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

(Incorporated in the Cayman Islands with limited liability)
*Stock code: 01165*

# Seizing opportunities of Our Time in building an Epochal Enterprise

## Interim Report 2014

# CONTENTS

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Zhang Yi *(Chairman and Chief Executive Officer)*
Mr. Shi Jianmin *(Vice Chairman)*
Mr. Wang Xiangfu *(resigned from 1 August 2014)*
Mr. Wang Yu
Mr. Luo Xin *(appointed on 16 July 2014)*
Mr. Lei Ting *(appointed on 16 July 2014)*
Mr. Lu Bin *(re-designated on 16 July 2014)*

### Non-executive Director

Mr. Yue Yang

### Independent Non-executive Directors

Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Siu Wai Keung Francis
Mr. Kwong Wai Sun Wilson *(appointed on 16 July 2014)*

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. Siu Wai Keung Francis *(Chairman)*
Mr. Zhang Yi
Mr. Tao Wenquan
Mr. Zhao Yuwen

## NOMINATION COMMITTEE

Mr. Zhang Yi *(Chairman)*
Mr. Siu Wai Keung Francis
Mr. Zhao Yuwen

## COMPANY SECRETARY

Mr. Tse, Man Kit Keith

## AUTHORIZED REPRESENTATIVES

Mr. Zhang Yi
Mr. Tse, Man Kit Keith

## REGISTERED OFFICE

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

## HEADQUARTER

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Wujin Hi-tech Industrial Development Zone
Changzhou City
Jiangsu 213164, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Bank of China Tower
1 Garden Road, Central
Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR

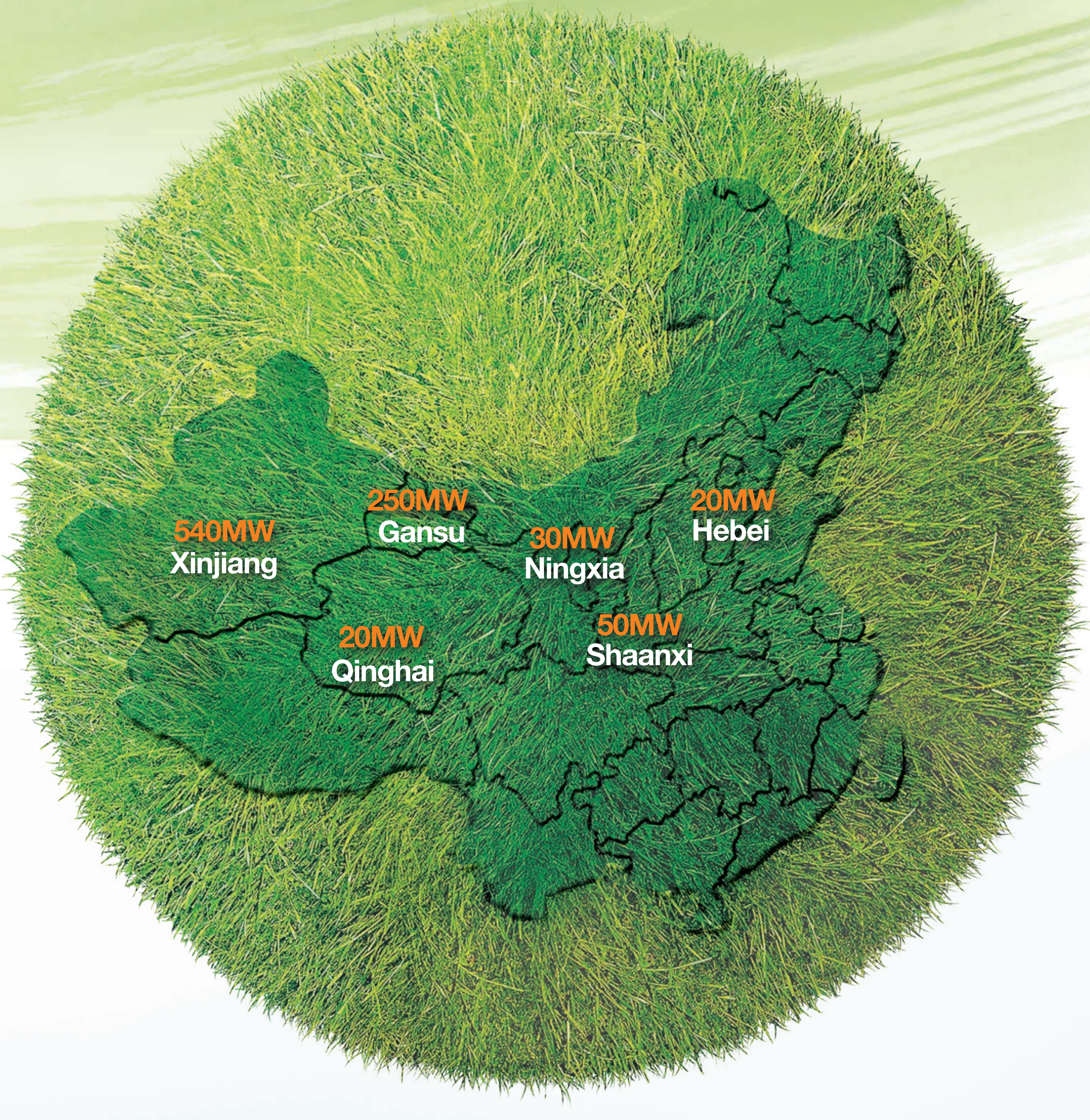
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

## COMPANY WEBSITE

www.sf-pv.com

## STOCK CODE

01165




**Achieving grid-connected**
annual designed capacity of **910** MW

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to the Shareholders the unaudited condensed consolidated interim results of the Group for the Period.

As of 30 June 2014, the Group recorded a revenue of RMB2,946.0 million, representing an increase of 608.2% from RMB416.0 million for the corresponding period in 2013. Gross profit increased by RMB698.9 million from RMB51.1 million for the corresponding period in 2013 to RMB750.0 million for the Period. The revenue and gross profit increased primarily due to (i) a substantial increase in the shipment volume of manufacturing and trading of solar power products after the acquisition of Wuxi Suntech, (ii) most of the Group's solar power plants connected to grid in 2013 passed the tests and commenced operation and generated income from power generation during the Period, and (iii) the fair value loss on convertible bonds for the corresponding period in 2013 was RMB673.1 million, while such change in fair value of convertible bonds did not apply to the Period. The Group recorded a net profit of RMB503.9 million for the Period, a significant improvement compared with a net loss of RMB672.7 million for the corresponding period in 2013.

Looking back, the first half of 2014 proved to be an important period for the Group to further implement the global photovoltaic industrial deployment, and gradually revealed the effect of the Group's acquisition achievement. Leveraging on various favourable measures introduced by the PRC government supporting the development of photovoltaic industry in 2013, the photovoltaic industry has been gradually stepping into a healthy and orderly development stage. Further, the PRC and European Union reached a mild solution to the anti-dumping dispute last year in relation to Chinese solar products provides a better opportunity for the Group to develop its fully integrated photovoltaic business model. The Group further established its leading position in solar power industry in China after its successful acquisition of various solar power plant projects. As of 30 June 2014, the grid-connected capacity of solar power generation was 890 MW, with an accumulated power generation of approximately 185,798 MWh. In addition to the grid-connected capacity of 890 MW, the newly acquired solar power plants projects had an installed solar power capacity of 876 MW under construction.

In 2013, the National Development and Reform Commission set an important target in the 12th five-year plan to increase the installed solar power capacity by four times to 35 GW or more over the next three years by spreading over an average of 10 GW per year in order to promote clean and high efficient energy and support low carbon economic development, leading the PRC solar cell and solar module sectors to go out of the past two-year-low and enter into a new phase of development. The photovoltaic industry continued the recovery trend since the second half of 2013 and generally kept in a state of adjustment. The business of solar products has seen the initial results of the Group's efforts. During the Period under review, for the purpose of diversifying its solar product lines and improving profitability, the Group successfully acquired Wuxi Suntech, a manufacturer of large-scale solar modules with promising growth potential, while strengthening its domestic and overseas sales of solar products, resulting in a significant improvement of financial performance for the Period compared with the corresponding period of 2013. During the Period under review, the shipment volume of the Group's manufacturing business increased substantially to 750.9 MW (corresponding period in 2013: 173.6 MW), including solar wafers of 3.2 MW, solar cells of 399.4 MW and solar modules of 348.3 MW. After the acquisition of Wuxi Suntech, the great business performance of Wuxi Suntech contributed favourably to its strong results.

The Group also seeks opportunities to expand its market share, aiming at strengthening its leading position by accelerating the core technology improvement of solar power generation to maximise its capacity of overseas solar products and solar power plant contract work. Meanwhile, the Group successfully completed various domestic and overseas acquisitions during the Period, diversifying its integrated photovoltaic industry chain and resulting in a synergistic effect to its other business, whereby the Group intends to make those newly acquired business integrated into its industry chain and achieve profitability as soon as practicable, establishing its position as a leading integrated clean energy provider.

## PROSPECT AND ACKNOWLEDGEMENT

Looking forward, upon completing acquisition of Wuxi Suntech, the Group has been poised to become an integrated solar enterprise focusing on solar power generation business and, in the long run, to be a leading one-stop clean energy provider in China and in the Asia region. Looking forward to the second half of 2014, the Group believes that through a series of acquisition plans of solar power plants and strengthening its management and operation team, it is determined to strengthen its position as a forefront ranking high performance solar cells and solar modules manufacturer in China. With the recovery of Wuxi Suntech's operation, the Group expects to achieve a total manufacturing capacity of 2.2 GW of solar cells and 2.4 GW of solar modules in 2014.

The Group has transformed from an upstream solar products manufacturer into an integrated solar enterprise owning downstream solar power generation assets. The Group has a future plan in place to diversify its business to energy storage and other forms of renewable or clean energy. The Group has the ambition to become a leading renewable and clean energy enterprise. To fully reflect the Group's fully integrated photovoltaic business model and the future development strategy to become a leading and distinctive renewable and clean energy enterprise, the Company is proposing to change the name of the Company from "Shunfeng Photovoltaic International Limited" to "Shunfeng International Clean Energy Limited".

These important achievements in the first half of 2014 lay a solid foundation for the business of the Group and further consolidate its leading position in China's solar power market. The Group will target to become a leading renewable and clean energy provider, manufacturer and operator, focusing on the improvement of the future energy supply structure in China and the world. The Group will develop itself into a new energy enterprise mainly engaging in solar power plant business with an integrated photovoltaic industry chain and will strive to become a leading enterprise in global photovoltaic industry.

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

**Zhang Yi**
*Chairman*

28 August 2014

# Management Discussion and Analysis

This solar power plant is located in Gansu Province, 100% owned by a wholly-owned subsidiary named "Sunan Yugu Autonomous County Zhongneng Industrial Park Co., Ltd."

## BUSINESS REVIEW

### Solar Power Generation

With the successful acquisitions of solar power plants completed in 2013 and early 2014, the Group's market share in China's solar power generation market has soared to a prominent position. As at 30 June 2014, the solar power plants owned by the Group generated an aggregate of approximately 185,798 MWh, of which approximately 60% was generated by the solar power plants located in the Xinjiang Region, whereas in July amounted to approximately 64,825 MWh, an increase of 8.5% compared with a single month solar power generation of June.

As at 30 June 2014, the expected annual designed capacity of the Group was 1,757 MW, with 876 MW under construction.

| **Project** | **Number** | **Expected annual designed capacity** (MW) | **Under construction** (MW) |
|---|---|---|---|
| Utility-scale photovoltaic power station | 26 | 1,397 | 760 |
| Rooftop photovoltaic power station | 25 | 360 | 116 |
| Total | 51 | 1,757 | 876 |

As at the date of this report, the Group successfully realized a capacity of 20 MW on-grid connection with the solar power plant in Hebei Province. In addition to constructing and operating solar power generation projects, the Group proactively explores opportunities to integrate solar industry into other sectors, for example, it acquired an integrated project with a capacity of 6.6 MW in Lianyungang, Jiangsu Province, combining agriculture with photovoltaic industry, and completed connecting it to grid. Such project was designed to generate electricity above the agricultural greenhouse, introducing a new pattern of recycling economy which is land-saving, environmental friendly and resource-effective. Being conducive to achieve social, environmental and economic benefits, this new pattern also find an environmental approach for the utilization of new energy and energy saving and emission reduction work. It is considered to be the first integrated project of the Group to combine agriculture with photovoltaic industry, and also the direction for its future development.

## Manufacture and Sales of Solar Products

On 24 October 2013, the Group was successful in its bid for the acquisition of Wuxi Suntech at a total consideration of RMB3 billion. Wuxi Suntech's restructuring plan was approved by Wuxi Intermediate People's Court on 15 November 2013 and the resolution approving the acquisition and restructuring of the entire equity rights of Wuxi Suntech was passed in the extraordinary general meeting by unanimous vote on 7 April 2014, pursuant to which, Wuxi Suntech became a wholly-owned subsidiary of the Group, and its financial results was consolidated into the Group from April 2014. The successful acquisition of Wuxi Suntech enables the Group to expand its solar power generation business in domestic and overseas market.

Riding on the significant rebound trend in the industry since the second half of 2013, the Group's shipment volume of solar products manufacturing business in the first half of 2014 amounted to 750.9 MW, an increase of 332.5% compared with the corresponding period of 2013.

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2014** | 2013 | % of |
| | **MW** | MW | changes |
| **Shipment Volume of Manufacturing Business** | | | |
| Solar wafers | **3.2** | — | — |
| Monocrystalline solar cells | **66.4** | 39.5 | 68.1% |
| Multicrystalline solar cells | **333.0** | 134.1 | 148.3% |
| Solar modules | **348.3** | — | — |
| **Total** | **750.9** | 173.6 | 332.5% |

Our top 5 customers in the first half of 2014 represented approximately 44.7% of our total revenue as compared to approximately 47.1% in the corresponding period of 2013. Our largest customer accounted for approximately 13.4% of our total revenue in the Period as compared to approximately 15.0% in the corresponding period of 2013. These changes were mainly due to our continuing efforts to optimize the customer base. We believe product quality and cost advantage will be crucial in the upcoming era of solar energy. Our largest customer is a German EPC company which configures, builds, operates and maintains photovoltaic roof-top and ground-mounted installations across Europe. This German EPC company, to which the Group sells the solar modules, is a new customer entered into business relationships with the Group during the Period. Other major customers, mainly solar products manufacturers, purchase solar cells and solar modules from the Group. The Group has maintained business relationship with such customers ranging from half year to five years and offered them with credit periods ranging from 30 days to 180 days. During the Period, our major customers paid the purchase prices in accordance with the agreed commercial terms in time and the outstanding receivables are still within the credit periods granted by the Group. Therefore, no related doubtful debts were required to be provided. Our major customers have good repayment history and credit quality based on the internal assessment by the Group. In order to minimize the credit risk, the Directors continuously monitor the level of exposure by frequent review of the credit evaluation of the financial conditions and credit qualities of the major customers to ensure that prompt actions will be taken to lower risk exposure.

In the first half of 2014, our sales to PRC based customers represented approximately 69.3% of our total revenue, as compared to approximately 85.2% in the corresponding period of 2013. Our sales to overseas customers represented approximately 30.7% of our total revenue during the Period under review, as compared to approximately 14.8% in the corresponding period of 2013. Our strong track record of product quality, advanced proprietary technology, and effective cost control measures, have contributed to our reputation and thus our success in optimizing our customer base. We believe such strategic measures will continue to contribute to a strong and sustainable demand for our products.

## Acquisitions and Overseas Business Development

Following the completion of acquisition of Wuxi Suntech, the Group has grown to an integrated one-stop solar enterprise with significant market share of installed solar power capacity in the PRC. By leveraging on the positive brand awareness of Shunfeng and Suntech established over the years in the global market, the Group continues to expand the construction and operation of global solar power plant, manufacturing of solar products, solar energy storage and clean energy related businesses, thereby gaining access to clean energy sector and diversifying its businesses.

### (a) Energy storage business

#### (i) Shanghai Everpower Technology Co., Ltd. ("Everpower")

The Group acquired 28% equity interests in Everpower, a company engaging in hydrogen energy storage and hydrogen power generation with core hydrogen power technology, in a consideration of RMB48.5 million. Due to its uniqueness, hydrogen power can replace storage battery and diesel generator in many fields and is widely used in sectors such as communication and power. The energy storage technology is complementary to solar power generation to resolve the interval generation problem of solar power and thus enhance its utilization rate.

#### (ii) Powin Energy Corporation ("Powin Energy")

The Group acquired 30% equity interests in Powin Energy in August 2014, a company specially engaging in energy storage battery management technology, in a consideration of US$25.0 million (approximately RMB153.8 million). Powin Energy owns advanced lithium-ion battery energy storage technology. The load shifting technology of Powin Energy is an application which utilizes advanced storage technology and advanced power management system, and specializes in tuning power generators to achieve the purposes of load shifting and stabilizing power supply. In addition, Powin Energy provides high speed, high efficiency and cost effective fast charging devices, which can be extensively used in car parks and for the charging of electric vehicles.

### (b) Photovoltaic inverter business

The Group successfully acquired the inverter and building integrated photovoltaic business of Sunways AG and its brand in the first half of the year in a consideration of EURO2.2 million (approximately RMB19.1 million). The Group expects to establish and improve its research and development ability in internal inverter, storage and monitoring techniques through the acquisition, enabling the Group to have its own inverter production line. The Group also expects to expand into the distributed photovoltaic power generation system market through the acquisition, enabling it to provide integrated solutions of modules and photovoltaic inverters in the global photovoltaic market.

(c) Overseas business development

The year of 2014 marked an important milestone for the Group's investment in solar power generation business in overseas market.

(i) European business

The Group collaborated with Greenfield Solar International GmbH & Co. KG ("**Greenfield**") to jointly develop solar power plant project in the United Kingdom in 2014 and 2015. Wuxi Suntech became the exclusive supplier of solar modules of the project. The project is expected to provide consolidated capacity of 400 MW in 2014 and 500 MW in 2015. The Group will provide photovoltaic inverters, and Greenfield will provide construction project contracting services.

(ii) Japanese business

In July 2014, the Group announced to make a maximum investment of JPY7.5 billion (**Capital Commitment**, approximately RMB458.3 million) in a private equity fund, with the purpose to invest primarily in solar power plant projects with an accumulated capacity of 100 MW in Japan. The Group has obligated to pay the management fee to the fund management company on the basis of 2% and 0.5% of the aggregate Capital Commitment for the first to fifth year and sixth to tenth year respectively.

(d) Seawater power generation business

The Group and Taiwan Carbon Nanotube Technology Corporation ("**Taiwan Nanotube**") entered into a licence agreement, pursuant to which Taiwan Nanotube granted to the Group the licence to use its developing seawater power generation battery technology. Seawater power generation would be most suitable for coastal and maritime countries as a new form of energy solution since available natural resources could be effectively utilised. Hence, it is anticipated that the seawater power generation technology would be widely used, developed into a huge market, and would be of great commercial value.

## Financing Activities

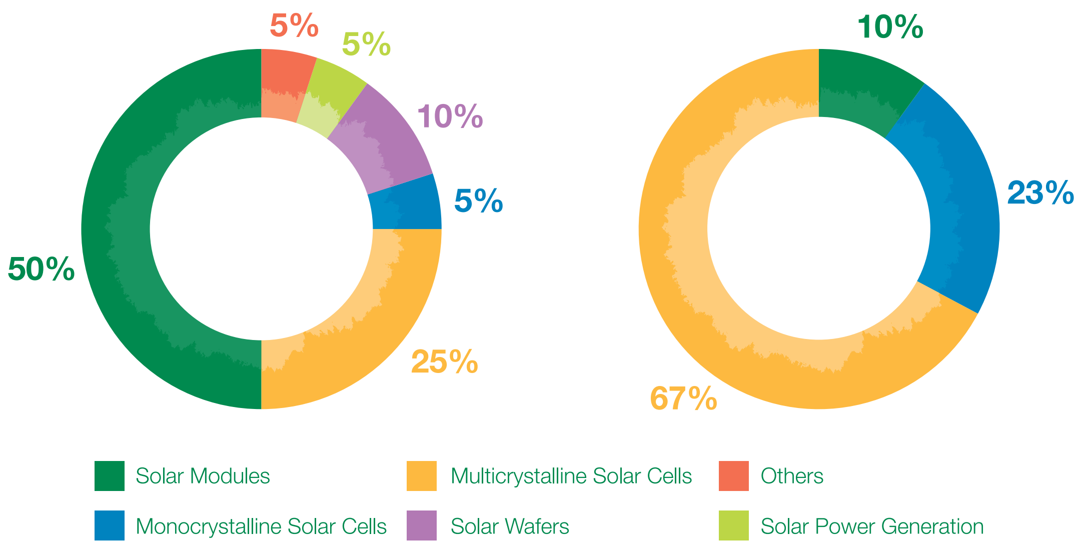
During the Period under review, the Group has earned continuous support from financial institutions to fund the development of solar business. Moreover, the Company has successfully issued two tranches of convertible bonds. The Company and the Shanghai Branch of China Minsheng Banking Corporation Limited ("**CMBC**") entered into a strategic cooperation agreement in August 2014. CMBC has agreed to provide to the Group banking credit and facilities of up to RMB20 billion. These additional funds serve as a significant support for enhancing liquidity and future business development.

| Date | Financing Activities | Original Currency | |
|---|---|---|---|
| | | RMB'000 | HK$'000 |
| April 2014 | Issue of convertible bonds | — | 3,580,000 |
| June 2014 | Issue of convertible bonds | — | 2,137,230 |
| July 2014 | Obtaining loans from China Merchants Bank Co., Ltd. | 2,000,000 | — |
| Total | | 2,000,000 | 5,717,230 |

## FINANCIAL REVIEW

### Revenue

**Revenue for the six months ended 30 June 2014 (RMB2,946.0 million) and 30 June 2013 (RMB416.0 million)**




Revenue increased by RMB2,530.0 million, or 608.2%, from RMB416.0 million for the corresponding period in 2013 to RMB2,946.0 million for the Period, primarily due to the significant improvement in shipment volume of solar products manufacturing and trading as a result of the completed acquisition of Wuxi Suntech. Most of the solar power plants of the Group that completed on-grid connection in 2013 have completed testing and commenced operation and thus generated revenue in the first half of 2014, which also contributed to the increase in revenue. The shipment volume of our solar products manufacturing business increased by 332.5% from 173.6 MW for the corresponding period in 2013 to 750.9 MW. For the six months ended 30 June 2014, revenue from solar power generation accounted for 4.9% of the total revenue; sales of solar cells accounted for 30.0% of the total revenue; while sales of solar modules and wafers accounted for 50.2% and 10.3% of the total revenue, respectively.

### Revenue from solar power generation

For the six months ended 30 June 2014, solar power generation achieved to 185,798 MWh with 167,571 MWh completed testing and recorded as revenue from power generation. Revenue from solar power generation for the Period amounted to RMB143.2 million, while no such business during the corresponding period in 2013.

### Solar wafers

For the six months ended 30 June 2014, sales revenue from solar wafers manufacturing and trading business amounted to RMB303.1 million, while no such revenue recorded during the corresponding period in 2013. Shipment volume amounted to 225.4 MW.

## Monocrystalline solar cells

Revenue from sales of monocrystalline solar cells increased by RMB66.3 million, or 68.9% from RMB96.2 million for the corresponding period in 2013 to RMB162.5 million for the Period, primarily due to an increase in our shipment volume by 68.1% from 39.5 MW for the corresponding period in 2013 to 66.4 MW for the Period and the marginal increase in our average unit price for this product by 0.4% from RMB2.44 per watt for the corresponding period in 2013 to RMB2.45 per watt for the Period.

## Multicrystalline solar cells

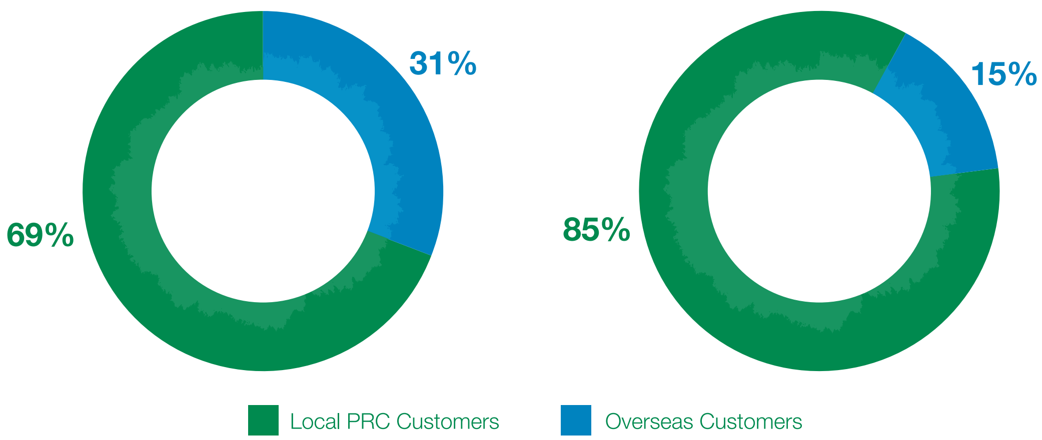
Revenue from sales of multicrystalline solar cells increased by RMB441.6 million, or 157.7% from RMB280.0 million for the corresponding period in 2013 to RMB721.6 million for the Period, primarily as a result of an increase in shipment volume by 148.3% from 134.1 MW for the corresponding period in 2013 to 333.0 MW for the Period, and an increase in our average unit price for this product by 3.8% from RMB2.09 per watt for the corresponding period in 2013 to RMB2.17 per watt for the Period.

## Solar modules

Sales revenue from solar module manufacturing and trading business increased by RMB1,440.5 million or 3,619.3% from RMB39.8 million for the corresponding period in 2013 to RMB1,480.3 million for the Period, primarily due to an increase in our shipment volume by 3,590.1% from 10.1 MW for the corresponding period in 2013 to 372.7 MW for the Period as a result of the completed acquisition of Wuxi Suntech, and an increase in our average unit price for this product by 1.0% from RMB3.93 per watt for the corresponding period in 2013 to RMB3.97 per watt for the Period.

## Geographical market

**Revenue by geographical market for the six months ended 30 June 2014 and 30 June 2013**




In terms of geographical markets from which our revenue was generated, approximately 69.3% of the total revenue for the Period was generated from sales to our PRC customers, as compared to 85.2% for the corresponding period in 2013. The remaining portion was generated from the sales to our overseas customers, who are mainly based in Asian and certain European countries.

## Cost of sales

Cost of sales increased by RMB1,831.1 million, or 501.8% from RMB364.9 million for the corresponding period in 2013 to RMB2,196.0 million for the Period, primarily due to an increase in our shipment volume and the establishment of solar power generation business.

## Gross profit

Gross profit increased by RMB698.9 million, or 1,367.7%, from RMB51.1 million for the corresponding period in 2013 to RMB750.0 million for the Period, primarily as a result of the aforesaid reasons, the decrease of the average processing costs and the reversal of inventory provision recognized in previous years.

## Other income

Other income increased by RMB129.2 million, or 729.9%, from RMB17.7 million for the corresponding period in 2013 to RMB146.9 million for the Period, primarily due to an increase in the government grants represent the amount received from the local government by the PRC operating entities of the Group by RMB18.8 million, or 193.8% from RMB9.7 million for the corresponding period in 2013 to RMB28.5 million for the Period; an increase in the gain on sales of raw and other materials by RMB69.2 million, or 1,572.7% from RMB4.4 million for the corresponding period in 2013 to RMB73.6 million for the Period; and technical advisory income of RMB37.7 million from providing technology consulting services by the Group in respect of solar power plants to third parties during the Period, while no such business during the corresponding period in 2013.

## Other gains and losses

Other gains and losses recorded as a loss of RMB2.7 million in the corresponding period in 2013, while a gain of RMB5.5 million was recorded in the Period, which was primarily due to an increase in the gain from amortisation of financial guarantee contracts amounted to RMB20.5 million, which was partially offset by foreign exchange losses.

