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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

RESULTS HIGHLIGHTS

	For the six months ended 30 June		
	2018 *RMB'000*	2017 *RMB'000*	*% of Change*
Revenue			
– Manufacturing and sales of solar products	**3,891,343**	3,986,649	-2.4%
– Installation services of Photovoltaic systems ("PV Systems")	**213,118**	90,223	136.2%
– Solar power generation	**672,773**	697,594	-3.6%
– Solar power plant operation and services	**62,892**	58,786	7.0%
– Manufacturing and sales of LED products	**170,243**	143,636	18.5%
Total revenue	**5,010,369**	4,976,888	0.7%
Gross profit	**687,512**	808,063	-14.9%
Net Loss	**(1,153,999)**	(327,536)	252.3%
EBITDA	**87,662**	958,234	-90.9%
Adjusted EBITDA *	**779,130**	964,103	-19.2%
Gross profit margin	**13.7%**	16.2%	-15.5%
Basic loss per share	**RMB(26.78) cents**	RMB(7.29) cents	267.4%
Net cash from operating activities	**1,273,499**	455,122	179.8%

* Adjusted EBITDA excluded finance costs, income tax, depreciation and amortization, foreign exchange gain (loss), share of losses or profits of associates and joint ventures, impairment loss on property, plant and equipment, goodwill, and solar power plant, loss on write-off of intangible assets and gain (loss) on disposal of property, plant and equipment

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended	
		30/06/2018	**30/06/2017**
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(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)

	NOTES	Six months ended 30/06/2018 RMB'000 (Unaudited)	Six months ended 30/06/2017 RMB'000 (Unaudited)
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		**2,172,801**	2,831,529
Solar power plants		**11,758,149**	12,226,635
Prepaid lease payments – non-current		**415,772**	423,800
Goodwill		**–**	6,237
Intangible assets		**38,205**	40,636
Interests in associates		**144,888**	140,377
Interests in a joint venture		**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		**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	*12*	**2,915,815**	3,508,054
Contract assets		**204,460**	–
Receivables at FVTOCI		**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		**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		**1,768,399**	1,476,381
Bank balances and cash		**508,006**	663,686
		8,240,667	7,708,166

	NOTES	30/06/2018 RMB'000 (Unaudited)	31/12/2017 RMB'000 (Audited)
Current liabilities			
Trade and other payables	*13*	**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		**37,312**	45,195
Provisions		**1,023,774**	1,051,770
Tax liabilities		**991**	4,553
Bank and other borrowings		**6,574,729**	5,964,579
Deferred income		**6,422**	12,755
Derivative financial liabilities		**3,336**	3,336
Convertible bonds		**996,976**	429,369
Bond payables		**891,547**	1,045,061
		15,487,516	13,847,554
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		**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

	NOTES	**30/06/2018**	31/12/2017
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		**38,953**	46,759
Bank and other borrowings		**4,310,397**	4,900,714
Obligations under finance leases		**47,797**	66,852
Deferred income		**25,424**	27,897
Convertible bonds		**611,735**	1,081,672
		5,034,306	6,123,894
		9,179,930	11,478,388

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 14 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

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.

Application of new and amendments to IFRSs

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.

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 *RMB'000* (Audited)	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	**1 January 2018** ***RMB'000*** **(Restated)**
Non-current assets				
Available-for-sale investments — non-current	3,096	–	(3,096)	**–**
Financial assets at FVTPL	–	–	3,096	**3,096**
Current assets				
Trade and other receivables	3,508,054	(387,946)	(993,672)	**2,126,436**
Contract assets	–	335,610	–	**335,610**
Receivables at FVTOCI	–	–	957,261	**957,261**
Available-for-sale investments — current	111,337	–	(111,337)	**–**
Financial assets at FVTPL	–	–	111,337	**111,337**
Current liabilities				
Contract liabilities	–	178,184	–	**178,184**
Customers' deposits received	178,184	(178,184)	–	**–**
Capital and reserves				
Reserves	4,006,318	(52,336)	(36,411)	**3,917,571**

3. REVENUE

Disaggregation of revenue

	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**

4. SEGMENT INFORMATION

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

(1) manufacturing and sales of solar cells, solar modules, PV Systems and related products (collectively known as "Solar Products") and installation services of PV systems;

(2) solar power generation;

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

(4) manufacturing and sales of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "LED Products").

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the six-month ended 30 June 2018 and 2017:

	Manufacturing and sales of Solar Products and installation services of PV systems		Solar power generation		Plant operation and services		Manufacturing and sales of LED Products		Sub-total		Elimination		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue														
External sales	**4,104,461**	4,076,872	**234,778**	294,059	**62,892**	58,786	**170,243**	143,636	**4,572,374**	4,573,353	**—**	—	**4,572,374**	4,573,353
Tariff subsidy	**—**	—	**437,995**	403,535	**—**	—	**—**	—	**437,995**	403,535	**—**	—	**437,995**	403,535
	4,104,461	4,076,872	**672,773**	697,594	**62,892**	58,786	**170,243**	143,636	**5,010,369**	4,976,888	**—**	—	**5,010,369**	4,976,888
Inter-segment revenue	**—**	6,934	**—**	—	**—**	—	**—**	—	**—**	6,934	**—**	(6,934)	**—**	—
	4,104,461	4,083,806	**672,773**	697,594	**62,892**	58,786	**170,243**	143,636	**5,010,369**	4,983,822	**—**	(6,934)	**5,010,369**	4,976,888
Segment profit (loss)	**(670,021)**	325,735	**281,798**	178,437	**(262)**	(3,307)	**7,359**	(30,858)	**(381,126)**	470,007	**—**	—	**(381,126)**	470,007
Unallocated income														
— Bank interest income													**3,395**	9,099
— Change in fair value of derivative financial liabilities													**—**	2,479
Unallocated expenses														
— Central administration costs													**(18,592)**	(55,964)
— Finance costs													**(626,131)**	(714,777)
Loss allowance recognised on financial guarantee contract provided for a joint venture													**(15,638)**	(12,195)
Share of loss of associates													**(39)**	(230)
Share of profit of joint ventures													**1,099**	2,773
Other expenses													**(4,481)**	(1,995)
Loss before tax													**(1,041,513)**	(300,803)

