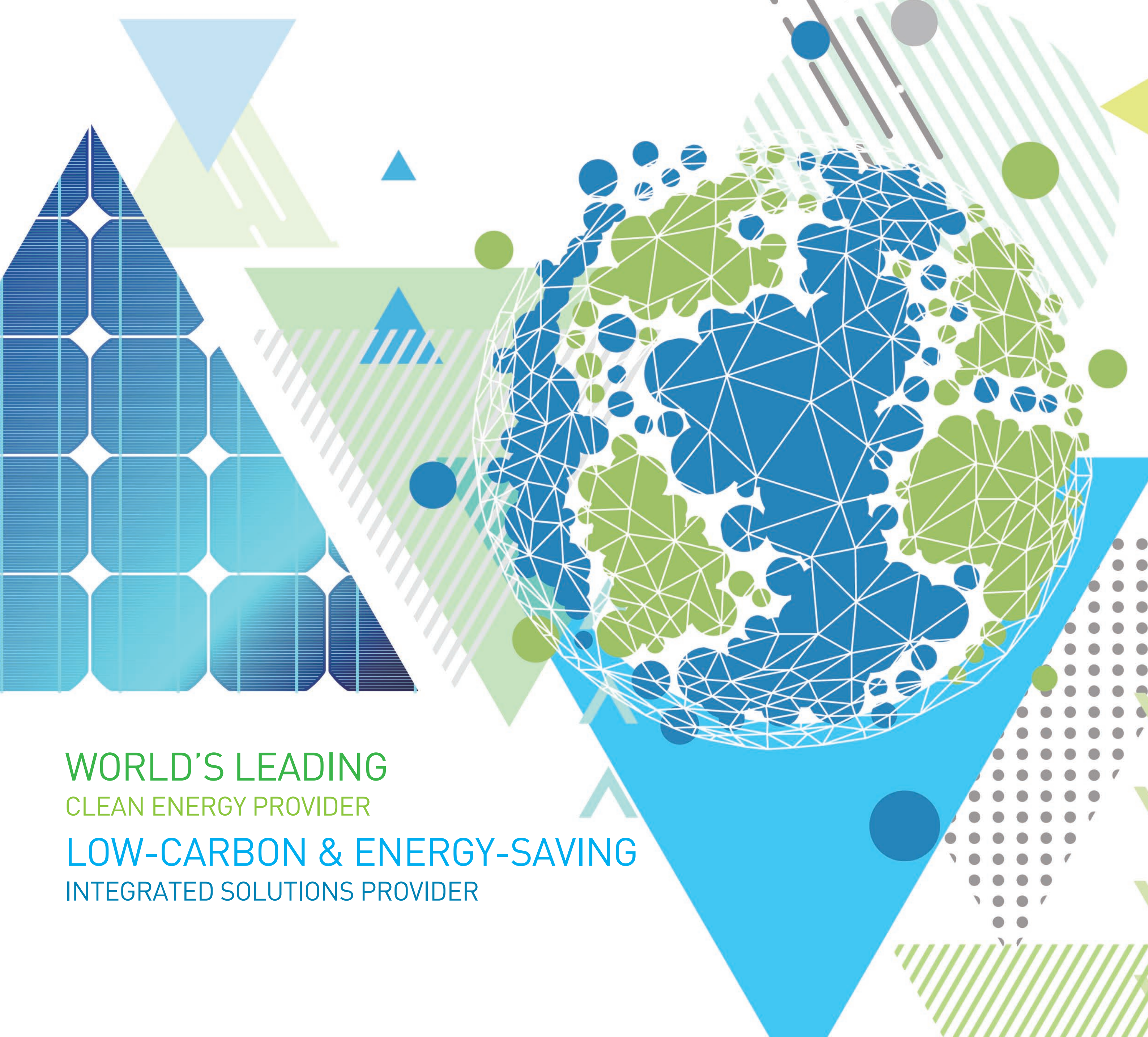
SFCE

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

# INTERIM REPORT **2018**



WORLD'S LEADING
CLEAN ENERGY PROVIDER

LOW-CARBON & ENERGY-SAVING
INTEGRATED SOLUTIONS PROVIDER

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Zhang Fubo *(Chairman)*
Mr. Wang Yu *(Chief Executive Officer)*
Mr. Lu Bin
Mr. Chen Shi

### 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 Fubo
Mr. Tao Wenquan
Mr. Zhao Yuwen

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Mr. Tse Man Kit Keith

## AUTHORIZED REPRESENTATIVES

Mr. Zhang Fubo
Mr. Tse Man Kit Keith

## REGISTERED OFFICE

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

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 12 Xinhua Road,
National Hi-tech Industrial Development Zone
Wuxi City
Jiangsu 214028, China

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR

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

## COMPANY WEBSITE

www.sfcegroup.com

## STOCK CODE

01165

# 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.

During the Period, the Group recorded a revenue of RMB5,010.4 million, representing an increase of 0.7% from RMB4,976.9 million for the corresponding period in 2017. The steady growth in revenue was evenly attributed to our four business segments.

During the Period, the Group continued to optimize solar products manufacturing operations at its subsidiaries in China, and leverage on strong market growth opportunities. The Group recorded a 0.7% growth in revenue of RMB4,104.5 million from manufacturing and sales of solar products and installation services of PV systems.

The Group maintained the overall scale of on-grid solar power plants in China and overseas. The segment in solar power generation has contributed of RMB672.8 million to the group revenue during the Period, with total power generation of 838,687MWh.

The Group also recorded a revenue of RMB62.9 million from solar power plant operation and services, which represents a stabilizing growth of 7.0% or RMB4.1 million as compared to the corresponding period in 2017.

Further, for the segment in manufacturing and sales in LED products, a revenue of RMB170.2 million was recorded during the Period, representing an increase of 18.5% or RMB26.6 million as compared to the corresponding period in 2017.

## Solar Power Generation

During the Period, the solar power plants owned by the Group generated an aggregate of approximately 844,338MWh.

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2018** | 2017 | % of |
| | **MWh** | MWh | Change |
| **Power generation volume:** | | | |
| PRC | **827,240** | 787,974 | 5.0% |
| Overseas | **17,098** | 28,636 | -40.3% |
| Total | **844,338** | 816,610 | 19.7% |

As at 30 June 2018, the Group's solar power plants successfully realised a total installed capacity of 1.5GW of on-grid generation.

## Manufacturing and Sales of Solar Products

As of 30 June 2018, the sales volume of solar products amounted to 1,969.2MW, representing an increase of 9.1MW or 0.5% from 1,960.1MW for the same period in 2017.

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2018** | 2017 | % of |
| | **MWh** | MWh | Change |
| **Sales volume to independent third parties:** | | | |
| Wafers | **12.5** | 20.7 | -39.6% |
| Cells | **558.2** | 652.8 | -14.5% |
| Modules | **1,398.5** | 1,286.6 | 8.7% |
| Total | **1,969.2** | 1,960.1 | 0.5% |

As of 30 June 2018, our top five customers represented approximately 18.6% of our total revenue as compared to approximately 18.0% in the same period in 2017. During the Period, our largest customer accounted for approximately 5.4% of our total revenue, as compared to approximately 6.1% in the same period in 2017. This change was mainly due to our continuing efforts to optimise our customer base. We believe that product quality and cost advantage will be crucial in the upcoming era of solar energy. During the Period, our largest customer is a company in India, which provides international development, engineering, procurement and construction ("EPC") services. Such customer is our new customer as we expanded to the overseas sales market in 2018, and it mainly purchases solar modules from the Group. Other major customers purchase solar products or solar power from the Group. The Group has maintained business relationships with such customers ranging from one year to twelve 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 on time in accordance with the agreed commercial terms and the outstanding receivables were still within the credit periods granted by the Group. After conducting an internal assessment by the Group, we conclude that our major customers have good repayment history and credibility. In order to minimise the credit risk, the Directors continuously monitor the level of risk 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 risk exposure.

During the Period, our sales to PRC-based customers represented approximately 58.2% of the Group's total revenue, as compared to approximately 83.2% in the same period in 2017. During the Period, our sales to overseas customers represented approximately 41.8% of the Group's total revenue, as compared to approximately 16.8% in the same period in 2017. Our strong track record of product quality, advanced proprietary technology and effective cost control measures have contributed to our strong 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 provider of 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 constructing and operating global solar power plants and manufacturing solar products, the Group also pursues other clean energy-related businesses to realise diversified business development.

## Solar Power Plant Operation and Services

meteocontrol GmbH ("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 13GW. 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 authorised by the German government. During the Period, meteocontrol has brought revenue of RMB62.5 million (for the same period in 2017: approximately RMB57.8 million) to the Group.

### Production and Sales of LED Products

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, LCD backlighting and related industries. The sales of LED chips, LED packages and other LED products within the Group's production business amounted to RMB170.2 million during the Period, as compared to RMB143.6 million for the corresponding period in 2017.

### Financing Activities

During the Period, the Group has continued to receive support from financial institutions to fund the development of the solar business. In the first half of 2018, the Company successfully obtained loans from financial institutions. These funds serve as continued support for enhancing liquidity and future business development.

| | RMB'000 |
|---|---|
| Loans from financial institutions | 607,462 |
| Total amount | 607,462 |

## FINANCIAL REVIEW

### Revenue

Revenue increased by RMB33.5 million, or 0.7%, from RMB4,976.9 million for the same period in 2017 to RMB5,010.4 million for the Period. The stable revenue mainly included that (i) most of the solar power plants of the Group that completed on-grid connection have completed testing and commenced operation and thus generated revenue from power generation, with power generation that has completed testing and included in revenue of 838,687MWh recorded for the Period (for the same period in 2017: 771,931MWh); (ii) the sales volume of our solar products recorded for the Period was 1,969.2MW (for the same period in 2017: 1,960.1MW); (iii) revenue from solar power plant monitoring service recorded for the Period was RMB62.9 million (for the same period in 2017: RMB58.8 million); and (iv) sales revenue from LED products recorded for the Period was RMB170.2 million (for the same period in 2017: RMB143.6 million).

In certain provinces and regions where the power plants of the Group are located in PRC, the use of electricity continues to be limited, resulting in loss of power generation volume and approximately RMB160.0 million (for the same period in 2017: RMB271.0 million) in revenue of the Group from power generation during the Period. The Group has begun to participate in various cross-province selling schemes which enabled the Group to sell the electricity generated to other regions or provinces other than the location of the relevant solar power plants to alleviate the impact of the restriction on the use of electricity on the Group.

During the Period, sales of solar products accounted for 77.6% of the total revenue, of which sales of modules, cells, wafers and photovoltaic products accounted for 63.8%, 13.5%, 0.2% and 0.1% of the total revenue, respectively. Revenue from installation services of PV systems accounted for 4.3% of the total revenue. Further, revenue from solar power generation accounted for 13.4% of the total revenue. Revenue from solar power plant monitoring service accounted for 1.3% of the total revenue while sales from LED products accounted for 3.4% of the total revenue.

### Solar modules

Revenue from the sales of solar modules increased by RMB197.2 million, or 6.6%, from RMB2,996.3 million for the same period in 2017 to RMB3,193.5 million for the Period, primarily due to an increase in the Group's sales volume by 111.9MW or 8.7% from 1,286.6MW for the same period in 2017 to 1,398.5MW for the Period, but was partially offset by a decrease in the average selling price for our products by 2.1% from RMB2.33 per watt for the same period in 2017 to RMB2.28 per watt for the Period.

### Solar cells

Revenue from the sales of solar cells decreased by RMB288.9 million, or 29.9%, from RMB966.3 million for the same period in 2017 to RMB677.4 million for the Period, and the sales volume decreased by 94.6MW or 14.5% from 652.8MW for the same period in 2017 to 558.2MW for the Period. Apart from the decrease in revenue, there was a decrease in the average selling price for products by 17.6% from RMB1.48 per watt for the same period in 2017 to RMB1.22 per watt for the Period.

### Solar wafers

Revenue from the sales of solar wafers decreased by RMB0.8 million, or 7.0%, from RMB11.4 million for the same period in 2017 to RMB10.6 million for the Period, which was primarily attributable to the decrease in sales volume by 39.6% from 20.7MW for the same period in 2017 to 12.5MW for the Period.

### Solar power generation

Revenue from solar power generation decreased by RMB24.8 million, or 3.6%, from RMB697.6 million for the same period in 2017 to RMB672.8 million for the Period, and the total power generated for the Period amounted to 844,338MWh, while 838,687MWh was recorded as revenue from power generation upon completion of testing.

### Solar power plant operation and services

meteocontrol provides solar power plant monitoring services. The revenue from relevant service fees generated during the Period increased by RMB4.1 million or 7.0% from RMB58.8 million for the same period in 2017 to RMB62.9 million for the Period.

### LED products

The Group completed the acquisition of Lattice Power in August 2015. The sales revenue of LED chips, LED packages and other LED products increased by RMB26.6 million, or 18.5%, from RMB143.6 million for the same period in 2017 to RMB170.2 million for the Period.

### Installation services of PV systems

The Group provides the installation services of certain distributed solar power plants, which are often built on rooftop of buildings owned by the customers. Revenue from the installation services of PV systems increased by RMB122.9 million, or 136.3%, from RMB90.2 million for the same period in 2017 to RMB213.1 million for the Period, which was recognised by the Group over time by reference to the progress towards the satisfaction of stage of completion.

## Geographical market

In terms of geographical markets from which our revenue was generated, approximately 58.2% of the total revenue for the Period was generated from sales to our PRC customers, as compared to 83.2% for the same period in 2017. The remaining portion was generated from 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 RMB154.1 million, or 3.7%, from RMB4,168.8 million for the same period in 2017 to RMB4,322.9 million for the Period.

## Gross profit

Gross profit decreased by RMB120.6 million, or 14.9%, from RMB808.1 million for the same period in 2017 to RMB687.5 million for the Period.

## Other income

Other income increased by RMB32.2 million, or 50.0%, from RMB64.4 million for the same period in 2017 to RMB96.6 million for the Period, primarily due to (1) the income from government grants increased by RMB30.0 million, or 130.4%, from RMB23.0 million for the same period in 2017 to RMB53.0 million for the Period; and (2) gain on sales of raw and other materials increased by RMB11.5 million, or 1,045.5%, from RMB1.1 million for the same period in 2017 to RMB12.6 million for the Period, but was partially offset by the decrease in the interest income by RMB20.8 million arising from the advances to third parties for the Period.

## Other gains and losses and other expenses

Other gains and losses and other expenses changed from a gain of RMB64.8 million for the same period in 2017 to a loss of RMB647.8 million for the Period, which was primarily due to the fact that (1) the recognition of an impairment loss on property, plant and equipment in amount of RMB674.4 million for the Period, while there was no such impairment loss recognized for the same period in 2017; (2) the recognition of an impairment loss on goodwill in amount of RMB6.3 million for the Period, while there was no such impairment loss recognized for the same period in 2017; (3) the recognition of a loss allowance on financial guarantee contracts in amount of RMB29.7 million for the Period, while there was a reversal on loss allowance on financial guarantee contracts in amount of RMB24.5 million for the same period in 2017; and (4) the net foreign exchange loss of RMB20.9 million for the Period, while there was a net foreign exchange gain of RMB44.5 million for the same period in 2017.

## Distribution and selling expenses

Distribution and selling expenses increased by RMB40.3 million, or 24.1%, from RMB167.3 million for the same period in 2017 to RMB207.6 million for the Period, principally due to the increase in shipment cost as a result of the increase in sales to overseas customers.

## Administrative expenses

Administrative and general expenses increased by RMB1.2 million, or 0.4%, from RMB291.0 million for the same period in 2017 to RMB292.2 million for the Period.

### Research and development expenditure

Research and development expenses decreased by RMB14.6 million, or 21.6%, from RMB67.5 million for the same period in 2017 to RMB52.9 million for the Period, and the investment in the research and development costs and related materials decreased for the Period.

### Share of losses of associates

Share of losses of associates for the Period decreased by RMB0.19 million, or 95%, from RMB0.2 million for the same period in 2017 to RMB39,000 for the Period.

### Share of profits of joint ventures

Share of profits of joint ventures for the Period decreased by RMB1.7 million, or 60.7%, from RMB2.8 million for the same period in 2017 to RMB1.1 million for the Period.

### Finance costs

Finance costs decreased by RMB88.7 million, or 12.4%, from RMB714.8 million for the same period in 2017 to RMB626.1 million for the Period, primarily due to the decrease in effective interest on convertible bonds by RMB76.7 million, or 34.5%, from RMB222.0 million for the same period in 2017 to RMB145.3 million.

### Loss before tax

The loss before tax increased by RMB741.2 million from RMB300.8 million for the same period in 2017 to RMB1,042 million for the Period due to the above reasons.

