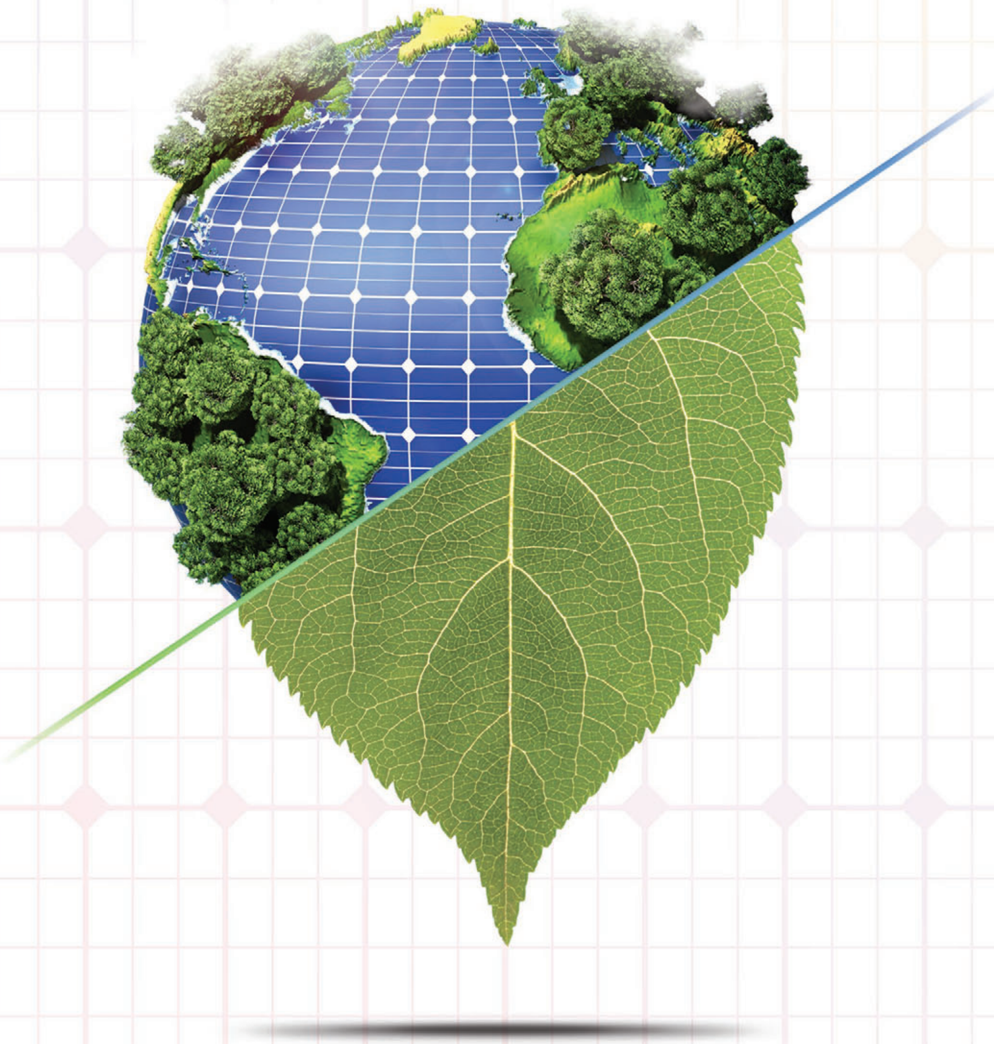
順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 01165



World's Leading

Clean Energy Provider

low-carbon and energy-saving

Integrated Solutions Provider

INTERIM REPORT 2016

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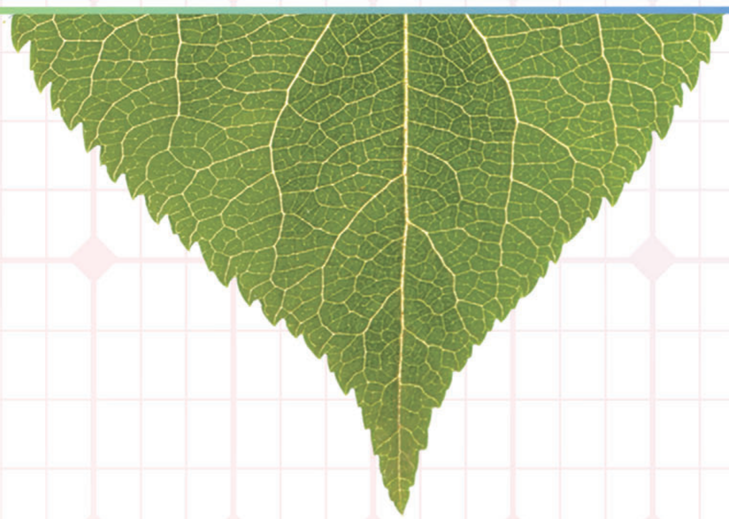

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Yi *(Chairman)*
Mr. Luo Xin *(Chief Executive Officer)*
Mr. Shi Jianmin *(Vice Chairman)*
Mr. Wang Yu
Mr. Lei Ting *(resigned from 2 April 2016)*
Mr. Lu Bin

Independent Non-executive Directors

Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Kwong Wai Sun Wilson

AUDIT COMMITTEE

Mr. Kwong Wai Sun Wilson *(Chairman)*
Mr. Tao Wenquan
Mr. Zhao Yuwen

REMUNERATION COMMITTEE

Mr. Kwong Wai Sun Wilson *(Chairman)*
Mr. Zhang Yi
Mr. Tao Wenquan
Mr. Zhao Yuwen

NOMINATION COMMITTEE

Mr. Zhang Yi *(Chairman)*
Mr. Kwong Wai Sun Wilson
Mr. Zhao Yuwen

COMPANY SECRETARY

Mr. Tse, Man Kit Keith

AUTHORIZED REPRESENTATIVES

Mr. Zhang Yi
Mr. Tse, Man Kit Keith

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN CHINA

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AUDITOR

Deloitte Touche Tohmatsu

CORPORATE INFORMATION (CONTINUED)

LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY WEBSITE

www.sfcegroup.com

STOCK CODE

01165

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Shunfeng International Clean Energy Limited (the "Company"), I am pleased to present the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016.

In the first half of 2016, as countries around the globe have signed the historic L'Appel de Paris, governments around the world were more resolute in tackling climate changes and took more concrete steps to promote clean energy, energy conservation and emission reduction. In addition to the 257GW of PV installed capacity accumulated globally in 2015, countries around the world invested more in PV projects in the first half of 2016. It is expected that new installed capacity for the full year of 2016 will continue to rise and may reach 68GW, with the Europe, the United States, Japan and China seeing the fastest growth.

However, it is no doubt that the world's economy was faced difficulties in the first half of this year. European states were mulling about solutions for political and economic issues arisen arising from influx of massive refugees. In the meantime Brexit has evoked political division to the European Union, and more profoundly Brexit has cast a cloud over the economic prospect of both the Europe and Britain. While in the east, Japan and China were blown by the economic downside pressure. After years of fast economic growth, China saw its gross domestic product ("GDP") growth dropped to around 6.5% and the government reported significant decline in their fiscal revenues. Under such context, the government's financial support on new energy industry was more in the form of general policies than actual fiscal subsidies and it will take time to be fully implemented.

Being confronted with challenges, the Chinese government was seeking strategic economic restructuring and mulling industry upgrading fuelled by technology innovation. On 8 January 2016, Lattice Power Corporation ("Lattice Power"), one of the subsidiaries of the Group has won the only first prize of the National Technological Invention Award for the "High Efficacy GaN-on-Si Blue LED" technology that was jointly developed by Lattice Power, Nanchang University and CECEP Lattice Lighting Co., Ltd.

Affected by the new norm of economic slowdown and overall market volatility, the operation of business in the new energy industry remains to be challenging. Faced with intense competition and various challenges, the Group adapted to the development trends and continued with its strategic transition. In the global market, the Group gradually transformed from a developer of solar products and solar power plants into a diversified service provider of comprehensive clean energy solutions. In the mean time, the Group maintained its profitability and leading market position in several business segments. Set out below are the business review of the first half of 2016 and the prospect for the second half of 2016.

CHAIRMAN'S STATEMENT (CONTINUED)

BUSINESS REVIEW

For the first half of 2016, the Group recorded revenue of RMB4,607.8 million, representing an increase of 30.9% from RMB3,520.4 million for the corresponding period of 2015. The growth in revenue was mainly attributable to higher sales of solar products and an increase in revenue from solar power generation. Net profit for the first half of 2016 fell 68.4% to RMB54.5 million from RMB172.5 million for the corresponding period of 2015. The decrease in net profit was primarily due to (1) the impact of power output restrictions on the solar power plants in China; (2) greater sales and administration expenditure as the Group actively expanded overseas markets for solar products; (3) share of loss of Suniva Inc. ("Suniva"), a joint venture acquired in 2015, and loss of Lattice Power, an indirect non-wholly subsidiary, which were both recorded in the first half of 2016 but not incurred in the corresponding period of 2015; and (4) RMB44.1 million of income from extraordinary item on recovery of impaired bad debts recorded in the first half of 2016, as compared to RMB430.0 million of income from extraordinary item on recovery of impaired bad debts recorded in the corresponding period of 2015.

BUSINESS SEGMENT INITIATIVES

- ### Manufacturing and Sales of Solar Products:

  In the first half of 2016, sales volumes of solar cells and modules posted a significant increase as compared to the corresponding period of 2015. Sales volume of solar cells increased by 84.1% from 398.7MW for the first half of 2015 to 734.1MW; sales volume of modules grew by 42.3% from 548.7MW for the first half of 2015 to 780.8MW. In addition, the Group acquired a 63.13% equity interest in Suniva in October 2015. Suniva is the leading US-based manufacturer of high-efficiency, cost-competitive photovoltaic solar cells and modules. In the first half of 2016, the 430MW expansion plan on the solar cell plant of Suniva is about to complete.

- ### Solar Power Projects:

  In 2016, the Group completed various projects with a total of 1,780MW on-grid connections; 641,195MWh were included in revenue from solar power generation in the first half of 2016, representing an increase of 26.7% as compared to the same period of 2015. Nevertheless, challenges of the implementation of solar policies in China significantly affected the Group's revenue and profitability in this business sector. There are two major issues with the implementation of solar policies in China. Firstly, there has been a significant delay in the payment of feed-in-tariff subsidies to the owners of solar plants. As at 30 June 2016, the Group's subsidies receivable from the government exceeded RMB1.48 billion. Secondly, according to statistics from the Northwest China Energy Regulatory Bureau of National Energy Administration, grid curtailment rate of the five provinces of northwestern China has reached 19.7%. Despite the challenges of the implementation of national solar policies, domestic market for solar plants kept developing, with an increasing number of enterprises and investors making their presence in the market. The Group is adapting to the evolution of the market and has transitioned its business model to focusing on delivering comprehensive solar solutions, including integrated engineering, procurement and construction ("EPC"), development, operation and maintenance services. This will enable the Group to develop and transfer completed solar projects to investors as fixed-income renewable energy products. In addition, in the first half of 2016, the Group participated in the trading mechanism for inter-provincial trading of new energy and heat power generation rights through the platform of state grid trading centre, purchased power generation right (quota) from heat power plants, generated and sold electricity within the quota to minimize the impact of the grid curtailment of photovoltaic power owing to power supply restrictions.

CHAIRMAN'S STATEMENT (CONTINUED)

- ## Solar Power Plant Operations and Solutions:

  In the first half of 2016, the Group continued to explore opportunities to deliver end-to-end solar solutions – including development, EPC and solar power plant monitoring, operations and maintenance services – through S.A.G., a German solar power enterprise acquired by the Group in 2014 and its subsidiary meteocontrol GmbH ("meteocontrol"). In the first half of 2016, meteocontrol entered into various agreements with 19 business partners, offering monitoring services to 2,318 power plants with an aggregated capacity of 793MW. As at 30 June 2016, meteocontrol offered monitoring, operation and maintenance services to over 41,000 power plants with an accumulated capacity exceeding 12GW, which contributed RMB51.5 million to the Group's revenue, representing an increase of 7.1% as compared with RMB48.1 million for the corresponding period of 2015. In the mean time, the Group collaborated with other power plant developers to explore international markets for integrated clean energy solutions.

- ## GaN-on-Silicon LED lighting – Lattice Power:

  The Group completed the acquisition of a 59% equity interest of Lattice Power in August 2015, and integrated Lattice Power into the Group's platform of clean energy solutions, which generated RMB107.8 million of revenue in the first half of 2016. Lattice Power is primarily engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries. Lattice Power's revolutionary GaN-on-Silicon LED technology has the potential to reduce production cost compared to the traditional GaN-on-Sapphire LED and diversify the market for LED technologies. On 8 January 2016, Lattice Power was awarded the first prize of the State Technological Invention Award in China. Going forward, the Group will continue to integrate Lattice Power's operations and explore initiatives to strengthen cooperation with downstream manufacturers of LED lights, and develop sales channels into North American and European markets. These initiatives aim to enabling the Group to increase utilization of its manufacturing facilities, lower costs, and improve the competitiveness of its products in global markets.

FUTURE PROSPECT

In the second half of 2016, the global clean energy industry will continue to have strong growth momentum. We expect that the following trends will be observed: firstly fossil fuels will be replaced by renewable energy. Secondly distributed renewable energy resources will be integrated into the smart grid power system. Thirdly every party will play a role in the development of renewable energy and every party may have an access to the "interconnected" clean energy.

However, for each specific market, the development of clean energy is confronted with both severe challenges but also exposed to more opportunities at the same time. The United States has thrived in the year of 2015, and its investment tax credit programme planned for solar power investment is going to serve as a strong engine for the industry. Suniva, a joint venture of the Group in the United States, will soon complete its expansion plan and the capacity of highly-efficient PV modules will be expanded to 430MW, in a bid to cater for increasing demand in the United States.

CHAIRMAN'S STATEMENT (CONTINUED)

In China, though there will normally be a seasonal decline in demand after the "June 30th" installation frenzy, the National Energy Administration will continue to roll out supporting policies for distributed PV projects, especially for the demonstration projects that incorporate PV technologies with internet. The Group has extensive experience in distributed PV projects, and owns the world's largest monitoring, operation and maintenance network designed for clean energy. In the project of Hong Qiao International School in Shanghai, the Group takes the lead in the market to utilize internet monitoring, operation and maintenance technology, and integrate such technologies with clean energy, such as PV, ground source heating pump and LED lighting, for comprehensive utilization of different kinds of clean energy, which greatly improves the energy efficiency as a result.

Faced with both opportunities and challenges, all members of the Group will adhere to the agreed business strategies. Through leveraging the positive brand awareness established by "Shunfeng" in the global market, the Group will continue to expand the businesses of solar power plant construction and operation, and the manufacturing of solar products. In the mean time, the Group will deepen its business consolidation and seek to explore businesses related to clean energy and resources, so as to realize diversified development and to develop itself as a global leading provider of clean energy that is committed to offering customers integrated low-carbon and energy-saving solutions.

On behalf of the Board, I would like to thank our management team and staff for their dedication and hard work, and our shareholders and business partners for their on-going trust and support. We are committed to our mission of delivering cost-effective, clean energy solutions to our customers and thus creating values for our shareholders.

Mr. Zhang Yi
Chairman

30 August, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has evolved from engaging purely in solar power business into a diversified leading integrated provider of clean energies and low-carbon and energy-saving solutions with international influences. The Group will continue to proactively explore various kinds of clean energy resources with an aim to lay a solid foundation for its development into a global leading supplier which can provide low-carbon and energy-saving integrated solutions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Solar Power Generation

During the Period, the solar power plants owned by the Group generated an aggregate of approximately 681,930MWh.

	For the six months ended 30 June		
	2016	2015	% of
	MWH	MWH	Changes
Power generation volume:			
PRC	**660,929**	505,146	30.8%
Overseas	**21,001**	7,605	176.1%
Total	**681,930**	512,751	33.0%

As at 30 June 2016, the Group's solar power plants successfully realized a total installed capacity of 1,780MW of on-grid generation and 212MW is under construction.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Manufacturing and Sales of Solar Products

As of 30 June 2016, the sales volume of solar products amounted to 1,589.2MW, representing an increase of 33.2% from 1,193.4MW for the same period of 2015.

	For the six months ended 30 June 2016		
	2016	2015	% of
	MW	MW	Changes
Sales volume to independent third parties:			
Wafers	**74.3**	246.0	-69.8%
Cells	**734.1**	398.7	84.1%
Modules	**780.8**	548.7	42.3%
Total	**1,589.2**	1,193.4	33.2%

As of 30 June 2016, our top five customers represented approximately 19.1% of our total revenue as compared to approximately 26.6% in the same period of 2015. Our largest customer accounted for approximately 4.9% of our total revenue, as compared to approximately 11.2% in the same period of 2015. These changes were mainly due to our continuing efforts to optimize the customer base. We believe that product quality and cost advantage will be crucial in the upcoming era of solar energy. Our largest customer is one of the biggest solar companies in the world, which purchases solar cells from the Group and has maintained business relationship with the Group for more than nine years. Other major customers purchase solar cells or solar modules from the Group. The Group has maintained business relationship with such customers for one year to five years and offered them credit periods ranging from 30 days to 180 days. As at the date of this report, our major customers repaid their debts in accordance with the agreed commercial terms on time and the outstanding receivables were still within the credit periods granted by the Group. Therefore, it is not necessary to make provision for the related doubtful debts. After conducting internal assessment by the Group, it is concluded that our major customers have good repayment history and credibility. In order to minimize the credit risk, the Directors continuously monitor the level of exposure via frequent review of the financial conditions and credibility of the major customers, so as to ensure that prompt actions will be taken to lower the exposure.

In the first half of 2016, our sales to PRC-based customers represented approximately 68.9% of the Group’s total revenue, as compared to approximately 57.8% in the same period of 2015. In the first half of 2016, our sales to overseas customers represented approximately 31.1% of the Group’s total revenue, as compared to approximately 42.2% in the same period of 2015. 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 create strong and sustainable market demand for our products.

The Group strives to become a global leading supplier of clean energy and low-carbon and energy-saving integrated solutions. Apart from leveraging on the positive brand awareness of “Shunfeng” and “Suntech” established over years in the global market to continuously expand the businesses of construction and operation of global solar power plant and manufacturing of solar products, the Group also pursues other clean energy related businesses to realize diversified business development.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Solar Power Plant Operation and Services

S.A.G., a German solar power enterprise acquired by the Group in 2014, enhanced the Group's capability in solar project development, EPC, solar power plant monitoring and operation and maintenance businesses on a global scale. S.A.G. offers a broad range of services within the solar industry and its wholly-owned subsidiary, meteocontrol is one of the world's largest independent photovoltaic plant monitoring service providers. meteocontrol has extensive solar power plant monitoring, operation and maintenance experience in residential, commercial and utility sectors and has a monitoring volume of 12GW. meteocontrol offers services covering the entire process of solar power plant projects, from planning and installation to global operation and maintenance, and also provides independent consultation for the projects at every stage. In addition, meteocontrol is the only company to receive accreditation from DAkkS, a research institution authorized by the German government. During the Period, meteocontrol has brought revenue of RMB51.5 million to the Group, as compared to RMB48.1 million in the same period of 2015. As the monitoring business witnessed a steady upward trend, it would become one of the most important businesses of the Group.

Production and Sales of LED Products

The Group completed the acquisition of 59% equity interest of Lattice Power in August 2015. Lattice Power is principally engaged in the development, manufacturing, marketing and sales of LED chips and packages for use in general indoor and outdoor lighting, specialty lighting, LED backlighting and related industries. As a leader in GaN-on-Silicon LED technology, Lattice Power is the first company in the world to start the mass production of GaN-on-Silicon high power thin film vertical LED chips with industry-leading performance. The sales of LED chips and LED packages within the Group's production business amounted to RMB107.8 million during the Period, while no such revenue was recorded in the corresponding period in 2015.

Financing Activities

During the Period, the Group has earned continuous support from financial institutions to fund the development of solar business. In 2016, the Company has successfully issued private placement bonds and obtained loans from financial institutions. These funds serve as a significant support for enhancing liquidity and future business development.

	RMB'000
Issue of private placement bonds	**450,000**
Loans from financial institutions	**2,550,656**
Total	**3,000,656**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

Revenue increased by RMB1,087.4 million, or 30.9%, from RMB3,520.4 million for the same period of 2015 to RMB4,607.8 million for the Period, primarily due to the fact that most of the solar power plants of the Group that completed on-grid connection before 2015 have completed testing and commenced operation in 2015 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increased by 26.7% from 506,271MWh for the same period of 2015 to 641,195MWh for the Period; the sales volume of our solar products increased by 33.2% from 1,193.4MW for the same period of 2015 to 1,589.2MW for the Period; revenue from solar power plant monitoring service increased by 7.1% from RMB48.1 million for the same period of 2015 to RMB51.5 million for the Period and sales revenue from LED products amounted to RMB107.8 million.

For the six months ended 30 June 2016, sales of solar products accounted for 84.8% of the total revenue, of which sales of modules and cells and wafers accounted for 51.9%, 30.9% and 0.9% of the total revenue, respectively; revenue from solar power generation accounted for 11.8% of the total revenue. Revenue from solar power plant monitoring service accounted for 1.1% of the total revenue while sales from LED products accounted for 2.3% of the total revenue.

Solar modules

Revenue from the sales of solar modules increased by RMB647.0 million, or 37.1%, from RMB1,744.5 million for the same period of 2015 to RMB2,391.5 million for the Period, primarily due to an increase in the Group's sales volume by 232.1MW or 42.3% from 548.7MW for the same period of 2015 to 780.8MW for the Period, but was partially offset by the decrease in the average selling price for our products by 3.8% from RMB3.18 per watt for the same period of 2015 to RMB3.06 per watt for the Period.

Solar cells

Revenue from the sales of solar cells increased by RMB683.2 million, or 92.1%, from RMB741.7 million for the same period of 2015 to RMB1,424.9 million for the Period, and the sales volume increased by 335.4MW or 84.1% from 398.7MW for the same period of 2015 to 734.1MW for the Period. The increase in revenue was also benefited from the increase in the average selling price for our products by 4.3% from RMB1.86 per watt for the same period of 2015 to RMB1.94 per watt for the Period.

Solar wafers

Revenue from the sales of solar wafers decreased by RMB269.5 million, or 87.2%, from RMB309.2 million for the same period of 2015 to RMB39.7 million for the Period, which was primarily attributable to the decrease in sales volume by 69.8% from 246.0MW for the same period of 2015 to 74.3MW for the Period.

Revenue from solar power generation

Revenue from solar power generation increased by RMB87.9 million, or 19.4%, from RMB453.8 million for the same period of 2015 to RMB541.7 million for the Period, primarily because total power generated amounted to 681,930MWh, of which 641,195MWh was recorded as revenue from power generation upon completion of testing.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Solar power plant monitoring service

meteocontrol provides solar power plant monitoring service. The revenue from relevant service fee generated during the Period increased by RMB3.4 million or 7.1% from RMB48.1 million for the same period of 2015 to RMB51.5 million for the Period.

LED products

The Group completed the acquisition of Lattice Power in August 2015. During the Period, the sales revenue of LED chips and LED packages was RMB107.8 million while no such revenue was recorded for the corresponding period of 2015.

Geographical market

In terms of geographical markets from which our revenue was generated, approximately 68.9% of the total revenue for the Period was generated from sales to our PRC customers, as compared to 57.8% for the same period of 2015. The remaining portion was generated from the sales to our overseas customers, who are mainly based in certain Asian, North American and European countries.

Cost of sales

Cost of sales increased by RMB558.1 million, or 18.2%, from RMB3,058.8 million for the same period of 2015 to RMB3,616.9 million for the Period, primarily due to the increase in our total shipment volume of solar products and the increase in power generation volume of solar power generation business.

Gross profit

Gross profit increased by RMB529.3 million, or 114.7%, from RMB461.6 million for the same period of 2015 to RMB990.9 million for the Period.

Other income

Other income decreased by RMB15.2 million, or 13.3%, from RMB114.1 million for the same period of 2015 to RMB98.9 million for the Period, primarily due to (1) the decrease in technical advisory income by RMB28.8 million or 86.2% from RMB33.4 million for the same period of 2015 to RMB4.6 million for the Period and (2) the decrease in royalty income by RMB28.3 million, or 75.1%, from RMB37.7 million for the same period of 2015 to RMB9.4 million for the Period. However, part of the decrease was offset by the increase in government grants, bank interest income and interest income arising from advance to third parties, which increase by RMB18.1 million, RMB15.2 million and RMB10.6 million, respectively, during the Period.

Other gains and losses and other expenses

Other gains and losses and other expenses recorded a decline of RMB298.1 million, or 79.3%, from a net gain of RMB375.8 million for the same period of 2015 to a net gain of RMB77.7 million for the Period, which was primarily due to the decrease of RMB389.0 million in revesal of doubtful debt for trade of often receivables previously recognised.

Distribution and selling expenses

Distribution and selling expenses increased by RMB90.8 million, or 73.5%, from RMB123.6 million for the same period of 2015 to RMB214.4 million for the Period, primarily due to the increase in shipment volume for the Group's solar products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Administrative expenses

Administrative and general expenses increased by RMB35.7 million, or 12.7%, from RMB282.2 million for the same period of 2015 to RMB317.9 million for the Period, primarily due to the increase in staff costs as a result of completed acquisition of Lattice Power in August 2015.

Research expenditure

Research and development expenses increased by RMB11.5 million, or 13.7%, from RMB83.7 million for the same period of 2015 to RMB95.2 million for the Period, primarily due to the increase in the expenses on research and development investment and related material costs.

Share of losses of associates

Share of losses of associates for the Period decreased by RMB0.1 million, or 2.4%, from RMB4.2 million for the same period of 2015 to RMB4.1 million for the Period, primarily attributable to the share of losses from Powin Energy Corporation and Shanghai Everpower Technology Co., Ltd. during the Period.

Share of losses of a joint venture

In October 2015, the Group completed the acquisition of 63.13% equity interest in Suniva. Suniva is the leading U.S. manufacturer of high-efficiency, cost-competitive photovoltaics solar cells and modules. Suniva has built in a cutting-edge technology in the manufacturing of high conversion efficiency cells and a solid track record to deliver high-efficiency solar cells and modules while reducing the cost of the photovoltaics industrial value chain. Through the acquisition of Suniva, the global position of the Group in manufacturing high-efficiency solar cells with reasonable costs is further strengthened, which allows the Group to benefit from the enormous potential of the U.S. solar energy market.

Share of losses of a joint venture represented share of losses incurred by Suniva during the Period, which amounted to RMB44.5 million.

Finance costs

Finance costs increased by RMB165.5 million, or 57.5%, from RMB287.9 million for the same period of 2015 to RMB453.4 million for the Period, primarily due to the increase in interest on bank and other loans by RMB158.7 million to RMB360.4 million.

Profit before tax

Due to the above reasons, profit before tax decreased by RMB131.8 million from RMB169.8 million for the same period of 2015 to RMB38.0 million for the Period.

Income tax credit

Income tax credit increased by RMB13.8 million, or 511.1%, from RMB2.7 million for the same period of 2015 to RMB16.5 million for the Period, primarily due to the increase in deferred tax credit for the Period.

Profit for the Period

As a result of the reasons stated above, profit for the Period decreased from RMB172.5 million for the same period of 2015 to RMB54.5 million for the Period, and net profit margin decreased from 4.9% in 2015 to 1.2% for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Inventory turnover days

The inventories of the Group mainly comprise raw materials, work-in-progress and finished goods. The decrease in inventories was mainly due to increase in demand for our solar products. Included in inventory balance as at 30 June 2016 was a write-down of inventories of RMB73.9 million (31 December 2015: RMB97.6 million), which was mainly attributable to inventories bought in previous years at higher prices. The inventory turnover days as at 30 June 2016 was 32.7 days (31 December 2015: 54.4 days), and the decrease in inventory turnover days was mainly attributable to the increase in demand of our solar products.

Trade receivables turnover days

The trade receivables turnover days as at 30 June 2016 was 94.1 days (31 December 2015: 85.4 days). The increase in turnover days was mainly due to new addition of overseas customers and the reason that Group has not yet realized part of the tariff subsidy, while the trade receivables turnover days as at 30 June 2016 was still within the credit period (normally 30 to 180 days) which the Group granted to its customers.

Trade payables turnover days

The trade payables turnover days as at 30 June 2016 was 47.7 days (31 December 2015: 57.7 days). Given the established business relationship and the change in overall market environment, the Group paid to the suppliers in due course based on the credit terms during the Period.

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. As at 30 June 2016, the Group's current ratio (current assets divided by current liabilities) was 0.75 (31 December 2015: 0.82) 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 stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 30 June 2016, the Group was in a negative net cash position of RMB12,295.3 million (31 December 2015: RMB8,316.6 million), which included cash and cash equivalents of RMB1,067.7 million (31 December 2015: RMB1,854.4 million), bank and other borrowings of RMB10,087.1 million (31 December 2015: RMB9,631.8 million), convertible bonds of RMB2,138.9 million (31 December 2015: RMB2,056.3 million), bonds payable of RMB983.7 million (31 December 2015: RMB539.2 million) and obligation under finance lease of RMB153.3 million (31 December 2015: RMB180.8 million).

The Group's borrowings were mainly denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB, HKD, USD and Euro. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 129.1% as at 31 December 2015 to 144.3% as at 30 June 2016.

During the Period, the Group did not enter into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks (31 December 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Contingent liabilities and guarantees

As at 30 June 2016, the Group provided guarantees to independent third parties with a total amount of RMB126.1 million (31 December 2015: RMB126.1 million), of which RMB79.4 million (31 December 2015: RMB79.4 million) has been provided and recognized as provision in the statement of financial position. As at 30 June 2016, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

As at 30 June 2016, the Group had pledged certain trade and bills receivables with carrying amount of RMB1,492.7 million (31 December 2015: RMB984.8 million) and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB9,634.3 million (31 December 2015: RMB10,417.9 million) to various banks for securing loans and general credit facilities granted to the Group.

As at 30 June 2016, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB1,204.2 million (31 December 2015: RMB1,474.9 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 30 June 2016 and 31 December 2015, none of the other assets of the Group were pledged 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 exposes the Group to foreign exchange risks. The Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile and control exchange exposure through arrangement of foreign currency forward contracts, and will consider hedging significant foreign currency exposure should the need arise.

Significant investments held and material acquisitions or disposals

As at the date of this report, the Group completed various acquisitions of equity interests in independent third party entities. For details of such projects, please refer to the section entitled "Management Discussion and Analysis – Business Review".

Save as disclosed in the condensed consolidated financial statements, there was no other substantial acquisition of subsidiaries or associates by the Group during the Period.

Human resources

As at 30 June 2016, the Group had 7,272 employees (31 December 2015: 7,039). The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Interim dividend

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH 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 during the Period.

COMPLIANCE WITH THE MODEL CODE

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Company has reviewed and agreed with the management on the accounting principles, treatment and practices adopted by the Group and discussed the internal controls and financial reporting matters, including the review of the interim results and the unaudited condensed consolidated interim financial statements for the Period, which have been reviewed by independent auditor in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

the Entity" issued by the International Auditing and Assurance Standards Board, with the Directors. The audit committee of the Company considered that the interim financial statements for the Period are in compliance with the relevant accounting standards, the requirements of the Hong Kong Stock Exchange and the laws of Hong Kong, and the Company has made appropriate disclosure thereof.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the independent auditor's report on review of the Group's condensed consolidated financial statements for the six months period ended 30 June 2016 which has included an emphasis of matter, but without qualification:

"Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements, which states that as of 30 June 2016, the Group's current liabilities exceeded its current assets by RMB2,729,858,000. In addition, as at 30 June 2016, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements, amounting to RMB3,836,024,000 as disclosed in note 30 to the condensed consolidated financial statements.

The Company is implementing several measures as disclosed in note 1 to the condensed 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 condensed consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 1 to the condensed consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern."

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (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 30 June 2016, 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 Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Mr. Zhang Yi	Beneficial owner and interest of controlled corporation (note 1)	3,223,618,736 (long position)	74.72%
		500,000,000 (short position)	11.59%
Mr. Shi Jianmin	Beneficial owner	20,000,000 (long position)	0.46%
Mr. Wang Yu	Beneficial owner	18,691,588 (long position)	0.43%

Notes:

1. Mr. Zhang Yi is the beneficial owner of 100% shareholding in Bright Hope Global Investments Limited. In turn, Bright Hope Global Investments Limited is the beneficial owner of 44% shareholding in Partners Financial Holdings Limited, and in turn, Partners Financial Holdings Limited is the beneficial owner of 100% shareholding in Promising Sun Limited and Partners Equity Investment Fund I. Therefore, Mr. Zhang Yi is deemed to be interested in 3,223,106,736 Shares held by Promising Sun Limited and Partners Equity Investment Fund I and 500,000,000 short position in Shares held by Promising Sun Limited for the purposes of the SFO, and Mr. Zhang Yi held 512,000 Shares in his personal capacity.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2016, none of the Directors nor the Chief Executive Officer 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (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 Period or at any time during the Period.

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

As at 30 June 2016, 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)	3,144,049,545 (long position)	72.88%
		500,000,000 (short position)	11.59%
Asia Pacific Resources Development Investment Limited	Beneficial owner and interest of controlled corportaion (Note 2)	3,219,606,736 (long position)	74.63%
		500,000,000 (short position)	11.59%
Mr. Cheng Kin Ming	Beneficial owner and interest of controlled corportaion (Note 3)	3,226,558,736 (long position)	74.79%
		500,000,000 (short position)	11.59%
Coherent Gallery International Limited	Beneficial owner (Note 4)	268,223,960 (long position)	6.22%
Faithsmart Limited	Interest of controlled corportaion (Note 5)	3,219,606,736 (long position)	74.63%
		500,000,000 (short position)	11.59%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Winnex International Investments Limited	Interest of controlled corportaion (Note 6)	3,223,106,736 (long position)	74.71%
		500,000,000 (short position)	11.59%
Mr. Tang Guoqiang	Interest of controlled corportaion (Note 7)	437,118,989 (long position)	10.13%

Notes:

1. Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at 30 June 2016, 2,397,387,743 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 subscribed by Peace Link Services Limited pursuant to the subscription agreement dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into with the Company and the placing agreement dated 28 October 2014 entered into between the Company and the placing agent, Partners Capital Securities Limited. As Peace Link Services Limited entered into a hedging agreement with Promising Sun Limited on 29 April 2015, which is an indirect wholly-owned subsidiary of Winnex International Investments Limited, Peace Link Services Limited had 500,000,000 short position in the Shares as at 30 June 2016.

2. Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Asia Pacific Resources Development Investment Limited is deemed to be interested in 3,144,049,545 Shares and 500,000,000 short position in Shares held by Peace Link Services Limited for the purposes of the SFO. Asia Pacific Resources Development Investment Limited held 75,557,191 Shares in its personal capacity.

3. 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 Asia Pacific Resources Development Investment Limited, and in turn, Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Winnex International Investments Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 3,219,606,736 Shares held by Asia Pacific Resources Investment Limited, Peace Link Services Limited and Winnex International Investments Limited and 500,000,000 short position in Shares held by Peace Link Services Limited for the purposes of the SFO, and Mr. Cheng Kin Ming held 3,452,000 Shares in his personal capacity.

4. Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang.

5. Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited and, therefore, Faithsmart Limited is deemed to be interested in 3,219,606,736 Shares and 500,000,000 short position held by Asia Pacific Resources Development Investment Limited for the purposes of the SFO.

6. Winnex International Investments Limited is owned as to 100% by Mr. Cheng Kin Ming.

7. 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 268,223,960 Shares held by Coherent Gallery International Limited for the purposes of the SFO.

PUBLICATION OF INTERIM REPORT

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shunfeng International Clean Energy Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 82, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

EMPHASIS OF MATTER

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements, which states that as of 30 June 2016, the Group's current liabilities exceeded its current assets by RMB2,729,858,000. In addition, as at 30 June 2016, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements, amounting to RMB3,836,024,000 as disclosed in note 30 to the condensed consolidated financial statements.

The Company is implementing several measures as disclosed in note 1 to the condensed 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 condensed consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 1 to the condensed consolidated financial statements. These conditions indicate 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
30 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Six months ended 30/06/2016 RMB'000 (Unaudited)	30/06/2015 RMB'000 (Unaudited)
Revenue	3	**4,607,766**	3,520,363
Cost of sales		**(3,616,875)**	(3,058,769)
Gross profit		**990,891**	461,594
Other income	4	**98,887**	114,067
Other gains and losses and other expenses	5	**77,734**	375,791
Distribution and selling expenses		**(214,405)**	(123,587)
Administrative expenses		**(317,940)**	(282,239)
Research expenditure		**(95,233)**	(83,726)
Share of losses of associates		**(4,077)**	(4,214)
Share of loss of a joint venture		**(44,477)**	—
Finance costs	6	**(453,399)**	(287,932)
Profit before tax	7	**37,981**	169,754
Income tax credit	8	**16,469**	2,708
Profit for the period		**54,450**	172,462
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation and from foreign operations		**37,636**	(25,303)
Other comprehensive income (expense) for the period		**37,636**	(25,303)
Total comprehensive income for the period		**92,086**	147,159
Profit (loss) for the period attributable to:			
Owners of the Company		**94,554**	173,264
Non-controlling interests		**(40,104)**	(802)
		54,450	172,462
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**132,229**	147,944
Non-controlling interests		**(40,143)**	(785)
		92,086	147,159
		RMB cents	RMB cents
EARNINGS PER SHARE	10		
— Basic (RMB cents)		**2.27**	5.84
— Diluted (RMB cents)		**1.71**	3.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	NOTES	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**3,462,415**	3,592,394
Solar power plants	12	**14,857,605**	13,373,501
Prepaid lease payments — non-current		**397,876**	379,760
Goodwill		**527,234**	523,142
Intangible assets		**248,095**	251,604
Interests in associates	13	**175,174**	170,737
Interest in a joint venture	14	**285,183**	329,660
Available-for-sale investments		**17,819**	19,957
Other non-current assets		**1,026,594**	1,142,252
Deferred tax assets	15	**296,335**	250,691
		21,294,330	20,033,698
Current assets			
Inventories		**521,055**	784,749
Trade and other receivables	16	**3,404,807**	2,872,994
Prepaid lease payments — current		**12,487**	10,726
Value-added tax recoverable		**1,379,141**	1,303,033
Prepayments to suppliers	17	**792,779**	497,648
Amounts due from associates		**24,325**	27,288
Pledged bank deposits	18	**—**	600,000
Restricted bank deposits	18	**1,204,209**	874,866
Bank balances and cash		**1,067,715**	1,854,409
		8,406,518	8,825,713
Current liabilities			
Trade and other payables	19	**6,087,452**	6,253,456
Customers' deposits received		**517,445**	580,664
Obligations under finance leases	20	**36,850**	48,123
Provisions	21	**776,446**	760,758
Tax liabilities		**20,684**	17,527
Bank and other borrowings	22	**3,261,593**	2,473,211
Deferred income		**7,712**	8,092
Derivative financial liabilities	23	**262,662**	514,539
Convertible bonds	24	**165,532**	165,532
		11,136,376	10,821,902
Net current liabilities		**(2,729,858)**	(1,996,189)
Total assets less current liabilities		**18,564,472**	18,037,509

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	NOTES	**30/06/2016 RMB'000 (Unaudited)**	31/12/2015 RMB'000 (Audited)
Capital and reserves			
Share capital	26	**34,876**	32,930
Reserves		**6,965,095**	6,595,247
Equity attributable to owners of the Company		**6,999,971**	6,628,177
Non-controlling interests		**1,522,197**	1,543,861
Total equity		**8,522,168**	8,172,038
Non-current liabilities			
Deferred income		**60,507**	65,391
Obligations under finance leases	20	**116,407**	132,638
Deferred tax liabilities	15	**82,805**	78,911
Bank and other borrowings	22	**6,825,539**	7,158,598
Convertible bonds	24	**1,973,324**	1,890,763
Bonds payable	25	**983,722**	539,170
		10,042,304	9,865,471
		18,564,472	18,037,509

The condensed consolidated financial statements on pages 24 to 82 were approved and authorised for issue by the Board of Directors on 30 August 2016 and are signed on its behalf by:

DIRECTOR
Zhang Yi

DIRECTOR
Lu Bin

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000 (note b)	Share-based payment reserve RMB'000 (note c)	Statutory surplus reserve RMB'000 (note d)	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015 (Audited)	22,636	2,714,189	70,530	7,688	3,861,165	—	30,744	(585,098)	6,121,854	5,144	6,126,998
Profit for the period	—	—	—	—	—	—	—	173,264	173,264	(802)	172,462
Other comprehensive (expense) income for the period	—	—	—	(25,320)	—	—	—	—	(25,320)	17	(25,303)
Total comprehensive (expense) income for the period	—	—	—	(25,320)	—	—	—	173,264	147,944	(785)	147,159
Addition issue of Fifth CB (as defined in note 24)	—	—	—	—	105,741	—	—	—	105,741	—	105,741
Issue of shares upon conversion of convertible bonds	2,292	906,377	—	—	(527,332)	—	—	—	381,337	—	381,337
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	3,113	3,113
Disposal of Subsidiaries	—	—	—	—	—	—	—	—	—	(60)	(60)
Acquisition of additional interests in subsidiaries	—	—	(5,971)	—	—	—	—	—	(5,971)	141	(5,830)
At 30 June 2015 (Unaudited)	24,928	3,620,566	64,559	(17,632)	3,439,574	—	30,744	(411,834)	6,750,905	7,553	6,758,458
At 1 January 2016 (Audited)	32,930	5,108,206	(1,070,422)	(22,929)	3,075,369	14,574	30,744	(540,295)	6,628,177	1,543,861	8,172,038
Profit (loss) for the period	—	—	—	—	—	—	—	94,554	94,554	(40,104)	54,450
Other comprehensive income for the period	—	—	—	37,675	—	—	—	—	37,675	(39)	37,636
Total comprehensive income (expense) for the period	—	—	—	37,675	—	—	—	94,554	132,229	(40,143)	92,086
Recognition of share-based payment	—	—	—	—	—	17,482	—	—	17,482	11,910	29,392
Issue of shares upon conversion of convertible bonds	916	96,547	—	—	(25,287)	—	—	—	72,176	—	72,176
Issue of Total Consideration Shares (as defined in note 14) for the acquisition of Suniva completed in 2015	1,030	155,446	—	—	—	—	—	—	156,476	—	156,476
Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities (as defined in note 19(iv)) (note e) to Non-controlling interests	—	—	—	—	—	—	—	(6,569)	(6,569)	6,569	—
At 30 June 2016 (Unaudited)	34,876	5,360,199	(1,070,422)	14,746	3,050,082	32,056	30,744	(452,310)	6,999,971	1,522,197	8,522,168

Notes:

a. Special reserves mainly include:

i. the 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 (the "Hong Kong Stock Exchange") 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 Photovoltaic Technology Co., Ltd. ("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; and

ii the carrying amount of the Group's interest in relation to Jiangsu Changshun and Nine Disposal Entities in respect of the Group's 2015 Proposed Disposal transaction as detailed in notes 19(iv) as at 18 December 2015 to non-controlling interests as to reflect the transfer of their equity interests to Chongqing Future completed on 18 December 2015.

As set out in note 19(iv), a Termination Agreement was entered into to terminate the 2015 Proposed Disposal with immediate effect on 21 June 2016. As at 30 June 2016, the entire equity interest of Jiangsu Changshu has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities kept being accounted for as non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

b. Convertible bonds equity reserve represents the value of the equity conversion component of the convertible bonds as set out in note 24.

c. Share-based payment reserve represents the recognition of share-based payments of Lattice Power Group (as defined in note 28), being the remuneration cost for post-combination service.

d. 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.

e. Profit for the period related to Jiangsu Changshun and the Nine Disposed Entities consolidated to the Group was transferred from the Group's accumulated losses to non-controlling interests. Although the 2015 Proposed Disposed had been terminated during the period, the legal ownership of Jiangsu Changshun and the Nine Disposed Entities had not yet been transferred back to the Group and in the opinion of the directors of the Company, the related profit for the current interim period should also be accounted for as "non-controlling interests" as at 30 June 2016, accordingly.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	NOTES	**30/06/2016 RMB'000 (Unaudited)**	30/06/2015 RMB'000 (Unaudited)
Net cash from operating activities		**185,875**	1,031,042
Investing activities			
Withdrawal of restricted bank deposits		**33,593**	498,138
Withdrawal of pledged bank deposits		**600,000**	—
Interest income received		**32,544**	17,328
Placement of pledged bank deposits		**—**	(600,000)
Placement of restricted bank deposits		**(362,936)**	(661,056)
Purchase of property, plant and equipment		**(128,708)**	(139,702)
Development costs paid for solar power plants under construction		**(1,236,577)**	(2,278,767)
Purchases of intangible assets		**(6,441)**	(13,247)
Acquisition of S.A.G. Interests (net of cash)		**—**	5,605
Acquisition of other subsidiaries (net of cash)	30	**(19,702)**	(25,207)
Addition of investment in associate		**—**	(58,257)
Cash received from administrator of S.A.G. Interests		**—**	72,670
Proceeds on settlement of financial product investments		**—**	500,000
Purchase of financial product investments		**—**	(50,000)
Purchase of available-for-sale investments		**—**	(210,000)
Loan advanced to associates		**(6,455)**	(9,788)
Loan repayment from associates		**9,418**	27,600
Loan advanced to independent third parties		**(21,190)**	(125,307)
Loan repayment from independent third parties		**14,751**	52,916
Proceeds on disposal of subsidiaries		**—**	2,938
Proceeds on disposal of property, plant and equipment		**20,011**	—
Proceeds on disposal of solar power plant		**21,083**	—
Payment of consideration payable in respect of a previously acquired joint venture		**(6,495)**	—
Net cash used in investing activities		**(1,057,104)**	(2,994,136)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2016

	30/06/2016 RMB'000 (Unaudited)	30/06/2015 RMB'000 (Unaudited)
Financing activities		
Proceeds on issue of convertible bonds	**—**	277,778
Transaction costs paid for issue of convertible bonds	**—**	(4,167)
New bank and other borrowings raised	**2,550,656**	2,377,211
Repayment of bank and other borrowings	**(2,109,148)**	(861,688)
Repayment of obligations under finance leases	**(35,375)**	(11,658)
Receipt from government grants	**2,952**	23,076
Advance from shareholders	**—**	93,013
Capital contributions from non-controlling shareholders	**—**	3,113
Acquisition of additional interests in subsidiaries	**—**	(2,500)
Interest paid	**(342,263)**	(280,964)
Advance from independent third parties	**23,493**	193,871
Repayment to independent third parties	**(59,158)**	(105,419)
Proceed on issue of bonds payable	**450,000**	—
Issue expenses paid for the issue of bonds payable	**(5,448)**	—
Repayment of consideration received in advance and related interest in respect of the termination of the 2015 Proposed Disposal (as defined in note 19 (iv))	**(385,000)**	—
Coupon interest of convertible bonds paid	**(43,597)**	—
Net cash from financing activities	**47,112**	1,701,666
Net decrease in cash and cash equivalents	**(824,117)**	(261,428)
Cash and cash equivalents at beginning of the period	**1,854,409**	920,655
Effect of exchange rate change for the period	**37,423**	8,205
Cash and cash equivalents at end of the period, represented by bank balances and cash	**1,067,715**	667,432

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

The Group had net current liabilities of RMB2,729,858,000 as at 30 June 2016, contracted for capital expenditure of RMB3,836,024,000 as set out in note 30. As at 30 June 2016, the available unconditional banking facilities amounted to RMB2,879,271,000 and the unutilized conditional facilities which was subject to approval on a project-by-project basis amounted to RMB37,414,646,000. The Directors are confident that the Group would be successful in obtaining approval in respect of the conditional facilities. Taking into account the above factors, the Directors are of the opinion that, together with the presently available banking facilities, and the internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the condensed consolidated financial statements. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2A. Principal Accounting Policies

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

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the above amendments to IFRSs in the current interim period has no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in the Group's annual financial statements for the year ended 31 December 2015 and note 2A above, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

(i) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Revenue recognition on tariff subsidy on sales of electricity

Tariff subsidy represents subsidy received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidy is recognized at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

In August 2013, the National Development and Reform Commission of the PRC released the New Tariff Notice (the "New Tariff Notice") to launch a new subsidizing policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralized solar power plants (which is known as the ground solar plants). In particular, according to the New Tariff Notice, (i) for the centralized solar plants, which will obtain on-grid approval and commence in generating electricity on or after 1 January 2014, the benchmark on-grid price will be set at RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh for the projects in energy zones I, II and III respectively which are categorized based on local solar energy resources and generating plant construction costs; and (ii) the new standards will apply to the power stations registered after 1 September 2013 and those registered before 1 September 2013 but which did not commence in generating electricity until after 1 January 2014.

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(a) Revenue recognition on tariff subsidy on sales of electricity (Continued)

According to the New Tariff Notice, for centralized solar power plants, which obtained on-grid approval and commence in generating electricity prior to 31 December 2013, the prevailing on- grid tariff of RMB1.0/KWh still applied.

Pursuant to New tariff Notice, a set of standardized procedures for the settlement of the tariff subsidy has come into force since 2013 and approvals for the registration in the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue") on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

In making their judgment, the directors, taking into account the legal opinion as advised by the Group's legal advisor, considered that all of the Group's solar power plants currently in operation had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivered on grid.

In the opinion of the directors of the Company, the recognition of accrued revenue on tariff subsidy is proper based on their judgement and taking into amount the opinion from the Group's legal advisor, that all of the Group's operating power plants had been qualified for, and had met, all the requirements and conditions as required according to the requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that all of the Group's operating power plants were able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debt experiences with the state grid companies in the past and the tariff subsidy is fully funded by the PRC government.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(b) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (as defined in note 19(iv))

As set out in note 19(iv), on 18 December 2015, the Group transferred the entire equity interest of Jiangsu Changshun (as defined in note 19(iv)) and the Nine Disposal Entities to Chongqing Future (as defined in note 19(iv)). However, pursuant to the sale and purchase agreement, the Group is required to obtain necessary permits related to the development of the solar power plants, consents and approvals from the relevant government authorities in respect of the solar power plant development projects held by the Nine Disposal Entities. In addition, if a fellow subsidiary of Chongqing Future fails to obtain the consent of the relevant government authorities in respect of the 2015 Proposed Disposal and/or raise relevant funds for Chongqing Future to pay outstanding consideration to the Group by 30 September 2016, Chongqing Future would have the option to choose not to pay the second instalment of the cash consideration in the amount of RMB499,600,000, the sale and purchase agreement could be cancelled by either the Group or Chongqing Future and the legal ownership in respect of the equity interests of Jiangsu Changshun and the Nine Disposal Entities will be returned to the Group and the Group's received first installment of RMB650,000,000 will be refunded to Chongqing Future plus interest carried at People's Bank of China ("PBOC") rate in accordance with the sale and purchase agreement.

In the opinion of the Directors, the directors considered that the eventual completion of the 2015 Proposed Disposal was subject to the fulfilment of certain conditions precedent prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015. In addition, the directors considered that the Group was able to exercise control over Jiangsu Changshun and the Nine Disposal Entities as at 31 December 2015 due to the Management Contract (as defined and detailed in note 19(iv) entered into between the Group and Chongqing Future, hence, the carrying amounts of net assets of Jiangsu Changqing and the Nine Disposal Entities were consolidated to the Group. However, since the Group has already transferred the legal ownership in respect of the entire equity interests of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future on 18 December 2015, in the opinion of the directors, the Group's entire interests in them should be accounted for as non-controlling interests since then and will be subject to re-assessment upon progress of the development of the above-mentioned proposed transactions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(b) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (as defined in note 19(iv)) (Continued)

As at 31 December 2015, the Group received cash consideration of RMB650,000,000 from Chongqing Future, which was accounted for as consideration received in advance and included in other payables, accordingly.

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 30 June 2016. Pursuant to the Termination Agreement, the Group shall return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement. The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities will be transferred back to the Group after the return of the entire amount of RMB650,000,000 together with the relevant interest by the Group to Chongqing Future, and the repayment of the borrowings of RMB500,000,000 together with the relevant interest due on 30 September 2016 by the Group to Chongqing Trust (as defined in note 19(iv)).

RMB385,000,000 including the related interest of RMB30,712,500 accrued as at the date of the said payment was returned on 27 June 2016, and the remaining RMB295,713,000 together with the related interest accrued as at the date of the said payment are expected to be returned within one year after the execution of the Termination Agreement. As at 30 June 2016, the legal ownership in respect of the entire equity interest of Jiangsu Changshun and the Nine Disposal Entities has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related profit for the period had also been transferred from the Group's accumulated losses to non-controlling interests as at 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months after the end of the reporting period.

(a) Provisional fair value of net assets on date of acquisition in respect of the acquisition of Lattice Power Group (as defined in note 28) and 2015 S.A.G. Interests (as defined in note 46 in 2015 annual report).

As set out in note 28 in this report and note 46 in 2015 annual report, the Group completed the acquisition of Lattice Power Group and 2015 S.A.G. Interests on 6 August 2015 and during the period from 28 February 2015 to 7 December 2015, respectively. However, since the initial accounting for these business combinations is incomplete by the end of the reporting period, the Group reports provisional amounts for the items for which the initial accounting for business combinations is incomplete.

Those provisional amounts adjusted during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the sum of the acquisition-date fair value of the assets transferred to the Group, liabilities assumed by the Group, the goodwill arising on acquisition recognized on the date of acquisition and the consideration for the acquisition of Lattice Power Group and 2015 S.A.G. Interests. The Group's acquisition of Lattice Power Group and 2015 S.A.G. Interests were accounted for on a provisional basis.

The provisional fair value of net assets acquired on the date of acquisition of Lattice Power Group and 2015 S.A.G. Interests was amounted to RMB649,222,000 and RMB112,978,000, the goodwill arising on the acquisition of Lattice Power Group and 2015 S.A.G. Interest was RMB412,171,000 and RMB1,739,000 and the consideration for the acquisition of Lattice Power Group and 2015 S.A.G. Interests was RMB687,357,000 and Euro16,059,000 (equivalent to RMB114,717,000), respectively. The provisional amounts of the 2015 S.A.G. Interests acquired by 30 June 2015 were not adjusted upon the expiry of the measurement period of 1 year as no measurement period adjustments were considered necessary for current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(b) Provision

Wuxi Suntech Power Co., Ltd ("Wuxi Suntech") and its subsidiaries (collectively referred to as the "Wuxi Suntech Group") provides warranty in terms of replacement and repairing service for defects in materials and workmanship for a period ranging from 5 to 25 years for the items sold to customers. The management of the Group has based on its best estimate of both future costs and the probability of incurring warranty claims, made the provision for warranty. When the future costs and the probability of incurring warranty claims are higher or lower than expected and where events or changes in circumstances indicate that the amount of warranty provision may not be adequate or may be excessive, such difference will impact the carrying values and warranty provision expenses in the years in which such estimate has been changed.

As at 30 June 2016, the carrying amount of warranty provision was RMB639,867,000 (31 December 2015: RMB628,684,000).

(c) Recognition of deferred tax assets

The Group recognized deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profit would be available against which the deductible temporary difference can be utilized.

In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be adjusted to the amount of goodwill during the measurement period or charged to profit or loss after the measurement period in which such a reversal takes place.

As at 30 June 2016, the Group has recognized deferred tax asset arising from unused tax losses and other deductible tempering differences in the amount of RMB296,335,000 (31 December 2015: RMB250,691,000) as set out in note 15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(d) Useful lives and residual values of property, plant and equipment and solar power plants

The directors of the Company determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment and solar power plants. These estimates are based on the historical experience of the actual residual values and useful lives of plant and equipment and solar power plant 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 (see below for details). As at 30 June 2016, the total carrying amount of the Group's property, plant and equipment and solar power plants is RMB18,320,020,000 (31 December 2015: RMB16,965,895,000).

(e) Impairment of property, plant and equipment and solar power plants

In assessing the impairment of property, plant and equipment and solar power plants, the Group is required to estimate the recoverable amount of the cash-generating units or the relevant assets. The recoverable amount, which is determined by the higher of the value-in-use calculation and 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 relevant 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. The directors of the Company were of the view that there was no impairment loss considered necessary to be made in respect of the Group's property, plant and equipment and solar power plants in both periods. As at 30 June 2016, the carrying amount of the property, plant and equipment is RMB3,462,415,000 (without impairment) (31 December 2015: RMB3,592,394,000 (without impairment), and the carrying amount of solar power plants is RMB14,857,605,000 (net of impairment of RMB16,839,000) (31 December 2015: RMB13,373,501,000 (net of impairment of RMB16,839,000)).

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(f) 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 and/or reversal of impaired receivables may arise. As at 30 June 2016, the carrying amount of trade and other receivables is RMB3,404,807,000 (net of allowance for doubtful debt of RMB131,578,000) (31 December 2015: RMB2,872,994,000 (net of allowance for doubtful debt of RMB145,873,000)).

(g) 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 30 June 2016, the carrying amount of the Group's inventories is approximately RMB521,055,000 (net of allowance for inventories of RMB73,889,000) (31 December 2015: carrying amount of RMB784,749,000 (net of allowance for inventories of RMB97,613,000)).

(h) 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(h) 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 paid 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 paid to EPC contractors.

As at 30 June 2016, the carrying amounts of prepayments to suppliers were RMB792,779,000 (net of allowance for doubtful debt of RMB6,106,000) (31 December 2015: RMB497,648,000 (net of allowance of doubtful debt of RMB6,106,000)) and the carrying amount of deposits paid for EPC of solar power plants included in other non-current assets were RMB826,911,000 (without allowance for doubtful debt) (31 December 2015: RMB836,382,000 (without allowance for doubtful debt)).