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% for the six months ended 30 June 2018 (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 for the six months ended 30 June 2018 (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 for the six months ended 30 June 2018 (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 i)*	**(674,356)**	**–**
Impairment loss recognised on solar power plant	**–**	**(15,509)**
Impairment loss recognised on goodwill *(note ii)*	**(6,237)**	–
Gain on change in fair value of derivative financial liabilities	**–**	2,479
Reversal (recognition) of doubtful debt for trade and other receivables, net *(note iii)*	**15,016**	(35,157)
Loss allowance reversed on receivables at FVTOCI, net	**25,096**	–
Loss allowance (recognised) reversed on financial guarantee contracts, net	**(29,688)**	24,456
Gain on disposal of solar power plants	**11,673**	–
Gain on disposal of subsidiaries	**31,586**	–
Gain (loss) on disposal of property, plant and equipment	**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 iv)*	**–**	40,302
Others	**(1,125)**	7,715
	(643,365)	66,779
Other expenses		
Provision on legal claims, net	**(4,481)**	(1,995)
	(647,846)	64,784

Notes:

(i) During the period ended 30 June 2018, due to the adverse change of the 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.

(ii) The opening balance of goodwill arose from the acquisition of Wuxi Suntech Group in the previous year. In the current interim period, Wuxi Suntech Group recorded a loss. Due to adverse changes in the market conditions subsequent to the 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.

(iii) 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.

(iv) 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.

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	**(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 13(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 *RMB'000* (Unaudited)	Six months ended 30/06/2017 *RMB'000* (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 *RMB'000* (Unaudited)	30/06/2017 *RMB'000* (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	**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 Photovoltaic Technology Co., Ltd ("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 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. TRADE AND OTHER RECEIVABLES

	30/06/2018	31/12/2017
	RMB'000	*RMB'000*
	(Unaudited)	(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)*	**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

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.

(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 Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄)(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 with an independent financial institution, which was one of the corporate bondholders of a 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	31/12/2017
	RMB'000	*RMB'000*
	(Unaudited)	(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

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 finalisation 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.

13. TRADE AND OTHER PAYABLES

	30/06/2018	31/12/2017
	RMB'000	*RMB'000*
	(Unaudited)	(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	**68,749**	–
Others	**34,449**	39,153
	5,746,176	5,080,326

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 convertible bonds issued by the Company ("Fifth CB") totalling HKD445,000,000 (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 27 November 2017, 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 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.

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	31/12/2017
	RMB'000	*RMB'000*
	(Unaudited)	(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

14. CAPITAL COMMITMENTS

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

	30/06/2018	31/12/2017
	RMB'000	*RMB'000*
	(Unaudited)	(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 Development Co., Ltd. ("meteocontrol Electric Power") (30 June 2017: Nanjing meteocontrol Electric Power Development Co., Ltd. ("Nanjing meteocontrol") ("旻投電力發展有限公司") and Jiangsu Shunfeng New Energy Technology Co., Ltd. ("Shunfeng New Energy") ("江蘇順風新能源科技有限公司"), but not recognised at the end of the reporting date is as follows:

	30/06/2018	31/12/2017
	RMB'000	*RMB'000*
	(Unaudited)	(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

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*
	MW	*MW*	*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 announcement, 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 of global solar power plants and manufacturing of 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 announcement.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company has arranged appropriate insurance coverage in respect of potential legal action against its Directors according to Code A.1.8 of the Corporate Governance Code, it 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 an 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 condensed consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the independent auditor's report on the Group's unaudited condensed consolidated financial statements for the Period which has included an emphasis of matter, but without qualification:

CONCLUSION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements, which states 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 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 announcement, 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement 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). The interim report for the Period will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

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

"Audit Committee"	the audit committee of the Board
"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
"Lattice Power"	Lattice Power Corporation, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
"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
"S.A.G."	S.A.G. Solarstrom AG
"S.A.G. Interests"	all of the tangible and intangible assets, mobile goods and rights pertaining to the respective businesses of the S.A.G., S.A.G. Solarstrom VertriebsgesellschaftGmbH i.I., S.A.G. Technik GmbH i.I., 17 entities in which S.A.G. has a direct interest and one entity in which S.A.G. Solarstrom Vertriebsgesellschaft mbH has a direct interest
"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
"USD"	United States dollars, the lawful currency of the United States
"Wuxi Suntech"	Wuxi Suntech Power Co., Ltd.

By order of the Board
Shunfeng International Clean Energy Limited
Zhang Fubo
Chairman

Hong Kong, 29 August 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Fubo, Mr. Wang Yu, Mr. Lu Bin and Mr. Chen Shi; and the independent non-executive Directors are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson.