812
Capital contribution from non-controlling shareholders	200
Acquisition of additional interests in a subsidiary (note)	61,108
At 31 December 2013	4,012

As at 31 December 2012 and 31 December 2013, the non-wholly owned subsidiaries of the Group did not have material non-controlling interests.

Note: On 28 March 2013, the Group acquired the remaining equity interest of 45.45% in Shunfeng Materials for a cash consideration of RMB72,000,000. After completion of such acquisition, Shunfeng Materials became a wholly owned subsidiary of the Company and the debt balance of the respective non-controlling interests were eliminated since then.

32. Acquisition of Subsidiaries

During current year, the Group completed the acquisitions of the majority equity interests in 33 entities from independent third parties for a total cash consideration of RMB236,407,000. In these transactions, the Group had acquired 90% to 99% of equity interests in 21 entities and 100% equity interests in the remaining 12 entities. As all these entities were still at the development stage for the solar power plants, which did not yet operate and had no integrated set of activities existed at the date of acquisitions, the acquisitions had been accounted for as acquisition of assets accordingly.



Notes to the Consolidated Financial Statements (continued)

32. Acquisition of Subsidiaries (Continued)

The net assets acquired in the transactions are as follows:

Net assets acquired:	RMB'000
Property, plant and equipment	647
Solar power plants	139,091
Deposits for EPC of solar power plants	51,797
Other receivables (note a)	59,002
Bank balances and cash	14,594
Other payables	(24,912)
	240,219
Non-controlling interests (note b)	(3,812)
	236,407
Total consideration, satisfied by:	
Cash consideration paid	146,050
Consideration payable (note c)	90,357
	236,407
Net cash outflow arising on acquisition:	
Cash consideration paid	(146,050)
Bank balances and cash acquired	14,594
	(131,456)

Notes:

- (a) The fair value of other receivables at the date of acquisition amounted to RMB59,002,000, which also represented the gross contractual amounts.
- (b) The non-controlling interests recognized at the acquisition date were measured by reference to the proportionate in the recognized amount of the acquiree's identifiable net asset.
- (c) The consideration payable was unsecured, interest free and repayable on demand. The directors of the Company expected the amount would be settled within twelve months after the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

33. 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 premises under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Within one year	821	677

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 of one year.

34. Capital Commitments

At the end of the reporting period, the Group was committed to the following capital expenditure:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment, EPC of solar power plants and acquisition of land leases		
— contracted for but not provided in the consolidated financial statements	1,673,423	182,035
— authorized but not contracted for (note)	69,133,393	1,203,259
	70,806,816	1,385,294



Notes to the Consolidated Financial Statements (continued)

34. Capital Commitments (Continued)

Note: On 18 April 2013, the Group entered into a framework investment agreement (the “Tibet Framework Agreement”) with Hainan Tibetan Autonomous Prefectural People’s Government in Qinghai Province. Pursuant to the Tibet Framework Agreement, the Company will, subject to the entering of the further substantive agreements, establish a project company in Hainan Tibetan Autonomous Prefecture in Qinghai Province and make investment of not less than RMB50 billion in connection to the development of photovoltaic industrial park with annual production capacity of 15GW within ten years from the date of the Tibet Framework Agreement.

In September 2013, the Group has entered into (i) a cooperation agreement with Second Red Star Farm of Thirteenth Division of Xinjiang Production and Construction Corps 新疆生產建設兵團十三師紅星二場 (the “Thirteenth Division of XPCC”), pursuant to which the Group and the Thirteenth Division of XPCC will, subject to the entering into of further substantive agreements, make investment of RMB6 billion in connection to a solar power station project with an annual capability of 500MW in Xinjiang Uygur Autonomous Region; and (ii) an investment and cooperation agreement with the Fourth Division of Xinjiang Production and Construction Corps 新疆生產建設兵團第四師 (the “Fourth Division of XPCC”), pursuant to which the Group and the Fourth Division of XPCC will, subject to the entering into of further substantive agreements, make investment of RMB10 billion in connection to a solar power station project with an annual capability of 1,000MW in Xinjiang Uygur Autonomous Region.

In addition to the capital commitment disclosed above, in the event that the Proposed Acquisition has been approved by the shareholders of the Company to the forthcoming EGM, the Group could be responsible for RMB2,500,000,000, representing the remaining balance of the Consideration paid by Mr. Cheng, in connection with the proposed acquisition of Wuxi Suntech as mentioned in note 1.

35. 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 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.

Notes to the Consolidated Financial Statements (continued)

36. Pledge of Assets

At the end of the reporting period, saved as the pledged bank deposits and restricted bank deposits as set out in note 22 and the leased asset (i.e., machineries) under finance lease as set out in note 25, the Group had pledged certain trade and bills receivables with aggregate carrying amount of RMB71,229,000 (31 December 2012: RMB73,428,000) and certain property, plant and equipment and prepaid lease payments with aggregate carrying amount of approximately RMB787,733,000 (31 December 2012: 180,446,000) to various banks for securing loans and general credit facilities granted to the Group.

37. Related Party Disclosures

(a) Related party transactions

Saved as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2013, the Group has the following significant transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
Tiancheng International Auctioneer Limited ("Tiancheng")	Rental, government rates, service and utilities charges	2,308	—

Note: 90% of the total share capital of Tiancheng was held by a close family member of a director.

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

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Basic salaries and allowances	8,266	5,515
Performance-related incentive bonuses	3,182	413
Retirement benefits scheme contributions	126	149
	11,574	6,077

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 (continued)

38. Event After the Reporting Period

The following significant events took place subsequent to 31 December 2013:

In January 2014, the Group have entered into the loan agreements with China Development Bank Corporation (“CDB”), pursuant to which CDB has agreed to make available to the Group the loans in the total principal sum of RMB530,000,000 at variable interest rate determined with reference to the benchmark interest rate issued by PBOC and secured by solar power plants. The loan principal and interest would be repaid by installments in 16 years.

Subsequent to the end of the reporting period on 10 March 2014, the Group entered into a share transfer agreement with an independent third party, pursuant to which the Group agreed to acquire 18% equity interest of Shanghai Everpower Power Technology Co., Ltd. (“Shanghai Everpower”) for a cash consideration of RMB36,500,000, in order to diversify the Group’s business into fuel cell business. Shanghai Everpower is mainly engaged in fuel cell technology and related new energy product research, design, development and sales and providing technical advisory services.

39. Particulars of Principal Subsidiaries of the Company

Details of the Company’s principal subsidiaries as at 31 December 2013 and 2012, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Group		Proportion of voting right held by the Company		Issued and fully paid share capital/ registered capital at 31 December 2013	Principal activities
		As at 31 December		As at 31 December			
		2013	2012	2013	2012		
Shunfeng Photovoltaic Holding Limited 順風光電控股有限公司	Hong Kong 16 August 2011	100%	100%	100%	100%	HK\$500	Investment holding
Jiangsu Shunfeng (Note a)	PRC 10 October 2005 as a wholly-owned foreign enterprise (“WFOE”)	100%	100%	100%	100%	RMB988,317,000	Manufacturing and sales of solar products
Shunfeng Materials (Note b)	PRC 21 September 2011 as a WFOE	100%	54.55%	100%	54.55%	RMB220,000,000	Manufacturing and sales of solar 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 2011 as a WFOE	100%	100%	100%	100%	USD100,000,000 (Note c)	Manufacturing and sales of solar products and provision of related installation services

Notes to the Consolidated Financial Statements (continued)

39. Particulars of Principal Subsidiaries of the Company (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Group		Proportion of voting right held by the Company		Issued and fully paid share capital/ registered capital at 31 December 2013	Principal activities
		As at 31 December 2013	2012	As at 31 December 2013	2012		
Shunfeng Photovoltaic Investment (China) Co., Ltd. 順風光電投資(中國)有限公司 (note d)	PRC 13 May 2013	100%	—	100%	—	USD84,186,000	Investment holding
Jiangxi Shunfeng Photovoltaic Investments Co., Ltd. 江西順風光電投資有限公司	PRC 24 June 2013	100%	—	100%	—	RMB450,000,000	Investment holding
Jiangsu New Han Wa Building Materials Co., Ltd. 江蘇新漢瓦綠色建材有限公司 (note e)	PRC 19 June 2013	65%	—	65%	—	RMB65,000,000	Researching, developing and manufacturing solar material; provision of solar related service
Qinghai Shunfeng Industrial Co., Ltd. 青海順風實業有限公司	PRC 16 May 2013	100%	—	100%	—	USD10,000,000	Solar power generation
Kezhou Baishide New Energy Development Co., Ltd. 克州百事德新能源開發有限公司 (notes f and i)	PRC 18 April 2012	100%	—	100%	—	RMB15,000,000	Solar power generation
Yanqi Xin'ao Solar Energy Co., Ltd. 焉耆新奧太陽能有限公司 (notes g and i)	PRC 1 June 2012	99%	—	99%	—	RMB16,000,000	Solar power generation
Pingluo Zhongdianke Energy Co., Ltd. 平羅中電科能源有限公司 (note i)	PRC 12 April 2013	100%	—	100%	—	RMB1,000,000	Solar power generation
Sunan Yugu Autonomous County Zhongneng Industrial Park Co., Ltd. 肅南裕固族自治縣中能產業園有限公司 (notes h and i)	PRC 4 January 2013	100%	—	100%	—	RMB2,000,000	Solar power generation