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit 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. As at 30 June 2016, the carrying amount of goodwill is RMB527,234,000 (without accumulated impairment loss) (31 December 2015: RMB523,142,000 (without accumulated impairment loss)), and the carrying amount of goodwill included in interest in a joint venture is RMB226,852,000 (without accumulated impairment loss) (31 December 2015: RMB226,852,000 (without accumulated impairment loss)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

2B. Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(j) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Chief Financial Officer ("CFO") of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the findings to the board of directors at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

3. 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, for the purposes of resource allocation and performance assessment. The internal reports submitted to the CODM has been analyzed based on different categories of business. Since the second half of year 2015, the Group commenced the business of manufacturing and sales of light-emitting diode ("LED") wafers and chips (collectively known as "LED Products") in the PRC and along with the acquisition of Lattice Power Group (as defined in note 28), and four (six moths ended 30 June 2015: three) reportable and operating segments were presented since then:

(1) Manufacturing and sales of solar cells, solar modules, photovoltaic ("PV") systems and related products (collectively known as "Solar Products");

(2) Solar power generation;

(3) Solar plant operation and services, representing the operation of an internet monitoring portal which enables the generation of yield reports, solar energy forecasts, system ratings, satellite-controlled historic and current solar irradiation data, solutions for network management as well as services covering all aspects of plant operation, plant monitoring and plant optimization, and in the long-term, the repowering, dismantling and recycling of plants ("Plant operation and service"); and

(4) Manufacturing and sales of LED Products.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

For the six-month period ended 30 June 2016

	Manufacture and sales of Solar Products RMB'000 (Unaudited)	Solar power generation RMB'000 (Unaudited)	Plant operation and services RMB'000 (Unaudited)	Manufacturing and sales of LED Products RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue							
External revenue	3,906,740	150,984	51,541	107,806	4,217,071	–	4,217,071
Tariff subsidy	–	390,695	–	–	390,695	–	390,695
	3,906,740	541,679	51,541	107,806	4,607,766	–	4,607,766
Inter-segment revenue	543,598	834	3,475	–	547,907	(547,907)	–
Segment revenue	4,450,338	542,513	55,016	107,806	5,155,673	(547,907)	4,607,766
Segment profit (loss)	436,247	150,294	(15,226)	(84,169)	487,146	–	487,146
Unallocated income							
— Bank interest income							32,544
Gain on change in fair value of derivative instrument arising from the acquisition of Suniva (note 23)							95,401
Unallocated expenses							
— Central administration cost							(70,652)
— Finance costs							(453,399)
— Other expenses							(4,505)
Share of losses of associates							(4,077)
Share of loss of a joint venture							(44,477)
Profit before tax							37,981

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 June 2015

	Manufacture and sales of Solar Products RMB'000 (Unaudited)	Solar power generation RMB'000 (Unaudited)	Plant operation and services RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue						
External revenue	3,018,447	144,143	48,112	3,210,702	—	3,210,702
Tariff subsidy	—	309,661	—	309,661	—	309,661
	3,018,447	453,804	48,112	3,520,363	—	3,520,363
Inter-segment revenue	787,305	—	6,807	794,112	(794,112)	—
Segment revenue	3,805,752	453,804	54,919	4,314,475	(794,112)	3,520,363
Segment profit	292,793	255,876	2,035	550,704	—	550,704
Unallocated income						
— Bank interest income						17,328
Unallocated expenses						
— Central administration cost						(69,369)
— Finance costs						(287,932)
— Other expenses						(36,763)
Share of losses of associates						(4,214)
Profit before tax						169,754

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of bank interest income, gain on change in fair value of derivative instrument arising from the acquisition of Suniva central administration cost, finance costs, other expenses and share of losses of associates and a joint venture. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six-month period ended 30 June 2016 (Continued)

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Segment assets		
Manufacture and sales of Solar Products	6,448,742	6,121,496
Solar power generation	19,044,531	17,372,086
Plant operation and services	260,475	270,842
Manufacturing and sales of LED Products	1,172,675	1,218,070
Total segment assets	26,926,423	24,982,494
Other unallocated assets (Note)	2,774,425	3,876,917
Consolidated assets	29,700,848	28,859,411
Segment liabilities		
Manufacture and sales of Solar Products	4,644,830	4,476,896
Solar power generation	12,359,349	12,319,878
Plant operation and services	245,728	210,572
Manufacturing and sales of LED Products	390,276	389,262
Total segment liabilities	17,640,183	17,396,608
Other unallocated liabilities (Note)	3,538,497	3,290,765
Consolidated liabilities	21,178,680	20,687,373

- All assets are allocated to operating segments other than bank balances and cash, restricted bank deposits, available-for-sale investments, interests in associates, interest in a joint venture and amounts due from associates; and

- All liabilities are allocated to operating segments other than obligations under finance leases, liability component of the Group's convertible bonds, derivative financial liabilities and bonds payable liable for centralized financing of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue analyzed by major products

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2016 and 2015:

	Six months ended	
	30/06/2016	30/06/2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of polysilicon materials	**—**	175,442
Sales of solar wafers	**39,695**	309,206
Sales of solar cells	**1,424,863**	741,734
Sales of solar modules	**2,391,450**	1,744,540
Sales of PV systems	**43,684**	41,191
Other solar products	**7,048**	6,334
	3,906,740	3,018,447
Sales of electricity	**150,984**	144,143
Tariff subsidy (note)	**390,695**	309,661
	541,679	453,804
Plant operation and services	**51,541**	48,112
Sales of LED products	**107,806**	—
	4,607,766	3,520,363

Note: The amount represents the tariff subsidy which were approximately 54% to 75% (six months ended 30 June 2015: 43% to 75%) of the total electricity sales. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

4. OTHER INCOME

	Six months ended	
	30/06/2016	30/06/2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**32,544**	17,328
Interest income arising from advances to third parties	**10,557**	—
Government grants (note)	**27,860**	9,769
Gain on sales of raw and other materials	**4,462**	10,941
Royalty income	**9,434**	37,736
Technical advisory income	**4,641**	33,362
Others	**9,389**	4,931
	98,887	114,067

Note: The government grants represent the amount received from the local government by the entities of the Group operating in the PRC. Government grants of approximately (a) RMB24,754,000 (six months ended 30 June 2015: RMB7,150,000) represents unconditional incentive received in relation to activities carried out by the Group with no further related costs and (b) RMB3,106,000 (six months ended 30 June 2015: RMB2,619,000) represents subsidy on acquisition of land use rights and machineries amortized to profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

5. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Six months ended	
	30/06/2016	30/06/2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other gains and losses		
Gain on change in fair value of derivative instrument arising from the acquisition of Suniva (note 23)	**95,401**	—
Reversal of doubtful debt for trade and other receivables previously recognized, net (note i)	**661**	389,717
Gain on release of financial guarantee contracts	**—**	5,980
Gain on disposal of solar power plants	**3,500**	—
(Loss) gain on disposal of property, plant and equipment	**(11,930)**	4,709
Net foreign exchange (loss) gain	**(5,330)**	6,162
Bargain purchase gain arising from acquisition of a subsidiary (note 29)	**—**	4,686
Loss on disposal of intangible assets	**—**	(154)
Others	**(63)**	1,454
	82,239	412,554
Other expenses		
Professional fee (note ii)	**—**	(5,863)
Legal claims on litigation	**(4,505)**	(30,900)
	(4,505)	(36,763)
	77,734	375,791

Notes:

i. On the date of acquisition of Wuxi Suntech Group, the receivables due from certain independent third parties amounting to RMB704,368,000 were regarded as unrecoverable and fully written off at initial recognition. Nevertheless, the management and lawyers of the Group have made relentless efforts to collect the above impaired bad debts subsequent to the acquisition. During the six months ended 30 June 2015, RMB430,000,000 in respect of these impaired bad debts were collected in the form of cash, resulting in the reversal of doubtful debt as a gain in profit or loss in this period, accordingly.

ii. The amount solely represented the professional fee which was the acquisition – related cost in respect of the Group's acquisition of certain subsidiaries and associates for the six months ended 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

6. FINANCE COSTS

	Six months ended	
	30/06/2016	30/06/2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**360,384**	201,688
Finance charges on factoring of bills receivable	**2,899**	20,216
Interest on finance leases	**7,901**	8,979
Effective interest on convertible bonds	**198,334**	226,754
Effective interest on bonds payable	**23,627**	—
Interest on consideration received in advance in respect of the termination of the 2015 Proposed Disposal (note 19(iv))	**30,934**	—
Total borrowing costs	**624,079**	457,637
Less: Amounts capitalized	**(170,680)**	(169,705)
	453,399	287,932

Borrowing costs capitalized during the current period arose on the general borrowing pool and are calculated by applying a capitalization rate of 8.10% (six months ended 30 June 2015: 8.22%) per annum to expenditure on qualifying assets.

7. PROFIT BEFORE TAX

	Six months ended	
	30/06/2016	30/06/2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Cost of inventories recognized as expense	**3,301,106**	2,909,646
Warranty provided (included in cost of sales)	**26,848**	18,570
Depreciation of property, plant and equipment	**222,145**	212,852
Depreciation of completed solar power plants	**288,919**	130,553
Release of prepaid lease payment	**8,053**	1,793
Amortization of intangible assets	**10,718**	8,962
Staff costs	**359,737**	299,781
Including: recognition of share-based payment expense	**29,392**	—
Write-down of inventories	**—**	2,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. INCOME TAX CREDIT

	Six months ended	
	30/06/2016	30/06/2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**28,057**	8,869
Other jurisdictions	**411**	442
Overprovision in prior period:		
PRC Enterprise Income Tax	**(1,746)**	(3,610)
	26,722	5,701
Deferred tax credit	**(43,191)**	(8,409)
	(16,469)	(2,708)

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

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. Certain subsidiaries of the Company which was engaged in the public infrastructure project had their first year with operating incomes in 2014.

Jiangsu Shunfeng renewed "High Technology Enterprise" status for 3 years that entitles Jiangsu Shunfeng a preferential tax rate of 15% for a period of three years starting from 2014 to 2016 according to PRC Tax law.

Certain subsidiaries of the Wuxi Suntech Group renewed "High Technology Enterprise" status for 3 years that entitles them a preferential tax rate of 15% starting from 2014 to 2016 according to PRC Tax Law. For those subsidiaries of the Company located in Japan, the corporate tax rate is 30%.

Certain subsidiaries of the S.A.G. Interests (as defined in note 46 in 2015 annual report) were located in Switzerland, Austria, Germany, Spain and Czech Republic, of which corporate tax rate is approximately 23%, 25%, 30%, 30% and 20%, respectively.

Certain subsidiaries of the Lattice Power Group (as defined in note 28) renewed "High Technology Enterprise" status for 3 years that entities them a preferential tax rate of 15% from year 2014 to 2016 according to PRC Tax Law.

The Group entities would renew the "High Technology Enterprise" status upon their expiry in 2016 and such status was not yet expired as at 30 June 2016.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

9. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2016 and 2015. The directors have determined that no dividend will be paid in respect of the current interim period.

10. EARNINGS PER SHARE

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

	Six months ended	
	30/06/2016	30/06/2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	**94,554**	173,264
Effect of dilutive potential ordinary shares: Interest on convertible bonds	**9,801**	57,880
Earnings for the purposes of diluted earnings per share	**104,355**	231,144
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,172,632,613**	2,969,036,742
Effect of dilutive potential ordinary shares: — convertible bonds	**1,941,544,299**	4,280,423,302
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,114,176,912**	7,249,460,044

The computation of diluted earnings per share for both periods does not assume the conversion of certain convertible bonds because the conversion of such convertible bonds would be anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group had additions to property, plant and equipment (including capital expenditure for construction in progress) of approximately RMB119,661,000 (six months ended 30 June 2015: RMB51,710,000).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB30,390,000 (six months ended 30 June 2015: RMB4,709,000) for a total sum of cash consideration of RMB20,011,000 (six months ended 30 June 2015: nil), resulting in loss on disposal of RMB11,930,000 (six months ended 30 June 2015: gain on disposal of RMB4,709,000).

12. MOVEMENTS IN SOLAR POWER PLANTS

During the six months ended 30 June 2016, apart from the solar power plants with carrying amounts of RMB42,901,000 acquired through acquisition of other subsidiaries as set out in note 29 (six months ended 30 June 2015: RMB248,189,000, including RMB101,617,000 through acquisition of S.A.G. Interest and RMB146,572,000 through acquisition of other subsidiaries), the Group had additions to solar power plant under construction of RMB1,762,274,000 (six months ended 30 June 2015: RMB2,124,552,000). During the current interim period, there were solar power plants with the carrying amounts of RMB2,106,882,000 (six months ended 30 June 2015: RMB2,244,750,000) transferred from solar power plants under construction to completed solar power plants, including five (six months ended 30 June 2015: seven) solar power plants completed the trial operation and were successfully connected to grids and generate electricity. As at 30 June 2016, completed solar power plants and solar power plants under construction amounted to RMB10,861,912,000 (31 December 2015: RMB9,008,516,000) and RMB3,995,693,000 (31 December 2015: RMB4,364,985,000), respectively.

In addition, during the current interim period, the Group disposed of two solar power plants located in Japan with an aggregate carrying amount of Japanese Yen ("JPY")533,953,000 (equivalent to RMB31,289,000) for cash consideration of JPY593,124,000 (equivalent to RMB34,789,000), resulting in gain on disposal of JPY59,171,000 (equivalent to RMB3,500,000). Part of the consideration amounting to JPY380,624,000 (equivalent to RMB21,083,000) have been received by the Group during the current interim period, while the remaining amount of JPY212,500,000 (equivalent to RMB13,706,000) was recorded as "trade and other receivables", which was expected to be settled within twelve months after the end of the reporting period. There was no disposal of solar power plant for the six months ended 30 June 2015.

The completed solar power plants are depreciated on a straight line basis over 20 years, since the date of completion in construction.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

13. INTERESTS IN ASSOCIATES

For the six-month period ended 30 June 2016

There was no acquisition nor disposal of equity interest in associates for the six-month period ended 30 June 2016.

14. INTEREST IN A JOINT VENTURE

On 12 August 2015, the Company and its subsidiaries, Success Win Global Investments Limited and Sunflower Merger Sub, Inc. ("Merger") entered into an agreement with Suniva Inc. ("Suniva"), an independent third party. Suniva is the leading American manufacturer of high-efficiency, cost-competitive photovoltaics solar cells and modules.

Pursuant to the agreement, the parties conditionally agreed that Merger will merge with Suniva, and Suniva will be the surviving entity. The Group will be interested in 63.13% of the entire issued share capital of Suniva upon completion of the merge and acquisition ("Completion").

The consideration is to be settled as follows:

(a) the Company shall make the cash contribution of US$12,000,000 upon completion of the acquisition ("Cash Contribution);

(b) for the remaining portion of the consideration, the Company shall allot and issue 70,928,000 new shares to the existing shareholders and management of Suniva (or their nominees) ("Fixed Consideration Shares"); and

(c) if the 60-day weighted-average closing price per share of the Company as quoted on the Hong Kong Stock Exchange calculated beginning on the date of Completion (excluding any day on which trading of the shares of the Company on the Hong Kong Stock Exchange is suspended) ("Average Price") is less than HK$5.00 per Share, then the total number of consideration shares shall be increased to the product of (i) 70,928,000 multiplied by (ii) a fraction, the numerator of which is HK$5.00 and the denominator of which is the Average Price, subject to a minimum price of HK$2.88 ("Adjustment Mechanism") (together with the Fixed Consideration Shares collectively referred to as the "Total Consideration Shares").

Cash Contribution of US$11,000,000 (equivalent to RMB67,512,000) was injected to Suniva as at 31 December 2015 and the remaining balance of US$1,000,000 (equivalent to RMB6,495,000) was included in consideration payable as at 31 December 2015 in note 19, which was settled and paid by the Group in the current interim period. The Total Consideration Shares were accounted for as contingent consideration containing derivative financial liabilities in note 23 which was measured on acquisition date and remeasured subsequently at the end of each reporting period with change in fair value recognized in profit or loss. The issue of Total Consideration Shares has been completed on 11 March 2016. Details of the issue of Total Consideration Shares are set out in note 23 and 26.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

15. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Deferred tax assets	**296,335**	250,691
Deferred tax liabilities	**(82,805)**	(78,911)
	213,530	171,780

The following are the major deferred tax assets and liabilities recognized and movements thereon during the current and preceding interim periods:

	Write-down of inventories RMB'000	Allowance for receivables RMB'000	Deferred Income RMB'000	Valuation of long-term assets and available-for-sale investments RMB'000	Provision for warranty costs RMB'000	Tax losses RMB'000	Impairment and accelerated depreciation relating to property, plant and equipment RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2015 (audited)	7,649	949	6,295	(44,212)	39,344	76,231	73,801	1,649	161,706
Exchange adjustments	(7)	—	(1)	1,762	(36)	—	(57)	(103)	1,558
Acquired on acquisition of 2015 S.A.G. Interest	—	—	—	(1,771)	—	—	—	—	(1,771)
Acquired on acquisition of other subsidiaries	—	—	—	(5,072)	—	—	—	74	(4,998)
Credit (debit) to profit or loss	21	—	3,411	(153)	1,072	—	(954)	5,012	8,409
At 30 June 2015 (unaudited)	7,663	949	9,705	(49,446)	40,380	76,231	72,790	6,632	164,904
Exchange adjustments	7	—	1	(3,757)	36	2	57	103	(3,551)
Acquired on acquisition of Lattice Power Group	3,474	8,276	2,707	(25,038)	—	10,254	9,631	984	10,288
Disposal of subsidiaries	—	—	—	1,618	—	—	—	—	1,618
Effect of change in tax rate	—	—	(2,222)	—	—	—	—	—	(2,222)
Credit (debit) to profit or loss	2,648	705	2,667	(963)	2,570	(28,546)	(3,937)	25,599	743
At 31 December 2015 (audited)	13,792	9,930	12,858	(77,586)	42,986	57,941	78,541	33,318	171,780
Exchange adjustments	**—**	**—**	**—**	**(1,441)**	**—**	**—**	**—**	**—**	**(1,441)**
(Debit) credit to profit or loss	**(5,514)**	**(731)**	**(1,061)**	**367**	**1,152**	**59,052**	**(5,152)**	**(4,922)**	**43,191**
At 30 June 2016 (unaudited)	**8,278**	**9,199**	**11,797**	**(78,660)**	**44,138**	**116,993**	**73,389**	**28,396**	**213,530**

Note: The amount included mainly the deferred tax assets recognized for the future deductible temporary difference arising from accrued expenses and finance leases.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

15. DEFERRED TAX (Continued)

At the end of the reporting period, the Group has unused tax losses of RMB4,245,656,000 (31 December 2015: RMB3,941,540,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB779,954,000 (31 December 2015: RMB386,274,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB3,465,702,000 (31 December 2015: RMB3,555,266,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB35,649,000, RMB74,211,000, RMB1,769,780,000, RMB1,024,453,000 and RMB561,609,000 (31 December 2015: RMB22,924,000, RMB65,772,000, RMB272,337,000, RMB2,169,780,000 and RMB1,024,453,000) which will expire in each calendar year from 2016 to 2021 (31 December: 2016 to 2020), respectively.

At the end of the current interim period, the Group has deductible temporary differences of RMB233,210,000 (31 December 2015: RMB231,402,000) not recognized as deferred tax assets as it is not probable these taxable profit will be available against which the deductible temporary differences can be utilized.

16. TRADE AND OTHER RECEIVABLES

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Trade receivables	**1,335,452**	1,079,689
Less: Allowance for doubtful debts	**(75,964)**	(81,354)
	1,259,488	998,335
Accrued revenue on tariff subsidy	**1,476,829**	1,057,961
Total trade receivables and accrued revenue on tariff subsidy	**2,736,317**	2,056,296
Bills receivable	**269,531**	314,806
	3,005,848	2,371,102
Other receivables		
Prepaid expenses	**41,372**	50,068
Receivables from EPC of power plants	**—**	71,706
Retention receivables	**16,485**	58,205
Purchase Price Adjustment Receivables (as defined in note 29)	**1,334**	1,288
Amounts due from independent third parties (note i)	**263,346**	256,907
Interest receivable	**10,557**	—
Consideration receivable for disposal of a solar power plant (note 12)	**13,706**	—
Others (note ii)	**52,159**	63,718
	398,959	501,892
	3,404,807	2,872,994

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

16. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) The amount was non-trade in nature. Except for the amount of RMB250,812,079 (31 December 2015: RMB225,476,400) as at 30 June 2016 which are unsecured, carried interest ranging from 5.5%-10% (31 December 2015: 5.5%-12%) per annum, all other balances were unsecured, interest free and repayable on demand. The management of the Group expects these balances would be received within twelve months after the end of the reporting period.

(ii) The amount represents other tax recoverable, custom deposits and advances to staff for operational purpose.

The following is an aged analysis of trade receivables and accrued revenue of tariff subsidy net of allowance for doubtful debts presented based on the goods delivery and electricity transmitted dates, which approximated the respective revenue recognition date:

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
0 to 30 days	**737,286**	560,911
31 to 60 days	**239,418**	111,754
61 to 90 days	**209,530**	93,128
91 to 180 days	**478,019**	292,054
Over 180 days	**1,072,064**	998,449
	2,736,317	2,056,296

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days to certain trade customers on a case by case basis.

The Group's trade receivables and accrued revenue on tariff subsidy from the sales of electricity are mainly receivables from the state grid companies. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidy, representing 54% to 75% in 2016 (31 December 2015: 54% to 75%) of total electricity sales, which is subject to settlement by state grid companies upon finalization of the allocation of funds by relevant government authorities to the state grid companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

16. TRADE AND OTHER RECEIVABLES (Continued)

Pursuant to New Tariff Notice, a set of standardized procedures for the settlement of the tariff subsidy has come into force since 2013 and approvals for the registration in the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue") on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

The directors of the Company are of the opinion that the recognition of accrued revenue on tariff subsidy is proper based on their judgement and taking into account the opinion from the Group's legal advisor, that all of the Group's operating power plants had been qualified for, and had met, all the requirements and conditions as required according to the relevant government rule and regulation for the registration in the Catalogue. The directors of the Company are confident that all of the Group's operating power plants were able to be registered in the Catalogue in due course. The directors of the Company considered that the accrued revenue on tariff subsidy are fully recoverable, after considering that there are no bad debt experiences with the state grid companies in the past and the tariff subsidy is fully funded by the PRC government.

The following is an aged analysis of trade receivables (which with a defined credit policy), net of allowance for doubtful debts, presented based on goods delivery and electricity transmitted dates, which approximated the respective revenue recognition date.

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
0 to 30 days	**631,352**	535,163
31 to 60 days	**140,643**	68,088
61 to 90 days	**108,521**	48,980
91 to 180 days	**153,060**	94,825
Over 180 days	**225,912**	251,279
	1,259,488	998,335

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

16. 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:

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
0 to 30 days	**8,279**	10,669
31 to 60 days	**3,508**	8,081
61 to 90 days	**5,751**	75,265
91 to 180 days	**251,932**	217,731
Over 180 days	**61**	3,060
	269,531	314,806

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.

17. PREPAYMENTS TO SUPPLIERS

From time to time, the Group makes prepayments to suppliers for purchase of raw materials. The management of the Group expects the amount of prepayments would be utilized within the next twelve months after the end of the reporting period.

18. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

Pledged bank deposits and restricted bank deposits of the Group represent deposits placed in banks for arranging banking facilities granted to the Group. All these deposits are to secure short term bank loans and for the purpose of obtaining short term banking facilities of the Group, accordingly, the balances are classified as current asset.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

19. TRADE AND OTHER PAYABLES

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Trade payables	**908,132**	998,234
Bills payable	**594,727**	643,334
Payables for acquisition of property, plant and equipment	**139,883**	119,637
Payables for EPC of solar power plants (note i)	**3,433,659**	3,132,820
Other tax payables	**15,926**	21,414
Consideration payable for acquisition of other subsidiaries (note ii)	**68,122**	68,122
Consideration payable for acquisition of a joint venture	**—**	6,495
Amounts due to independent third parties (note iii)	**97,145**	132,810
Tendering deposits received	**5,225**	47,240
Accrued expenses	**419,705**	302,783
Accrued payroll and welfare	**76,101**	90,823
Consideration received in advance (note iv)	**295,713**	650,000
Others	**33,114**	39,744
	6,087,452	6,253,456

Notes:

(i) 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.

(ii) The settlement of consideration payable for the acquisition of other subsidiaries was expected to be settled within twelve months after the end of the reporting period.

(iii) The amount is non-trade in nature and is unsecured, interest-free and repayable on demand.

(iv) On 16 December 2015, the wholly-owned subsidiaries of the Company, including Jiangxi Shunfeng Photovoltaic Investment Co. Ltd. ("Jiangxi Shunfeng"), Shanghai Shunneng Investment Co., Ltd. ("Shanghai Shunneng") Jiangsu Changshun Xinhe New Energy Co., Ltd. ("Jiangsu Changshun") and Chongqing Future Investment Co., Ltd. ("Chongqing Future"), an independent third party, entered into a sale and purchase agreement, pursuant to which the Group agreed to dispose of its entire equity interest in Jiangsu Changshun and nine subsidiaries (the "Nine Disposal Entities"), which were engaged in the construction, development and operation of different photovoltaic projects and power plants in different provinces in the PRC, to Chongqing Future for a total cash consideration of RMB1,199,600,000 to be settled in three instalments and subject to certain conditions precedent and price adjustment mechanism (the "2015 Proposed Disposal").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

19. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

Pursuant to the relevant sale and purchase agreement, upon occurrence of certain events, subject to the Group's compliance with all applicable rules and regulations, Jiangxi Shunfeng and Shanghai Shunneng undertook to Chongqing Future that it shall have the rights to request the Jiangxi Shunfeng and/or Shanghai Shunneng to repurchase the equity interests of the Nine Disposal Entities ("Repurchase Undertakings").

In addition, Jiangxi Shunfeng and Shanghai Shunneng also undertook to Chongqing Future that the Nine Disposal Entities shall reach the specified profit targets for the period from 2016 to 2019 ("Profit Guarantee"), or Jiangxi Shunfeng and Shanghai Shunneng shall pay the shortfall and if the Nine Disposal Entities are unable to attain 80% of the net profit targets for any year within the Profit Guarantee Period, Chongqing Future shall have the right to request the Group to repurchase the entire equity interest of one of the Nine Disposal Entities for one photovoltaic project.

Further details of the Repurchase Undertaking and Profit Guarantee were set out in the Company's announcement published on 17 December 2015.

Pursuant to the relevant sale and purchase agreement, the Group was required to restructure its entire equity interests of the Nine Disposal Entities to Jiangsu Changshun and the Group would then transfer its entire equity interests of Jiangsu Changshun to Chongqing Future. On 18 December 2015, the restructuring of the Nine Disposal Entities to Jiangsu Changshun was completed, and Jiangsu Changshun then became the legal holding company of the Nine Disposal Entities. On the same date, the Group transferred its entire equity interest of Jiangsu Changshu to Chongqing Future.

As part of the transaction, the Group also entered into a management contract with Chongqing Future ("Management Contract"), pursuant to which the management team of the Nine Disposal Entities, which continued to be appointed by the Group for a period of four years till the end of the Profit Guarantee Period, is responsible for the management and operation of the nine solar power plant projects held by the Nine Disposal Entities, (including all the decisions of their relevant activities), and the Group in return would receive a fixed amount of management fee and entitled to certain variable amount of return, determined based on the performance of the Nine Disposal Entities. In the opinion of the directors, the Group is still able to control the Nine Disposal Entities. In addition, the 2015 Proposed Disposal was also subject to the fulfilment of certain conditions precedent (including to obtain necessary permits related to the development of the solar power plants, consents and approvals from the relevant government authorities) prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015.

Therefore, taking into account the Group still retain the power to control Jiangsu Changshun and the Nine Disposal Entities via the Management Contract, the carrying value of the net assets of Jiangsu Changshun and the Nine Disposal Entities were still consolidated by the Group. However, since the Group has already transferred the legal ownership in respect of the entire equity interests of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future on 18 December 2015, in the opinion of the directors, the Group's entire interests in them should be accounted for as non-controlling interests since then.

As at 31 December 2015, the Group received the first instalment of RMB650,000,000 and was accounted as consideration received in advance, accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

19. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 30 June 2016. Pursuant to the Termination Agreement, the Group shall return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement. The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities will be transferred back to the Group after the repayment of

(i) the entire amount of the consideration received in advance of RMB650,000,000 together with the relevant interest calculated at 9% per annum by the Group to Chongqing Future; and

(ii) the outstanding balance of the borrowings of RMB500,000,000 as at 30 June 2016, together with the relevant interest calculated at 11% per annum due on 30 September 2016 by the Group to Chongqing International Trust Inc. (重慶國際信託股份有限公司) ("Chongqing Trust"), a fellow subsidiary of Chongqing Future.

As at 30 June 2016, in respect of the balance of borrowings of RMB500,000,000 (31 December 2015: RMB500,000,000) obtained from Chongqing Trust, the Company, certain of its subsidiaries and a substantial shareholder of the Company have provided joint guarantee in favour of Chongqing Trust and the Group's equity interests in certain subsidiaries have also been pledged to Chongqing Trust as to secure these borrowings.

RMB385,000,000 including the accumulated interest of RMB30,712,500 accrued as at the date of the said payment was returned on 27 June 2016, and the remaining RMB295,713,000 together with the accumulated interest accrued as at the date of the said payment are expected to be returned within one year after the execution of the Termination Agreement. As at 30 June 2016, the legal ownership in respect of the entire equity interest of Jiangsu Changshu has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related profit for the period amounting to RMB6,569,000 had been transferred from accumulated losses to non-controlling interests as at 30 June 2016.

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

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Age		
0 to 30 days	**366,710**	260,398
31 to 60 days	**93,092**	169,998
61 to 90 days	**68,198**	89,684
91 to 180 days	**50,269**	120,820
Over 180 days	**329,863**	357,334
	908,132	998,234

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

19. TRADE AND OTHER PAYABLES (Continued)

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

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Age		
0 to 30 days	140,871	100,282
31 to 60 days	114,091	160,309
61 to 90 days	176,674	31,657
91 to 180 days	163,091	351,086
	594,727	643,334

20. OBLIGATIONS UNDER FINANCE LEASES

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Current liabilities	36,850	48,123
Non-current liabilities	116,407	132,638
	153,257	180,761

It is the Group's policy to lease certain of its buildings and machineries under finance leases. As at 30 June 2016, the original lease terms ranged from 4 to 12 years (31 December 2015: ranging from 4 to 12 years) and the corresponding interest rate is 4.62% to 10.06% (31 December 2015: 4.62% to 10.06%) per annum.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

21. PROVISIONS

	Provision on legal claims (note)	**Warranty**	**Financial guarantee contract**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (audited)	—	612,487	118,976	731,463
Provision for the period	30,900	18,570	—	49,470
Release for the period	—	—	(5,980)	(5,980)
Utilization of provision	—	(11,424)	—	(11,424)
Exchange adjustments	—	(240)	—	(240)
At 30 June 2015 (unaudited)	30,900	619,393	112,996	763,289
Arising on acquisition of Lattice Power	9,586	—	—	9,586
Provision for the period	12,183	22,309	—	34,492
Release for the period	—	—	(33,591)	(33,591)
Utilization of provision	—	(13,258)	—	(13,258)
Exchange adjustments	—	240	—	240
At 31 December 2015 (audited)	52,669	628,684	79,405	760,758
Provision for the period	4,505	26,848	—	31,353
Utilisation of provision	—	(20,392)	—	(20,392)
Exchange adjustments	—	4,727	—	4,727
At 30 June 2016 (unaudited)	57,174	639,867	79,405	776,446

Note: On 1 September 2014, an independent third party, lodged a litigation against Wuxi Suntech. On 20 July 2015, court order for the first instance was made by the Jiangsu High People's Court that Wuxi Suntech is obliged to return the vendor payment of RMB206,000,000 and estimated penalty interest and termination fee totalling RMB43,084,000. The vendor payment of RMB206,000,000 was included in other payables as at 31 December 2015. During the six months ended 30 June 2016, pursuant to the court order, additional provision on legal claims of RMB4,505,000 was made in respect of the penalties and interests on the principal amount. The Group was currently in the process of making a final appeal.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

22. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB1,311,904,000 (six months ended 30 June 2015: RMB1,674,209,000) which carried interest ranging from 3.38% to 11% (2015: 2% to 11%) per annum, and made repayments in bank loans amounting to RMB1,485,522,000 (six months ended 30 June 2015: RMB686,310,000). RMB3,261,593,000 of the total borrowings will be repayable in first half of 2017, while the remaining balances of RMB6,825,539,000 will be repayable after twelve months of the reporting period till year 2025.

During the current interim period, the Group obtained other borrowing from independent third parties amounting to RMB1,238,752,000 (six months ended 30 June 2015: RMB703,002,000), which carried effective interest ranging from 3.5% to 11.8% (2015: 7% to 9.2%) per annum and repayable within one year. The Group made repayments in other borrowings amounting to RMB623,626,000 (six months ended 30 June 2015: RMB175,378,000) during the period.

The proceeds from the above borrowings were used to finance the acquisition of property, plant and equipment, capital expenditure on solar power plants and to fund working capital for general operation.

23. DERIVATIVE FINANCIAL LIABILITIES

	30/06/2016 **RMB'000** **(Unaudited)**	31/12/2015 RMB'000 (Audited)
Derivative instrument arising from the acquisition of Suniva	**—**	251,877
Warrants liabilities	**262,662**	262,662
	262,662	514,539

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

23. DERIVATIVE FINANCIAL LIABILITIES (Continued)

Derivative instrument arising from the acquisition of Suniva

The derivative instrument arising from the acquisition of Suniva represents the Total Consideration Shares to be issued arising from the Adjustment Mechanism as set out in note 14.

The fair values of the derivative instrument arising from the acquisition of Suniva were calculated using the Monte Carlo Simulation model. The inputs into the model on 31 December 2015 were as follows:

Valuation date	**31 December 2015**
Maturity Date	11 January 2016
Number of Fixed Consideration shares	70,928,000
Spot Price (HK$/share)	1.97
Trigger Price (HK$/share)	5.00
Floor Price (HK$/share)	2.88
Risk Free Rate	0.04%
Dividend Yield	0.00%
Volatility	67.55%

Expected volatility is estimated as the historical volatility of the comparable companies derived by the daily stock prices for a period with length commensurate to 6 month as of the valuation date.

On 11 March 2016, a total number of 123,138,889 new ordinary shares of the Company were allotted and issued by the Company in respect of the Total Consideration Shares. The fair value of the ordinary shares of the Company, determined using the market price as published by the Hong Kong Stock Exchange on 11 March 2016, amounted to HK$1.52 (equivalent to RMB1.27) each, totalling HK$187,171,000 (equivalent to RMB156,475,000). Upon the issue of total consideration shares on 11 March 2016, gain on changes in fair value of RMB95,401,000 during current interim period were recognized in “other gains and losses” while the corresponding share capital and share premium was credited by RMB1,030,000 and RMB155,446,000, totalling RMB156,476,000 accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

23. DERIVATIVE FINANCIAL LIABILITIES (Continued)

Warrants liabilities

In connection with the acquisition of Lattice Power Group by the Group as set out in note 28, the Company and certain existing shareholders of Lattice Power Corporation entered into a warrants subscription agreement pursuant to which Lattice Power Group agreed to issue, and the Company and certain existing shareholders of Lattice Power Corporation agreed to subscribe for the Series E Warrants convertible into 84,149,220 and 21,980,142 shares of Lattice Power Corporation at a nominal consideration of US$0.001 per share respectively, exercisable at the discretion of the Company and certain existing shareholders of Lattice Power Corporation.

The exercise price for the Series E Warrants shall be HK$41.56 (equivalent to RMB32.80) per share, subject to adjustment in the event of changes in the number of shares of Lattice Power Corporation by reason of share dividends, splits, recapitalisations, reclassifications, combinations or exchanges of shares, separations, reorganisations or liquidations. The Series E Warrants shall be exercisable, in whole or in part, during the term from 6 August 2015 to 5 August 2025 and was therefore classified as current liabilities, accordingly.

Series E Warrants are financial liabilities classified and designated as at fair value through profit or loss ("FVTPL") on initial recognition. The fair values of the Series E Warrants were calculated using the Binomial model. The inputs into the model on 30 June 2016 and 31 December 2015 were as follows:

Valuation date	**30 June 2016** (unaudited)	**31 December 2015** (audited)
Applicable share value (RMB)	30.92	30.92
Exercise price (RMB)	35.52	32.80
Expected volatility	55.35%	53.86%
Expected life	9.1 years	9.6 years
Risk-free rate	2.83%	2.82%
Expected dividend yield	0.00%	0.00%

The applicable share value was estimated based on the acquisition share price of Lattice Power Corporation.

Expected volatility was determined by using the average annualized historical stock price volatilities of comparable companies as of the valuation date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

24. CONVERTIBLE BONDS

(a) First CB (as defined below)

On 28 February 2013, the Company issued zero-coupon convertible bonds at par to Peace Link Services Limited ("Peace Link"), with principal amount of HK$449,400,000 (equivalent to RMB363,717,000) ("First CB"). The First CB was designated as FVTPL upon initial recognition on 28 February 2013, which was subsequently measured at fair value with changes in fair value recognized in profit or loss till the date of modification of terms on 19 September 2013. Please refer to the annual report of year 2015 for details.

The movements of the components of First CB during current period 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 2015 (audited)	60,266	1,725,830	1,786,096
Effective interest expense charged for the period	5,214	—	5,214
Converted during the period	(7,517)	(207,477)	(214,994)
At 30 June 2015 (unaudited)	57,963	1,518,353	1,576,316
Effective interest expense charged for the period	5,141	—	5,141
Converted during the period	(6,488)	(166,925)	(173,413)
At 31 December 2015 (audited)	56,616	1,351,428	1,408,044
Effective interest expense charged for the period	5,588	—	5,588
At 30 June 2016 (unaudited)	62,204	1,351,428	1,413,632

As at 30 June 2016, RMB17,833,000 (31 December 2015: RMB17,833,000) 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 on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

24. CONVERTIBLE BONDS (Continued)

(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"). Please refer to the annual report of year 2015 for details.

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

	Liability component at amortised cost	**Convertible bonds equity reserve**	**Total**
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2015 (audited)	634,874	235,295	870,169
Effective interest expense charged for the period	52,700	—	52,700
Coupon interest incurred (note)	(110,066)	—	(110,066)
At 30 June 2015 (unaudited)	577,508	235,295	812,803
Effective interest expense charged for the period	37,321	—	37,321
Converted during the period	(232,331)	(91,539)	(323,870)
At 31 December 2015 (audited)	382,498	143,756	526,254
Effective interest expense charged for the period	31,289	—	31,289
Converted during the period	(72,176)	(25,287)	(97,463)
Coupon interest paid during the period	(29,811)	—	(29,811)
At 30 June 2016 (unaudited)	311,800	118,469	430,269

Note: As at 30 June 2015, RMB50,987,000 out of total coupon interest has been paid, while the remaining amount of RMB59,079,000 was due to Peace Link and was included in amount due to a shareholder as at 30 June 2015, which was subsequently paid in July 2015.

As at 30 June 2016, RMB147,699,000 (31 December 2015: RMB147,699,000) 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 on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

24. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below)

On 16 April 2014, the Company issued convertible bonds at par to Peace Link and other independent third parties with aggregate principal amount of HK$3,580,000,000 (equivalent to RMB2,841,270,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26) ("Third CB"). Please refer to the annual report of 2015 for details.

The movements of the components of the Third CB during current period 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 2015 (audited)	282,734	904,971	1,187,705
Effective interest expense charged for the period	28,431	—	28,431
At 30 June 2015 (unaudited)	311,165	904,971	1,216,136
Effective interest expense charged for the period	31,833	—	31,833
At 31 December 2015 (audited)	342,998	904,971	1,247,969
Effective interest expense charged for the period	34,691	—	34,691
At 30 June 2016 (unaudited)	377,689	904,971	1,282,660

24. CONVERTIBLE BONDS (Continued)

(d) Fourth CB (as defined below)

On 16 June 2014, the Company issued convertible bonds at par to independent third parties with aggregate principal amount of HK$2,137,230,000 (equivalent to RMB1,696,214,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26) ("Fourth CB"). Please refer to the annual report of 2015 for details.

The movements of the components of the Fourth CB during current period 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 2015 (audited)	735,308	649,777	1,385,085
Effective interest expense charged for the period	48,965	—	48,965
Converted during the period	(373,820)	(319,855)	(693,675)
Coupon interest paid during the period	(13,786)	—	(13,786)
At 30 June 2015 (unaudited)	396,667	329,922	726,589
Effective interest expense charged for the period	40,106	—	40,106
Coupon interest paid during the period	(13,785)	—	(13,785)
At 31 December 2015 (audited)	422,988	329,922	752,910
Effective interest expense charged for the period	42,293	—	42,293
Coupon interest paid during the period	(13,786)	—	(13,786)
At 30 June 2016 (unaudited)	451,495	329,922	781,417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

24. CONVERTIBLE BONDS (Continued)

(e) Fifth CB (as defined below)

On 28 November 2014, the Company issued convertible bonds at par to certain independent third parties with principal amounts of HK$1,386,000,000 (equivalent to RMB1,100,000,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26) and on 27 January 2015, the Company issued second tranche of this convertible bonds, apart from the maturity date, with the same terms to Peace Link with principal amount of HK$350,000,000 (equivalent to RMB277,777,778 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26) (collectively referred to "Fifth CB"). The effective interest rate of the liability component of first tranche of the Fifth CB was 20.83%, while that of second tranche was 25.12%. Their respective maturity date was 28 November 2017 and 26 January 2018. Please refer to the annual report of 2015 for details.

The movements of components of the Fifth CB during the current period 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 2015 (audited)	750,730	345,292	1,096,022
Issued during the period	170,442	107,336	277,778
Issue cost	(2,572)	(1,595)	(4,167)
Effective interest expense charged for the period	91,444	—	91,444
At 30 June 2015 (unaudited)	1,010,044	451,033	1,461,077
Effective interest expense charged for the period	101,412	—	101,412
Converted during the year	(205,261)	(105,741)	(311,002)
Coupon interest paid during the period	(55,000)	—	(55,000)
At 31 December 2015 (audited)	851,195	345,292	1,196,487
Effective interest expense charged for the period	84,473	—	84,473
At 30 June 2016 (unaudited)	935,668	345,292	1,280,960

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

24. CONVERTIBLE BONDS (Continued)

Analyzed for reporting purpose for all the convertible bonds issued by the Company at the end of the reporting period as:

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Within one year	165,532	165,532
More than one year, but not exceeding two years	936,916	—
More than two year, but not exceeding five years	615,596	1,509,382
More than five years	420,812	381,381
	2,138,856	2,056,295
Classified as:		
Current liabilities	165,532	165,532
Non-current liabilities	1,973,324	1,890,763
	2,138,856	2,056,295

25. BONDS PAYABLE

On 10 November 2015, Shunfeng Photovoltaic Investment (China) Co., Ltd., a subsidiary of the Group, issued a 3-year corporate bond at par to certain independent third parties in the principal amount of RMB550,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.8% per annum, and with the maturity date on 10 November 2018.

In addition, on 22 June 2016, Shunfeng Photovoltaic Investment (China) Co., Ltd issued a 2-year corporate bond at par to certain independent third parties in the principal amount of RMB450,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.7% per annum, and with the maturity date on 22 June 2018.

As at 30 June 2016, an aggregate amount of arrangement fee totalling RMB16,278,000 (31 December 2015: RMB10,830,000) was included in the balance of bonds payable, and will be released to profit or loss as finance cost using the effective interest method over the bond period.

The proceeds from the bonds payable issued was used to finance the acquisition of property, plant and equipment, capital expenditure on solar power plants, and to fund working capital for general operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

26. SHARE CAPITAL

	Number of shares	Amount HK$
Authorised		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016 – Ordinary shares of HKD0.01 each	10,000,000,000	100,000,000

	Number of shares	Amount HK$
Issued and fully paid		
At 1 January 2015 (audited)	2,792,392,625	27,923,926
Issue of new shares upon conversion of convertible bonds	289,807,477	2,898,075
At 30 June 2015 (unaudited)	3,082,200,102	30,822,001
At 1 January 2016 (audited)	4,082,552,433	40,825,524
Issue of shares upon conversion of convertible bonds (note i)	108,459,869	1,084,599
Issue of total Consideration Shares for the acquisition of Suniva completed in 2015 (note ii)	123,138,889	1,231,389
At 30 June 2016 (unaudited)	4,314,151,191	43,141,512

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
Presented as	**34,876**	32,930

Notes:

(i) During the period, the Company issued and allotted 108,459,869 (2015: 289,807,477) ordinary shares of HK$0.01 each upon conversion of convertible bonds. The new ordinary shares issued upon conversion of convertible bonds rank pari passu with the then existing shareholders in all aspects.

(ii) During the period, for the acquisition of 63.13% equity interest in Suniva completed in 2015, the Company issued 123,138,889 new ordinary shares in respect of the Total Consideration Shares on 11 March 2016 as set out in notes 14 and 23. The new ordinary shares issued rank pari passu with the then existing shareholders in all aspects.

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities at amortized cost 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 at amortized costs (except for the liability component of the convertible bonds as described below) recognized in the consolidated financial statements approximate their fair values.

	30/06/2016		31/12/2015	
	Carrying amount RMB'000 (Unaudited)	**Fair value RMB'000 (Unaudited)**	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Liability component of convertible bonds	**2,138,856**	**1,911,810**	2,056,295	1,970,198

The fair value of the liability component of convertible bonds as at 30 June 2016 and 31 December 2015 is under level 3 category and was determined by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the liability component of convertible bonds is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bonds and discount rate that reflected the credit risk of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Classified as	Fair value as at 30/06/2016 RMB'000	Fair value as at 31/12/2015 RMB'000	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
(1) Derivative financial instrument arising from acquisition of Suniva	Derivative financial liabilities	N/A	Liabilities — 251,877	Level 3	Monte Carlo Simulation model	Share price and Volatility	Refer to annual report of 2015
(2) Warrants liabilities	Derivative financial liabilities	Liabilities — 262,662	Liabilities — 262,662	Level 3	Binomial model	Volatility	Note

Note: An increase in the volatility used in isolation would result in an increase in the fair value measurement of the warrants liabilities, and vice versa. A 10% increase or decrease in the volatility holding all other variables constant would increase or decrease the carrying amount of the warrants liabilities by RMB5,507,000 and RMB6,975,000 respectively (31 December 2015: increase by RMB5,129,000 and decrease by RMB6,132,000 respectively).

The following table represents the changes in Level 3 derivative financial instruments during the six months ended 30 June 2016.

	Warrants Liabilities RMB'000	Financial instrument arising from acquisition of Suniva RMB'000	Total RMB'000
At beginning of the period	262,662	251,877	514,539
Derecognition upon issue of Total Consideration Shares on 11 March 2016	—	(156,476)	(156,476)
Total gain recognized in profit or loss included in other gains and losses	—	(95,401)	(95,401)
At end of the period	262,662	—	262,662

28. ACQUISITION OF LATTICE POWER GROUP

On 20 May 2015, the Company entered into share purchase agreements with the existing shareholders of and individuals holding options in Lattice Power Corporation (collectively referred to as the "Sellers") in relation to the acquisition of 59% of the equity interest in Lattice Power Corporation (together with its subsidiaries collectively referred to as the "Lattice Power Group"), for a consideration which shall be satisfied in full by the Company allotting and issuing 392,307,045 new Shares to the Sellers. Lattice Power Corporation is a company incorporated in Cayman Islands and is principally engaged in manufacturing and sales of LED products. The acquisition was completed on 6 August 2015 and Lattice Power Corporation has become an indirectly held subsidiary of the Company. The acquisition of Lattice Power Corporation has been accounted for as business combination.

One of the Sellers, Asia Pacific Resources Development Investment Limited ("AP Resources"), a limited company incorporated in the British Virgin Islands, is indirectly wholly owned by a substantial shareholder of the Company. The 9,453,921 shares acquired by the Group from AP Resources account for 11.46% of the equity interest in Lattice Power Group.

Consideration transferred

	RMB'000
Fair value of consideration shares issued	687,357

The fair value of the ordinary shares of the Company, determined using the market price as published by the Hong Kong Stock Exchange on the date of the acquisition, amounted to HK$2.22 (equivalent to RMB1.75) each, totalling HK$870,922,000 (equivalent to RMB687,357,000).

Acquisition-related costs amounting to RMB4,736,000 have been excluded from the consideration transferred and have been recognized as an expense in profit or loss for the year ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

28. ACQUISITION OF LATTICE POWER GROUP (Continued)

Consideration transferred (Continued)

Assets acquired and liabilities recognized at the date of acquisition (determined on a provisional basis) are as follows:

	RMB'000
Assets	
Property, plant and equipment	469,229
Prepaid lease payments	62,000
Intangible assets	154,229
Available-for-sale investments	3,096
Deferred tax assets	35,326
Inventories	134,882
Trade and other receivables	234,462
Value-added tax recoverable	66,031
Prepayments to suppliers	32,598
Bank balances and cash	132,263
	1,324,116
Liabilities	
Trade and other payables	(157,392)
Warrant liabilities	(267,366)
Customers' deposits received	(8,851)
Provisions	(9,586)
Tax liabilities	(918)
Borrowings	(200,154)
Deferred tax liabilities	(25,038)
Obligation under finance lease	(4,889)
	(674,194)
Net assets acquired	649,922

The fair value of trade and other receivables at the date of acquisition amounted to RMB234,462,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB268,845,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB34,383,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

28. ACQUISITION OF LATTICE POWER GROUP (Continued)

Goodwill arising on acquisition

	RMB'000
Fair value of consideration shares issued	687,357
Plus: non-controlling interests:	
— 41% in Lattice Power Group (note i)	263,357
— Outstanding share options of Lattice Power Group that are not replaced (note ii)	
— Vested portion	76,402
— Unvested portion	34,977
	374,736
Less: net assets acquired	(649,922)
Goodwill arising on acquisition (note iii)	412,171

Notes:

(i) The non-controlling interests in Lattice Power Group recognized at the acquisition date was measured at the non-controlling interest's proportion of Lattice Power Group's identifiable net assets.

(ii) The outstanding share options of Lattice Power Group (including both vested and unvested portions) that are not replaced were measured at the acquisition date.

(iii) Lattice Power Group was acquired so as to expand the Group's business into the LED Products industry. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of Lattice Power Group. These benefits are included in goodwill and not recognised separately because they do not meet the recognition criteria for identifiable intangible assets.

Cash inflow on acquisition of Lattice Power Corporation

	RMB'000
Cash and cash equivalent balances acquired	132,263

Included in the profit for the year ended 31 December 2015 was profit of RMB34,752,000 attributable to the additional business generated by Lattice Power Group. Revenue for the year ended 31 December 2015 included RMB146,030,000 generated from Lattice Power Group.

Had the acquisition been completed on 1 January 2015, total group revenue for the year ended 31 December 2015 would have been RMB7,168,509,000, and loss for the year ended 31 December 2015 would have been RMB17,484,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor was it intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

29. ACQUISITION OF OTHER SUBSIDIARIES

For the six-month period ended 30 June 2016

As to enhance the scale of the Group's solar power plants operation, on 8 January 2016, the Group completed the acquisition of 100% equity interest in Sangri Suntech Power Co., Ltd (尚德(桑日)太陽能發電有限公司) ("Sangri Suntech") for a cash consideration of RMB21,460,000. Sangri Suntech is operating a solar power plant in Tibet, the PRC, and has been generating solar electricity prior to the date of acquisition. The acquisition of Sangri Suntech has been accounted for as business combination.

For the year ended 31 December 2015

On 20 January 2015, the Group completed the acquisition of Shirakanesaka Mega-Solar Corporation ("Mega-Solar").

J Energy Power L.P. ("J Energy Power"), a limited partnership wholly-owned and controlled by the Group, entered into an agreement with IDI Capital Partners Limited, acting as the general partner, and an independent third party dated 9 December 2014, pursuant to which J Energy Power would acquire 100% equity interest in Mega-Solar for a cash consideration of JPY820,000,000 (equivalent to RMB42,761,000). Mega-Solar is operating a power plant in Kagoshima, Japan, and has been generating solar electricity prior to the date of acquisition. The acquisition of Mega-Solar has been accounted for as business combination. Mega-Solar was acquired so as to continue the expansion of the Group's overseas solar power generation operations.

In addition, in order to enhance the scale of the Group's solar power plants operation, during the year, the Group completed the acquisitions of the majority equity interests in 7 (2014: 38) entities from independent third parties for a total cash consideration of RMB613,638,000 (2014: RMB116,205,000). In these transactions, the Group had acquired 100% equity interests in 7 entities (In 2014, the Group had acquired 70% to 99% of equity interests in 24 entities and 100% equity interests in the remaining 14 entities). As all these entities mainly holds solar power plants under development, which had not yet operated 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

29. ACQUISITION OF OTHER SUBSIDIARIES (Continued)

Assets and liabilities at the date of acquisition was set out below:

	30 June 2016	31 December 2015		
	Sangri Suntech RMB'000 (Unaudited)	Mega-Solar RMB'000 (Audited)	Acquisition of solar power plants RMB'000 (Audited)	Total RMB'000 (Audited)
Assets				
Solar power plants	42,901	146,572	203,852	350,424
Other non-current assets	—	5,780	11,517	17,297
Deposits for EPC of solar power plants	—	—	11,190	11,190
Deferred tax assets	—	74	—	74
Inventories	—	—	14	14
Trade and other receivables	28,651	6,609	583,485	590,094
Value-added tax recoverable	21,793	—	10,179	10,179
Cash and cash equivalents	658	17,554	14,555	32,109
	94,003	176,589	834,792	1,011,381
Liabilities				
Trade and other payables	(72,543)	(5,865)	(121,154)	(127,019)
Tax liabilities	—	(353)	—	(353)
Bank and other borrowings	—	(117,852)	(100,000)	(217,852)
Deferred tax liabilities	—	(5,072)	—	(5,072)
	(72,543)	(129,142)	(221,154)	(350,296)
Net assets acquired	21,460	47,447	613,638	661,085
Total consideration satisfied by:				
Cash consideration paid	20,360	42,761	593,438	636,199
Deposit paid in the previous year	1,100	—	—	—
Consideration payable	—	—	20,200	20,200
	21,460	42,761	613,638	656,399
Net cash outflow arising on acquisition:				
Consideration paid in cash	20,360	42,761	593,438	636,199
Less: Cash and cash equivalents acquired	(658)	(17,554)	(14,555)	(32,109)
	19,702	25,207	578,883	604,090

The fair value of trade and other receivables at the date of acquisition amounted to RMB28,651,000. The gross contractual amounts of those trade and other receivables acquired amounted in RMB28,651,000 at the date of acquisition. The principle is expected to be collected in the future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

29. ACQUISITION OF OTHER SUBSIDIARIES (Continued)

Goodwill arising on acquisition:

	30 June 2016 Sangri Suntech RMB'000	31 December 2015 Mega-Solar RMB'000
Consideration transferred	**21,460**	42,761
Less: Recognized amount of identifiable net assets acquired	**(21,460)**	(47,447)
Bargain purchase gain arising from acquisition of a subsidiary (note)	**—**	4,686

Note: Bargain purchase gain was resulted because the Group had strong bargaining power in respect of its immediately available cash to satisfy and complete the acquisition in a short period of time.

30. CAPITAL COMMITMENTS

	30/06/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
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	**3,836,024**	3,973,688

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

31. RELATED PARTY DISCLOSURES

(a) Related party transactions

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group had no significant transactions with related parties during the current interim period.

(b) Compensation of key management personnel

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

	Six months ended	
	30/06/2016	30/06/2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries and allowances	**5,832**	7,179
Performance — related incentive bonuses	**799**	2,488
Retirement benefits scheme contributions	**126**	1,044
	6,757	10,711

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

32. CONTINGENT LIABILITIES

	30/06/2016	31/12/2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guarantees given to bank, in respect of banking facilities to independent third parties:		
Total guarantee amounts	**126,058**	126,058
Less: Amount provided as financial guarantee contracts	**(79,405)**	(79,405)
Unprovided amount	**46,653**	46,653

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

32. CONTINGENT LIABILITIES (Continued)

On 19 August 2016, the Company received a writ of summons taken out by King Success Corporate Consulting Limited ("King Success") against Company. In the writ of summons, King Success has alleged that King Success had subscribed for convertible bonds in the principal amount of HK$1,000,000,000 issued by the Company in 2014 pursuant to a written agreement entered into with the Company's placing agent and they were induced to subscribe for such bonds by misrepresentations made over, amongst others, the return to be generated from such convertible bonds. The writ of summons did not specify the amount of damages claimed.

The Company is currently taking legal advice over the writ of summons and intends to defend the claim under the writ of summons vigorously. The directors with the assistance from the legal counsel appointed by the Company, based on the fact and information currently collected, assessed that the relevant impact to the condensed consolidated financial statements to be immaterial.

33. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2016:

(i) On 31 May 2016, the Company has entered into a non-legally binding memorandum of understanding with Asia-Pacific (China) Investment Management Ltd. (亞太(中國)投資管理有限公司) (the "Purchaser"), which is held as to 100% by a substantial shareholder of the Company, in relation to the possible sale by the Company to the Purchaser of 100% of the equity interests in Jiangsu Shunfeng Photovoltaic Technology Company Limited (江蘇順風光電科技有限公司) (the "Target") at a cash consideration of approximately RMB5,000,000,000.

This potential disposal transaction is subject to the entering into of definitive and legally binding documents, including a sale and purchase agreement, and the completion of which is expected to be subject to the fulfilment of certain conditions precedent. The transaction has not yet been completed and is still under the Group's feasibility study up to the date of the issue of this condensed consolidated financial statements.

(ii) On 26 August 2016, Shunfeng Photovoltaic Investment (China) Co., Ltd, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement in relation to sell its entire 100% equity interest in Inner Mongolia Fengshuiliang Photovoltaic Power Energy Co., Ltd. (內蒙古風水梁光伏電力有限公司), which owns two solar energy projects located in Inner-Mongolia, the PRC, to Jiangsu Huahang Micro-grid Co., Ltd. (江蘇華航微電網有限公司), an independent third party, at the consideration of RMB517,400,000 (subject to adjustment).

As the transaction is subject to the fulfilment of certain conditions precedent, it has not yet been completed and is still under the Group's feasibility study up to the date of the issue of this condensed consolidated financial statements.

DEFINITIONS

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

"Board"	the board of director(s) of the Company
"Company", "we" or "us"	Shunfeng International Clean Energy 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 one billion watt
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"JPY"	Japanese Yen, the lawful currency of Japan
"LED"	light-emitting diode
"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
"MWh"	megawatt hour
"Period"	six months ended 30 June 2016
"PV"	Photovoltaic
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"S.A.G."	S.A.G. Solarstrom AG
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company

DEFINITIONS (CONTINUED)

"Shareholder(s)"	shareholder(s) of the Company
"United States"	the United States of America
"Wuxi Suntech"	Wuxi Suntech Power Co., Ltd.