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

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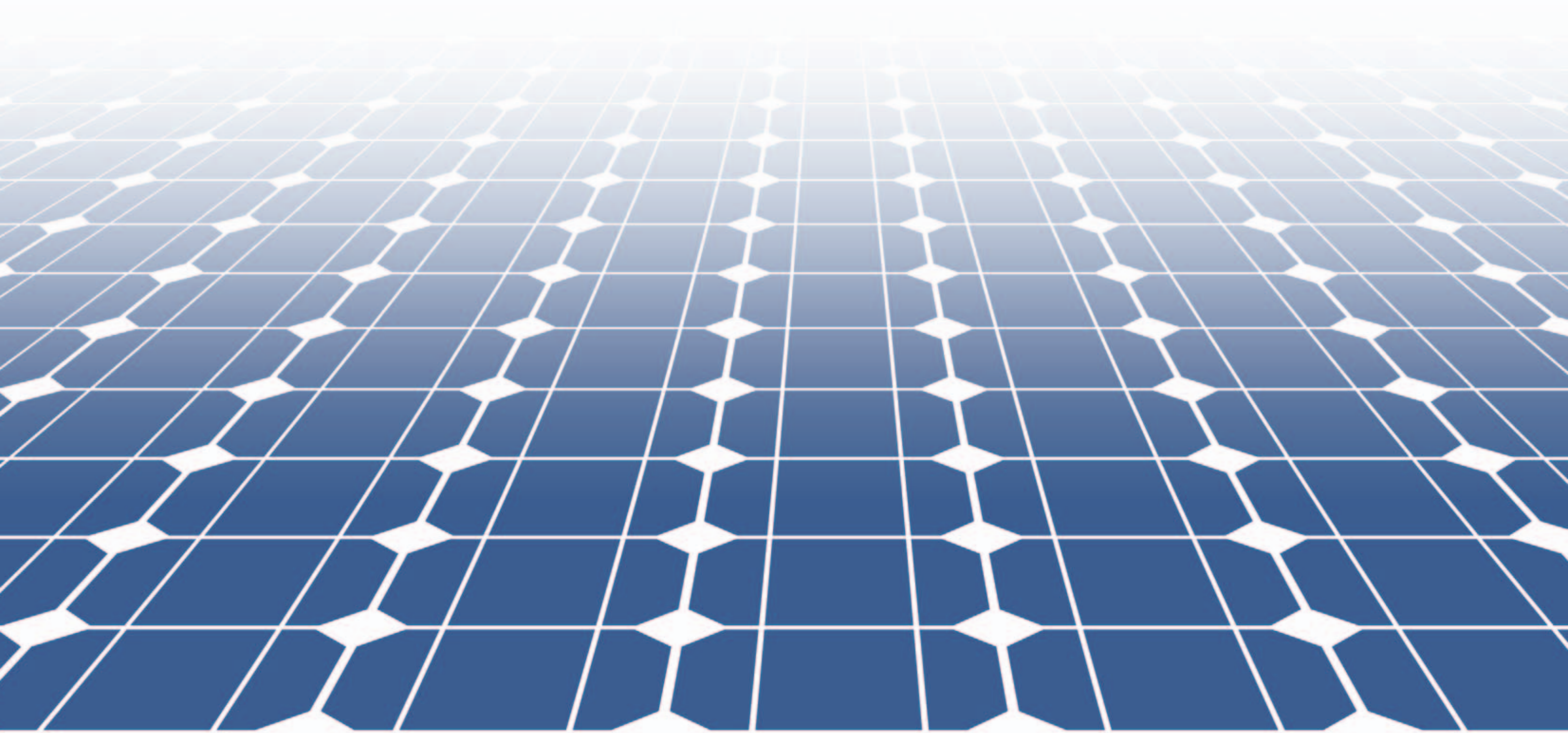

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Fubo *(Chairman)*
Mr. Wang Yu *(Chief Executive Officer)*
Mr. Lu Bin
Mr. Chen Shi
Mr. Luo Xin *(resigned on 23 June 2017)*
Mr. Shi Jianmin *(resigned on 23 June 2017)*
Mr. Zhang Yi *(resigned on 9 September 2017)*

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
Mr. Zhang Yi *(resigned on 9 September 2017)*

NOMINATION COMMITTEE

Mr. Zhang Fubo *(Chairman)*
Mr. Kwong Wai Sun Wilson
Mr. Zhao Yuwen
Mr. Zhang Yi *(resigned on 9 September 2017)*

COMPANY SECRETARY

Mr. Tse, Man Kit Keith

AUTHORIZED REPRESENTATIVES

Mr. Zhang Fubo
Mr. Tse, Man Kit Keith
Mr. Zhang Yi *(ceased on 9 September 2017)*

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Bank of China Tower,
1 Garden Road,
Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

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National Hi-tech Industrial Development Zone,
Wuxi City,
Jiangsu 214028, China

AUDITOR

Deloitte Touche Tohmatsu

CORPORATE INFORMATION (CONTINUED)

LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG SHARE REGISTRAR

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Wanchai, Hong Kong

COMPANY WEBSITE

www.sfcegroup.com

STOCK CODE

01165

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Shunfeng International Clean Energy Limited (the "Company"), I am pleased to present the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017.

In the first half of 2017, the momentum with renewable energy remained undoubted around the world, even though the United States withdrew from L'Appel de Paris. An exciting example is that solar and hydro generated a record 35% of Germany's power in the first half of this year. China continued to solidify its global leadership in solar energy both in terms of module manufacturing and solar farm installations. With the selling price falling deeper, solar power technology has become more affordable for developing countries with rising trends of both ground-mounted and roof-top systems. Greater success breeds greater ambition. To date, 176 countries have disclosed their clean energy targets, and the number of multi-nationals making the commitment to run their operations on 100% renewable energy rose to 100 in July 2017.

Nevertheless, uncertainty may be best described as the current theme of the global economy. While Europe has been painstakingly trying to manage the influx of refugees and the consequences of Brexit, China has tightened up controls on overseas investments and rectifications of real estate and financial sectors. Although the Ministry of Environmental Protection of the PRC ("MEP") continued to promote incentives for clean energy deployment, questions still remain as to whether the central government and local government may have the capacity to fund the subsidiary as promised in the MEP policies. The economy of the United States appears to be recovering, as promised by the newly-elected president, but the world is deeply concerned over the trade protectionism of the new administration as it focuses on local manufacturing jobs and so-called imbalanced business deals. At the recent Group Twenty Summit held in Berlin, the topic of global free trade was the top agenda; clearly demonstrating the profound impact brought by protectionism.

Given these challenges are the new norm of economic slowdown and overall market volatility, the Group has adapted to the developing trends and continued with its strategic transition. In the global market, the Group gradually transformed from a developer of solar products and solar power plants into a diversified service provider of comprehensive clean energy solutions. In the meantime, the Group maintained its leading market position in several business segments. Set out below are the business review of the first half of 2017 and the prospect for the second half of 2017.

CHAIRMAN'S STATEMENT (CONTINUED)

BUSINESS REVIEW

In the first half of 2017, the Group recorded a revenue of RMB4,976.9 million, representing an increase of 8.0% from RMB4,607.8 million for the corresponding period in 2016. The steady growth in revenue was evenly attributable to our four business segments.

During the first half of 2017, the Group continued to optimise solar products manufacturing operations at its subsidiaries in China, and leveraged strong market growth opportunities. The Group achieved a 4.4% growth in revenue of RMB4,076.9 million from sales of solar products to external parties.

The Group maintained the total scale of on-gird solar power plants and continued to maximise the solar power generation in spite of the severe power rationing in the North-West region of China in the first half of 2017. The Group recognised an increase of 20.4% or 130,736MWh in the sales of electricity as compared to the corresponding period in 2016 to 771,931MWh in the first half of 2017. The revenue from solar generation reached RMB697.6 million in the first half of 2017, representing an increase of 28.8% compared to RMB541.7 million in the first half of 2016.

The Group also record a revenue of RMB58.8 million from solar power plant operation and services, which represents a stabilizing growth of 14.1% or RMB7.2 million as compared to the corresponding period in 2016.

Regarding our business segment in manufacturing and sales of LED products, it has recorded a revenue of RMB143.6 million during the first half of 2017, representing an increase of 33.2% compared to RMB107.8 million for the corresponding period in 2016.

FUTURE PROSPECT

Looking into the second half of 2017, while the world has been adopting renewable energy as a source of power, it has been increasingly recognised that greater energy efficiency could also contribute to carbon emission reduction. There is an increasing number of government agencies and business entities that are focusing on energy efficiency and subsequently generating higher demand for total energy solutions. The Company has built for years a comprehensive capability of providing an integrated solution with its energy source powered by solar PV and LED lighting. The Chinese government has announced multiple policies to encourage the development of various featured towns and communities and we expect those developers would highly value environmental protection and therefore demand for a total clean energy solutions the Group could offer.

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

Mr. Zhang Yi
Chairman

29 August, 2017

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 global influences. The Group will continue to proactively explore various kinds of clean energy resources with an aim to lay a solid foundation for its development into a global leading supplier which can provide low-carbon and energy-saving integrated solutions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Solar Power Generation

During the Period, the solar power plants owned by the Group generated an aggregate of approximately 816,610MWh.

	For the six months ended 30 June		
	2017	2016	% of
	MWh	MWh	Change
Power generation volume:			
PRC	**787,974**	660,929	19.2%
Overseas	**28,636**	21,001	36.4%
Total	**816,610**	681,930	19.7%

As at 30 June 2017, the Group's solar power plants successfully realised a total installed capacity of 1,600MW of on-grid generation.

Manufacturing and Sales of Solar Products

As of 30 June 2017, the sales volume of solar products amounted to 1,960.1MW, representing an increase of 370.9MW or 23.3% from 1,589.2MW for the same period in 2016.