Notes to the Consolidated Financial Statements (continued)

39. Particulars of Principal Subsidiaries of the Company (Continued)

Notes:

- (a) Jiangsu Shunfeng was a sino foreign joint venture and has become a wholly owned foreign enterprise since 26 September 2011 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 RMB367,317,000 to RMB988,317,000 on 3 February 2013.
- (b) Shunfeng Material was a sino foreign equity joint venture and has become a wholly owned foreign enterprise since 31 March 2013 upon the Group Reorganization. The registered capital is RMB220,000,000. As at 31 December 2013, the amount was fully paid up (31 December 2012: RMB179,521,000).
- (c) The registered capital is USD100 million. As at 31 December 2013, the amount was fully paid up (31 December 2012: USD15 million).
- (d) The registered capital is USD280,000,000. As at 31 December 2013, the amount paid up amounted to USD84,186,000 and the remaining amount should be fully paid up within two years from the date of establishment.
- (e) The registered capital is RMB100,000,000. As at 31 December 2013, the amount paid up amounted to RMB65,000,000 and the remaining amount should be fully paid up within two years from the date of establishment.
- (f) The registered capital is RMB50,000,000. As at 31 December 2013, the amount paid up amounted to RMB15,000,000 and the remaining amount should be fully paid up within two years from the date of establishment.
- (g) The registered capital is RMB80,000,000. As at 31 December 2013, the amount paid up amounted to RMB16,000,000 and the remaining amount should be fully paid up within two years from the date of establishment.
- (h) The registered capital is RMB10,000,000. As at 31 December 2013, the amount paid up amounted to RMB2,000,000 and the remaining amount should be fully paid up within two years from the date of establishment.
- (i) Newly acquired through acquisition of assets during the year as detailed in note 32.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Financial Summary

Results	For the year ended 31 December				2013 RMB'000
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	
Turnover	378,974	622,922	1,971,530	1,059,489	1,529,676
Profit/(Loss) before interest expenses and taxation	59,319	98,326	82,916	(196,788)	58,224
Interest expense	(1,268)	(3,970)	(48,506)	(74,733)	(44,162)
Profit (loss) before tax and fair value loss on convertible bonds	58,051	94,356	34,410	(271,521)	14,062
Fair value loss on convertible bond	—	—	—	—	(1,815,998)
(Loss)/Profit before taxation	58,051	94,356	34,410	(271,521)	(1,801,936)
Income tax (expense)/credit	(4,573)	(14,266)	(10,657)	185	(15,557)
(Loss)/Profit and total comprehensive (expenses) income for the year	53,478	80,090	23,753	(271,336)	(1,817,493)
(Loss)/Profit and total comprehensive (expenses) income attributable to:					
Owners of the Company	53,478	80,449	57,182	(186,347)	(1,815,641)
Non-controlling interests	—	(359)	(33,429)	(84,989)	(1,852)
	53,478	80,090	23,753	(271,336)	(1,817,493)

Assets and liabilities	As at 31 December				2013 RMB'000
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	
Total assets	296,700	846,005	2,626,245	2,051,610	9,638,582
Total liabilities	(90,615)	(530,055)	(1,923,617)	(1,620,318)	(7,857,359)
	206,085	315,950	702,628	431,292	1,781,223
Equity attributable to owners of the Company	206,085	286,539	676,895	490,548	1,777,211
Non-controlling interests	—	29,411	25,733	(59,256)	4,012
	206,085	315,950	702,628	431,292	1,781,223

Note: The results and summary of assets and liabilities for each of the two 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 Hong Kong Stock Exchange had been in existence throughout those years.



Definitions

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

“Board”	the board of Directors
“Company”, “we” or “us”	Shunfeng Photovoltaic International Limited
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Directors(s)”	the director(s) of the Company
“EURO”	Euro, the lawful currency of the member states of European Union
“Group”	the Company and its subsidiaries
“GW”	gigawatt, which equals to ten billion watt
“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
“Jiangsu Shunfeng”	Jiangsu Shunfeng Photovoltaic Technology Co., Ltd.
“JPY”	Japanese Yen, the lawful currency of Japan
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MW”	megawatt, which equals to one million watt
“PRC” or “China”	the People’s Republic of China
“PV”	Photovoltaic
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Shunfeng Materials”	Changzhou Shunfeng Photovoltaic Materials Co., Ltd.
“Suntech Power”	Suntech power Holdings Co, Ltd., a company listed on the New York Stock Exchange and is the ultimate holding company of Wuxi Suntech
“United States”	the United States of America
“Wuxi Suntech”	Wuxi Suntech Power Co, Ltd., a company incorporated in the PRC and is a wholly- owned subsidiary of Suntech Power
“Year”	twelve months ended 31 December 2013



SF-PV

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