### Income tax expense

The income tax expense increased by RMB85.8 million, or 321.3%, from RMB26.7 million for the same period in 2017 to RMB112.5 million for the Period, primarily due to the increase in deferred tax expense for the Period.

### Loss for the Period

The loss for the period increased by RMB826.5 million from RMB327.5 million for the same period in 2017 to RMB1,154 million for the Period due to the above reasons.

### Inventory turnover days

The inventories of the Group mainly comprise of raw materials, work-in-progress and finished goods. The decrease in inventories was mainly due to an increase in demand for our solar and LED products. Included in the inventory balance as at 30 June 2018 was a write-down of inventories of RMB125.9 million (31 December 2017: RMB101.5 million), which was mainly attributable to inventories bought in previous years at higher prices. The inventory turnover days as at 30 June 2018 was 36.2 days (31 December 2017: 31.1 days), and the increase in inventory turnover days was mainly attributable to the growth.

### Trade receivables turnover days

The trade receivables turnover days as at 30 June 2018 was 105.0 days (31 December 2017: 92.2 days). The increase in turnover days was primarily due to the addition of overseas customers and part of the tariff subsidy to be received by the Group. The trade receivables turnover days as at 30 June 2018 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 2018 was 57.4 days (31 December 2017: 49.3 days). Given the established business relationship and the change in the 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 2018, the Group's current ratio (current assets divided by current liabilities) was 0.53 (31 December 2017: 0.56) 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 2018, the Group was in a negative net cash position of RMB12,962.4 million (31 December 2017: RMB12,896.7 million), which included cash and cash equivalents of RMB508.0 million (31 December 2017: RMB663.7 million), bank and other borrowings of RMB10,885.1 million (31 December 2017: RMB10,865.3 million), convertible bonds of RMB1,608.7 million (31 December 2017: RMB1,511.0 million), bonds payable of RMB891.5 million (31 December 2017: RMB1,045.1 million) and obligations under finance leases of RMB85.1 million (31 December 2017: RMB112.0 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) decreased from 319.0% as at 31 December 2017 to 312.7% as at 30 June 2018.

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 2017: Nil).

### Contingent liabilities and guarantees

As at 30 June 2018, the Group provided guarantees to independent third parties and a joint venture with a total amount of RMB409.2 million (31 December 2017: RMB413.8 million), of which RMB317.0 million (31 December 2017: RMB307.6 million) has been provided and recognised as a provision in the statement of financial position. As at 30 June 2018, save as disclosed above, the Group had no significant contingent liabilities.

### 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

There was no substantial acquisition or disposal of subsidiaries or associates by the Group during the Period.

### Human resources

As at 30 June 2018, the Group had 6,200 employees (31 December 2017: 6,397). The remuneration packages for the current 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.

### Events subsequent to the Period

There were no significant events after the Period up to the date of this report.

## FUTURE PROSPECT

Looking forward to the second half of 2018, we believe the relevant stakeholders will be more devoted to develop and utilize renewable energy. On 31 May 2018, the National Development and Reform Commission of the PRC, Ministry of Finance of the PRC and the National Energy Administration jointly issued the "Notice in relation to Photovoltaic Power Generation in 2018" (《關於2018年光伏發電有關事項的通知》), with an aim to promote the healthy development of the industry. We expect that such policy will have a short-term effect on the domestic market, and the established and on-grid solar power plant assets will more valuable. The Group will make a defined development strategy and resource allocation so as to further strengthen the overall competitiveness and influence of the Group within the industry.

# 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 standards 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 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 unaudited condensed consolidated financial statements for the six months period ended 30 June 2018 which has included a material uncertainty related to going concern, 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.

### Material Uncertainty Related to Going Concern

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements, which indicates that as of 30 June 2018, the Group's current liabilities exceeded its current assets by RMB7,246,849,000. In addition, As at 30 June 2018, the Group had capital commitments, contracted for but not provided in the condensed consolidated financial statements, amounting to RMB378,303,000 as disclosed in note 32 to the condensed consolidated financial statements. As stated in note 1, these conditions along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on 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.

## 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 2018, 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("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 Shareholder | Capacity | Number of Shares held | Approximate percentage of interest in total issued share capital of the Company |
|---|---|---|---|
| Mr. Wang Yu | Beneficial owner | 18,691,588 (long position) | 0.43% |

Notes:

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2018, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

## 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 2018, 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% |
| Asia Pacific Resources Development Investment Limited | Beneficial owner and interest of controlled corporation (Note 2) | 3,219,606,736 (long position) | 74.63% |
| Mr. Cheng Kin Ming | Beneficial owner and interest of controlled corporation (Note 3) | 3,226,558,736 (long position) | 74.79% |
| Coherent Gallery International Limited | Beneficial owner (Note 4) | 268,223,960 (long position) | 6.22% |
| Faithsmart Limited | Interest of controlled corporation (Note 5) | 3,219,606,736 (long position) | 74.63% |
| Mr. Tang Guoqiang | Interest of controlled corporation (Note 6) | 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 2018, 2,297,387,743 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. Peace Link Services Limited held 746,661,802 Shares in its personal capacity.

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 held by Peace Link Services Limited for the purpose 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. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 3,219,606,736 Shares held by Asia Pacific Resources Investment Limited and Peace Link Services Limited, 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 75,557,191 Shares held by Asia Pacific Resources Development Investment Limited and 3,144,049,545 Shares held by Peace Link Services Limited for the purpose of the SFO.

6. 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.

Save as the disclosed above, to the best knowledge of the Directors, as at 30 June 2018, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

## PUBLICATION OF INTERIM REPORT

This interim report containing the relevant information required by the Listing Rules is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (http://www.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 21 to 98, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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.

## 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.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements, which indicates that as of 30 June 2018, the Group's current liabilities exceeded its current assets by RMB7,246,849,000. In addition, As at 30 June 2018, the Group had capital commitments, contracted for but not provided in the condensed consolidated financial statements, amounting to RMB378,303,000 as disclosed in note 32 to the condensed consolidated financial statements. As stated in note 1, these conditions along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
29 August 2018

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

| | NOTES | Six months ended 30/06/2018 RMB'000 (Unaudited) | 30/06/2017 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | 3 | **5,010,369** | 4,976,888 |
| Cost of sales | | **(4,322,857)** | (4,168,825) |
| Gross profit | | **687,512** | 808,063 |
| Other income | 5 | **96,615** | 64,363 |
| Other gains and losses and other expenses | 6 | **(647,846)** | 64,784 |
| Distribution and selling expenses | | **(207,604)** | (167,252) |
| Administrative expenses | | **(292,207)** | (290,984) |
| Research and development expenditure | | **(52,912)** | (67,543) |
| Share of losses of associates | | **(39)** | (230) |
| Share of profits of joint ventures | | **1,099** | 2,773 |
| Finance costs | 7 | **(626,131)** | (714,777) |
| Loss before tax | 8 | **(1,041,513)** | (300,803) |
| Income tax expense | 9 | **(112,486)** | (26,733) |
| Loss for the period | | **(1,153,999)** | (327,536) |
| Other comprehensive income | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Share of other comprehensive income of associates and joint ventures | | **518** | 1,583 |
| Exchange differences on translating foreign operations | | **(1,542)** | 21,925 |
| Fair value gain on: | | | |
| Receivables at fair value through other comprehensive income ("FVTOCI") | | **8,382** | – |
| Other comprehensive income for the period | | **7,358** | 23,508 |
| Total comprehensive expense for the period | | **(1,146,641)** | (304,028) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | **(1,155,427)** | (314,688) |
| Non-controlling interests | | **1,428** | (12,848) |
| | | **(1,153,999)** | (327,536) |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | **(1,146,792)** | (291,109) |
| Non-controlling interests | | **151** | (12,919) |
| | | **(1,146,641)** | (304,028) |
| | | **RMB cents** | RMB cents |
| Loss per share | 11 | | |
| — Basic | | **(26.78)** | (7.29) |
| — Diluted | | **(26.78)** | (7.29) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

| | NOTES | 30/06/2018 RMB'000 (Unaudited) | 31/12/2017 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **2,172,801** | 2,831,529 |
| Solar power plants | 13 | **11,758,149** | 12,226,635 |
| Prepaid lease payments — non-current | | **415,772** | 423,800 |
| Goodwill | 8 | **–** | 6,237 |
| Intangible assets | | **38,205** | 40,636 |
| Interests in associates | 14 | **144,888** | 140,377 |
| Interests in a joint venture | 15 | **177,881** | 13,908 |
| Available-for-sale investments | | **–** | 3,096 |
| Financial assets at fair value through profit or loss ("FVTPL") | | **3,096** | – |
| Other non-current assets | | **899,079** | 997,950 |
| Deferred tax assets | 16 | **102,617** | 213,608 |
| Value-added tax recoverable — non-current | | **714,291** | 720,000 |
| | | **16,426,779** | 17,617,776 |
| **Current assets** | | | |
| Inventories | | **935,782** | 792,630 |
| Trade and other receivables | 17 | **2,915,815** | 3,508,054 |
| Contract assets | | **204,460** | – |
| Receivables at FVTOCI | 18 | **944,791** | – |
| Prepaid lease payments — current | | **14,964** | 15,701 |
| Value-added tax recoverable — current | | **200,613** | 315,155 |
| Tax recoverable | | **498** | 3,544 |
| Prepayments to suppliers | 20 | **747,106** | 815,172 |
| Amount due from an associate | | **233** | 5,744 |
| Amount due from a joint venture | | **–** | 762 |
| Available-for-sale investments — current | | **–** | 111,337 |
| Restricted bank deposits | 21 | **1,768,399** | 1,476,381 |
| Bank balances and cash | | **508,006** | 663,686 |
| | | **8,240,667** | 7,708,166 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | **5,746,176** | 5,080,326 |
| Contract liabilities | | **170,421** | – |
| Customers' deposits received | | **–** | 178,184 |
| Amount due to an associate | | **33,658** | – |
| Amount due to a joint venture | | **2,174** | 32,426 |
| Obligations under finance leases | 23 | **37,312** | 45,195 |
| Provisions | 24 | **1,023,774** | 1,051,770 |
| Tax liabilities | | **991** | 4,553 |
| Bank and other borrowings | 25 | **6,574,729** | 5,964,579 |
| Deferred income | | **6,422** | 12,755 |
| Derivative financial liabilities | 26 | **3,336** | 3,336 |
| Convertible bonds | 27 | **996,976** | 429,369 |
| Bond payables | 28 | **891,547** | 1,045,061 |
| | | **15,487,516** | 13,847,554 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2018

| | NOTES | 30/06/2018<br>RMB'000<br>(Unaudited) | 31/12/2017<br>RMB'000<br>(Audited) |
|---|---|---|---|
| **Net current liabilities** | | **(7,246,849)** | (6,139,388) |
| **Total assets less current liabilities** | | **9,179,930** | 11,478,388 |
| **Capital and reserves** | | | |
| Share capital | 29 | **34,876** | 34,876 |
| Reserves | | **2,766,341** | 4,006,318 |
| Equity attributable to owners of the Company | | **2,801,217** | 4,041,194 |
| Non-controlling interests | | **1,344,407** | 1,313,300 |
| **Total equity** | | **4,145,624** | 5,354,494 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 16 | **38,953** | 46,759 |
| Bank and other borrowings | 25 | **4,310,397** | 4,900,714 |
| Obligations under finance leases | 23 | **47,797** | 66,852 |
| Deferred income | | **25,424** | 27,897 |
| Convertible bonds | 27 | **611,735** | 1,081,672 |
| | | **5,034,306** | 6,123,894 |
| | | **9,179,930** | 11,478,388 |

The condensed consolidated financial statements on pages 21 to 98 were approved and authorised for issue by the Board of Directors on 29 August 2018 and are signed on its behalf by:

*DIRECTOR*
**Zhang Fubo**

*DIRECTOR*
**Lu Bin**

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Special reserve RMB'000 (note a) | FVTOCI reserve RMB'000 | 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 2017 (audited) | 34,876 | 5,360,199 | (1,070,422) | – | 5,932 | 3,050,082 | 49,298 | 30,744 | (2,648,118) | 4,812,591 | 1,278,691 | 6,091,282 |
| Profit (loss) for the period | – | – | – | – | – | – | – | – | (314,688) | (314,688) | (12,848) | (327,536) |
| Other comprehensive income (expense) for the period | – | – | – | – | 23,579 | – | – | – | – | 23,579 | (71) | 23,508 |
| Total comprehensive income (expense) for the period | – | – | – | – | 23,579 | – | – | – | (314,688) | (291,109) | (12,919) | (304,028) |
| Recognition of share-based payment of Lattice Power Group | – | – | – | – | – | – | 17,242 | – | – | 17,242 | 11,746 | 28,988 |
| Acquisition of additional interest in a subsidiary | – | – | – | – | – | – | – | – | – | – | (2,250) | (2,250) |
| Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (note e) | – | – | – | – | – | – | – | – | (1,102) | (1,102) | 1,102 | – |
| At 30 June 2017 (unaudited) | 34,876 | 5,360,199 | (1,070,422) | – | 29,511 | 3,050,082 | 66,540 | 30,744 | (2,963,908) | 4,537,622 | 1,276,370 | 5,813,992 |
| At 31 December 2017 (audited) | 34,876 | 5,360,199 | (1,070,422) | - | 48,252 | 2,704,790 | 83,615 | 30,744 | (3,150,860) | 4,041,194 | 1,313,300 | 5,354,494 |
| Adjustments (note 2A) | - | - | - | 8,941 | - | - | - | - | (97,688) | (88,747) | - | (88,747) |
| At 1 January 2018 (restated) | 34,876 | 5,360,199 | (1,070,422) | 8,941 | 48,252 | 2,704,790 | 83,615 | 30,744 | (3,248,548) | 3,952,447 | 1,313,300 | 5,265,747 |
| Loss (profit) for the period | - | - | - | - | - | - | - | - | (1,155,427) | (1,155,427) | 1,428 | (1,153,999) |
| Other comprehensive (expense) income for the period | - | - | - | 8,382 | 253 | - | - | - | - | 8,635 | (1,277) | 7,358 |
| Total comprehensive (expense) income for the period | - | - | - | 8,382 | 253 | - | - | - | (1,155,427) | (1,146,792) | 151 | (1,146,641) |
| Recognition of share-based payment of Lattice Power Group | - | - | - | - | - | - | 15,773 | - | - | 15,773 | 10,745 | 26,518 |
| Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (note e) | - | - | - | - | - | - | - | - | (20,211) | (20,211) | 20,211 | - |
| At 30 June 2018 (unaudited) | 34,876 | 5,360,199 | (1,070,422) | 17,323 | 48,505 | 2,704,790 | 99,388 | 30,744 | (4,424,186) | 2,801,217 | 1,344,407 | 4,145,624 |

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 reorganisation; 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 note 2B(i)(e) 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 2B(i)(e), a Termination Agreement was entered into to terminate the 2015 Proposed Disposal with immediate effect on 21 June 2016. As at 30 June 2018, the entire equity interest of Jiangsu Changshun 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.

b. Convertible bonds equity reserve represents the value of the equity conversion component of the convertible bonds as set out in note 27.

c. 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.

On 18 April 2006, Lattice Power Corporation approved the 2006 Global Share Plan (the "2006 ESOP") and common shares of Lattice Power Corporation were reserved to grant to its employees, directors and consultants in certain years. As of 5 August 2015, a total number of 28,000,000 options have been granted to the employees, directors and consultants of Lattice Power Group.

On 6 August 2015, the date on which Lattice Power Group was acquired by the Group, pursuant to the agreement entered into between the Company and the ESOP option holders (the "ESOP Sellers"), the Company acquired from the ESOP Sellers 14,280,000 common shares of Lattice Power Corporation, which were converted from 51% of the outstanding options granted (the "51% ESOP Completion").The 2006 ESOP was terminated prior to the 51% ESOP Completion but the remaining 49% of the outstanding options, with a total number of 13,720,000 convertible shares in accordance with the original terms according to the 2006 ESOP would continue to be valid after the 51% ESOP Completion ("49% Outstanding Options"). Please refer to note 48 of the 2016 annual report for details.

Share-based payment reserve represents the recognition of share-based payments of Lattice Power Group, being the remuneration cost for post-combination service.

The Group recognised total share-based payment expense of RMB26,518,000 for the period ended 30 June 2018 (six months ended 30 June 2017: RMB28,988,000) in relation to the options granted by Lattice Power Corporation.

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 Disposal Entities consolidated to the Group was transferred from the Group's accumulated losses to non-controlling interests. Although the 2015 Proposed Disposal had been terminated as at 31 December 2016, the legal ownership of Jiangsu Changshun and the Nine Disposal Entities was still kept by Chongqing Future and 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 and last interim period should also be accounted for as "non-controlling interests" as at 30 June 2018 and 2017, accordingly.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

| | 30/06/2018<br>RMB'000<br>(Unaudited) | 30/06/2017<br>RMB'000<br>(Unaudited) |
|---|---|---|
| Net cash from operating activities | **1,273,499** | 455,122 |
| Investing activities | | |
| Withdrawal of restricted bank deposits | **719,432** | 1,327,359 |
| Receipt from government grants | **859** | 7,413 |
| Interest income received | **3,395** | 9,099 |
| Interest income received from advances to independent third parties | **36,305** | – |
| Payments of prepaid lease payment | **(1,778)** | (14,015) |
| Placement of restricted bank deposits | **(1,011,450)** | (321,561) |
| Payments of property, plant and equipment | **(164,521)** | (166,996) |
| Payment for construction cost in respect of solar power plants | **(105,056)** | (544,045) |
| Purchases of intangible assets | **(287)** | (1,783) |
| Capital contribution to an associate | **(150)** | – |
| Capital contribution for the establishment of a joint venture (note 15(b)) | **(180,000)** | – |
| Purchase of available-for-sale investments | **–** | (30,000) |
| Loan advanced to independent third parties | **(35,935)** | (458,938) |
| Loan repayment from independent third parties | **114,799** | 43,708 |
| Cash inflow (outflow) arising on disposal of subsidiaries (note 31) | **61,302** | (5) |
| Proceeds received from the available-for-sale investments previously disposed | **–** | 11,000 |
| Proceeds on disposal of property, plant and equipment (note 12) | **11,597** | 3,589 |
| Proceeds on disposal of solar power plant (note 13) | **24,499** | – |
| Proceeds on partial disposal of meteocontrol Electric Power (note 15(a)) | **2,200** | – |
| Payment of consideration in respect of previously acquired subsidiaries | **–** | (3,983) |
| Dividend received from associates | **200** | 2,450 |
| Dividend received from a joint venture (note 15(a)) | **10,845** | – |
| Repayment from disposed subsidiaries | **–** | 349,736 |
| Receipt of consideration receivable in respect of subsidiaries previously disposed | **2,000** | 232,004 |
| Net cash (used in) from investing activities | **(511,744)** | 445,032 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

| | 30/06/2018<br>RMB'000<br>(Unaudited) | 30/06/2017<br>RMB'000<br>(Unaudited) |
|---|---|---|
| Financing activities | | |
| New bank and other borrowings raised | **607,462** | 943,111 |
| Repayment of bank and other borrowings | **(655,434)** | (922,701) |
| Repayment of obligations under finance leases | **(31,195)** | (15,924) |
| Acquisition of additional interest in a subsidiary | **–** | (2,250) |
| Transfer of corporate bond issued and partly subscribed by the group entity to an independent third party | **–** | 20,000 |
| Interest paid | **(313,313)** | (426,558) |
| Advance from independent third parties | **14,379** | 155,530 |
| Repayment of corporate bond | **(156,000)** | – |
| Repayment to independent third parties | **(296,203)** | (128,365) |
| Repayment of consideration received in advance and related interest in respect of the termination of the 2015 Proposed Disposal (as defined in note 2B(i)(e)) | **–** | (8,734) |
| Interest of corporate bond paid | **(38,500)** | (38,500) |
| Coupon interest of convertible bonds paid | **(47,607)** | (43,532) |
| Net cash used in financing activities | **(916,411)** | (467,923) |
| Net (decrease) increase in cash and cash equivalents | **(154,656)** | 432,231 |
| Cash and cash equivalents at beginning of the period | **663,686** | 912,611 |
| Effect of exchange rate change for the period | **(1,024)** | (4,269) |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | **508,006** | 1,340,573 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 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 directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group reported as at 30 June 2018 and as of that date, the current liabilities exceeded its current assets by RMB7,246,849,000. In addition, as at 30 June 2018, the Group had capital commitments, contracted for but not provided in the condensed consolidated financial statements, amounting to RMB378,303,000 disclosed in note 32 to the condensed consolidated financial statements.

As at 30 June 2018, the available unconditional banking facilities amounted to RMB38,792,000, and the unutilised conditional facilities which was subject to approval on a project-by-project basis amounted to RMB20,000,000,000 ("Conditional Facilities"). The directors are confident that the Group would be successful in obtaining approval in respect of the Conditional Facilities. In addition, in respect of the bank and other borrowings and finance lease obligations with respective carrying amount of RMB5,421,272,000 and RMB37,312,000 as at 30 June 2018, which will be matured in the coming next 12 months after the end of the reporting period in accordance with the scheduled repayment date of the borrowing agreements. The management has currently commenced negotiation with the financial institutions and counterparties for renewal of the borrowings or extension of the maturity date. The directors are confident that, for the majority of them, the Group would be able to renew the borrowings or extend their maturity date. Lastly, in respect of the bank borrowings with the carrying amount of RMB1,153,457,000 as at 30 June 2018, which originally will be matured in year 2029, but currently classified as current liabilities as at 30 June 2018 due to certain financial covenants had been breached, the directors are confident that the banks will not exercise their right to demand immediate repayment from the Group, since the Group has pledged adequate amount of assets as securities for such borrowings. 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.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

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

### 2A. Principal Accounting Policies (Continued)

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs that are mandatory effective for annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| IFRS 9 | Financial Instruments |
| IFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| IFRIC-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts |
| Amendments to IAS 28 | As part of the Annual Improvements to IFRSs 2014-2016 Cycle |
| Amendments to IAS 40 | Transfers of Investment Property |

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

#### 2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- **Sales of solar cells, solar modules, photovoltaic systems ("PV Systems") and related products (collectively known as "Solar Products") and sales of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "LED Products")**

  In respect of sales of Solar Products and LED Products, the Group recognises the revenue at a point in time when there is persuasive evidence that the control of Solar Products and LED Products has been transferred to the customer, the customer has adequate control over the product and the Group has no unfulfilled obligations that effect customer acceptance products.

- **Installation services of PV systems**

  The Group's contractual performance is responsible for delivering service to certain distributed solar power plants, which are often built on rooftop of buildings owned by the customers and small in scale. The Group provided the installation services on the rooftop of the buildings at the request of the customers. The Group recognises the revenue over time by reference to the progress towards the satisfaction of stage of completion.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

- **Sales of electricity**

  Revenue arising from the sales of electricity is recognised at a point in time when electricity is generated and transmitted.

  The revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across provinces and can be adjusted by the government. It is currently settled by state grid companies for the electricity generated by the solar power plants on a monthly basis.

- **Tariff Subsidy**

  Tariff subsidy represents subsidy received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidy is recognised 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.

  The revenue from tariff subsidy is based on the difference between the feed-in-traiff regime implemented by the government for the provision of subsidy to the solar power plants operators and the revenue from sales of electricity.

- **Provision of Plant Operation and Services**

  Provision of solar plant operation related 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 optimisation, and in the long-term, the repowering, dismantling and recycling of plants ("Plant Operation and Services");

  Revenue arising from the provision of Plant Operation and Services is recognised over time. The Group's contractual performance is responsible for the provision of Plant Operation and Services. The Group recognises revenue over the contract period on a monthly basis at the specified service fee in the service contracts.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated deficits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

##### *2.1.1 Key changes in accounting policies resulting from application of IFRS 15*

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

*2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)*

**Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

**Output method**

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

**Variable consideration**

For contracts that contain variable consideration in relation to sale of electricity to the state grid companies which contain tariff adjustments related to solar power plant yet to obtain approval for registration in the Catalogue by the PRC government, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

**Existence of significant financing component**

In respect of sales of electricity, in determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract of sales of electricity and tariff subsidy.

For contracts relating to sales of Solar Products and installation services of PV Systems, and provision of Plant Operation and Services where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

*2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)*

**Incremental costs of obtaining a contract**

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (including sales commissions and market expansion fee) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

*2.1.2 Summary of effects arising from initial application of IFRS 15*

The following table summarises the impact of transition to IFRS 15 on accumulated deficits at 1 January 2018.

| | Impact of adopting IFRS 15 at 1 January 2018<br>RMB'000 |
|---|---|
| **Accumulated deficits as at 31 December 2017** | **(3,150,860)** |
| Imputed interest adjustment due to significant financing component arising from sales of electricity (note a) | (52,336) |
| **Adjusted balance as at 1 January 2018** | **(3,203,196)** |

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

| | | Carrying amounts previously reported at 31 December 2017<br>RMB'000 | Reclassification<br>RMB'000 | Remeasurement<br>RMB'000<br>(note a) | Carrying amounts under IFRS 15 at 1 January 2018*<br>RMB'000 |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Trade and other receivables | note b | 3,508,054 | (350,948) | (36,998) | 3,120,108 |
| Contract assets | note b | – | 350,948 | (15,338) | 335,610 |
| **Reserves** | | 4,006,318 | – | (52,336) | 3,953,982 |
| **Current Liabilities** | | | | | |
| Contract liabilities | note c | – | 178,184 | – | 178,184 |
| Customers' deposits received | note c | 178,184 | (178,184) | – | – |

* The amounts in this column are before the adjustments from the application of IFRS 9.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

##### *2.1.2 Summary of effects arising from initial application of IFRS 15 (Continued)*

*Note:*

a. As at 1 January 2018, the remeasurement of RMB52,336,000 adjusted to accumulated deficits on 1 January 2018, which was resulted from the revenue recognition on tariff subsidy. As a result, significant financing component on sales of electricity, amount of RMB15,338,000 had been adjusted to contract assets in relation to those accrued revenue of tariff subsidy generating from the solar power plants that had not been registered to the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue"). As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

b. At the date of initial application, RMB350,948,000 represented the accrued revenue on tariff subsidy generating from the solar power plants that has not completed the registration to the Catalogue as at 1 January 2018. Such cumulative balance as at 1 January 2018 had been classified as contract assets as the Group had not obtain unconditional right to payment yet.

c. As at 1 January 2018, cash received of RMB178,184,000 in respect of contracts in relation to the sales of Solar Product and LED Product previously included in customers' deposits received were entirely reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

**Impact on the condensed consolidated statement of financial position**

| | As reported as at 30 June 2018 RMB'000 | Adjustment RMB'000 | Amounts without application of IFRS 15 as at 30 June 2018 RMB'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Trade and other receivables | 2,915,815 | 264,773 | 3,180,588 |
| Contract assets | 204,460 | (204,460) | – |
| **Reserves** | | | |
| Share premium and reserves | 2,766,341 | (60,313) | 2,706,028 |
| **Current Liabilities** | | | |
| Contract liabilities | 170,421 | (170,421) | – |
| Customers' deposits received | – | 170,421 | 170,421 |

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

### 2A. Principal Accounting Policies (Continued)

#### 2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (Continued)

*2.1.2 Summary of effects arising from initial application of IFRS 15 (Continued)*

**Impact on the condensed consolidated statement of profit and loss and other comprehensive income:**

| | Note | As reported for the six months ended 30 June 2018 | Adjustment | Amounts without application of IFRS 15 for the six months ended 30 June 2018 |
|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 |
| **Continuing operation** | | | | |
| Revenue | (a) | 5,010,369 | 25,341 | 5,035,710 |
| Gross profit | | 687,512 | 25,341 | 712,853 |
| Other income | (a) | 96,615 | (17,364) | 79,251 |
| **Loss before tax** | | (1,041,513) | 7,977 | (1,033,536) |
| Income tax expense | | (112,486) | – | (112,486) |
| **Loss for the period** | | (1,153,999) | 7,977 | (1,146,022) |
| **Total comprehensive expense for the period** | | (1,146,641) | 7,977 | (1,138,664) |

(a) Taking into account the significant financing component resulted from the recognition of accrued revenue on tariff subsidy, the adjustment of RMB25,341,000 would lower the revenue in the current interim period, while the imputed interest income of RMB17,364,000 was released to other income.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other financial guarantee contracts, and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated deficits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

*2.2.1 Key changes in accounting policies resulting from application of IFRS 9*

*Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

##### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

*Receivables classified as at FVTOCI*

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

##### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

*Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, receivables at FVTOCI, amount due from an associate, amount due from a joint venture, bank balances, restricted bank deposits and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for customers with significant balance or assessed collectively using a provision matrix with appropriate groupings. Aging and internal credit rating matrixes are used.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

##### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

*Significant increase in credit risk (Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

##### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

*Definition of default*

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

##### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the weighted average of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, with the respective risks of a default occurring as the weights, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

##### *2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

*Measurement and recognition of ECL (Continued)*

Except for receivables at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For receivables at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these receivables.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

*Classification and measurement of financial liabilities*

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

*2.2.2 Summary of effects arising from initial application of IFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

| | Notes | Unlisted equity investment classified as available-for-sale investment<br>RMB'000 | Unlisted managed investment fund classified as available-for-sale investment<br>RMB'000 | Financial assets at FVTPL<br>RMB'000 | Receivables at FVTOCI<br>RMB'000 | Amortised cost (previously classified as loans and receivables (including bank balances and cash)<br>RMB'000 | Contract Assets<br>RMB'000 | Financial guarantee<br>RMB'000 | FVTOCI reserves<br>RMB'000 | Accumulated deficits<br>RMB'000 | Non-controlling interests<br>RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Closing balance at 31 December 2017 – IAS 39 | | 3,096 | 111,337 | – | – | 5,605,202 | – | (307,571) | – | (3,150,860) | 1,313,300 |
| Effect arising from initial application of IFRS 15 | | – | – | – | – | (387,946) | 335,610 | – | – | (52,336) | – |
| Effect arising from initial application of IFRS 9 : | | | | | | | | | | | |
| **Reclassification** | | | | | | | | | | | |
| From available-for-sale | (a) | (3,096) | (111,337) | 114,433 | – | – | – | – | – | – | – |
| From trade and bills receivables | (b) | – | – | – | 959,860 | (959,860) | – | – | – | – | – |
| **Remeasurement** | | | | | | | | | | | |
| Impairment under ECL model | (c) | – | – | – | – | (33,812) | – | – | 11,540 | (45,352) | – |
| From amortised cost to fair value (d) | | – | – | – | (2,599) | – | – | – | (2,599) | – | – |
| **Opening balance at 1 January 2018** | | – | – | 114,433 | 957,261 | 4,223,584 | 335,610 | (307,571) | 8,941 | (3,248,548) | 1,313,300 |

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

*2.2.2 Summary of effects arising from initial application of IFRS 9 (Continued)*

(a) *From AFS investments to financial assets at FVTPL*

At the date of initial application of IFRS 9, the Group's unlisted equity investment of RMB3,096,000 previously all measured at cost less impairment was reclassified from available-for-sale investments to financial assets at FVTPL. In addition, managed investment fund with a fair value of RMB111,337,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding.

(b) *Loans and receivables*

As part of the Group's cash flow management, a significant amounts of the trade and bills receivables in relation to the Group's manufacturing and sales of Solar Products and LED Products held by the Group whose objective is achieved by both collecting contractual cash flow, endorsing the bills to settle payments to supplier and discounting some of the bills receivables (received from customers for the settlement of the Group's trade receivables) to financial institutions before the bills are due for payment. The Group derecognises bills discounted on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, these trade receivables and bills receivables, totalling RMB959,860,000 were reclassified to receivables at FVTOCI. The related fair value losses of RMB2,599,000 was adjusted to receivables at FVTOCI and equity as at 1 January 2018.

(c) *Impairment under ECL mode*

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables, receivables at FVTOCI and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables and contract assets for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

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

### 2A. Principal Accounting Policies (Continued)

#### 2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (Continued)

##### *2.2.2 Summary of effects arising from initial application of IFRS 9 (Continued)*

*(c) Impairment under ECL mode (Continued)*

Loss allowances for other financial assets at amortised cost comprise of other receivables, restricted bank deposits, bank balances and cash and financial guarantee contracts, amounts due from an associate and a joint venture, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB33,812,000 has been recognised against accumulated deficits. The additional loss allowance is charged against the other receivables.

As at 1 January 2018, the additional credit loss of RMB11,540,000 in respect of receivables at FVTOCI has been recognised against accumulated deficits, and debited FVTOCI reserve.

For outstanding financial guarantees provided to an associate, a former related party and independent third parties of RMB307,571,000, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is measured on 12m ECL basis.

No loss allowance was recognised for contract assets, amounts due from an associate and a joint venture, restricted bank deposits and bank balances and cash as at 31 December 2017 and 1 January 2018. All loss allowances for financial assets (including trade receivables, other receivabless) and financial guarantee contracts as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

| | **Trade receivables** RMB'000 | **Other receivables** RMB'000 | **Financial guarantee contracts** RMB'000 |
|---|---|---|---|
| At 31 December 2017 – IAS 39 | 229,300 | 435,666 | (307,571) |
| Reclassification | (109,286) | – | – |
| Additional loss allowances recognised through opening accumulated deficits | – | 33,812 | – |
| At 1 January 2018 | 120,014 | 469,478 | (307,571) |

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

### 2A. Principal Accounting Policies (Continued)

#### 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

| | 31 December 2017 (Audited) RMB'000 | IFRS 15 RMB'000 | IFRS 9 RMB'000 | 1 January 2018 (Restated) RMB'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 2,831,529 | – | – | **2,831,529** |
| Solar power plants | 12,226,635 | – | – | **12,226,635** |
| Prepaid lease payments — non-current | 423,800 | – | – | **423,800** |
| Goodwill | 6,237 | – | – | **6,237** |
| Intangible assets | 40,636 | – | – | **40,636** |
| Interests in associates | 140,377 | – | – | **140,377** |
| Interests in joint ventures | 13,908 | – | – | **13,908** |
| Available-for-sale investments — non-current | 3,096 | – | (3,096) | **–** |
| Financial assets at FVTPL | – | – | 3,096 | **3,096** |
| Other non-current assets | 997,950 | – | – | **997,950** |
| Deferred tax assets | 213,608 | – | – | **213,608** |
| Value-added tax recoverable — non-current | 720,000 | – | – | **720,000** |
| **Total Non-current assets** | 17,617,776 | – | – | **17,617,776** |
| **Current assets** | | | | |
| Inventories | 792,630 | – | – | **792,630** |
| Trade and other receivables | 3,508,054 | (387,946) | (993,672) | **2,126,436** |
| Contract assets | – | 335,610 | – | **335,610** |
| Prepaid lease payments — current | 15,701 | – | – | **15,701** |
| Tax recoverable | 3,544 | – | – | **3,544** |
| Value-added tax recoverable | 315,155 | – | – | **315,155** |
| Prepayments to suppliers | 815,172 | – | – | **815,172** |
| Amount due from an associate | 5,744 | – | – | **5,744** |
| Amount due from a joint venture | 762 | – | – | **762** |
| Receivables at FVTOCI | – | – | 957,261 | **957,261** |
| Available-for-sale investments — current | 111,337 | – | (111,337) | **–** |
| Financial assets at FVTPL | – | – | 111,337 | **111,337** |
| Restricted bank deposits | 1,476,381 | – | – | **1,476,381** |
| Bank balances and cash | 663,686 | – | – | **663,686** |
| **Total Current assets** | 7,708,166 | (52,336) | (36,411) | **7,619,419** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

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

### 2A. Principal Accounting Policies (Continued)

#### 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

| | 31 December 2017 (Audited) RMB'000 | IFRS 15 RMB'000 | IFRS 9 RMB'000 | **1 January 2018 (Restated) RMB'000** |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade and other payables | 5,080,326 | – | – | **5,080,326** |
| Contract liabilities | – | 178,184 | – | **178,184** |
| Customers' deposits received | 178,184 | (178,184) | – | **–** |
| Amount due to a joint venture | 32,426 | – | – | **32,426** |
| Obligations under finance leases | 45,195 | – | – | **45,195** |
| Provisions | 1,051,770 | – | – | **1,051,770** |
| Tax liabilities | 4,553 | – | – | **4,553** |
| Bank and other borrowings | 5,964,579 | – | – | **5,964,579** |
| Convertible bonds | 429,369 | – | – | **429,369** |
| Derivative financial liabilities | 3,336 | – | – | **3,336** |
| Bonds payables | 1,045,061 | – | – | **1,045,061** |
| Deferred income | 12,755 | – | – | **12,755** |
| | 13,847,554 | – | – | **13,847,554** |
| **Net current liabilities** | (6,139,388) | (52,336) | (36,411) | **(6,228,135)** |
| **Total assets less current liabilities** | 11,478,388 | (52,336) | (36,411) | **11,389,641** |
| **Capital and reserves** | | | | |
| Share capital | 34,876 | – | – | **34,876** |
| Reserves | 4,006,318 | (52,336) | (36,411) | **3,917,571** |
| Equity attributable to owners of the Company | 4,041,194 | (52,336) | (36,411) | **3,952,447** |
| Non-controlling interests | 1,313,300 | – | – | **1,313,300** |
| **Total equity** | 5,354,494 | (52,336) | (36,411) | **5,265,747** |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 46,759 | – | – | **46,759** |
| Bank and other borrowings | 4,900,714 | – | – | **4,900,714** |
| Obligations under finance leases | 66,852 | – | – | **66,852** |
| Deferred income | 27,897 | – | – | **27,897** |
| Convertible bonds | 1,081,672 | – | – | **1,081,672** |
| | 6,123,894 | – | – | **6,123,894** |

## 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 2017 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 recognised in the consolidated financial statements.

*(a) Judgements in determining the performance obligations and timing of satisfaction of performance obligations*

Note 2A describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgement by the management of the Group in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company consider the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

For the sales of Solar Products and LED Products, the directors of the Company has assessed that the Group has a present right to payment from the customers for the goods transferred at a point in time upon finalisation, delivery and acceptance of the deliverable units. In addition, in accordance with industry business practice, the Group provides warranty in connection with the sale of solar module product, with post-sale tasks including the replacement and repair service for defects in material and workmanship as set out in note 24(a). First of all, the customer does not have the option to purchase a warranty separately. Secondly, it is necessary for the Group to perform the tasks to provide the assurance that a product complies with agreed-upon specifications, then the tasks likely do not give rise to a performance obligation. The warranty is not distinct and therefore, the management of the Group has satisfied that there is only a single performance obligation and recognize the revenue at a point in time. The warranty provision is the Group accounts for the warranty in the provision.

For sales of electricity, the directors of the Company has assessed that the Group has a present right to payment from the state grid company for the electricity generated and transmitted at a point in time upon finalisation.

## 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) Judgements in determining the performance obligations and timing of satisfaction of performance obligations (Continued)*

For tariff subsidy generated from those solar power plants which had been registered to the Catalogue, the Group has obtained unconditional and present right to payment since the electricity generated and transmitted at a point in time. On the other hand, for tariff subsidy generated from those solar power plants which had not been registered into Catalogue, since the Group has not obtained unconditional right to payment yet, therefore, the Group recognised accrued revenue on tariff subsidy with corresponding debit to contract assets, accordingly.

For the provision of installation services of PV System on rooftop of building owned by the customers, the related revenue is recognised over time as the directors of the Company has assessed that the Group's performance creates and enhances an assets that the customer controls as the Group performs.

For the provision of Plant Operation and Services, the directors of the Company has assessed that the customers simultaneously receive and consume the benefits provided by the Group's performances as the Group performs and the Group has an enforceable right to payment for performances completed to date. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised revenue on a monthly basis at the specified service fee over the contract period.

*(b) Revenue recognition on tariff subsidy on sales of electricity*

Tariff subsidy represents subsidy received and receivables from the government authorities in respect of the Group's solar power generation business. The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The government authorities are responsible to collect and allocate the fund and make settlement through state-owned grid companies to the solar power companies. Tariff subsidy is recognised 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 ("NDRC") 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 centralised solar power plants (which is known as the ground solar plants). In particular, according to the New Tariff Notice, (i) for the centralised 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 categorised 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.

According to the New Tariff Notice, for centralised 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.

## 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) Revenue recognition on tariff subsidy on sales of electricity (Continued)*

In December 2015, NDRC released another updated tariff notice (the "2015 Tariff Notice") to renew the subsidizing policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2016 and those registered before 1 January 2016 but which did not commence in generating electricity until 30 June 2016 (the "New Solar Power Plants"). According to 2015 Tariff Notice, the benchmark on-grid price will be set at RMB0.8/KWh, RMB0.88/KWh and RMB0.98/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

In December 2016, NDRC released another updated tariff notice (the "2016 Tariff Notice") to renew the subsidizing policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2017 and those registered before 1 January 2017 but which did not commence in generating electricity until 30 June 2017 (the "New Solar Power Plants"). According to 2016 Tariff Notice, the benchmark on grid price will be set at RMB0.65/KWh, RMB0.75/KWh and RMB0.85/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

In December 2017, NDRC released another updated tariff notice (the "2017 Tariff Notice") to renew the subsidizing policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2018 and those registered before 1 January 2018 but which did not commence in generating electricity until 30 June 2018 (the "New Solar Power Plants"). According to 2017 Tariff Notice, the benchmark on grid price will be set at RMB0.55/KWh, RMB0.65/KWh and RMB0.75/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

Pursuant to the New Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidy has come into force since 2013 and approvals for the registration in 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. Registrations to the Catalogue is an ongoing process and the Catalogue is opened for registrations on a batch by batch basis. Revenue on tariff adjustments on electricity sales of RMB437,995,000 from the state grid companies in the PRC was recognised for the six-month period ended 30 June 2018 in which tariff adjustments amounting to RMB43,849,000 relating to certain of the on-grid solar power plants of the Group are still pending registration to the Catalogue.

In making their judgment, the directors, taking into account the legal opinion as advised by the Group's legal advisor and the fact that all previous registrations of the group entities operating the solar power plants to the Catalogue were successfully completed with reference to the requirements and conditions for the registration in the Catalogue, 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.

## 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) Revenue recognition on tariff subsidy on sales of electricity (Continued)*

In the opinion of the directors of the Company, the recognition of accrued revenue on tariff subsidy is proper based on their judgement and by reference to those previous successful registrations of the Group's operating solar power plants to the Catalogue, as well as 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 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.

*(c) Revenue recognition on certain tariff subsidy with variable consideration*

For tariff subsidy generated from those solar power plants which had not been registered into the Catalogue, the relevant revenue from these tariff subsidy are considered to contain variable consideration, and is recognised only to the extent that it is highly probable that a significant reversal will not occur.

*(d) Recognition of adjusting revenue for the time value of money("significant financing component") on tariff subsidy generated from solar power operation*

The Group's accrued revenue on tariff subsidy are receivables from the state grid company. The Group has a present right to payment once the electricity generated and transmitted on grid. However, the contract entered between the state grid and the Group does not set an explicit credit terms to the settlement of accrued revenue on tariff subsidy. The management of the Group considered that the settlement period is more than 1 year, in accordance with the historical settlement record and experience in the past few years. As a result, there is an adjustment in respect of significant finance component to the recognition of tariff subsidy generated from solar power plants on sales of electricity.

*(e) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities*

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").

## 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)

*(e) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (Continued)*

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.

On 18 December 2015, the Group transferred the entire equity interest of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future. However, pursuant to the sales and purchase agreement, the Group was 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 would 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 entered into between the Group and Chongqing Future, hence, the carrying amounts of net assets of Jiangsu Changshun 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 abovementioned proposed transactions.

## 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)

*(e) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (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 by the Group to Chongqing International Trust Inc. ("Chongqing Trust"), a fellow subsidiary of Chongqing Future. In respect of the balance of Chongqing Trust Loan of RMB500,000,000, the Group, certain of its subsidiaries and a substantial shareholder of the Group provided joint guarantee in favour of Chongqing Trust and the Group's equity interests in certain subsidiaries had also been pledged to Chongqing Trust as to secure these borrowings.

RMB419,760,000 including the related accumulated interest of RMB42,689,000 was returned during the year ended 31 December 2016. As at 31 December 2016, the Group had not yet returned the outstanding balance of RMB272,926,000 and the related accumulated interest of RMB1,774,000.

RMB250,748,000 including the related accumulated interest of RMB21,306,000 was returned during the year ended 31 December 2017. As at 31 December 2017, the Group had not yet returned the outstanding balance of RMB43,484,000, which was reclassified to other borrowings due by 29 September 2019 upon a loan agreement entered into with Chongqing Future on 30 September 2017, of which was secured, carried a fixed interest of 9% per annum and repayable prior to 29 September 2019.

RMB11,589,000 including the related accumulated interest of RMB1,589,000 was returned during the current interim period. As at 30 June 2018, the outstanding balance of RMB33,484,000 and the related accumulated interest of RMB92,000 had not yet been returned by the Group and were included in other borrowings.

In addition, as at 30 June 2018, the legal ownership in respect of the entire equity interest of Jiangsu Changshun 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 gain for the current interim period amounting to RMB20,211,000 (six months ended 30 June 2017: RMB1,102,000) has been transferred from accumulated deficits to non-controlling interests as at 30 June 2018.

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

### 2B. Critical Accounting Judgments and 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) 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 2018, the carrying amount of warranty provision was RMB706,747,000 (31 December 2017: RMB682,970,000).

*(b) Recognition of deferred tax assets*

The Group recognised 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 utilised.

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 2018, the Group has recognised deferred tax asset arising from unused tax losses and other deductible temporary differences in the amount of RMB102,617,000 (31 December 2017: RMB213,608,000) as set out in note 16.

*(c) 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 2018, the total carrying amount of the Group's property, plant and equipment and solar power plants is RMB13,930,950,000 (31 December 2017: RMB15,058,164,000).

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

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

#### (ii) Key sources of estimation uncertainty (Continued)

*(d) 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, or change in facts and circumstances which result in downward revision of future cash flows, further impairment loss may arise. As at 30 June 2018, the carrying amount of the property, plant and equipment is RMB2,172,801,000 (net of impairment of RMB897,416,000 (31 December 2017: RMB2,831,529,000 (net of impairment of RMB223,060,000)), and the carrying amount of solar power plants is RMB11,758,149,000 (net of impairment of RMB237,049,000) (31 December 2017: RMB12,226,635,000 (net of impairment of RMB237,049,000)).

*(e) Estimated impairment of financial assets*

The Group reviews its financial assets to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Since the adoption of IFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on trade and other receivables, receivables at FVTOCI, bank balances and cash, restricted bank deposits, amount due from an associate, amount due from a joint venture and contract assets based on the credit risk of the financial assets. The estimation of the credit risk of the financial assets involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. As at 30 June 2018, the carrying amount of trade and other receivables is RMB2,915,815,000 (net of allowance for doubtful debt of RMB581,231,000) (31 December 2017: RMB3,508,054,000 (net of allowance for doubtful debt of RMB664,966,000)). As at 30 June 2018, the carrying amount of contract assets is RMB204,460,000 (without allowance for doubtful debt) (31 December 2017: RMB nil (without allowance for doubtful debt)). As at 30 June 2018, the carrying amount of receivables at FVTOCI is RMB911,045,000.

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

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

#### (ii) Key sources of estimation uncertainty (Continued)

*(f) Write-down of inventories*

Inventories are valued at the lower of cost and net realisable 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 2018, the carrying amount of the Group's inventories is approximately RMB935,782,000 (net of allowance for inventories of RMB125,911,000) (31 December 2017: carrying amount of RMB792,630,000 (net of allowance for inventories of RMB101,486,000)).

*(g) 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.

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 2018, the carrying amounts of prepayments to suppliers were RMB747,106,000 (net of allowance for doubtful debt of RMB12,896,000) (31 December 2017: RMB815,172,000 (net of allowance of doubtful debt of RMB12,896,000)) and the carrying amount of deposits paid for EPC of solar power plants included in other non-current assets were RMB498,654,000 (without allowance for doubtful debt) (31 December 2017: RMB561,907,000 (without allowance for doubtful debt)).

*(h) 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

### Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable and operating segment under IFRS 8:

| | For the six months ended 30 June 2018 | | | | |
|---|---|---|---|---|---|
| Segments | Sales of goods (comprising Solar Products and LED Products) RMB'000 | Installation services of PV Systems RMB'000 | Service income from plant operation and services RMB'000 | Revenue from sales of electricity RMB'000 | Total RMB'000 |
| **Types of goods or service** | | | | | |
| Sales of electricity | – | – | – | 234,778 | 234,778 |
| Tariff subsidy | – | – | – | 437,995 | 437,995 |
| Sales of goods | 4,061,586 | – | – | – | 4,061,586 |
| Service income | – | 213,118 | 62,892 | – | 276,010 |
| **Total** | 4,061,586 | 213,118 | 62,892 | 672,773 | 5,010,369 |
| **Geographical markets** | | | | | |
| Mainland China | 2,200,792 | 146,946 | 430 | 626,824 | 2,974,992 |
| India | 664,981 | – | – | – | 664,981 |
| Japan | 229,886 | 66,172 | – | 27,276 | 323,334 |
| Germany | 222,410 | – | 62,462 | 18,164 | 303,036 |
| Australia | 80,052 | – | – | – | 80,052 |
| Russia | 69,355 | – | – | – | 69,355 |
| Cyprus | 67,669 | – | – | – | 67,669 |
| Israel | 50,973 | – | – | – | 50,973 |
| Lithuania | 47,467 | – | – | – | 47,467 |
| Chile | 37,042 | – | – | – | 37,042 |
| Other countries | 390,959 | – | – | 509 | 391,468 |
| **Total** | 4,061,586 | 213,118 | 62,892 | 672,773 | 5,010,369 |
| **Timing of revenue recognition** | | | | | |
| A point in time | 4,061,586 | – | – | 672,773 | 4,734,359 |
| Over time | – | 213,118 | 62,892 | – | 276,010 |
| **Total** | 4,061,586 | 213,118 | 62,892 | 672,773 | 5,010,369 |

## 4. SEGMENT INFORMATION

Those reportable and operating segments of the Group were presented for both periods as follows:

(1) Manufacturing and sales of Solar Products and installation services of PV systems;

(2) Solar power generation;

(3) Plant operation and services; and

(4) Manufacturing and sales of LED Products in the PRC along with the acquisition of Lattice Power Group in 2015.

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 2018**

| | Manufacturing and sales of Solar Products and installation services of PV Systems 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 sales | 4,104,461 | 234,778 | 62,892 | 170,243 | 4,572,374 | - | 4,572,374 |
| Tariff subsidy | - | 437,995 | - | - | 437,995 | - | 437,995 |
| | 4,104,461 | 672,773 | 62,892 | 170,243 | 5,010,369 | - | 5,010,369 |
| Inter-segment revenue | - | - | - | - | - | - | - |
| Segment revenue | 4,104,461 | 672,773 | 62,892 | 170,243 | 5,010,369 | - | 5,010,369 |
| **Segment (loss) profit** | (670,021) | 281,798 | (262) | 7,359 | (381,126) | - | (381,126) |
| Unallocated income | | | | | | | |
| – Bank interest income | | | | | | | 3,395 |
| Unallocated expenses | | | | | | | |
| – Central administration costs | | | | | | | (18,592) |
| – Finance costs | | | | | | | (626,131) |
| Loss allowance recognised on financial guarantee contract provided for a joint venture | | | | | | | (15,638) |
| Share of losses of associates | | | | | | | (39) |
| Share of profits of joint ventures | | | | | | | 1,099 |
| Other expenses | | | | | | | (4,481) |
| Loss before tax | | | | | | | (1,041,513) |

## 4. SEGMENT INFORMATION (Continued)

For the six-month period ended 30 June 2017

| | Manufacturing and sales of Solar Products and installation services of PV Systems 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 | 4,076,872 | 294,059 | 58,786 | 143,636 | 4,573,353 | – | 4,573,353 |
| Tariff subsidy | – | 403,535 | – | – | 403,535 | – | 403,535 |
| | 4,076,872 | 697,594 | 58,786 | 143,636 | 4,976,888 | – | 4,976,888 |
| Inter-segment revenue | 6,934 | – | – | – | 6,934 | (6,934) | – |
| Segment revenue | 4,083,806 | 697,594 | 58,786 | 143,636 | 4,983,822 | (6,934) | 4,976,888 |
| **Segment profit (loss)** | 325,735 | 178,437 | (3,307) | (30,858) | 470,007 | – | 470,007 |
| Unallocated income | | | | | | | |
| – Bank interest income | | | | | | | 9,099 |
| – Gain on change in fair value of derivative financial liabilities | | | | | | | 2,479 |
| Unallocated expenses | | | | | | | |
| – Central administration costs | | | | | | | (55,964) |
| – Finance costs | | | | | | | (714,777) |
| Financial guarantee expenses | | | | | | | (12,195) |
| Share of losses of associates | | | | | | | (230) |
| Share of profits of joint ventures | | | | | | | 2,773 |
| Other expenses | | | | | | | (1,995) |
| Loss before tax | | | | | | | (300,803) |

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

## 4. SEGMENT INFORMATION (Continued)

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

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| **Segment assets** | | |
| Manufacture and sales of Solar Products and installation services of PV Systems | **6,247,721** | 6,905,972 |
| Solar power generation | **15,168,302** | 15,393,314 |
| Plant Operation and Services | **56,912** | 49,934 |
| Manufacturing and sales of LED Products | **592,008** | 561,431 |
| Total segment assets | **22,064,943** | 22,910,651 |
| Other unallocated assets | **2,602,503** | 2,415,291 |
| Consolidated assets | **24,667,446** | 25,325,942 |
| **Segment liabilities** | | |
| Manufacture and sales of Solar Products and installation services of PV systems | **7,952,740** | 6,809,205 |
| Solar power generation | **9,334,380** | 9,827,221 |
| Plant Operation and Services | **55,835** | 48,747 |
| Manufacturing and sales of LED Products | **294,728** | 318,168 |
| Total segment liabilities | **17,637,683** | 17,003,341 |
| Other unallocated liabilities | **2,884,139** | 2,968,107 |
| Consolidated liabilities | **20,521,822** | 19,971,448 |

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

- All liabilities are allocated to operating segments other than obligations under finance leases, liability component of the Group's convertible bonds, loss allowance on financial guarantee contract provision for a joint venture, amounts due to an associate and a joint venture, derivative financial liabilities and bonds payable liable for centralised financing of the Group.

## 4. SEGMENT INFORMATION (Continued)

### Revenue analysed by major products

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2018 and 2017:

| | Six months ended | |
|---|---|---|
| | **30/06/2018** | 30/06/2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Sales of solar wafers | **10,638** | 11,445 |
| Sales of solar cells | **677,421** | 966,320 |
| Sales of solar modules | **3,193,503** | 2,996,273 |
| Other solar products | **9,781** | 12,611 |
| | **3,891,343** | 3,986,649 |
| Sales of LED products | **170,243** | 143,636 |
| Sales of goods | **4,061,586** | 4,130,285 |
| Sales of electricity | **234,778** | 294,059 |
| Tariff subsidy (note) | **437,995** | 403,535 |
| | **672,773** | 697,594 |
| Installation services of PV systems | **213,118** | 90,223 |
| Plant operation and services | **62,892** | 58,786 |
| | **5,010,369** | 4,976,888 |

Note: The amount represents the tariff subsidy which were approximately 41% to 84% (six months ended 30 June 2017: 36% to 84%) of the total electricity sales, adjusted with the amount of significant financing component. 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.

## 5. OTHER INCOME

| | Six months ended | |
|---|---|---|
| | **30/06/2018** | 30/06/2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Bank interest income | **3,395** | 9,099 |
| Interest income arising from advances to third parties | **1,990** | 22,770 |
| Government grants (note) | **53,046** | 23,014 |
| Gain on sales of raw and other materials | **12,632** | 1,128 |
| Technical advisory income | **5,408** | 4,239 |
| Imputed interest income of accrued revenue on tariff subsidy | **17,364** | – |
| Others | **2,780** | 4,113 |
| | **96,615** | 64,363 |

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) RMB43,381,000 (six months ended 30 June 2017: RMB14,680,000) represents unconditional incentive received in relation to activities carried out by the Group and (b) RMB9,665,000 (six months ended 30 June 2017: RMB8,334,000) represents subsidy on the Group's prior acquisition of land use rights and machineries amortised to profit or loss in the current interim period.

## 6. OTHER GAINS AND LOSSES AND OTHER EXPENSES

| | Six months ended | |
|---|---|---|
| | **30/06/2018** | 30/06/2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Other gains and losses** | | |
| Impairment loss recognised on property, plant and equipment (note 12) | **(674,356)** | – |
| Impairment loss recognised on solar power plant (note 13) | **–** | (15,509) |
| Impairment loss recognised on goodwill (note iii) | **(6,237)** | – |
| Gain on change in fair value of derivative financial liabilities (note 26) | **–** | 2,479 |
| Reversal (recognition) of doubtful debt for trade and other receivables, net (note i) | **15,016** | (35,157) |
| Loss allowance reversed on receivables at FVTOCI, net | **25,096** | – |
| Loss allowance (recognised) reversed on financial guarantee contracts, net (note 24(b)) | **(29,688)** | 24,456 |
| Gain on disposal of solar power plants (note 13) | **11,673** | – |
| Gain on disposal of subsidiaries (note 31) | **31,586** | – |
| Gain (loss) on disposal of property, plant and equipment (note 12) | **5,536** | (281) |
| Net foreign exchange (loss) gain | **(20,866)** | 44,495 |
| Loss on write-off of intangible assets | **–** | (1,721) |
| Gain on derecognition of other payable upon deregistration of a subsidiary (note ii) | **–** | 40,302 |
| Others | **(1,125)** | 7,715 |
| | **(643,365)** | 66,779 |
| **Other expenses** | | |
| Provision on legal claims, net (note 24) | **(4,481)** | (1,995) |
| | **(647,846)** | 64,784 |

Notes:

(i) As at 30 June 2017, included in the amounts was a gain on reversal of bad debts previously written off amounting to RMB15,355,000 for Wuxi Suntech Group. On the date of acquisition of Wuxi Suntech Group, these 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 period ended 30 June 2017,RMB15,355,000 for Wuxi Suntech Group in respect of these impaired bad debts prior to the Group's acquisition were collected in the form of cash, resulting in the reversal of doubtful debts. During the current interim period, no reversal gain is recognised on the impaired bad debts prior to the Group's acquisition.

(ii) The amount represented the environment protection expense previously provided in respect of a subsidiary, was previously engaged in researching and developing of chemical products and became inactive in recent years. The amount has been fully reversed, after detaining approval from the relevant government authority that such subsidiary was not subject to any such payment, upon its deregistration completed during the year ended 31 December 2017.

(iii) The opening balance of goodwill arose from the acquisition of Wuxi Suntech Group in previous year. In the current interim period, Wuxi Suntech Group recorded a loss. Due to adverse changes in market conditions subsequent to initial recognition and certain unfavourable factors expected by the management, the directors of the Company no longer expected Wuxi Suntech Group to bear any benefit of synergies, revenue growth, future market development and assembled workforce in the foreseeable future. As a result, the goodwill of RMB6,237,000 was fully impaired in the current interim period.

## 7. FINANCE COSTS

| | Six months ended | |
|---|---|---|
| | **30/06/2018** | 30/06/2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank and other borrowings | **420,770** | 462,579 |
| Finance charges of discounting bills receivable | **4,132** | 72 |
| Interest on finance leases | **4,257** | 5,846 |
| Effective interest on convertible bonds | **145,277** | 221,973 |
| Effective interest on bonds payable | **43,497** | 49,984 |
| Modification gain on bonds payable (note 28) | **(1,323)** | – |
| Interest on consideration received in advance in respect of the termination of the 2015 Proposed Disposal | **–** | 12,350 |
| Interest on amounts due to independent third parties (note 22(ii)) | **11,265** | – |
| Total borrowing costs | **627,875** | 752,804 |
| Less: amounts capitalised | **(1,744)** | (38,027) |
| | **626,131** | 714,777 |

Borrowing costs capitalised during the current period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.75% (six months ended 30 June 2017: 9.18%) per annum to expenditure on qualifying assets.

## 8. LOSS BEFORE TAX

| | Six months ended | |
|---|---|---|
| | **30/06/2018** | 30/06/2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Loss before tax has been arrived at after charging (crediting): | | |
| Staff costs | **310,340** | 342,542 |
| Including: recognition of share-based payment expense of Lattice Power Group | **26,518** | 28,988 |
| Capitalised in inventories | **(40,523)** | (30,972) |
| | **269,817** | 311,570 |
| Impairment loss on property, plant and equipment | **674,356** | – |
| Impairment loss on goodwill | **6,237** | – |
| Warranty provided (included in cost of sales) | **29,939** | 27,457 |
| Cost of inventories recognised as expense | **3,973,363** | 3,652,415 |
| Write-down of inventories | **25,738** | 8,639 |
| Release of prepaid lease payments | **8,641** | 10,091 |
| Depreciation of property, plant and equipment | **180,765** | 209,563 |
| Depreciation of completed solar power plants | **319,555** | 318,898 |
| Amortisation of intangible assets | **2,724** | 5,708 |
| Total depreciation and amortisation | **503,044** | 534,169 |
| Capitalised in inventories | **(39,050)** | (32,767) |
| | **463,994** | 501,402 |

## 9. INCOME TAX EXPENSE

| | Six months ended | |
|---|---|---|
| | **30/06/2018** | 30/06/2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| PRC Enterprise Income Tax | **1,270** | 6,210 |
| Other jurisdictions | **–** | 777 |
| Under (over) provision in prior period: | | |
| PRC Enterprise Income Tax | **609** | (307) |
| | **1,879** | 6,680 |
| Deferred tax charge (note 16) | **110,607** | 20,053 |
| | **112,486** | 26,733 |

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.

On 17 November 2017, Jiangsu Shunfeng and certain subsidiaries of the Wuxi Suntech renewed "High Technology Enterprise" status for 3 years that entitled them a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to PRC Tax Law.

On 23 August 2017, the Lattice Power Group renewed "High Technology Enterprise" status for 3 years that entitled the Lattice Power Group a preferential tax rate of 15% for year 2017 to 2019 according to PRC Tax Law.

For those subsidiaries of the Company located in Japan, the corporate tax rate is 30.86% (six months ended 30 June 2017: 30.86%).

Certain subsidiaries of the S.A.G. Interests (as defined in note 45 in the annual report of 2016) were located in Switzerland, Austria, Germany and Czech Republic, of which corporate tax rate is approximately 23%,25%, 30% and 20%, respectively.

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

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2018 and 2017. The directors have determined that no dividend will be paid in respect of the current interim period.

## 11. LOSS PER SHARE – BASIC AND DILUTED

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

| | Six months ended | |
|---|---|---|
| | **30/06/2018** | 30/06/2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Loss** | | |
| Loss for the period attributable to owners of the Company for the purposes of basic loss per share | **(1,155,427)** | (314,688) |
| Effect of dilutive potential ordinary shares: Interest on convertible bonds (note) | **—** | — |
| Loss for the purposes of diluted loss per share | **(1,155,427)** | (314,688) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **4,314,151,191** | 4,314,151,191 |
| Effect of dilutive potential ordinary shares: — convertible bonds (note) | **—** | — |
| Weighted average number of ordinary shares for the purposes of diluted loss per share | **4,314,151,191** | 4,314,151,191 |

Note: The computation of diluted loss per share for both periods does not assume the conversion of convertible bonds, because this would result in a decrease in loss per share.

## 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group had additions to property, plant and equipment of approximately RMB201,762,000 (six months ended 30 June 2017: RMB145,646,000).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB6,061,000 (six months ended 30 June 2017: RMB3,870,000) for a total sum of cash consideration of RMB11,597,000 (six months ended 30 June 2017: RMB3,589,000), resulting in gain on disposal of RMB5,536,000 (six months ended 30 June 2017: loss on disposal of RMB281,000).

Furthermore, during the period ended 30 June 2018, due to the adverse change of market conditions, in the opinion of the directors of the Company, the recoverable amount of the machinery and equipment in respect of the Group's manufacturing and sales of Solar Products business is estimated to be less than its carrying amount, and the carrying amount of the relevant machinery and equipment are reduced to the extent of its recoverable amount, with an impairment loss of RMB674,356,000 (six months ended 30 June 2017: nil) recognised, accordingly.

## 13. MOVEMENTS IN SOLAR POWER PLANTS

During the six months ended 30 June 2018, the Group had additions to solar power plant under construction (including capital expenditure for incompleted solar power plants) of approximately RMB30,797,000 (six months ended 30 June 2017: RMB331,911,000). During the current interim period, there were solar power plants with the carrying amounts of RMB466,819,000 (six months ended 30 June 2017: RMB713,121,000) transferred from solar power plants under construction to completed solar power plants, including one (six months ended 30 June 2017: eight) solar power plant completed the trial operation and was successfully connected to grids and generate electricity. During the six months ended 30 June 2017, there were solar power plants under construction with total carrying amounts of RMB98,196,000 eliminated along with the disposal of subsidiaries. As at 30 June 2018, completed solar power plants and solar power plants under construction amounted to RMB11,115,469,000 (31 December 2017: RMB11,148,010,000) and RMB642,680,000 (31 December 2017: RMB1,078,625,000), respectively.

Furthermore, during the current interim period, the Group disposed of one solar power plant located in Japan with an aggregate carrying amount of Japanese Yen ("JPY")270,529,000 (equivalent to RMB12,826,000) for a cash consideration of JPY469,726,000 (equivalent to RMB24,499,000), resulting in gain on disposal of JPY199,197,000 (equivalent to RMB11,673,000). The cash consideration has been all received by the Group during the current interim period.

As a result of the power output restrictions in certain regions of the PRC, an impairment loss of RMB15,509,000 was recognised during the six months ended 30 June 2017, no further impairment and reversal of impairment was considered necessary during the current interim period.

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

## 14. INTERESTS IN ASSOCIATES

### For the six-month period ended 30 June 2018

Except for the reclassification of interest in meteocontrol Electric Power of RMB4,081,000 from interests in joint venture, which is mentioned in note 15, there was no material acquisition nor disposal of equity interest in associates for the six-month period ended 30 June 2018.