	For the six months ended 30 June		
	2017	2016	% of
	MW	MW	Change
Sales volume to independent third parties:			
Wafers	**20.7**	74.3	-72.1%
Cells	**652.8**	734.1	-11.1%
Modules	**1,286.6**	780.8	64.8%
Total	**1,960.1**	1,589.2	23.3%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As of 30 June 2017, our top five customers represented approximately 18.0% of our total revenue as compared to approximately 19.1% in the same period in 2016. This change was mainly due to our continuing efforts to optimise our customer base. Our largest customer accounted for approximately 6.1% of our total revenue, as compared to approximately 4.9% in the same period in 2016. We believe that product quality and cost advantage will be crucial in the upcoming era of solar energy. Our largest customer is both a new energy service provider and a high-tech enterprise in China, which purchases solar modules from the Group and has maintained a business relationship with the Group for more than two years. Other major customers also purchase solar products from the Group. The Group has maintained business relationships with such customers ranging from one year to three 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. Therefore, it is not necessary to make provision for the related doubtful debts of these major customers. 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.

In the first half of 2017, our sales to PRC-based customers represented approximately 83.2% of the Group's total revenue, as compared to approximately 68.9% in the same period in 2016. In the first half of 2017, our sales to overseas customers represented approximately 16.8% of the Group's total revenue, as compared to approximately 31.1% in the same period in 2016. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Solar Power Plant Operation and Services

S.A.G., a German solar power enterprise acquired by the Group in 2014, enhanced the Group's capability in solar project development, engineering, procurement and construction ("EPC"), solar power plant monitoring and operation and business maintenance on a global scale. S.A.G. offers a broad range of services within the solar industry and its wholly-owned subsidiary, meteocontrol GmbH ("meteocontrol") is one of the world's largest independent photovoltaic plant monitoring service providers. meteocontrol has extensive experience in solar power plant monitoring, operation and maintenance within the residential, commercial and utility sectors and has a monitoring volume of 12GW. meteocontrol offers services covering the entire process of solar power plant projects, from planning and installation to global operation and maintenance, and also provides independent consultation for 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 RMB58.8 million to the Group, as compared to RMB51.5 million in the same period in 2016.

Production and Sales of LED Products

In August 2015, the Group completed the acquisition of a 59% equity interest in Lattice Power. 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 RMB143.6 million during the Period, as compared to RMB107.8 million for the corresponding period in 2016.

Financing Activities

During the Period, the Group has continued to receive support from financial institutions to fund the development of its solar business. In the first half of 2017, the Company successfully obtained loans from financial institutions. These funds serve as continued support for enhancing liquidity and future business development.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

Revenue increased by RMB369.1 million, or 8.0%, from RMB4,607.8 million for the same period in 2016 to RMB4,976.9 million for the Period, primarily due to the fact that (i) most of the solar power plants of the Group that completed on-grid connection before 2016 have completed testing and commenced operation in 2016 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increased by 20.4% from 641,195MWh for the same period in 2016 to 771,931MWh for the Period; (ii) the sales volume of our solar products increased by 23.3% from 1,589.2MW for the same period in 2016 to 1,960.1MW for the Period; (iii) revenue from solar power plant operation and services increased by 14.2% from RMB51.5 million for the same period in 2016 to RMB58.8 million for the Period; and (iv) sales revenue from LED products increased by 33.2% from RMB107.8 million for the same period in 2016 to RMB143.6 million for the Period.

The volume of electricity generated by the Group increased due to an increase in the total on-grid scale for power generation. However, in certain provinces and regions in the PRC where the power plants of the Group are located, the use of electricity continues to be limited, resulting in loss of power generation volume and approximately RMB271.0 million in revenue of the Group from power generation.

For the Period, sales of solar products accounted for 81.9% of the total revenue, of which sales of modules, cells, wafers and other photovoltaic products accounted for 60.2%, 19.4%, 0.2% and 2.1% of the total revenue, respectively; and revenue from solar power generation accounted for 14.0% of the total revenue. Revenue from solar power plant operation and services accounted for 1.2% of the total revenue while sales from LED products accounted for 2.9% of the total revenue.

Solar modules

Revenue from the sales of solar modules increased by RMB604.8 million, or 25.3%, from RMB2,391.5 million for the same period in 2016 to RMB2,996.3 million for the Period, primarily due to an increase in the Group's sales volume by 505.8MW or 64.8% from 780.8MW for the same period in 2016 to 1,286.6MW for the Period, but was partially offset by a decrease in the average selling price for our products by 23.9% from RMB3.06 per watt for the same period in 2016 to RMB2.33 per watt for the Period.

Solar cells

Revenue from the sales of solar cells decreased by RMB458.6 million, or 32.2%, from RMB1,424.9 million for the same period in 2016 to RMB966.3 million for the Period, and the sales volume decreased by 81.3MW or 11.1% from 734.1MW for the same period in 2016 to 652.8MW for the Period. Apart from the decrease in revenue, there was a decrease in the average selling price for products by 23.7% from RMB1.94 per watt for the same period in 2016 to RMB1.48 per watt for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Solar wafers

Revenue from the sales of solar wafers decreased by RMB28.3 million, or 71.3%, from RMB39.7 million for the same period in 2016 to RMB11.4 million for the Period, which was primarily attributable to the decrease in sales volume by 72.1% from 74.3MW for the same period in 2016 to 20.7MW for the Period.

Solar power generation

Revenue from solar power generation increased by RMB155.9 million, or 28.8%, from RMB541.7 million for the same period in 2016 to RMB697.6 million for the Period, primarily because total power generated amounted to 816,610MWh, of which 771,931MWh was recorded as revenue from power generation upon completion of testing.

Solar power plant operation and services

meteocontrol, a wholly-owned subsidiary of S.A.G. acquired by the Group in 2014, provides solar power plant monitoring services. The revenue from relevant service fees generated during the Period increased by RMB7.3 million or 14.2% from RMB51.5 million for the same period in 2016 to RMB58.8 million for the Period.

LED products

The Group completed the acquisition of Lattice Power in August 2015. During the Period, the sales revenue of LED chips, LED packages and other LED products increased by RMB35.8 million, or 33.2%, from RMB107.8 million for the same period in 2016 to RMB143.6 million for the Period.

Geographical market

In terms of geographical markets from which our revenue was generated, approximately 83.2% of the total revenue for the Period was generated from sales to our PRC customers, as compared to 68.9% for the same period in 2016. 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 RMB551.9 million, or 15.3%, from RMB3,616.9 million for the same period in 2016 to RMB4,168.8 million for the Period, primarily due to the increase in our total shipment volume of solar products and the increase in power generation volume of solar power generation business.

Gross profit

Gross profit decreased by RMB182.8 million, or 18.4%, from RMB990.9 million for the same period in 2016 to RMB808.1 million for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income

Other income decreased by RMB34.5 million, or 34.9%, from RMB98.9 million for the same period in 2016 to RMB64.4 million for the Period, primarily due to the decrease in bank interest income by RMB23.4 million or 72.0% from RMB32.5 million for the same period in 2016 to RMB9.1 million for the Period.

Other gains and losses and other expenses

Other gains and losses and other expenses recorded a net gain of RMB64.8 million for the Period, which was a 16.6% or RMB12.9 million decrease from a net gain of RMB77.7 million as compared to the same period in 2016. It was primarily due to (1) the decrease in gain on change in fair value of derivative financial liabilities by RMB92.9 million or 97.4% from a net gain of RMB95.4 million for same period in 2016 to a net gain of RMB2.5 million for the Period; (2) a net loss of RMB35.2 million from the recognition of doubtful debt for trade and other receivables for the Period, as compared to the same period in 2016 which a net gain of reversal of doubtful debt for trade and other receivable amount of RMB0.7 million was recorded; and (3) the impairment loss recognised on solar power plants of RMB15.5 million for the Period, while there was no such impairment loss for the same period in 2016. However, part of the decrease was offset by the increase in gain on adjustment on provision for financial guarantee contracts of RMB24.5 million (the same period in 2016: Nil) and a net foreign exchange gain of RMB44.5 million (the same period in 2016: a net foreign exchange loss of RMB5.3 million).

Distribution and selling expenses

Distribution and selling expenses decreased by RMB47.1 million, or 22.0%, from RMB214.4 million for the same period in 2016 to RMB167.3 million for the Period, primarily due to a reduction in shipment cost due to a decrease in sales to overseas customers.

Administrative expenses

Administrative and general expenses decreased by RMB26.9 million, or 8.5%, from RMB317.9 million for the same period in 2016 to RMB291.0 million for the Period, primarily due to a decrease of the staff costs following the streamlining of various business units.

Research and development expenditure

Research and development expenses decreased by RMB27.7 million, or 29.1%, from RMB95.2 million for the same period in 2016 to RMB67.5 million for the Period, primarily due to a decrease in the expenses on research and development investment and related costs.

Share of loss of associates

Share of losses of associates for the Period decreased by RMB3.9 million, or 95.1%, from RMB4.1 million for the same period in 2016 to RMB0.2 million for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance costs

Finance costs increased by RMB261.4 million, or 57.7%, from RMB453.4 million for the same period in 2016 to RMB714.8 million for the Period, primarily due to (1) the increase in interest on borrowing by RMB102.2 million, or 28.4%, to RMB462.6 million for the Period, and (2) the increase in actual interest on convertible bonds by RMB23.6 million, or 11.9%, to RMB222 million for the Period.

(Loss) profit before tax

Due to the above reasons, there was a loss before tax of RMB300.8 million for the Period, while there was a profit before tax of RMB38.0 million for the same period in 2016.

Income tax (expense) credit

An income tax expense of RMB26.7 million was recorded for the Period, while an income tax credit of RMB16.5 million was recorded for the same period in 2016, primarily due to the decrease in deferred tax credit for the Period.

(Loss) profit for the Period

As a result of the reasons stated above, a loss of RMB327.5 million was recorded for the Period, while a profit of RMB54.5 million was recorded for the same period in 2016.

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 2017 was a write-down of inventories of RMB80.4 million (31 December 2016: RMB73.5 million), which was mainly attributable to inventories bought in previous years at higher prices. The inventory turnover days as at 30 June 2017 was 28.4 days (31 December 2016: 38.5 days), and the decrease in inventory turnover days was mainly attributable to the increase in demand of our solar and LED products.

Trade receivables turnover days

The trade receivables turnover days as at 30 June 2017 was 97.1 days (31 December 2016: 99.7 days). The trade receivables turnover days as at 30 June 2017 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 2017 was 49.8 days (31 December 2016: 56 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2017, the Group's current ratio (current assets divided by current liabilities) was 0.79 (31 December 2016: 0.82) and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 30 June 2017, the Group was in a negative net cash position of RMB13,146.5 million (31 December 2016: RMB13,950.7 million), which included cash and cash equivalents of RMB1,340.6 million (31 December 2016: RMB912.6 million), bank and other borrowings of RMB11,366 million (31 December 2016: RMB11,425.2 million), convertible bonds of RMB2,457.6 million (31 December 2016: RMB2,279.2 million), bonds payable of RMB1,041.2 million (31 December 2016: RMB1,012.1 million) and obligations under finance lease of RMB136.7 million (31 December 2016: RMB146.8 million).

The Group's borrowings were mainly denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB, HKD, USD and Euro. The Group's net debt to equity ratio (net debt divided by shareholders' equity) decreased from 229.0% as at 31 December 2016 to 226.4% as at 30 June 2017.

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 2016: Nil).

Contingent liabilities and guarantees

As at 30 June 2017, the Group provided guarantees to independent third parties and a joint venture with a total amount of RMB305.2 million (31 December 2016: RMB354.3 million), of which RMB277.3 million (31 December 2016: RMB307.7 million) has been provided and recognised as a provision in the statement of financial position. As at 30 June 2017, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

As at 30 June 2017, the Group had pledged certain trade and other receivables with a carrying amount of RMB1,356.7 million (31 December 2016: RMB1,117.1 million) and certain property, plant and equipment, prepaid lease payments and solar power plants with a carrying amount of approximately RMB9,871.0 million (31 December 2016: RMB11,762.7 million) to various banks for securing loans and general credit facilities granted to the Group.

As at 30 June 2017, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB1,150.8 million (31 December 2016: RMB2,156.6 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 30 June 2017 and 31 December 2016, none of the other assets of the Group were pledged in favor of any financial institution.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2017, the Group had 6,664 employees (31 December 2016: 6,921). 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

With effect from 1 August 2017, Mr. Chen Shi has been appointed as an executive Director of the Company. For details, please refer to the announcement of the Company dated 31 July 2017.

With effect from 9 September 2017, Mr. Zhang Yi has resigned as an executive Director, the chairman of the Board, a member of the remuneration committee of the Board (the "Remuneration Committee") and the chairman of the nomination committee of the Board (the "Nomination Committee"), and ceased to be an authorized representative of the Company. Following the resignation of Mr. Zhang Yi, Mr. Zhang Fubo has been appointed as an executive Director, the chairman of the Board, a member of the Remuneration Committee and the chairman of the Nomination Committee, and an authorized representative of the Company with effect from 9 September 2017. In addition, Mr. Wang Yu, an existing Director of the Company, has been appointed as the chief executive officer of the Company with effect from 9 September 2017. For details, please refer to the announcement of the Company dated 8 September 2017.

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 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

The following is an extract of the independent auditor's report on review of the Group's condensed consolidated financial statements for the six months period ended 30 June 2017 which has included an emphasis of matter, but without qualification:

Conclusion

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

Emphasis of Matter

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements, which states that as of 30 June 2017, the Group's current liabilities exceeded its current assets by RMB2,558,934,000. In addition, as at 30 June 2017, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements, amounting to RMB1,304,706,000 as disclosed in note 30 to the condensed consolidated financial statements.

The Company is implementing several measures as disclosed in note 1 to the condensed consolidated financial statements to improve the financial position of the Group and after taking into account these steps, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The condensed consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 1 to the condensed consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern."

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code were as follows:

Name of Shareholders	**Capacity**	**Number of Shares held**	**Approximate percentage of interest in total issued share capital of the Company**
Mr. Zhang Yi	Beneficial owner and interest of controlled corporation (note 1)	3,223,618,736 (long position)	74.72%
Mr. Wang Yu	Beneficial owner	18,691,588 (long position)	0.43%

Notes:

1. Mr. Zhang Yi is the beneficial owner of 100% shareholding in Bright Hope Global Investments Limited. In turn, Bright Hope Global Investments Limited is the beneficial owner of 44% shareholding in Partners Financial Holdings Limited, and in turn, Partners Financial Holdings Limited is the beneficial owner of 100% shareholding in Promising Sun Limited and Partners Equity Investment Fund I. Therefore, Mr. Zhang Yi is deemed to be interested in 3,223,106,736 Shares held by Promising Sun Limited for the purposes of the SFO, and Mr. Zhang Yi held 512,000 Shares in his personal capacity. With effect from 9 September 2017, Mr. Zhang Yi has resigned as an executive Director of the Company.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2017, none of the Directors nor the Chief Executive Officer of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE

No arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in or debentures of the Company or any other body corporate subsisted at the end of the Period or at any time during the Period.

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

As at 30 June 2017, 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%
Winnex International Investments Limited	Interest of controlled corporation (Note 6)	3,223,106,736 (long position)	74.71%
Mr. Tang Guoqiang	Interest of controlled corporation (Note 7)	437,118,989 (long position)	10.13%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 2017, 2,397,387,743 Shares will be allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds subscribed by Peace Link Services Limited pursuant to the subscription agreement dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into with the Company and the placing agreement dated 28 October 2014 entered into between the Company and the placing agent, Partners Capital Securities Limited. 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 purposes of the SFO. Asia Pacific Resources Development Investment Limited held 75,557,191 Shares in its personal capacity.

3. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited, and in turn, Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Winnex International Investments Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 3,223,106,736 Shares held by Asia Pacific Resources Investment Limited, Peace Link Services Limited and Winnex International Investments Limited for the purposes of the SFO, and Mr. Cheng Kin Ming held 3,452,000 Shares in his personal capacity.

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

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

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

7. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and, therefore, Mr. Tang Guoqiang is deemed to be interested in 268,223,960 Shares held by Coherent Gallery International Limited for the purposes of the SFO.

PUBLICATION OF INTERIM REPORT

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shunfeng International Clean Energy Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 76, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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)

EMPHASIS OF MATTER

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements, which states that as of 30 June 2017, the Group's current liabilities exceeded its current assets by RMB2,558,934,000. In addition, as at 30 June 2017, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements, amounting to RMB1,304,706,000 as disclosed in note 30 to the condensed consolidated financial statements.

The Company is implementing several measures as disclosed in note 1 to the condensed consolidated financial statements to improve the financial position of the Group and after taking into account these steps, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The condensed consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 1 to the condensed consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTES	Six months ended 30/06/2017 RMB'000 (Unaudited)	30/06/2016 RMB'000 (Unaudited)
Revenue	3	**4,976,888**	4,607,766
Cost of sales		**(4,168,825)**	(3,616,875)
Gross profit		**808,063**	990,891
Other income	5	**64,363**	98,887
Other gains and losses and other expenses	6	**64,784**	77,734
Distribution and selling expenses		**(167,252)**	(214,405)
Administrative expenses		**(290,984)**	(317,940)
Research and development expenditure		**(67,543)**	(95,233)
Share of loss of associates		**(230)**	(4,077)
Share of profit (loss) of joint ventures		**2,773**	(44,477)
Finance costs	7	**(714,777)**	(453,399)
(Loss) profit before tax	8	**(300,803)**	37,981
Income tax (expense) credit	9	**(26,733)**	16,469
(Loss) profit for the period		**(327,536)**	54,450
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of associates and joint ventures		**1,583**	8,514
Exchange differences on translating foreign operations		**21,925**	29,122
Other comprehensive income for the period		**23,508**	37,636
Total comprehensive (expense) income for the period		**(304,028)**	92,086
(Loss) profit for the period attributable to:			
Owners of the Company		**(314,688)**	94,554
Non-controlling interests		**(12,848)**	(40,104)
		(327,536)	54,450
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(291,109)**	132,229
Non-controlling interests		**(12,919)**	(40,143)
		(304,028)	92,086
		RMB cents	RMB cents
(Loss) earnings per share	11		
— Basic		**(7.29)**	2.27
— Diluted		**(7.29)**	1.71

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**2,958,568**	3,028,112
Solar power plants	13	**12,760,187**	12,836,210
Prepaid lease payments — non-current		**439,951**	467,067
Goodwill		**6,237**	6,237
Intangible assets		**43,982**	46,357
Interests in associates	14	**152,678**	153,774
Interests in joint ventures	15	**8,637**	5,864
Available-for-sale investments		**118,745**	88,916
Other non-current assets		**1,211,394**	1,901,679
Deferred tax assets	16	**239,884**	261,010
		17,940,263	18,795,226
Current assets			
Inventories		**661,441**	646,213
Trade and other receivables	17	**4,589,087**	3,698,219
Prepaid lease payments — current		**16,350**	16,871
Value-added tax recoverable		**1,048,246**	1,212,312
Prepayments to suppliers	18	**601,181**	554,794
Amounts due from associates		**20,888**	19,953
Amount due from a joint venture		**660**	652
Restricted bank deposits	19	**1,150,758**	2,156,556
Bank balances and cash		**1,340,573**	912,611
		9,429,184	9,218,181
Current liabilities			
Trade and other payables	20	**5,190,787**	5,740,695
Customers' deposits received		**215,659**	167,319
Amount due to a joint venture		**20,672**	10,275
Obligations under finance leases	21	**49,014**	41,597
Provisions	22	**1,005,458**	1,013,353
Tax liabilities		**6,538**	9,608
Bank and other borrowings	23	**3,721,158**	3,010,351
Deferred income		**14,963**	11,505
Derivative financial liabilities	24	**5,254**	7,733
Convertible bonds	25	**1,262,216**	1,165,695
Bond payables	26	**496,399**	–
		11,988,118	11,178,131
Net current liabilities		**(2,558,934)**	(1,959,950)
Total assets less current liabilities		**15,381,329**	16,835,276

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	NOTES	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Capital and reserves			
Share capital	27	**34,876**	34,876
Reserves		**4,502,746**	4,777,715
Equity attributable to owners of the Company		**4,537,622**	4,812,591
Non-controlling interests		**1,276,370**	1,278,691
Total equity		**5,813,992**	6,091,282
Non-current liabilities			
Deferred income		**47,677**	52,056
Obligations under finance leases	21	**87,675**	105,170
Deferred tax liabilities	16	**46,990**	46,311
Bank and other borrowings	23	**7,644,835**	8,414,876
Convertible bonds	25	**1,195,406**	1,113,486
Bond payables	26	**544,754**	1,012,095
		9,567,337	10,743,994
		15,381,329	16,835,276

The condensed consolidated financial statements on pages 23 to 76 were approved and authorised for issue by the Board of Directors on 29 August 2017 and are signed on its behalf by:

DIRECTOR	*DIRECTOR*
Zhang Yi	**Lu Bin**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000 (note b)	Share-based payment reserve RMB'000 (note c)	Statutory surplus reserve RMB'000 (note d)	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016 (audited)	32,930	5,108,206	(1,070,422)	(22,929)	3,075,369	14,574	30,744	(540,295)	6,628,177	1,543,861	8,172,038
Profit (loss) for the period	–	–	–	–	–	–	–	94,554	94,554	(40,104)	54,450
Other comprehensive income for the period	–	–	–	37,675	–	–	–	–	37,675	(39)	37,636
Total comprehensive income (expense) for the period	–	–	–	37,675	–	–	–	94,554	132,229	(40,143)	92,086
Recognition of share-based payment of Lattice Power Group	–	–	–	–	–	17,482	–	–	17,482	11,910	29,392
Issue of shares upon conversion of convertible bonds	916	96,547	–	–	(25,287)	–	–	–	72,176	–	72,176
Issue of Total Consideration Shares (as defined in notes 15 and 24) for the acquisition of Suniva completed in 2015	1,030	155,446	–	–	–	–	–	–	156,476	–	156,476
Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities (as defined in note 20(iii)) to non-controlling interests (note e)	–	–	–	–	–	–	–	(6,569)	(6,569)	6,569	–
At 30 June 2016 (unaudited)	34,876	5,360,199	(1,070,422)	14,746	3,050,082	32,056	30,744	(452,310)	6,999,971	1,522,197	8,522,168
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**
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 (as defined in note 20(iii)) 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**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

Notes:

a. Special reserves mainly include:

   i. the special reserve arose on a group reorganization ("Group Reorganization") in preparation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in year 2011. The shareholders of the Company made a contribution of an aggregate amount of approximately RMB233,968,000 to the Company for the purpose to acquire the entire equity interests of Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("Jiangsu Shunfeng"). The difference between the acquisition consideration paid and the paid-in capital and capital reserve of Jiangsu Shunfeng acquired of approximately RMB30,004,000 is regarded as special reserve arising on group reorganization; and

   ii the carrying amount of the Group's interest in relation to Jiangsu Changshun and Nine Disposal Entities in respect of the Group's 2015 Proposed Disposal transaction as detailed in note 20(iii) 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 20(iii), a Termination Agreement was entered into to terminate the 2015 Proposed Disposal with immediate effect on 21 June 2016. As at 30 June 2017, the entire equity interest of Jiangsu Changshu has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities kept being accounted for as non-controlling interests.

b. Convertible bonds equity reserve represents the value of the equity conversion component of the convertible bonds as set out in note 25.

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 RMB28,988,000 for the period ended 30 June 2017 (six months ended 30 June 2016: RMB: 29,392,000) 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 had not yet been transferred back to the Group and in the opinion of the directors of the Company, the related profit for the current interim period should also be accounted for as "non-controlling interests" as at 30 June 2017, accordingly.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	30/06/2017 RMB'000 (Unaudited)	30/06/2016 RMB'000 (Unaudited)
Net cash from operating activities	**455,122**	188,838
Investing activities		
Withdrawal of restricted bank deposits	**1,327,359**	33,593
Withdrawal of pledged bank deposits	**–**	600,000
Receipt from government grants	**7,413**	2,952
Interest income received	**9,099**	32,544
Payments of prepaid lease payment	**(14,015)**	–
Placement of restricted bank deposits	**(321,561)**	(362,936)
Payments of property, plant and equipment	**(166,996)**	(128,708)
Payment for construction cost in respect of solar power plants	**(544,045)**	(1,236,577)
Purchases of intangible assets	**(1,783)**	(6,441)
Acquisition of other subsidiaries (net of cash)	**–**	(19,702)
Purchase of available-for-sale investments	**(30,000)**	–
Loan advanced to independent third parties	**(458,938)**	(21,190)
Loan repayment from independent third parties	**43,708**	14,751
Cash outflow arising on disposal of subsidiaries	**(5)**	–
Proceeds received from the available-for-sale investments previously disposed	**11,000**	–
Proceeds on disposal of property, plant and equipment	**3,589**	20,011
Proceeds on disposal of solar power plant	**–**	21,083
Payment of consideration payable in respect of a previously acquired joint venture	**–**	(6,495)
Payment of consideration in respect of previously acquired subsidiaries	**(3,983)**	–
Dividend received from associates	**2,450**	–
Repayment from disposed subsidiaries	**349,736**	–
Receipt of consideration receivable in respect of subsidiaries previously disposed	**232,004**	–
Net cash from (used in) investing activities	**445,032**	(1,057,115)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

	30/06/2017 RMB'000 (Unaudited)	30/06/2016 RMB'000 (Unaudited)
Financing activities		
New bank and other borrowings raised	943,111	2,550,656
Repayment of bank and other borrowings	(922,701)	(2,109,148)
Repayment of obligations under finance leases	(15,924)	(35,375)
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	(465,058)	(342,263)
Advance from independent third parties	155,530	23,493
Repayment to independent third parties	(128,365)	(59,158)
Proceed on issue of bonds payable	–	450,000
Issue expenses paid for the issue of bonds payable	–	(5,448)
Repayment of consideration received in advance and related interest in respect of the termination of the 2015 Proposed Disposal (as defined in note 20 (iii))	(8,734)	(385,000)
Coupon interest of convertible bonds paid	(43,532)	(43,597)
Net cash (used in) from financing activities	(467,923)	44,160
Net increase (decrease) in cash and cash equivalents	432,231	(824,117)
Cash and cash equivalents at beginning of the period	912,611	1,854,409
Effect of exchange rate change for the period	(4,269)	37,423
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,340,573	1,067,715

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

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

The Group had net current liabilities of RMB2,558,934,000 as at 30 June 2017, contracted for capital expenditure of RMB1,304,706,000 as set out in note 30. As at 30 June 2017, the available unconditional banking facilities amounted to RMB200,452,000 and the unutilised conditional facilities which was subject to approval on a project-by-project basis amounted to RMB38,990,696,000, of which RMB19,868,000,000 is valid for the next twelve months from 30 June 2017 and beyond, while the remaining amount has expired subsequent to 30 June 2017. The Directors are confident that the Group would be successful in obtaining approval in respect of the conditional facilities. Taking into account the above factors, the Directors are of the opinion that, together with the presently available banking facilities, and the internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the condensed consolidated financial statements. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2A. Principal Accounting Policies

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

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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

IFRSs	
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

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 2016 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) Revenue recognition on tariff subsidy on sales of electricity

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

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

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

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

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

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.

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 Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue") on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group. 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 RMB403,535,000 from the state grid companies in the PRC was recognised for the six-month period ended 30 June 2017 in which tariff adjustments amounting to RMB98,516,000 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

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

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

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

(b) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (as defined in note 20(iii))

As set out in note 20(iii), on 18 December 2015, the Group transferred the entire equity interest of Jiangsu Changshun (as defined in note 20(iii)) and the Nine Disposal Entities to Chongqing Future (as defined in note 20(iii)). However, pursuant to the sale 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 instalment 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 (as defined and detailed in note 20(iii) 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 above-mentioned proposed transactions.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

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

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

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

(b) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (as defined in note 20(iii)) (Continued)

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 30 June 2016. Pursuant to the Termination Agreement, the Group shall return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement. The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities will be transferred back to the Group after the return of the entire amount of RMB650,000,000 together with the relevant interest by the Group to Chongqing Future, and the repayment of the borrowings of RMB500,000,000 together with the relevant interest due on 30 June 2017 by the Group to Chongqing Trust (as defined in note 20(iii)).

Details of the repayment status of the consideration received in advance from Chongqing Future and the borrowings from Chongqing Trust are set out in note 20(iii).

As at 30 June 2017, the legal ownership in respect of the entire equity interest of Jiangsu Changshu has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related gain for the current interim period amounting to RMB1,102,000 (six months ended 30 June 2016: RMB6,569,000) had been transferred from accumulated losses to non-controlling interests as at 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

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 2017, the carrying amount of warranty provision was RMB664,374,000 (2016: RMB643,944,000).

(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 2017, the Group has recognised deferred tax asset arising from unused tax losses and other deductible temporary differences in the amount of RMB239,884,000 (2016: RMB261,010,000) as set out in note 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

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)

(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 2017, the total carrying amount of the Group's property, plant and equipment and solar power plants is RMB15,718,755,000 (2016: RMB15,864,322,000).

(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 2017, the carrying amount of the property, plant and equipment is RMB2,958,568,000 (net of impairment of RMB248,895,000) (2016: RMB3,028,112,000 (net of impairment of RMB248,895,000)), and the carrying amount of solar power plants is RMB12,760,187,000 (net of impairment of RMB253,888,000) (2016: RMB12,836,210,000 (net of impairment of RMB238,379,000)).

(e) Impairment of trade and other receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss and/or reversal of impaired receivables may arise. As at 30 June 2017, the carrying amount of trade and other receivables is RMB4,589,087,000 (net of allowance for doubtful debt of RMB577,266,000) (2016: RMB3,698,219,000 (net of allowance for doubtful debt of RMB540,173,000))

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

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 2017, the carrying amount of the Group's inventories is approximately RMB661,441,000 (net of allowance for inventories of RMB80,407,000) (2016: carrying amount of RMB646,213,000 (net of allowance for inventories of RMB73,463,000)).

(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 2017, the carrying amounts of prepayments to suppliers were RMB601,181,000 (net of allowance for doubtful debt of RMB12,896,000) (31 December 2016: RMB554,794,000 (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 RMB874,333,000 (without allowance for doubtful debt) (2016: RMB1,002,499,000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. REVENUE

An analysis of the Group's revenue for the period from continuing operations is as follows:

	Six months ended	
	30/06/2017	30/06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods (comprising Solar Products (as defined in note 4) and LED Products (as defined in note 4))	**4,220,508**	4,014,546
Revenue from plant operation and services	**58,786**	51,541
Revenue from solar power generation (comprising sales of electricity and tariff subsidy)	**697,594**	541,679
	4,976,888	4,607,766

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, photovoltaic systems ("PV systems") and related products (collectively known as "Solar Products");

(2) Solar power generation;

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

(4) Manufacturing and sales of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "LED Products") in the PRC along with the acquisition of Lattice Power Group in 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (Continued)

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

For the six-month period ended 30 June 2017

	Manufacturing and sales of Solar Products RMB'000 (Unaudited)	Solar power generation RMB'000 (Unaudited)	Plant operation and services RMB'000 (Unaudited)	Manufacturing and sales of LED Products RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue							
External sales	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
— 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 loss of associates							(230)
Share of profit of joint ventures							2,773
Other expenses							(1,995)
Loss before tax							(300,803)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (Continued)

For the six-month period ended 30 June 2016

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of bank interest income, gain on change in fair value of derivative financial liabilities, central administration cost, finance costs, other expenses 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (Continued)

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

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Segment assets		
Manufacture and sales of Solar Products	**7,618,143**	7,296,613
Solar power generation	**16,378,431**	16,841,321
Plant operation and services	**54,952**	49,312
Manufacturing and sales of LED Products	**524,982**	487,835
Total segment assets	**24,576,508**	24,675,081
Other unallocated assets (note)	**2,792,939**	3,338,326
Consolidated assets	**27,369,447**	28,013,407
Segment liabilities		
Manufacture and sales of Solar Products	**6,734,762**	6,861,411
Solar power generation	**10,547,600**	11,019,166
Plant operation and services	**46,893**	47,294
Manufacturing and sales of LED Products	**330,229**	309,953
Total segment liabilities	**17,659,484**	18,237,824
Other unallocated liabilities (note)	**3,895,971**	3,684,301
Consolidated liabilities	**21,555,455**	21,922,125

- All assets are allocated to operating segments other than bank balances and cash, restricted bank deposits, available-for-sale investments, interests in associates, interests in joint ventures and amounts due from associates 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, financial guarantee provision for a joint venture, amounts due to a joint venture, derivative financial liabilities and bonds payable liable for centralised financing of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

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 2017 and 2016:

	Six months ended	
	30/06/2017	30/06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of solar wafers	**11,445**	39,695
Sales of solar cells	**966,320**	1,424,863
Sales of solar modules	**2,996,273**	2,391,450
Sales of PV systems	**90,223**	43,684
Other solar products	**12,611**	7,048
	4,076,872	3,906,740
Sales of electricity	**294,059**	150,984
Tariff subsidy (note)	**403,535**	390,695
	697,594	541,679
Plant operation and services	**58,786**	51,541
Sales of LED products	**143,636**	107,806
	4,976,888	4,607,766

Note: The amount represents the tariff subsidy which were approximately 36% to 84% (six months ended 30 June 2016: 54% to 75%) of the total electricity sales. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

5. OTHER INCOME

	Six months ended	
	30/06/2017	30/06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**9,099**	32,544
Interest income arising from advances to third parties	**22,770**	10,557
Government grants (note)	**23,014**	27,860
Gain on sales of raw and other materials	**1,128**	4,462
Royalty income	**—**	9,434
Technical advisory income	**4,239**	4,641
Others	**4,113**	9,389
	64,363	98,887

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) RMB14,680,000 (six months ended 30 June 2016: RMB24,754,000) represents unconditional incentive received in relation to activities carried out by the Group and (b) RMB8,334,000 (six months ended 30 June 2016: RMB3,106,000) represents subsidy on acquisition of land use rights and machineries amortised to profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

6. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Six months ended	
	30/06/2017	30/06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other gains and losses		
Gain on change in fair value of derivative financial liabilities (note 24)	**2,479**	95,401
(Recognition) reversal of doubtful debt for trade and other receivables, net (note i)	**(35,157)**	661
Adjustment on provision for financial guarantee contracts, net (note 22(b))	**24,456**	—
Gain on disposal of solar power plants	**—**	3,500
Loss on disposal of property, plant and equipment	**(281)**	(11,930)
Net foreign exchange gain (loss)	**44,495**	(5,330)
Loss on write-off of intangible assets	**(1,721)**	—
Impairment loss recognised on solar power plant (note 13)	**(15,509)**	—
Gain on derecognition of other payable upon deregistration of a subsidiary (note ii)	**40,302**	—
Others	**7,715**	(63)
	66,779	82,239
Other expenses		
Reversal of provision on legal claims, net (note 22)	**(1,995)**	(4,505)
	64,784	77,734

Notes:

(i) Included in the amounts was a gain on reversal of bad debts previously written off amounting to RMB15,355,000 for Wuxi Suntech Group (six months ended 30 June 2016: nil). On the date of acquisition of Wuxi Suntech Group, the receivables due from certain independent third parties amounting to RMB704,368,000 were regarded as unrecoverable and fully written off at initial recognition. Nevertheless, the management and lawyers of the Group have made relentless efforts to collect the above impaired bad debts subsequent to the acquisition. During the period ended 30 June 2017, RMB15,355,000 for Wuxi Suntech Group (six months ended 30 June 2016: nil) 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.

(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 current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

7. FINANCE COSTS

	Six months ended	
	30/06/2017	30/06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**462,579**	360,384
Finance charges of discounting of bills receivable	**72**	2,899
Interest on finance leases	**5,846**	7,901
Effective interest on convertible bonds	**221,973**	198,334
Effective interest on bonds payable	**49,984**	23,627
Interest on consideration received in advance in respect of the termination of the 2015 Proposed Disposal (note 20(iii))	**12,350**	30,934
Total borrowing costs	**752,804**	624,079
Less: amounts capitalised	**(38,027)**	(170,680)
	714,777	453,399

Borrowing costs capitalised during the current period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 9.18% (six months ended 30 June 2016: 8.10%) per annum to expenditure on qualifying assets.

8. (LOSS) PROFIT BEFORE TAX

	Six months ended	
	30/06/2017	30 /06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) profit before tax has been arrived at after charging:		
Cost of inventories recognised as expense	**3,652,415**	3,301,106
Warranty provided (included in cost of sales)	**27,457**	26,848
Depreciation of property, plant and equipment	**209,563**	222,145
Depreciation of completed solar power plants	**318,898**	288,919
Release of prepaid lease payment	**10,091**	8,053
Amortisation of intangible assets	**5,708**	10,718
Staff costs	**342,542**	359,737
Including: recognition of share-based payment expense of Lattice Power Group	**28,988**	29,392
Write-down of inventories	**8,639**	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

9. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30/06/2017	30/06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**6,210**	28,057
Other jurisdictions	**777**	411
Overprovision in prior period:		
PRC Enterprise Income Tax	**(307)**	(1,746)
	6,680	26,722
Deferred tax charge (credit) (note 16)	**20,053**	(43,191)
	26,733	(16,469)

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 5 August 2014, Jiangsu Shunfeng renewed "High Technology Enterprise" status for 3 years that entitled Jiangsu Shunfeng a preferential tax rate of 15% for a period of three years starting from 2014 to 2016 according to PRC Tax law. On 31 October 2014 certain subsidiaries of the Wuxi Suntech renewed "High Technology Enterprise"status for 3 years that entitled them a preferential tax rate of 15% starting from 2014 to 2016 according to PRC Tax Law. For those subsidiaries of the Company located in Japan, the corporate tax rate is 30.86% (six months ended 30 June 2016: 30.86%). Jiangsu Shunfeng and the Wuxi Suntech were in the process of renewal for another 3 years for the preferential tax rate of 15% in the current interim period.

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, Spain and Czech Republic, of which corporate tax rate is approximately 23%,25%, 30%, 30% and 20%, respectively.

On 9 April 2014, the Lattice Power Group obtained "High Technology Enterprise" status for 3 years that entitled the Lattice Power Group a preferential tax rate of 15% for year 2014 to 2016 according to PRC Tax law. The Lattice Power Group was in the process of renewal for another 3 years for the preferential tax rate of 15% in the current interim period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2017 and 2016. The directors have determined that no dividend will be paid in respect of the current interim period.

11. (LOSS) EARNINGS PER SHARE – BASIC AND DILUTED

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

	Six months ended	
	30/06/2017	30/06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic (loss) earnings per share	**(314,688)**	94,554
Effect of dilutive potential ordinary shares: Interest on convertible bonds	**—**	9,801
(Loss) earnings for the purposes of diluted (loss) earnings per share	**(314,688)**	104,355
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,314,151,191**	4,172,632,613
Effect of dilutive potential ordinary shares: — convertible bonds	**—**	1,941,544,299
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**4,314,151,191**	6,114,176,912

30/06/2017: The computation of diluted loss per share for the current period does not assume the conversion of convertible bonds because this would result in a decrease in the loss per share.

30/06/2016: The computation of diluted earnings per share for the period does not assume the conversion of certain convertible bonds because the conversion of such convertible bonds would be anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group had additions to property, plant and equipment of approximately RMB145,646,000 (six months ended 30 June 2016: RMB119,661,000).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB3,870,000 (six months ended 30 June 2016: RMB30,390,000) for a total sum of cash consideration of RMB3,589,000 (six months ended 30 June 2016: RMB20,011,000), resulting in loss on disposal of RMB281,000 (six months ended 30 June 2016: RMB11,930,000).

13. MOVEMENTS IN SOLAR POWER PLANTS

During the six months ended 30 June 2017, the Group had additions to solar power plant under construction (including capital expenditure for incompleted solar power plants) of approximately RMB331,911,000 (six months ended 30 June 2016: RMB1,762,274,000). During the current interim period, there were solar power plants with the carrying amounts of RMB713,121,000 (six months ended 30 June 2016: RMB2,106,882,000) transferred from solar power plants under construction to completed solar power plants, including eight (six months ended 30 June 2016: five) solar power plants completed the trial operation and were successfully connected to grids and generate electricity. During the current interim period, there were solar power plants under construction with total carrying amounts of RMB98,196,000 (six months ended 30 June 2016: RMB31,289,000) eliminated along with the disposal of subsidiaries. As at 30 June 2017, completed solar power plants and solar power plants under construction amounted to RMB11,863,470,000 (2016: RMB11,444,825,000) and RMB896,717,000 (2016: RMB1,391,385,000), respectively.

An impairment loss of RMB15,509,000 (six months ended 30 June 2016: nil) was recognised during the current interim period as a result of the power output restrictions in certain regions of the PRC.

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 2017

There was no acquisition nor disposal of equity interest in associates for the six-month period ended 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

15. INTERESTS IN JOINT VENTURES

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

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

The consideration was settled as follows:

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

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

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

Cash Contribution of US$11,000,000 (equivalent to RMB67,512,000) was injected to Suniva as at 31 December 2015 and the remaining balance of US$1,000,000 (equivalent to RMB6,495,000) was included in consideration payable as at 31 December 2015 in note 32 in the annual report of 2016, which was settled and paid by the Group as at 31 December 2016. The Total Consideration Shares were accounted for as contingent consideration containing derivative financial liabilities in note 24 which was measured on acquisition date and remeasured subsequently at the end of each reporting period with change in fair value recognised in profit or loss. The issue of Total Consideration Shares has been completed on 11 March 2016. Details of the issue of Total Consideration Shares are set out in notes 24 and 27.

However, in light of loss incurred, severe financial difficulty experienced by Suniva, and certain unfavourable factors expected by the management, the directors of the Company recognised impairment loss in full of RMB259,888,000 in relation to the Group's interest in Suniva as a joint venture during the year ended 31 December 2016.

Nanjing meteocontrol Electric Power Development Co., Ltd ("Nanjing meteocontrol") ("南京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 Nanjing meteocontrol for the 49% equity interest of Nanjing meteocontrol, while as decisions about all relevant activities of Nanjing meteocontrol require the unanimous consent of both the Group and the other shareholder of Nanjing meteocontrol, the voting power of the Group in Nanjing meteocontrol is regarded as 50% and Nanjing meteocontrol is accounted for as a joint venture of the Group, accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

16. DEFERRED TAX

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

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Deferred tax assets	239,884	261,010
Deferred tax liabilities	(46,990)	(46,311)
	192,894	214,699

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 and available-for-sale investments RMB'000	Provision for warranty costs RMB'000	Tax losses RMB'000	Impairment and accelerated depreciation relating to property, plant and equipment RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2016 (audited)	13,792	9,930	12,858	(77,586)	42,986	57,941	78,541	33,318	171,780
Exchange adjustments	–	–	–	(1,441)	–	–	–	–	(1,441)
(Charge) credit to profit or loss	(5,514)	(731)	(1,061)	367	1,152	59,052	(5,152)	(4,922)	43,191
At 30 June 2016 (unaudited)	8,278	9,199	11,797	(78,660)	44,138	116,993	73,389	28,396	213,530
Exchange adjustments	–	–	–	840	–	–	–	141	981
(Charge) credit to profit or loss	(3,024)	(7,973)	(2,705)	32,701	818	(5,383)	(9,145)	(5,101)	188
At 31 December 2016 (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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

16. DEFERRED TAX (Continued)

At the end of the reporting period, the Group has unused tax losses of RMB5,036,973,000 (2016:RMB4,724,704,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB607,443,000 (2016: RMB 744,067,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB4,429,530,000 (2016: RMB 3,980,637,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB1,795,617,000, RMB1,024,453,000, RMB1,121,235,000 and RMB488,225,000 (2016:RMB65,169,000, RMB1,769,780,000, RMB1,024,453,000,and RMB1,121,235,000) which will expire in each calendar year from 2019 to 2022 (31 December 2016: 2018 to 2021), respectively.

At the end of the current interim period, the Group has deductible temporary differences of RMB1,266,065,000 (31 December 2016: RMB1,297,573,000) 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 has 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 approximately RMB870,260,000 (2016: RMB687,260,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

17. TRADE AND OTHER RECEIVABLES

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Trade receivables	1,710,833	1,376,710
Less: Allowance for doubtful debts	(196,499)	(157,804)
	1,514,334	1,218,906
Accrued revenue on tariff subsidy	1,363,798	1,244,513
Total trade receivables and accrued revenue on tariff subsidy	2,878,132	2,463,419
Bills receivable	184,930	131,973
	3,063,062	2,595,392
Other receivables		
Prepaid expenses	22,110	29,790
Retention receivables	19,766	21,495
Security deposit for other borrowings (note i)	609,724	–
Amounts due from independent third parties (note ii)	639,387	336,746
Consideration receivable for disposal of available-for-sale investments	–	11,000
Consideration receivable for disposal of subsidiaries (note 29)	25,768	255,772
Amounts due from disposed subsidiaries (note iii and 29)	123,956	386,782
Others (note iv)	85,314	61,242
	1,526,025	1,102,827
	4,589,087	3,698,219

Notes:

(i) As at 30 June 2017, the amount of HKD702,528,000 (equivalent to RMB609,724,000 (2016: equivalent to RMB628,411,000)) represents security deposit placed to Sino Alliance in respect of the Group's borrowing of HKD2,500,000,000 (equivalent to RMB2,169,750,000 (2016: equivalent to RMB2,236,250,000)), which was non-trade in nature, unsecured, carried interest of 5% per annum, and refundable with reference to the repayment schedule of respective loan. As the respective tranche of loan will be repayable within one year, the respective security deposit was therefore reclassified from other non-current assets to "other receivables" in current assets as at 30 June 2017, accordingly.

(ii) The amount was non-tradable in nature. Except for the amount of RMB501,148,000 (2016: RMB254,256,000) as at 30 June 2017 which are unsecured, carried interest ranging from 5% to 10% (2016: 5%-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.

(iii) As at 30 June 2017, the amount included RMB86,910,000 (2016: RMB386,782,000) arising from disposal of subsidiaries during the current interim period, which was non-tradable in nature, unsecured, interest-free, and repayable within one year. RMB349,736,000 due from the disposed subsidiaries had been received during the current interim period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

17. TRADE AND OTHER RECEIVABLES (Continued)

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:

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
0 to 30 days	**881,768**	556,210
31 to 60 days	**283,573**	251,727
61 to 90 days	**187,574**	169,730
91 to 180 days	**269,445**	420,707
Over 180 days	**1,255,772**	1,065,045
	2,878,132	2,463,419

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 36% to 84% in 2017 (2016: 54% 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 Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue") on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

17. TRADE AND OTHER RECEIVABLES (Continued)

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.

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
0 to 30 days	**791,546**	515,771
31 to 60 days	**184,076**	136,747
61 to 90 days	**103,908**	72,814
91 to 180 days	**89,324**	192,598
Over 180 days	**345,480**	300,976
	1,514,334	1,218,906

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

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
0 to 30 days	**125,229**	45,432
31 to 60 days	**47,308**	35,629
61 to 90 days	**9,309**	16,727
91 to 180 days	**2,685**	34,185
Over 180 days	**399**	—
	184,930	131,973

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.

18. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

19. RESTRICTED BANK DEPOSITS

As at 30 June 2017, included HK$544,164,000 (equivalent to RMB472,280,000) (2016: HKD1,500,000,000 (equivalent to RMB1,341,750,000)) was the restricted bank deposits arising from the borrowing advanced from 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. During the period ended 30 June 2017, the Group has withdrawn RMB748,880,000 (six months ended 30 June 2016: nil) for its business development having the approval from Sino Alliance.

As at 30 June 2017, the remaining balance of restricted bank deposits of RMB678,478,000 (2016: RMB814,806,000) 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.

20. TRADE AND OTHER PAYABLES

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Trade payables	1,213,854	1,079,427
Bills payable	530,370	720,898
Payables for acquisition of property, plant and equipment	145,639	120,071
Payables for EPC of solar power plants (note i)	1,939,466	2,359,083
Other tax payables	29,308	22,390
Amounts due to independent third parties (note ii)	526,900	566,714
Tendering deposits received	50,021	59,266
Accrued expenses	329,398	339,451
Accrued payroll and welfare	68,980	98,216
Consideration received in advance and related accrued interest (note iii)	278,316	274,700
Consideration payable for acquisition of subsidiaries (note iv)	51,729	55,712
Others	26,806	44,767
	5,190,787	5,740,695

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

20. 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) Except for the amount of RMB206,000,000 (2016: RMB206,000,000) carried interest of 4.35% (2016: 4.35%) per annum, the amount is non-trade in nature and is unsecured, interest free and repayable on demand.

(iii) 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").

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

20. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 31 December 2016. Pursuant to the Termination Agreement, the Group shall return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement. The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities will be transferred back to the Group after the repayment of

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

(b) the outstanding balance of the borrowings of RMB500,000,000 (recorded in bank and other borrowings in note 23) as at 31 December 2016, together with the relevant interest calculated at 10% per annum by the Group to Chongqing International Trust Inc. (重慶國際信託股份有限公司) ("Chongqing Trust"), a fellow subsidiary of Chongqing Future ("Chongqing Trust Loan").

Consideration Received in Advance

RMB419,760,000 including the related accumulated interest of RMB42,689,000 was returned during the year ended 31 December 2016, and the remaining RMB272,926,000 together with the unsettled accumulated interest of RMB1,774,000 accrued as at 31 December 2016 and the future interest up to the date of the said payment are expected to be returned within one year after the execution of the Termination Agreement.

As at 30 June 2017, the Group had not yet returned the outstanding balance of RMB272,926,000 (2016: RMB272,926,000) and the related accumulated interest of RMB5,390,000 (2016: RMB1,774,000).

Chongqing Trust Loan (recorded in bank and other borrowings in note 23)

In respect of the balance of Chongqing Trust Loan of RMB500,000,000, the Company, certain of its subsidiaries and a substantial shareholder of the Company 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. The original term of such borrowings was due on 30 September 2016, and was extended by a supplementary agreement to 30 June 2017.

As at 30 June 2017, the Group had not yet returned the outstanding balance of RMB500,000,000 (2016: RMB500,000,000), while the related accumulated interest up to 30 June 2017 had been already paid.

As at 30 June 2017, the Group did not repay the Consideration Received in Advance and Chongqing Trust Loan because it was still in a negotiation with Chongqing Future about the possibility of the future development and co-operation in respect of the Nine Disposal Entities. The Consideration Received in Advance and Chongqing Trust Loan would be settled upon a final resolution on the future development, which was expected to be reached prior to the year ending 31 December 2017. The corresponding amounts were repayable on demand and classified as current liabilities, accordingly.

In addition, as at 30 June 2017, the legal ownership in respect of the entire equity interest of Jiangsu Changshu has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related gain for the current interim period amounting to RMB1,102,000 (six months ended 30 June 2016: RMB6,569,000) had been transferred from accumulated losses to non-controlling interests as at 30 June 2017.

(iv) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

20. 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:

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Age		
0 to 30 days	561,910	157,834
31 to 60 days	236,565	465,352
61 to 90 days	63,507	103,403
91 to 180 days	42,688	65,381
Over 180 days	309,184	287,457
	1,213,854	1,079,427

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

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Age		
0 to 30 days	85,797	139,859
31 to 60 days	187,389	151,000
61 to 90 days	84,120	141,690
91 to 180 days	173,064	288,349
	530,370	720,898

21. OBLIGATIONS UNDER FINANCE LEASES

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Current liabilities	49,014	41,597
Non-current liabilities	87,675	105,170
	136,689	146,767

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

21. OBLIGATIONS UNDER FINANCE LEASES (Continued)

It is the Group's policy to lease certain of its buildings and machineries under finance leases. As at 30 June 2017, the original lease terms ranged from 4 to 12 years (31 December 2016: ranging from 4 to 12 years) and the corresponding interest rate is 4.62% to 9.15% (31 December 2016: 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.

22. PROVISIONS

	Provision on legal claims (note c) RMB'000	**Warranty provision (note a)** RMB'000	**Financial guarantee (note b)** RMB'000	**Total** RMB'000
At 1 January 2016 (audited)	52,669	628,684	79,405	760,758
Provision for the period	4,505	26,848	—	31,353
Utilisation of provision	—	(20,392)	—	(20,392)
Exchange adjustments	—	4,727	—	4,727
At 30 June 2016 (unaudited)	57,174	639,867	79,405	776,446
Provision for the period	4,580	18,112	228,250	250,942
Utilization of provision	—	(12,008)	—	(12,008)
Exchange adjustments	—	(2,027)	—	(2,027)
At 31 December 2016 (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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

22. PROVISIONS (Continued)

Notes: (Continued)

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 2016, the amounts represented financial guarantee contracts provided by the Wuxi Suntech Group to its former related party and independent third party. During the year ended 31 December 2016, the Group provided financial guarantee for Suniva and 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 during the year amounting to USD31,925,000 (equivalent to RMB221,466,000) and accounts payable amounting to USD1,000,000 (equivalent to RMB6,784,000) respectively.

The Group in the current interim period 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 in this current interim period since the counterparty had repaid certain amount of bank borrowings prior to its bankruptcy. In addition, Sunvia declared bankruptcy during the current interim period, and the Group made further provision of USD1,775,000 (equivalent to RMB12,195,000) according to the management's estimation on the increased outstanding liability that the Group is obliged to settle.

(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 totalling RMB43,083,000. The vendor payment of RMB206,000,000 was included in other payables as at 30 June 2017. During the period ended 30 June 2017, pursuant to the court order, additional provision on legal claims of RMB4,481,000 was made in respect of the penalties and interests on the principal amount. The Group was currently in the process of making a final appeal.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

23. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB348,913,000 (six months ended 30 June 2016: RMB1,311,904,000) which carried interest ranging from 0.53% to 9.00% (2016: 3.38% to 11%) per annum, and made repayments in bank borrowings amounting to RMB760,550,000 (six months ended 30 June 2016: RMB1,485,522,000).

During the interim period, in respect of a bank borrowing with a carrying amount of RMB1,160,017,000 as at 30 June 2017, 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 2017, 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.

Up to the date of approval for issuance of the condensed consolidated financial statements, the negotiations are still in progress. The directors of the Company are confident that their negotiations with the lender will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the borrowing, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

RMB2,705,124,000 (2016:RMB1,731,354,000) of the total bank borrowings will be repayable within twelve months after the end of the reporting period while the remaining RMB2,819,038,000 (2016: RMB4,217,663,000) 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 RMB594,198,000 (six months ended 30 June 2016: RMB1,238,752,000), which carried effective interest ranging from 3.00% to 5.22% (2016: 3.5% to 11.8%) per annum. The Group made repayments in other borrowings amounting to RMB162,151,000 (six months ended 30 June 2016: RMB623,626,000) during the period. RMB1,016,034,000 (2016: 1,278,997,000) of the total other borrowings will be repayable within twelve months after the end of the reporting period. The remaining balances of RMB4,825,797,000 (2016: RMB4,197,213,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

24. DERIVATIVE FINANCIAL LIABILITIES

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Warrants liabilities arising from acquisition of Lattice Power Group	5,254	7,733

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 2017, the exercise price for the Series E Warrants shall be HK$41.56 (equivalent to RMB36.33) (2016: RMB37.18) 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 2017 and 31 December 2016 were as follows:

Valuation date	30 June 2017 (unaudited)	31 December 2016 (audited)
Applicable share value (RMB)	19.05	21.72
Exercise price (RMB)	36.33	37.18
Expected volatility	50.06%	53.54%
Expected life	8.1 years	8.6 years
Risk-free rate	3.55%	2.99%
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 2017, gain on changes in fair value of RMB2,479,000 (30 June 2016: nil) in respect of these warrant liabilities was credited to "other gain and losses and other expenses" in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

24. DERIVATIVE FINANCIAL LIABILITIES (Continued)

Derivative instrument arising from the acquisition of Suniva

The derivative instrument arising from the acquisition of Suniva, as set out in note 15, represents the Total Consideration Shares to be issued arising from the Adjustment Mechanism.

On 11 March 2016, a total number of 123,138,889 new ordinary shares of the Company were allotted and issued by the Company in respect of the Total Consideration Shares. The fair value of the ordinary shares of the Company, determined using the market price as published by the Hong Kong Stock Exchange on 11 March 2016, amounted to HKD1.52 (equivalent to RMB1.27) each, totalling HKD187,171,000 (equivalent to RMB156,476,000). Upon the issue of total consideration shares on 11 March 2016, gain on changes in fair value of RMB95,401,000 during the period ended 30 June 2016 was recognised in "other gains and losses and other expenses" while the corresponding share capital and share premium was credited by RMB1,030,000 and RMB155,446,000, totalling RMB156,476,000 accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

25. 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 2016 for details.

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

	Liability component at amortised cost RMB'000	**Convertible bonds equity reserve** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2016 (audited)	56,616	1,351,428	1,408,044
Effective interest expense charged for the period	5,588	—	5,588
At 30 June 2016 (unaudited)	62,204	1,351,428	1,413,632
Effective interest expense charged for the period	6,351	—	6,351
At 31 December 2016 (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

As at 30 June 2017, RMB17,833,000 (2016: RMB17,833,000) of the First CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 5% of the First CB on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

25. 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 2016 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 2016 (audited)	382,498	143,756	526,254
Effective interest expense charged for the period	31,289	—	31,289
Converted during the period	(72,176)	(25,287)	(97,463)
Coupon interest paid during the period	(29,811)	—	(29,811)
At 30 June 2016 (unaudited)	311,800	118,469	430,269
Effective interest expense charged for the period	26,532	—	26,532
At 31 December 2016 (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

As at 30 June 2017, RMB147,699,000 (2016: RMB147,699,000) of the Second CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 20% of the Second CB on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

25. 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 2016 for details.

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

	Liability component at amortised cost RMB'000	Convertible bonds equity reserve RMB'000	Total RMB'000
Carrying amount at 1 January 2016 (audited)	342,998	904,971	1,247,969
Effective interest expense charged for the period	34,691	—	34,691
At 30 June 2016 (unaudited)	377,689	904,971	1,282,660
Effective interest expense charged for the period	38,639	—	38,639
At 31 December 2016 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

25. 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 2016 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 2016 (audited)	422,988	329,922	752,910
Effective interest expense charged for the period	42,293	—	42,293
Coupon interest paid during the period	(13,786)	—	(13,786)
At 30 June 2016 (unaudited)	451,495	329,922	781,417
Effective interest expense charged for the period	45,666	—	45,666
Coupon interest paid during the period	(13,786)	—	(13,786)
At 31 December 2016 (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

As at 30 June 2017, RMB27,572,000 (2016: RMB27,572,000) of the Fourth CB was classified as current liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

25. CONVERTIBLE BONDS (Continued)

(e) Fifth CB (as defined below)

On 28 November 2014, the Company issued convertible bonds at par to certain independent third parties with principal amounts of HK$1,386,000,000 (equivalent to RMB1,100,000,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26) and on 27 January 2015, the Company issued second tranche of this convertible bonds, apart from the maturity date, with the same terms to Peace Link with principal amount of HK$350,000,000 (equivalent to RMB277,777,778 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26) (collectively referred to "Fifth CB"). The effective interest rate of the liability component of first tranche of the Fifth CB was 20.83%, while that of second tranche was 25.12%. Their respective maturity date was 28 November 2017 and 26 January 2018. Please refer to the annual report of 2016 for details.

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

	Liability component at amortised cost RMB'000	**Convertible bonds equity reserve** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2016 (audited)	851,195	345,292	1,196,487
Effective interest expense charged for the period	84,473	—	84,473
At 30 June 2016 (unaudited)	935,668	345,292	1,280,960
Effective interest expense charged for the period	91,923	—	91,923
Coupon interest paid during the period	(55,000)	—	(55,000)
At 31 December 2016 (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

As at 30 June 2017, RMB1,069,112,000 (2016: RMB972,591,000) of the Fifth CB was classified as current liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

25. 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:

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Within one year	**1,262,216**	1,165,695
More than one year, but not exceeding two years	**220,232**	220,414
More than two year, but not exceeding five years	**462,513**	428,232
More than five years	**512,661**	464,840
	2,457,622	2,279,181
Classified as:		
Current liabilities	**1,262,216**	1,165,695
Non-current liabilities	**1,195,406**	1,113,486
	2,457,622	2,279,181

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

26. BONDS PAYABLE

Analysed for reporting purpose:

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Current liabilities	**496,399**	–
Non-current liabilities	**544,754**	1,012,095
	1,041,153	1,012,095

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% (2016: 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% (2016: 7.7%) per annum, and with the maturity date on 22 June 2018. During the current interim Period, principal amount of RMB20,000,000 (2016: RMB30,000,000) of the corporate bond held by Wuxi Suntech Power Co., Ltd was transferred at par value to an independent financial institution.

As at 30 June 2017, an aggregate amount of arrangement fee totalling RMB8,847,000 (2016: RMB17,905,000) was included in the balance of bonds payable, and will be released to profit or loss as finance cost using the effective interest method over the bond period. The related interest of RMB40,926,000 (six months ended 30 June 2016: RMB21,857,000) during the period was accrued in trade and other payables.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

27. SHARE CAPITAL

	Number of shares	Amount HK$
Authorised		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017 — Ordinary shares of HK$0.01 each	10,000,000,000	100,000,000

	Number of shares	Amount HK$
Issued and fully paid		
At 1 January 2016 (audited)	4,082,552,433	40,825,524
Issue of shares upon conversion of convertible bonds (note i)	108,459,869	1,084,599
Issue of total Consideration Shares for the acquisition of Suniva completed in 2015 (note ii)	123,138,889	1,231,389
At 30 June 2016 (unaudited)	4,314,151,191	43,141,512
At 1 January 2017 (audited)	4,314,151,191	43,141,512
Issue of shares upon conversion of convertible bonds (note i)	—	—
At 30 June 2017 (unaudited)	4,314,151,191	43,141,512

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Presented as	**34,876**	34,876

Notes:

(i) During the period, the Company issued and allotted nil (2016: 108,459,869) ordinary shares of HK$0.01 each upon conversion of convertible bonds. The new ordinary shares issued upon conversion of convertible bonds rank pari passu with the then existing shareholders in all aspects.

(ii) For the acquisition of 63.13% equity interest in Suniva completed in 2015, the Company issued 123,138,889 new ordinary shares in respect of the Total Consideration Shares on 11 March 2016 as set out in notes 15 and 24. The new ordinary shares issued rank pari passu with the then existing shareholders in all aspects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

28. 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.

	30/06/2017		31/12/2016	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Liability component of convertible bonds	**2,457,622**	**2,295,087**	2,279,181	2,145,503

The fair value of the liability component of convertible bonds as at 30 June 2017 and 31 December 2016 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 liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique and inputs used).

Financial liabilities	Classified as	Fair value as at 30/06/2017 RMB'000	Fair value as at 31/12/2016 RMB'000	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Warrants liabilities	Derivative financial liabilities	(5,254)	(7,733)	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 RMB1,942,000 (2016: RMB2,347,000) and RMB1,742,290 (2016: RMB2,325,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

28. 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 derivative financial instruments during the six months ended 30 June 2017.

	Warrants Liabilities RMB'000	Financial instrument arising from acquisition of Suniva RMB'000	Total RMB'000
At 1 January 2016	262,662	251,877	514,539
Derecognition upon issue of Total Consideration Shares on 11 March 2016	–	(156,476)	(156,476)
Total gain recognised in profit or loss included in other gains and losses and other expenses	–	(95,401)	(95,401)
At 30 June 2016 (unaudited)	262,662	–	262,662
Total gain recognised in profit or loss included in other gains and losses and other expenses	(254,929)	–	(254,929)
At 31 December 2016 (audited)	7,733	–	7,733
Total gain recognised in profit or loss included in other gains and losses and other expenses	(2,479)	–	(2,479)
At 30 June 2017 (unaudited)	5,254	–	5,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

29. DISPOSAL OF SUBSIDIARIES

During the period ended 30 June 2017, the Group disposed of all of its equity interests in 6 subsidiaries (2016: 5 subsidiaries), which mainly holds 5 incompleted solar power plants (2016: 2 incompleted solar power plants and 3 completed solar power plants) to independent third parties for a total cash consideration of RMB2,000,000 (2016: RMB315,772,000). The net assets of the subsidiaries at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Solar power plants	98,196	1,977,200
Prepaid lease payment	29,903	–
Trade and other receivables	106,418	172,240
Other non-current assets	–	474,997
Value-added tax recoverable	4,886	82,785
Intangible assets	8	
Bank balances and cash	5	14,503
Trade and other payables	(150,506)	(1,443,388)
Amounts due to the Group	(86,910)	(636,782)
Bank and other borrowings	–	(366,806)
Net assets disposed of	2,000	274,749
Gain on disposal of subsidiaries:		
Total consideration satisfied by:	2,000	315,772
Consideration receivable for disposal of subsidiaries		
– Current assets (included in note 17) (note)	2,000	255,772
– Other non-current assets	–	15,000
Cash consideration received	–	45,000
Less: net assets disposed of	(2,000)	(274,749)
Gain on disposal	–	41,023
Net cash inflow (outflow) arising on disposal:		
Cash consideration	–	45,000
Less: bank balances and cash disposed of	(5)	(14,503)
	(5)	30,497

Note:

In respect of 2016 disposal of subsidiaries

Pursuant to the disposal agreements, consideration receivables for disposal of subsidiaries amounting to RMB255,772,000 would be settled within 12 months after 31 December 2016, 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.

In the current interim period, RMB232,004,000 has been settled while the remaining amounts of RMB23,768,000 is expected to be settle within 12 months after the end of the current reporting period. The balance is non-trade in nature, unsecured, interest free and payable on demand.

In respect of 2017 disposal of subsidiaries

Pursuant to the disposal agreements, consideration receivables for disposal of subsidiaries amounting to RMB2,000,000 will be settled within 12 months after 30 June 2017. The amounts due to the Group by the disposed subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

30. CAPITAL COMMITMENTS

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

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment, EPC of solar power plants and acquisition of land leases — contracted for but not provided in the condensed consolidated financial statements	**1,260,606**	3,750,324

The Group's share of the capital commitments made jointly with the other joint venturer relating to its joint venture, Nanjing meteocontrol, but not recognised at the end of the reporting date is as follows:

	30/06/2017 RMB'000 (Unaudited)	31/12/2016 RMB'000 (Audited)
Commitments to contribute investments in Nanjing meteocontrol	**44,100**	44,100

31. 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 current interim period.

			Six months ended	
Name of related parties	**Relationship**	**Nature of transactions**	**30/06/2017 RMB'000 (Unaudited)**	30/06/2016 RMB'000 (Unaudited)
Nanjing meteocontrol	note (i)	Solar power plant operation and maintenance services charges	**40,339**	N/A
Tiancheng International Auctioneer Limited ("Tiancheng International") ("天成國際拍賣有限公司")	note (ii)	Rental expense	**1,322**	N/A

Notes:

(i) The management considers Nanjing meteocontrol is a related party as it is accounted for as a joint venture of the Group. This company was established by the Group and one of its senior management during the year ended 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

31. 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	
	30/06/2017	30/06/2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries and allowances	**5,195**	5,832
Performance — related incentive bonuses	**—**	799
Retirement benefits scheme contributions	**98**	126
	5,293	6,757

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

32. CONTINGENT LIABILITIES

	30/06/2017	31/12/2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guarantees given to bank, in respect of banking facilities to independent third parties:		
Total guarantee amounts	**305,211**	354,308
Less: Amount provided as financial guarantee contracts	**(277,335)**	(307,655)
Unprovided amount	**27,876**	46,653

In addition, 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.

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

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 2017
"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.