## 15. INTERESTS IN JOINT VENTURES

### (a) meteocontrol Electric Power Development Co., Ltd.

meteocontrol Electric Power Development Co., Ltd. ("meteocontrol Electric Power") ("旻投電力發展有限公司") is a company mainly engaged in solar plant operation and services established by the Group and one of its senior management on 28 May 2016. The Group injected RMB4,900,000 by cash into meteocontrol Electric Power for the 49% equity interest of meteocontrol Electric Power while as decisions about all relevant activities of meteocontrol Electric Power require the unanimous consent of both the Group and the other shareholder of meteocontrol Electric Power the voting power of the Group in meteocontrol Electric Power is regarded as 50% and meteocontrol Electric Power is accounted for as a joint venture of the Group, accordingly. During the current interim period, meteocontrol Electric Power declared dividends distribution and the Group has received cash dividends of RMB10,845,000, which was proportional to 49% of the Group's equity interest in meteocontrol Electric Power. In addition, the Group transfer its 22% of equity interest to independent third parties at the proportional share of the net asset value of meteocontrol Electric Power for a cash consideration of RMB2,200,000, with no gain or loss recognised. Upon completion of the partial disposal, the voting power of the Group was reduced to 27% and the requirement of unanimous consent for the decisions about all relevant activities, had been withdrawn, then the carrying amount of RMB4,081,000 of interest in meteocontrol Electric Power was then accounted for an associate of the Group.

### (b) Jiangsu Shunfeng New Energy Technology Co., Ltd.

During the current interim period, Jiangsu Shunfeng New Energy Technology Co., Ltd. ("Shunfeng New Energy") ("江蘇順風新能源科技有限公司") is newly established by the Group and the other independent third party. Shunfeng New Energy is a company mainly engaged in researching, manufacturing and sales of high-quality and efficient solar products with latest advanced and innovative technology in the market. The Group injected RMB180,000,000 by cash into Shunfeng New Energy with the remaining unpaid capital contribution of RMB24,000,000 for the 51% equity interest of Shunfeng New Energy, while as decisions about all relevant activities of Shunfeng New Energy require the unanimous consent of both the Group and the other shareholder of Shunfeng New Energy, the voting power of the Group in Shunfeng New Energy is regarded as 50% and Shunfeng New Energy is accounted for as a joint venture of the Group, accordingly.

## 16. DEFERRED TAX

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

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Deferred tax assets | **102,617** | 213,608 |
| Deferred tax liabilities | **(38,953)** | (46,759) |
| | **63,664** | 166,849 |

The following are the major deferred tax assets and liabilities recognised 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 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 2017 (audited) | 5,254 | 1,226 | 9,092 | (45,119) | 44,956 | 111,610 | 64,244 | 23,436 | 214,699 |
| Exchange adjustments | – | – | – | (2,351) | – | – | – | 599 | (1,752) |
| (Charge) credit to profit or loss | (104) | – | (645) | 480 | 2,938 | (20,494) | (2,498) | 270 | (20,053) |
| At 30 June 2017 (unaudited) | 5,150 | 1,226 | 8,447 | (46,990) | 47,894 | 91,116 | 61,746 | 24,305 | 192,894 |
| Exchange adjustments | – | – | – | 188 | – | – | – | (2,334) | (2,146) |
| Eliminated on disposal of subsidiaries | – | – | – | 741 | – | – | – | – | 741 |
| Credit (charge) to profit or loss | 162 | – | (608) | 380 | 2,618 | (21,882) | (9,391) | 4,081 | (24,640) |
| At 31 December 2017 (audited) | **5,312** | **1,226** | **7,839** | **(45,681)** | **50,512** | **69,234** | **52,355** | **26,052** | **166,849** |
| Exchange adjustments | **-** | **-** | **-** | **(310)** | **-** | **-** | **-** | **(83)** | **(393)** |
| Eliminated on disposal of subsidiaries | **-** | **-** | **-** | **7,815** | **-** | **-** | **-** | **-** | **7,815** |
| Credit (charge) to profit or loss | **773** | **-** | **(2,290)** | **244** | **(33,401)** | **(39,147)** | **(44,146)** | **7,360** | **(110,607)** |
| At 30 June 2018 (unaudited) | **6,085** | **1,226** | **5,549** | **(37,932)** | **17,111** | **30,087** | **8,209** | **33,329** | **63,664** |

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

At the end of the reporting period, the Group has unrecognised tax losses of RMB4,186,757,000 (31 December 2017: RMB3,749,881,000) available for offset against future profits. No deferred tax asset has been recognised in respect of above tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB1,905,632,000, RMB1,024,453,000, RMB672,040,000, RMB248,823,000 and RMB335,809,000 (31 December 2017:RMB1,814,440,000, RMB1,024,453,000, RMB672,040,000,and RMB238,948,000) which will expire in each calendar year from 2019 and 2023 (31 December 2017: 2019 to 2022), respectively.

## 16. DEFERRED TAX (Continued)

At the end of the current interim period, the Group has deductible temporary differences of RMB1,668,175,000 (31 December 2017: RMB1,383,688,000) not recognised as deferred tax assets as it is not probable these taxable profit will be available against which the deductible temporary differences can be utilised.

Under the Law of the People's Republic of China on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax had not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB650,767,000 as at 31 December 2017 as the Group was able to control the timing of the reversal of the temporary differences and it was probable that the temporary differences would not reverse in the foreseeable future. As at 30 June 2018, there was no material temporary differences attributable to accumulated profits of the PRC subsidiaries.

## 17. TRADE AND OTHER RECEIVABLES

| | 30/06/2018 RMB'000 (Unaudited) | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Trade receivables (note i) | 887,353 | 1,649,041 |
| Less: Allowance for doubtful debts (note i) | (116,982) | (229,300) |
| | 770,371 | 1,419,741 |
| Accrued revenue on tariff subsidy (note ii) | 1,497,584 | 1,178,427 |
| Total trade receivables and accrued revenue on tariff subsidy | 2,267,955 | 2,598,168 |
| Bills receivables (note i) | – | 224,900 |
| | 2,267,955 | 2,823,068 |
| Other receivables | | |
| Prepaid expenses | 29,235 | 49,425 |
| Retention receivables | 19,333 | 15,518 |
| Amounts due from independent third parties (note iii) | 330,558 | 438,109 |
| Consideration receivable for disposal of subsidiaries (note iv and 31) | 51,047 | 43,388 |
| Amounts due from disposed subsidiaries (note v) | 40,868 | 40,990 |
| Security deposit (note viii) | 111,337 | – |
| Government subsidy receivable arising from the sales of LED Products (note vi) | 20,608 | 62,153 |
| Others (note vii) | 44,874 | 35,403 |
| | 647,860 | 684,986 |
| | 2,915,815 | 3,508,054 |

## 17. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) Upon the initial application of IFR9 as at 1 January 2018, certain receivables in respect of the amounts of the trade receivables and bills receivables in relation to the Group's manufacturing and sales of Solar Products and LED Products was reclassified to receivables classified as at FVTOCI, for details please refer to note 18.

(ii) The Group's accrued revenue on tariff subsidy are receivables from the state grid company. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company. As the collection of accrued revenue on tariff subsidy is expected in the normal operating cycle, which may be more than 1 year, they are classified as current assets.

In the opinion of the directors of the Company, the revenue recognition of tariff adjustment is proper based on their judgement and taking into account the opinion from the Group's PRC legal advisor, that the Group's operating solar power plant has qualified for registration in the Catalogue, and has met all the relevant requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that the Group's operating solar power plant is able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidy is fully recoverable upon the allocation of funds from the PRC government.

(iii) The amount was non-trade in nature. Except for the amount of RMB39,800,000 (2017: RMB39,800,000) as at 30 June 2018 which are unsecured, carried interest being 10% (2017: 10%) 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.

(iv) The amount includes consideration receivable of RMB10,000,000 reclassified from other non-current assets, according to the arrangement.

(v) As at 30 June 2018, the balance represents the amount due from those subsidiaries that were disposed in previous year, which was non-trade in nature, unsecured, interest-free, and repayable within one year.

(vi) Amount represented the receivable balance in respect of the incentive provided by and confirmed with the local government of Nanchang City, Jiangxi Province, PRC as to support the business development of LED industry in the PRC.

(vii) The amount includes interest income arising from advances to third parties, other tax recoverable, custom deposits and advances to staff for operational purpose.

(viii) The unlisted managed funds was previously accounted for as available-for-sale investments, and was matured during the current interim period. The unlisted managed funds had been redeemed by the Group and the Group kept the balances of RMB107,000,000 and the interest income of RMB4,337,000 in the security deposits account opened in the independent financial institution, which was one of the corporate bondholders of one subsidiary of the Group. Pursuant to the maturity notice dated on 15 June 2018, an offsetting right has been granted by the Group to the independent financial institution, allowing it to offset the security deposits against the Group's outstanding corporate bond payable upon the maturity of the corporate bond.

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:

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | **529,876** | 615,656 |
| 31 to 60 days | **142,297** | 285,758 |
| 61 to 90 days | **120,279** | 318,121 |
| 91 to 180 days | **260,361** | 485,780 |
| Over 180 days | **1,215,142** | 892,853 |
| | **2,267,955** | 2,598,168 |

## 17. TRADE AND OTHER RECEIVABLES (Continued)

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 41% to 84% in 2018 (2017: 36% to 84%) 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.

Pursuant to New Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidy has come into force since 2013 and approvals for the registration in 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 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.

| | **30/06/2018<br>RMB'000<br>(Unaudited)** | 31/12/2017<br>RMB'000<br>(Audited) |
|---|---|---|
| 0 to 30 days | **446,702** | 548,647 |
| 31 to 60 days | **64,929** | 203,903 |
| 61 to 90 days | **43,208** | 231,778 |
| 91 to 180 days | **61,149** | 175,186 |
| Over 180 days | **154,383** | 260,227 |
| | **770,371** | 1,419,741 |

## 17. 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:

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | – | 68,223 |
| 31 to 60 days | – | 41,079 |
| 61 to 90 days | – | 37,359 |
| 91 to 180 days | – | 77,265 |
| Over 180 days | – | 974 |
| | – | 224,900 |

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.

Details of the impairment assessment are set out in note 19.

## 18. RECEIVABLES AT FVTOCI

| | 30/06/2018 RMB'000 (Unaudited) | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **709,934** | – |
| Trade receivables supported by bills (note i) | **234,857** | – |
| | **944,791** | – |

Note:

(i) The balance represents certain trade receivables and bills receivables held by the Group as disclosed in note 17 and is measured at FVTOCI since initial adoption of IFRS 9 on 1 January 2018, and as at 30 June 2018, since the trade and trade receivables supported by bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The following is an aged analysis of receivables classified as at fair value through other comprehensive income, net of impairment and fair value measurement, as at 30 June 2018:

| | 30/06/2018 RMB'000 (Unaudited) | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | **188,076** | – |
| 31 to 60 days | **164,109** | – |
| 61 to 90 days | **170,363** | – |
| 91 to 180 days | **107,105** | – |
| Over 180 days | **315,138** | – |
| | **944,791** | – |

Details of the impairment assessed are set out in note 19.

## 19. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

For trade receivables, contract assets, amount due from an associate and receivables at FVTOCI, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

The ECL on trade receivables are assessed individually for debtors with significant balances. As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. When assessing the impairment, matrix of the nature of customers, the financial conditions and debtor's aging are considered. The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed individually and collectively based on provision matrix as at 30 June 2018.

| | Default rate | Gross carrying amounts | Impairment loss allowance |
|---|---|---|---|
| Customer Group A assessed individually | 0% to 2.24% | 2,429,816 | (23,983) |
| Customer Group B assessed collectively | | | |
| 0 to 180 days | 5.07% | 774,368 | (39,278) |
| Over 180 days | 36.83% | 405,776 | (149,450) |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Based on the track record of regular repayment of receivables from sales of electricity and the settlement of accrued revenue on tariff subsidy is in accordance with the prevailing government policies, all trade receivables from sales of electricity, including accrued revenue on tariff subsidy, are expected to be fully recoverable and the ECL provision on trade receivables is considered to be insignificant.

Restricted bank deposits and bank balances are determined to have low risk at the reporting date and the Group has measured the loss allowance at 12m ECL. The credit risk on restricted bank deposits and bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay at the due date is low.

## 19. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (Continued)

Movement in lifetime ECL that has been recognised for trade receivables and contract assets in accordance with the requirements set out in IFRS 9 is set out below.

| | Trade receivables RMB'000 | Contract assets RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 31 December 2017 (audited) | 229,300 | – | 229,300 |
| Reclassification | (109,286) | – | (109,286) |
| At 1 January 2018 (restated) | 120,014 | – | 120,014 |
| Provided for the period | 118 | – | 118 |
| Reversal | (2,833) | – | (2,833) |
| Write-off as uncollectible | (837) | – | (837) |
| Exchange adjustment | 520 | – | 520 |
| **At 30 June 2018 (unaudited)** | **116,982** | **–** | **116,982** |

The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

In respect of the other remaining financial assets (except for the accrued revenue on tariff subsidy) at amortised cost, the Group's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognising expected credit losses |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past due amounts | 12-months ECL |
| Doubtful | There has been a significant increase in credit risk since initial recognition | Lifetime ECL-not credit-impaired |
| In default | There is evidence indicating the asset is credit-impaired | Lifetime ECL-credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

## 20. 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 utilised within the next twelve months after the end of the reporting period.

## 21. RESTRICTED BANK DEPOSITS

As at 30 June 2018, included HKD437,724,000 (equivalent to RMB369,045,000) (31 December 2017: HKD544,164,000 (equivalent to RMB472,280,000)) was the restricted bank deposits arising from the borrowing advanced from Sino Alliance Capital Ltd. ("Sino Alliance") as set out in note 37(a) in the annual report of 2016. The balance was restricted as it was kept in a designated bank account of which withdrawal would require approval from Sino Alliance.

As at 30 June 2018, the remaining balance of restricted bank deposits of RMB1,399,354,000 (31 December 2017: RMB1,004,101,000) represent deposits placed in banks for arranging short-term banking facilities granted to the Group or for the Group's issuance of short-term bills payables, accordingly, the balances are classified as current asset.

## 22. TRADE AND OTHER PAYABLES

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Trade payables | **1,542,410** | 1,198,808 |
| Bills payables | **1,256,476** | 649,525 |
| Payables for acquisition of property, plant and equipment | **95,002** | 101,116 |
| Payables for EPC of solar power plants (note i) | **1,631,288** | 1,749,173 |
| Other tax payables | **32,852** | 30,444 |
| Amounts due to independent third parties (note ii) | **329,264** | 762,182 |
| Tendering deposits received | **55,802** | 49,617 |
| Interest payable | **242,662** | 129,528 |
| Accrued expenses | **355,284** | 221,238 |
| Accrued payroll and welfare | **61,959** | 102,563 |
| Consideration payable for acquisition of subsidiaries (note iii) | **39,979** | 46,979 |
| Penalty interest and outstanding financial guarantee obligation (notes 24(b) and 24(c)) | **68,749** | – |
| Others | **34,449** | 39,153 |
| | **5,746,176** | 5,080,326 |

## 22. TRADE AND OTHER PAYABLES (Continued)

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 year and such amounts were therefore classified as current liabilities at the end of the reporting year.

(ii) Amount as at 31 December 2017 included an aggregate outstanding principal balance of the Fifth CB totalling KD445,000,000 (equivalent to RMB376,381,000) due to two independent convertible bondholders (including True Bold Global Limited ("True Bold") and Eagle Best Limited ("Eagle Best")) and the related unpaid interest totalling HKD3,500,000 (equivalent to RMB2,926,000), being reclassified from convertible bonds since the Maturity Date of the Fifth CB, which was unsecured, interest-bearing and immediately repayable.

The Company issued the Fifth CB on 28 November 2014, and True Bold subscribed for an aggregate principal amount of HKD385,000,000.

True Bold received an aggregate settlement amounts of HKD29,250,000 (including the principal sum of HKD10,000,000 and interest of HKD19,250,000) from the Company on the Maturity Date. The Company had not yet fully repaid the outstanding balance as at 31 December 2017, and, instead, entered into a "Standstill and Forbearance Agreement" (the "Agreement") with True Bold in respect of the outstanding principal amount of HKD375,000,000. True Bold agreed to standstill and forbear from exercising its acceleration or enforcement rights and remedies under the Fifth CB from the Maturity Date to 31 March 2018 (the "Standstill Period").

During the current interim period, an outstanding principal balance of HKD185,310,000 and accrued interest expense of HKD3,284,000, totalling HKD188,594,000 had been settled in cash by the Group to True Bold. On 29 June 2018, the management of the Group had entered into an "Amendment Agreement" with True Bold in respect of the outstanding principal amount of HKD189,690,000 and the related accrued interest expense of HKD11,329,000, totalling HKD201,019,000 (equivalent to RMB169,480,000), and converted the outstanding unsettled balance to a loan due on 27 November 2019, which is secured, carried at a fixed interest rate of 10% per annum and with scheduled repayment in year 2018 and 2019.

In respect of the outstanding principal balance of the Fifth CB due to Eagle Best of HKD70,000,000 (equivalent to RMB59,206,000) as at 31 December 2017, the amount was unsecured, carried at a fixed interest rate of 5% per annum and was immediately repayable. The related accrued interest included in amounts due to independent third parties as at 31 December 2017 amounted to HKD3,500,000 (equivalent to RMB2,926,000). During the current interim period, HKD70,000,000 and the related accrued interest expense of HKD4,667,000, totalling HKD74,667,000 had been fully settled in cash by the Group to Eagle Best.

Lastly, except for the balance of RMB206,000,000 (2017: RMB580,946,000) carried at fixed interest rates of 4.35% (2017: ranging from 4.35% to 10%) per annum, the amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) The amounts mainly resulted from the Group's acquisition of subsidiaries with solar power plants currently under development in the prior years, which were unsecured, interest-free and repayable on demand or upon completion of the development of solar power plants.

## 22. TRADE AND OTHER PAYABLES (Continued)

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

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Age | | |
| 0 to 30 days | **535,572** | 609,275 |
| 31 to 60 days | **417,034** | 139,198 |
| 61 to 90 days | **165,066** | 130,463 |
| 91 to 180 days | **102,950** | 40,177 |
| Over 180 days | **321,788** | 279,695 |
| | **1,542,410** | 1,198,808 |

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

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Age | | |
| 0 to 30 days | **237,174** | 214,153 |
| 31 to 60 days | **341,310** | 96,981 |
| 61 to 90 days | **331,548** | 138,934 |
| 91 to 180 days | **346,444** | 199,457 |
| | **1,256,476** | 649,525 |

## 23. OBLIGATIONS UNDER FINANCE LEASES

| | 30/06/2018 RMB'000 (Unaudited) | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Current liabilities | 37,312 | 45,195 |
| Non-current liabilities | 47,797 | 66,852 |
| | 85,109 | 112,047 |

It is the Group's policy to lease certain of its buildings and machineries under finance leases. As at 30 June 2018, the original lease term is 12 years (2017: ranging from 4 to 12 years) and the corresponding interest rate is 9.15% (2017: 4.62% to 9.15%) per annum.

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

## 24. PROVISIONS

| | Provision on legal claims (note c) RMB'000 | Warranty provision (note a) RMB'000 | Financial guarantee contracts (note b) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2017 (audited) | 61,754 | 643,944 | 307,655 | 1,013,353 |
| Provision for the period | 4,481 | 27,457 | 12,195 | 44,133 |
| Adjustment for the period | – | – | (36,651) | (36,651) |
| Reversal for the period | (2,486) | – | – | (2,486) |
| Utilisation of provision | – | (7,432) | – | (7,432) |
| Exchange adjustments | – | 405 | (5,864) | (5,459) |
| At 30 June 2017 (unaudited) | 63,749 | 664,374 | 277,335 | 1,005,458 |
| Provision for the period | 4,580 | 28,071 | 39,274 | 71,925 |
| Utilization of provision | (7,100) | (8,436) | — | (15,536) |
| Exchange adjustments | – | (1,039) | (9,038) | (10,077) |
| At 31 December 2017 (audited) | 61,229 | 682,970 | 307,571 | 1,051,770 |
| Provision for the period | 4,481 | 29,939 | 29,688 | 64,108 |
| Utilisation of provision | – | (6,903) | (20,070) | (26,973) |
| Reclassified to other payable | (65,710) | – | (3,039) | (68,749) |
| Exchange adjustments | – | 741 | 2,877 | 3,618 |
| At 30 June 2018 (unaudited) | – | 706,747 | 317,027 | 1,023,774 |

## 24. PROVISIONS (Continued)

Notes:

(a) The Wuxi Suntech Group's standard PV modules (excluding the standard PV modules produced by Suntech Power Japan Corporation ("Suntech Japan"), were typically sold with a five-year warranty in terms of replacement and ten years in terms of defects in materials and workmanship. The Wuxi Suntech Group's standard PV modules also contain a 5, 12, 18 and 25-year standard warranty against declines of more than 5.0%, 10.0%, 15.0% and 20.0% of initial power generation capacity, respectively. Suntech Japan's standard PV modules sold in Japan are typically sold with a 10-year warranty in terms of replacement and repairing service for defects in materials and workmanship and a 25-year warranty against declines of more than 10.0% of initial peak power.

The warranty periods of Suntech Japan's building integrated photovoltaic ("BIPV") products vary depending on the nature and specification of each BIPV product. Additionally, a few of the customers have requested post-sales obligations. These obligations primarily consisted of (i) guaranteeing minimum system output for a certain period of time, normally less than five years, which requires Wuxi Suntech to compensate the customer for losses if the system output is lower than the minimum requirement; and (ii) providing certain post-sales system quality warranty in terms of replacement and repairing service for a certain period of time, normally less than five years. The Wuxi Suntech Group accrues warranty costs when recognising revenue and recognises such costs as a component of cost of sales. Warranty costs primarily consist of replacement costs for parts and materials and labor costs for maintenance personnel. Based on its best estimates of both future costs and the probability of incurring warranty claims, the Wuxi Suntech Group accrues for product warranties at approximately 1% of solar module sales and BIPV products. The Wuxi Suntech Group derives its estimates from a number of factors, including (1) an analysis of actual historical costs incurred in connection with its warranty claims, (2) an assessment of competitors' accrual and claim history, (3) changes in the market price of products required to be incurred to provide the warranty service, (i.e. the PV products) and (4) results from academic research, including industry-standard accelerated testing, and other assumptions that Wuxi Suntech believes to be reasonable under the circumstances.

The Wuxi Suntech Group's warranty provision is classified as current liabilities.

(b) Prior to 1 January 2017, the amounts represented 1) the financial guarantee contracts provided by the Wuxi Suntech Group to its former related party and independent third party; 2) the financial guarantee provided for Suniva. In light of loss incurred, severe financial difficulty experienced by Suniva, and certain unfavourable factors expected by the management, the Company made full provision on the financial guarantee in respect of Suniva's additional bank borrowing raised amounting to USD31,925,000 (equivalent to RMB221,466,000) and accounts payable amounting to USD1,000,000 (equivalent to RMB6,784,000) respectively.

During the year ended 31 December 2017, the Group made a downward adjustment of RMB36,651,000 according to the actual outstanding liability to be borne by the Group with reference to the terms of the financial guarantee contracts and amount of outstanding liability as confirmed by the financial institution. Provision amount has been reduced since the counterparty had repaid certain amount of bank borrowings prior to its bankruptcy as at year ended 31 December 2017.

In addition, Sunvia declared bankruptcy as at the year ended 31 December 2017, and the Group made further provision of USD2,454,000 (equivalent to RMB15,638,000) (30 June 2017: USD1,775,000 (equivalent to RMB12,195,000)) in the current interim period according to the management's estimation on the increased outstanding liability that the Group is obliged to settle. Furthermore, included in the balance as at 31 December 2017, USD900,000 (equivalent to RMB5,880,000) in relation to the full provision on the financial guarantee in respect of Sunvia's accounts payables to third party, was partially settled in the current interim period. The Group is informed to undertake the guarantee obligation, therefore the outstanding unsettled USD423,000 (equivalent to RMB3,039,000 was reclassified to trade and other payables as at period ended 30 June 2018.

As at 30 June 2018, the Group additionally provided financial guarantees of RMB14,670,000 (31 December 2017: RMB620,000) in favour of banks enabling the independent third parties to obtain secured bank borrowing. In this current period, provision amount has been increased since the independent third party was unable to repay the bank borrowing on its maturity date.

(c) 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. On 17 April 2018, the final appeal was released by the National High People's Court that Wuxi Suntech is obliged to return the vendor payment of RMB206,000,000 and the accumulated penalty interest and termination fee totaling RMB65,710,000, including the additional provision on legal claims of RMB4,481,000 made during the current interim period. The vendor payment of RMB206,000,000 was included in other payables as at 30 June 2018. As at 30 June 2018, the provision of RMB65,710,000 in respect of pentalities and interests on the principal amount was reclassified to other payables.

## 25. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB464,881,000 (six months ended 30 June 2017: RMB348,913,000) which carried interest ranging from 0.53% to 6.53% (2017: 0.53% to 9.00%) per annum, and made repayments in bank borrowings amounting to RMB414,372,000 (six months ended 30 June 2017: RMB760,550,000).

In addition, on 30 June 2018, HKD201,019,000 (equivalent to RMB169,480,000) including the related accumulated interest of HKD11,329,000 (equivalent to RMB9,551,000) was reclassified to other borrowings subject to the supplementary agreement signed with True Bold, which was secured, carried a fixed interest of 10% per annum and repayable prior to 27 November 2019.

During the interim period, in respect of a bank borrowing with a carrying amount of RMB1,153,457,000 as at 30 June 2018 (31 December 2017: RMB1,153,457,000), the Group breached certain of the terms of the bank borrowing, which are primarily related to the debt-equity ratio of the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the borrowing with the relevant banker. As at 30 June 2018, those negotiations had not been concluded. Since the lender has not yet agreed to waive its right to demand immediate payment as at the end of the reporting period, the respective borrowing has been classified as current liability, accordingly. RMB2,922,650,000 (31 December 2017: RMB2,836,345,000) of the total bank borrowings will be repayable within twelve months after the end of the reporting period while the remaining RMB1,835,264,000 (31 December 2017: RMB1,990,482,000) will be repayable after twelve months of the reporting period till year 2030.

During the current interim period, the Group obtained other borrowing from independent third parties amounting to RMB142,581,000 (six months ended 30 June 2017: RMB594,198,000), which carried effective interest ranging from 5.22% to 12.5% (2017: 3.00% to 5.22%) per annum. The Group made repayments in other borrowings amounting to RMB241,062,000 (six months ended 30 June 2017: RMB162,151,000) during the period. RMB3,652,079,000 (31 December 2017: RMB3,128,364,000) of the total other borrowings will be repayable within twelve months after the end of the reporting period. The remaining balances of RMB2,475,133,000 (31 December 2017: RMB2,910,232,000) will be repayable after twelve months of the reporting period till year 2026.

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.

## 26. DERIVATIVE FINANCIAL LIABILITIES

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Warrants liabilities arising from acquisition of Lattice Power Group | **3,336** | 3,336 |

### Warrants liabilities arising from acquisition of Lattice Power Group

In connection with the acquisition of Lattice Power Group by the Group, 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.

As at 30 June 2018, the exercise price for the Series E Warrants shall be HK$41.56 (equivalent to RMB35.48) (2017: RMB35.04) 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 2018 and 31 December 2017 were as follows:

| **Valuation date** | **30 June 2018 (unaudited)** | 31 December 2017 (audited) |
|---|---|---|
| Applicable share value (RMB) | **18.61** | 18.38 |
| Exercise price (RMB) | **35.48** | 35.04 |
| Expected volatility | **49.70%** | 49.70% |
| Expected life | **7.1 years** | 7.6 years |
| Risk-free rate | **3.80%** | 3.80% |
| 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 annualised historical stock price volatilities of comparable companies as of the valuation date.

For the period ended 30 June 2018, there was no significant change in fair value of the warrant liabilities, while gain on changes in fair value of RMB2,479,000 in respect of these warrant liabilities was credited to "other gain and losses and other expenses" in profit or loss for the six months period ended 30 June 2017.

## 27. 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 RMB356,660,000) ("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 recognised in profit or loss till the date of modification of terms on 19 September 2013. Please refer to the annual report of year 2017 for details.

The movements of the components of First 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 2017 (audited) | 68,555 | 1,351,428 | 1,419,983 |
| Effective interest expense charged for the period | 7,022 | — | 7,022 |
| At 30 June 2017 (unaudited) | 75,577 | 1,351,428 | 1,427,005 |
| Effective interest expense charged for the period | 8,023 | — | 8,023 |
| At 31 December 2017 (audited) | 83,600 | 1,351,428 | 1,435,028 |
| Effective interest expense charged for the period | 7,946 | – | 7,946 |
| At 30 June 2018 (unaudited) | 91,546 | 1,351,428 | 1,442,974 |

As at 30 June 2018, RMB35,666,000 (31 December 2017: RMB35,666,000) 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 10% of the First CB on demand.

## 27. 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 2017 for details.

The movements of the components of the Second 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 2017 (audited) | 338,332 | 118,469 | 456,801 |
| Effective interest expense charged for the period | 28,499 | — | 28,499 |
| Coupon interest paid during the period | (29,746) | — | (29,746) |
| At 30 June 2017 (unaudited) | 337,085 | 118,469 | 455,554 |
| Effective interest expense charged for the period | 29,046 | — | 29,046 |
| At 31 December 2017 (audited) | 366,131 | 118,469 | 484,600 |
| Effective interest expense charged for the period | 31,214 | – | 31,214 |
| Coupon interest paid during the period | (33,821) | – | (33,821) |
| At 30 June 2018 (unaudited) | 363,524 | 118,469 | 481,993 |

As at 30 June 2018, RMB363,524,000 (31 December 2017: RMB366,131,000) 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 during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

## 27. CONVERTIBLE BONDS (Continued)

### (c) Third CB (as defined below)

On 16 April 2014, the Company issued zero-coupon 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 2017 for details.

The movements of the components of the Third 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 2017 (audited) | 416,328 | 904,971 | 1,321,299 |
| Effective interest expense charged for the period | 41,864 | — | 41,864 |
| At 30 June 2017 (unaudited) | 458,192 | 904,971 | 1,363,163 |
| Effective interest expense charged for the period | 46,875 | — | 46,875 |
| At 31 December 2017 (audited) | 505,067 | 904,971 | 1,410,038 |
| Effective interest expense charged for the period | 50,788 | – | 50,788 |
| At 30 June 2018 (unaudited) | 555,855 | 904,971 | 1,460,826 |

Note: Subsequently on 1 September 2014, each of the Third CB holders issued a commitment confirmation letter to the Company individually and confirmed that they would not exercise the early redemption right but retain the share conversion right till the Third CB Maturity Date. A deed of undertaking had also been subsequently drawn up and entered into by each of the Third CB holders confirming that all of them hereby irrevocably undertook to the Company that they would comply with the terms of the commitment confirmation letter, with effect from 1 September 2014.

Upon receipt of the commitment confirmation letter and the deed of undertaking from each of the Third CB holders on 1 September 2014, the directors of the Company considered that the expected future cash flows of the Third CB had been changed and the original estimate of the amortisation period on the basis of the earliest date on which the entity can be required to pay (i.e., for a shorter period of 1 year and 5 years for the 20% and the remaining 80% of the aggregate amount of the Third CB, respectively) was no longer appropriate, and revised the estimate of the amortisation period till Third CB Maturity Date (i.e., for a period of 10 years) accordingly.

The liability component of the Third CB was therefore re-measured on 1 September 2014 by discounting the revised estimated cash flows at the Third CB's original effective interest rate, and resulted in a change in carrying amount of the liability component of the Third CB by RMB992,024,000, which required the adjustment to be recognised in the profit or loss for the year ended 31 December 2014.

## 27. 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 2017 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 2017 (audited) | 483,375 | 329,922 | 813,297 |
| Effective interest expense charged for the period | 48,067 | — | 48,067 |
| Coupon interest paid during the period | (13,786) | — | (13,786) |
| At 30 June 2017 (unaudited) | 517,656 | 329,922 | 847,578 |
| Effective interest expense charged for the period | 52,373 | — | 52,373 |
| Coupon interest paid during the period | (13,786) | — | (13,786) |
| At 31 December 2017 (audited) | 556,243 | 329,922 | 886,165 |
| Effective interest expense charged for the period | 55,329 | – | 55,329 |
| Coupon interest paid during the period | (13,786) | – | (13,786) |
| At 30 June 2018 (unaudited) | 597,786 | 329,922 | 927,708 |

As at 30 June 2018, RMB597,786,000 (31 December 2017: RMB27,572,000) of the Fourth CB was classified as current liability as the holders have right to redeem on the fifth anniversary of the date of issue of the Fourth CB.

## 27. 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 RMB277,778,000 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 2017 for details.

The movements of components of the Fifth CB during the 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 2017 (audited) | 972,591 | 345,292 | 1,317,883 |
| Effective interest expense charged for the period | 96,521 | — | 96,521 |
| At 30 June 2017 (unaudited) | 1,069,112 | 345,292 | 1,414,404 |
| Effective interest expense charged for the period | 85,888 | — | 85,888 |
| Principle and coupon interest payable upon maternity during the year (note) | (1,155,000) | (345,292) | (1,500,292) |
| At 31 December 2017 (audited) | — | — | — |

Note: During the year ended 31 December 2017, the outstanding principal sum of HKD1,386,000,000 (equivalent to RMB1,100,000,000) of the Fifth CB, together with the unpaid interest of HKD69,300,000 (equivalent to RMB55,000,000), totalling HKD1,455,300,000 (equivalent to RMB1,155,000,000) was matured on 27 November 2017 ("Maturity Date"). However, the bondholders did not exercise the conversion right and the Group has agreed with the individual bondholders on the following ways of settlement:–

## 27. CONVERTIBLE BONDS (Continued)

### (e) Fifth CB (as defined below) (Continued)

| | Principal | | Coupon interest payable | | Total | |
|---|---|---|---|---|---|---|
| | HKD'000 | RMB'000 | HKD'000 | RMB'000 | HKD'000 | RMB'000 |
| Total amount outstanding on Maturity Date | 1,386,000 | 1,100,000 | 69,300 | 55,000 | 1,455,300 | 1,155,000 |
| Less: amount paid to True Bold (as defined in note 22(iii)) from Maturity Date to 31 December 2017 | (10,000) | (8,458) | (19,250) | (15,278) | (29,250) | (23,736) |
| Less: offset with other receivables (note i) | (231,000) | (195,380) | (11,550) | (9,769) | (242,550) | (205,149) |
| Less: offset with secured deposit (included in other non-current assets (note ii) | (700,000) | (592,060) | (35,000) | (29,603) | (735,000) | (621,663) |
| Exchange realignment | — | 72,279 | — | 2,610 | — | 74,889 |
| Reclassify to amounts due to independent third parties included in other payables (note 22(iii)) | (445,000) | (376,381) | (3,500) | (2,960) | (448,500) | (379,341) |
| | — | — | — | — | — | — |

Notes:

(i) As set out in note 27(i) of 2017 Annual report, included in the balance of other receivables as at 31 December 2016, was a loan of HKD231,000,000 advanced to one of the convertible bondholders of the Fifth CB. Pursuant to the loan agreement, the Group had the option to offset the loan receivables with the Group's outstanding balance of the Fifth CB upon the Maturity Date. During the year ended 31 December 2017, additional interest income of HKD11,550,000 was accrued in respect of the loan receivables, together with the principal balance of HKD231,000,000 offset with the outstanding Fifth CB partially upon the Maturity Date.

(i) As set out in note 24 of 2017 Annual report, during the year ended 31 December 2016, the Group entered into a loan agreement with Sino Alliance, pursuant to which the Group borrowed HKD2,500,000,000 from Sino Alliance, while the Group was obliged to place HKD702,528,000 to Sino Alliance as a secured deposit, included in the balance of other non-current assets as at 31 December 2016, which also carried interest rate of 5% pursuant to the loan agreement. In addition, pursuant to the loan agreement, the Group has the option to offset the secured deposit upon the Maturity Date of the Fifth CB. During the year ended 31 December 2017, additional interest income of HKD32,472,000 was accrued in respect of secured deposit, and together with HKD702,528,000, totalling HKD735,000,000 were used to offset with the outstanding Fifth CB partially upon the Maturity Date of the Fifth CB.

## 27. CONVERTIBLE BONDS (Continued)

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

| | 30/06/2018<br>RMB'000<br>(Unaudited) | 31/12/2017<br>RMB'000<br>(Audited) |
|---|---|---|
| Within one year | 996,976 | 429,369 |
| More than one year, but not exceeding two years | – | 528,671 |
| More than five years | 611,735 | 553,001 |
| | 1,608,711 | 1,511,041 |
| Classified as: | | |
| Current liabilities | 996,976 | 429,369 |
| Non-current liabilities | 611,735 | 1,081,672 |
| | 1,608,711 | 1,511,041 |

## 28. BONDS PAYABLES

Analysed for reporting purpose:

| | 30/06/2018<br>RMB'000<br>(Unaudited) | 31/12/2017<br>RMB'000<br>(Audited) |
|---|---|---|
| Current liabilities | 891,547 | 1,045,061 |

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 and to Wuxi Suntech Power Co., Ltd, another subsidiary of the Group, in the principal amount of RMB50,000,000. 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. During the six months ended 30 June 2017, principal amount of RMB20,000,000 of the corporate bond held by Wuxi Suntech Power Co., Ltd was transferred at par value to an independent financial institution.

## 28. BONDS PAYABLE (Continued)

During the current interim period, the outstanding principal sum of RMB500,000,000 of the 2-year corporate bond, together with the unpaid interest of RMB38,500,000, totalling RMB538,500,000 was matured on 22 June 2018. The Group has repaid an aggregate settlement of RMB194,500,000 (including the principal sum of RMB156,000,000 and interest of RMB38,500,000). In addition, the Group has entered into a supplementary agreement with the bond holder, to extend the maturity period of the corporate bond to 22 March 2019, carried at a fixed interest rate of 7.7%. Such non-substantial modification of the corporate bond had resulted in a gain of RMB1,323,000 credited to finance costs in the current interim period. In addition, the outstanding bond payables of RMB344,000,000 became secured in the current interim period, as a result of the secured deposit as placed by the Group, detailed in note 17.

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.

## 29. SHARE CAPITAL

| | **Number of shares** | **Amount**<br>HK$ |
|---|---|---|
| **Authorised** | | |
| At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018<br>— Ordinary shares of HK$0.01 each | 10,000,000,000 | 100,000,000 |

| | **Number of shares** | **Amount**<br>HK$ |
|---|---|---|
| **Issued and fully paid** | | |
| At 1 January 2017 (audited) and 30 June 2017 (unaudited) | 4,314,151,191 | 43,141,512 |
| At 1 January 2018 (audited) | 4,314,151,191 | 43,141,512 |
| Issue of shares upon conversion of convertible bonds | — | — |
| At 30 June 2018 (unaudited) | 4,314,151,191 | 43,141,512 |

| | **30/06/2018**<br>**RMB'000**<br>**(Unaudited)** | 31/12/2017<br>RMB'000<br>(Audited) |
|---|---|---|
| Presented as | **34,876** | 34,876 |

## 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

| | **30/06/2018** | | 31/12/2017 | |
|---|---|---|---|---|
| | **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 | **1,608,711** | **1,335,379** | 1,511,041 | 1,217,378 |

The fair value of the liability component of convertible bonds as at 30 June 2018 and 31 December 2017 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.

### 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 assets and 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 assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

| Financial assets and liabilities | Classified as | Fair value as at 30/06/2018 RMB'000 (Unaudited) | Fair value as at 31/12/2017 RMB'000 (Audited) | 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 |
|---|---|---|---|---|---|---|---|
| Unlisted equity investments classified as financial assets at FVTPL (2017: available-for-sale investments) | Financial assets at FVTPL | 3,096 | N/A | Level 3 | Market approach the value is based upon what investors are paying for similar assets or securities in the market place | Market multiples | The higher the market multiples, the higher the fair value |
| Unlisted managed investment fund classified as at FVTPL (2017: available-for-sale investments) | Financial assets at FVTPL (2017: available-for-sale investments) | - | 111,337 | Level 3 | Net asset of the fund which is determined by the fair value of underlying investment | The fair value of underlying investment | The higher the fair value of underlying investment, the higher the fair value |
| Receivables at FVTOCI | Financial assets at FVTOCI | 944,791 | N/A | Level 3 | Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables | Discount rate | The higher the discount rate, the lower the fair value |
| Warrants liabilities | Derivative financial liabilities | (3,336) | (3,336) | 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 RMB1,249,000 (2017: RMB1,249,000) and RMB1,352,000 (2017: RMB1,352,000) respectively.

## 30. 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 (Continued)

The following table represents the changes in Level 3 financial assets and financial liabilities during the six months ended 30 June 2018.

| | Receivables at FVTOCI | Unlisted equity investment classified as FVTPL | Unlisted managed investment fund classified as FVTPL | Warrants Liabilities arising from previous acquisition of Lattice Power Group | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets (liabilities) at 1 January 2017 (audited) | – | – | 77,000 | (7,733) | 69,267 |
| Derecognition upon issue of Total Consideration Shares on 11 March 2016 | – | – | – | – | – |
| Total gain recognised in profit or loss included in other gains and losses and other expenses | – | – | – | 2,479 | 2,479 |
| Assets (liabilities) at 30 June 2017 (unaudited) | – | – | 77,000 | (5,254) | 71,746 |
| Addition | – | – | 30,000 | – | 30,000 |
| Total gain recognised in profit or loss included in other gains and losses and other expenses | – | – | – | 1,918 | 1,918 |
| — Total gain recognised in profit or loss included in other income | – | – | 7,278 | – | 7,278 |
| — Cash distribution | – | – | (2,941) | – | (2,941) |
| Assets (liabilities) at 31 December 2017 (audited) | – | – | 111,337 | (3,336) | 108,001 |
| Reclassification from trade and other receivables | 959,860 | – | – | – | 959,860 |
| Total gain in other comprehensive income | (2,599) | – | – | – | (2,599) |
| Reclassification from available-for-sale | – | 3,096 | – | – | 3,096 |
| Assets (liabilities) at 1 January 2018 (restated) | 957,261 | 3,096 | 111,337 | (3,336) | 1,068,358 |
| Reclassification to other receivables | – | – | (111,337) | – | (111,337) |
| Addition | 2,574,926 | – | – | – | 2,574,926 |
| Settlement | (2,584,529) | – | – | – | (2,584,529) |
| Total gain in other comprehensive income | (2,867) | – | – | – | (2,867) |
| Assets (liabilities) at 30 June 2018 (unaudited) | 944,791 | 3,096 | – | (3,336) | 944,551 |

## 31. DISPOSAL OF SUBSIDIARIES

During the period ended 30 June 2018, the Group disposed of all of its equity interests in 6 subsidiaries in Japan, which mainly holds 6 completed solar power plants to independent third parties for a total cash consideration of JPY1,441,000,000 (equivalent to RMB84,999,000). The net assets of the subsidiaries at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

| | 2018<br>RMB'000<br>(Unaudited) | 2017<br>RMB'000<br>(Audited) |
|---|---|---|
| Solar power plants | 167,330 | 372,097 |
| Intangible assets | – | 8 |
| Other non-current assets | 3,634 | — |
| Prepaid lease payment | – | 29,903 |
| Trade and other receivables | 589 | 113,306 |
| Amounts due from associates | – | 5,431 |
| Prepayments to suppliers | 2,124 | 507 |
| Interest in an associate | – | 9,331 |
| Value-added tax recoverable | – | 7,474 |
| Inventories | – | 171 |
| Bank balances and cash | 23,697 | 2,383 |
| Trade and other payables | (1,047) | (169,785) |
| Tax liabilities | (592) | – |
| Amounts due to the Group | – | (322,930) |
| Bank and other borrowings | (134,507) | – |
| Deferred tax liabilities | (7,815) | (741) |
| Net assets disposed of | 53,413 | 47,155 |
| **Gain on disposal of subsidiaries:** | | |
| Total consideration satisfied by: | 84,999 | 58,033 |
| Consideration receivable for disposal of subsidiaries | | |
| – Current assets (included in note 17) (note) | – | 19,620 |
| Cash consideration received | 84,999 | 38,413 |
| Less: net assets disposed of | (53,413) | (47,155) |
| Gain on disposal | 31,586 | 10,878 |
| **Net cash inflow arising on disposal:** | | |
| Cash consideration | 84,999 | 38,413 |
| Less: bank balances and cash disposed of | (23,697) | (2,383) |
| | 61,302 | 36,030 |

Note:

**In respect of 2017 disposal of subsidiaries**

Pursuant to the disposal agreements, consideration receivables for disposal of subsidiaries amounting to RMB19,620,000 would be settled within 12 months after 31 December 2017, while the amount of RMB15,000,000 was expected to be settled in 2019 and 2020. In addition, amounting to RMB250,000,000 was offset with a borrowing of the Group from a fellow subsidiary of the buyer pursuant to the three-party offsetting agreement dated 18 August 2016.

During the year ended 31 December 2017, RMB232,004,000 has been settled while the remaining amounts of RMB23,768,000 is expected to be settled within 12 months. The balance is non-trade in nature, unsecured, interest free and payable on demand.

## 32. CAPITAL COMMITMENTS

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

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Capital expenditure in respect of acquisition of property, plant and equipment and EPC of solar power plants — contracted for but not provided in the condensed consolidated financial statements | **330,003** | 373,557 |

The Group's share of the capital commitments made jointly with the other investors relating to its associate and joint venture, meteocontrol Electric Power and Shunfeng New Energy, but not recognised at the end of the reporting date is as follows:

| | **30/06/2018 RMB'000 (Unaudited)** | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Commitments to contribute investments in meteocontrol Electric Power | **24,300** | 44,100 |
| Commitments to contribute investments in Shunfeng New Energy | **24,000** | - |
| | **48,300** | 44,100 |

## 33. RELATED PARTY DISCLOSURES

### (a) Related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had also entered into the following related party transactions during the six months ended 2018 and 2017.

| Name of related parties | Relationship | Nature of transactions | Six months ended 30/06/2018 RMB'000 (Unaudited) | Six months ended 30/06/2017 RMB'000 (Unaudited) |
|---|---|---|---|---|
| meteocontrol Electric Power (30 June 2017: Nanjing meteocontrol) | note (i) | Solar power plant operation and maintenance services charges | **52,575** | 40,339 |
| Tiancheng International Auctioneer Limited ("Tiancheng International") (“天成國際拍賣有限公司”) | note (ii) | Rental expense | **1,522** | 1,322 |
| Changzhou Shunfeng Suntech Photovoltaic Systems Integration Co., Ltd. ("Shunfeng Suntech") (“常州順風尚德光電系統集成有限公司”) | note (iii) | Sales of solar products | **2,951** | N/A |
| Shunfeng New Energy | note (iv) | Sales of solar products | **5,652** | N/A |
| | | Purchase of solar products | **1,874** | N/A |

Notes:

(i) The management considers meteocontrol Electric Power is a related party as it is accounted for as an associate of the Group as at 30 June 2018 due to the equity interest in meteocontrol Electric Power changed from 49% to 27% in the current interim period. For details please see note 15. This company was established by the Group and one of its senior management during the year ended 31 December 2016.

(ii) The management considers Tiancheng International is a related party as it is 100% owned by Ms. Zheng Yan, who is the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company).

(iii) The management considers Shunfeng Suntech is a related party as it is accounted for as an associate of the Group. This entity was established by the Group and other three independent third parties during the year ended 31 December 2017.

(iv) The management considers Shunfeng New Energy is a related party as it is accounted for as a joint venture of the Group. This entity is newly established by the Group and the other independent third party during the current interim period.

## 33. RELATED PARTY DISCLOSURES (Continued)

### (b) Compensation of key management personnel

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

| | Six months ended 30/06/2018 RMB'000 (Unaudited) | Six months ended 30/06/2017 RMB'000 (Unaudited) |
|---|---|---|
| Basic salaries and allowances | **3,583** | 5,195 |
| Performance — related incentive bonuses | **1,073** | — |
| Retirement benefits scheme contributions | **63** | 98 |
| | **4,719** | 5,293 |

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

## 34. CONTINGENT LIABILITIES

| | 30/06/2018 RMB'000 (Unaudited) | 31/12/2017 RMB'000 (Audited) |
|---|---|---|
| Guarantees given to bank, in respect of banking facilities to independent third parties: | | |
| Total guarantee amounts | **409,233** | 413,827 |
| Less: Amount provided as financial guarantee contracts | **(317,027)** | (307,571) |
| Unprovided amount | **92,206** | 106,256 |

In addition to the above table, 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 HKD1,000,000,000 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.

During the interim period ended 30 June 2018, King Success and the Company had reached a mutual consent (which does not involve any payment or guarantee given by the Company or security over the Company's assets or any similar obligations of the Company) in respect of the Disputed Matter on a confidential basis to dismiss the legal proceedings with no order as to costs, and an application was made to the High Court of Hong Kong for a consent order to that effect. On 27 April 2018, the High Court of Hong Kong sealed a consent order to the effect that the claims by King Success against, amongst others, the Company be dismissed.

# 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 |
| "Director(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 2018 |
| "PV" | Photovoltaic |
| "PRC" or "China" | the People's Republic of China |
| "RMB" | Renminbi, the lawful currency of the PRC |

# DEFINITIONS (CONTINUED)

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