## Distribution and selling expenses

Distribution and selling expenses increased by RMB57.6 million, or 1,252.2% from RMB4.6 million for the corresponding period in 2013 to RMB62.2 million for the Period, primarily due to an increase in our shipment volume.

## Administrative expenses

Administrative expenses increased by RMB120.8 million, or 405.4%, from RMB29.8 million for the corresponding period in 2013 to RMB150.6 million for the Period, primarily due to the increase in staff costs as a result of completed acquisition of Wuxi Suntech and the establishment of solar power generation business.

## Research expenditure

Research expenditure increased by RMB21.5 million, or 565.8% from RMB3.8 million for the corresponding period in 2013 to RMB25.3 million for the Period, primarily due to the increase of investment in research and development and related material costs.

## Share of profits of associates

Share of profits of associates for the Period was RMB0.3 million, arising from share of profits from the associates of Wuxi Suntech after acquisition. The Group had no associates in the corresponding period of 2013.

## Other expenses

Other expenses amounted to RMB7.7 million during the Period, primarily attributable to the professional fees incurred from the acquisition of Wuxi Suntech, while no such expense during the corresponding period in 2013.

## Finance costs

The Group had bank loans carrying variable interest rates based on the benchmark interest rates issued by the People's Bank of China and also had fixed rate borrowings. Interest expenses in relation to bank loans, factoring of bills receivable and obligations under the finance lease increased by RMB66.1 million, or 243.0%%, from RMB27.2 million for the corresponding period in 2013 to RMB93.3 million for the Period, primarily as a result of an increase by RMB571.9 million in bank and other loans to RMB2,965.2 million and the interest expense of convertible bonds amounted to RMB119.3 million (including capitalised interests of RMB111.3 million).

## Fair value loss on convertible bond

On 19 September 2013, the Company signed a supplementary agreement with the holder of convertible bond, which issued on 28 February 2013, using a pre-determined fixed rate of exchange of RMB1.00 to HK$1.26 for calculation of redemption of convertible bond or conversion into shares of the Company. Upon the modification, the original financial liability was extinguished and the fair value of the convertible bond on 19 September 2013 had been split into liability component and equity conversion component. Therefore, such fair value movement of convertible bond did not apply to the Period.

## Profit (loss) before tax

Profit (loss) before tax recorded as a loss of RMB672.5 million for the corresponding period in 2013 while a profit before tax of RMB563.6 million was recorded for the Period, as a result of the reasons stated above.

## Income tax

Income tax increased by RMB59.5 million from RMB0.2 million for the corresponding period in 2013 to RMB59.7 million for the Period, primarily due to an increase of taxable profit for the Period.

## Profit (loss) for the Period

Profit (loss) for the Period turned from a net loss of RMB672.7 million for the corresponding period in 2013 to a net profit of RMB503.9 million for the Period, as a result of the reasons stated above. A net loss margin of -161.7% was recorded for the corresponding period in 2013 while a net profit margin of 17.1% was recorded for the Period.

## Inventory turnover days

The inventories of the Group mainly comprised of raw materials, work-in-progress and finished goods. The increase in inventories was mainly due to reserving sufficient inventory level to meet increase in customers' orders. Included in the balance of the inventories as at 30 June 2014 was a write-down of inventories of RMB72.1 million (31 December 2013: RMB5.2 million), this write-down was mainly attributable to inventory bought in previous years at higher price. The inventory turnover days as at 30 June 2014 was 42.3 days (31 December 2013: 11.6 days), the increase in inventory turnover days was mainly attributable to the orders to satisfy the demands from customers in new regions.

## Trade receivables turnover days

The trade receivables turnover days as at 30 June 2014 was 80.7 days (31 December 2013: 42.1 days). The increase in turnover days was mainly due to new addition of overseas customer in June, the trade receivables turnover days as at 30 June 2014 was within the credit period (normally 30 to 180 days) which the Group grants to its customers.

## Trade payables turnover days

The trade payables turnover days as at 30 June 2014 was 50.7 days (31 December 2013: 38.6 days). Given the established relationship and the change in general market environment, our suppliers allowed the Group to have a reasonable payment period throughout the year.

## Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings, the total proceeds of HK$3,580,000,000 from the issue of convertible bonds on 16 April 2014, as well as the total proceeds of HK$2,137,230,000 from the issue of convertible bonds on 16 June 2014. As at 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was 0.5 (31 December 2013: 0.2) and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a strong liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 30 June 2014, the Group was in a negative net cash position of RMB2,667.5 million (31 December 2013: RMB2,185.7 million) which included cash and cash equivalent of RMB297.7 million (31 December 2013: RMB207.6 million) and bank and other borrowings of RMB2,965.2 million (31 December 2013: RMB2,393.3 million). The Group's borrowings were denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were denominated in RMB, HKD and Euro. The Group's net debt to equity ratio (net debt divided by shareholders' equity) decreased from 122.7% as at 31 December 2013 to 39.5% as at 30 June 2014.

During the Period, the Group did not entered into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange rate risks (31 December 2013: Nil).

## Contingent liabilities and guarantees

Save as disclosed in note 31 to the condensed consolidated financial statements, as at 30 June 2014, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (31 December 2013: Nil).

## Charges on the Group's assets

At 30 June 2014, the Group had pledged certain trade and bills receivables with aggregate carrying amount of RMB111.8 million (31 December 2013: RMB71.2 million) and certain property, plant and equipment and prepaid lease payments with aggregate carrying amount of approximately RMB1,555.5 million (31 December 2013: RMB787.7 million) to various banks for securing loans and general credit facilities granted to the Group.

As at 30 June 2014, the Group pledged bank deposits and restricted bank deposits in an aggregate amount of RMB489.2 million (31 December 2013: RMB416.9 million) to banks to secure banking facilities granted to the Group.

During the Period, the Group obtained other borrowing from an independent third party amounting to RMB77,500,000 (31 December 2013: RMB20,000,000), which was unsecured, carrying interest at fixed interest rate of 8.0% per annum and repayable within one year. The Group made repayments in other borrowing amounting to RMB370,500,000 (six months ended 30 June 2013: RMB15,000,000) during the Period.

Save as disclosed above, as at 30 June 2014 and 31 December 2013, no other assets of the Group was under charge in favor of any financial institution.

## Exposure to the fluctuation in exchange rates

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but the Directors monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

## Significant investments held and material acquisitions or disposals

As at the report date, the Group completed various acquisitions of equity interests in independent third entities. For details of such projects, please refer to the section entitled "Acquisitions and Overseas Business Development" in the Business Review.

Save as disclosed in notes 27 and 28 to the condensed consolidated financial statements, there was no material acquisition of subsidiaries and associated companies by the Group during the Period.

## Human resources

As at 30 June 2014, the Group had 7,049 employees (31 December 2013: 2,118). The remuneration packages for the existing employee include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

## Interim dividend

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Period.

## COMPLIANCE WITH THE MODEL CODE

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

## REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Company has reviewed and agreed with the management on the accounting principles, treatment and practices adopted by the Group and discussed the internal controls and financial reporting matters, including the review of the interim results and the unaudited condensed consolidated interim financial statements for the Period, which have been reviewed by independent auditor in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board, with the Directors. The audit committee of the Company considered that the interim financial statements for the Period are in compliance with the relevant accounting standards, the requirements of the Hong Kong Stock Exchange and the laws of Hong Kong, and the Company has made appropriate disclosure thereof.

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

The following is an extract of the independent auditor's report on review of the Group's condensed consolidated financial statements for the six months period ended 30 June 2014 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 report, we draw attention to note 1 to the condensed consolidated financial statements, which states that as of 30 June 2014, the Group's current liabilities exceeded its current assets by RMB5,134,716,000. In addition, as at 30 June 2014, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements, amounting to RMB4,386,098,000 as disclosed in note 29 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.

## 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 2014, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code were as follows:

| Name of Director | Capacity | Number of Shares held | Approximate percentage of interest in total issued share capital of the Company |
|---|---|---|---|
| Mr. Zhang Yi | Beneficial owner | 512,000 | 0.02% |

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2014, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

## RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE

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

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

As at 30 June 2014, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

| Name of Shareholders | Capacity | Number of Shares held | Approximate percentage of interest in total issued share capital of the Company |
|---|---|---|---|
| Peace Link Services Limited | Beneficial owner (Note 1) | 4,171,721,000 (long position) | 192.89% |
| Endless Rocket International Limited | Beneficial owner (Note 2) | 274,248,000 (long position) | 12.68% |
| Coherent Gallery International Limited | Beneficial owner (Note 3) | 126,161,000 (long position) | 5.83% |
| Faithsmart Limited | Interest of controlled corporation (Note 4) | 4,171,721,000 (long position) | 192.89% |
| Triocean Investments Limited | Interest of controlled corporation (Note 5) | 274,248,000 (long position) | 12.68% |

| Name of Shareholders | Capacity | Number of Shares held | Approximate percentage of interest in total issued share capital of the Company |
|---|---|---|---|
| Mr. Cheng Kin Ming | Interest of controlled corporation (Note 6) | 4,171,721,000 (long position) | 192.89% |
| Mr. Zhang Ying | Interest of controlled corporation (Note 7) | 274,248,000 (long position) | 12.68% |
| Mr. Lam Chit Wing | Interest of controlled corporation (Note 8) | 274,248,000 (long position) | 12.68% |
| Mr. Tang Guoqiang | Interest of controlled corporation (Note 9) | 126,161,000 (long position) | 5.83% |

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 2014, 3,539,126,543 Shares will be allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds to be subscribed by Peace Link Services Limited pursuant to the subscription agreement dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into between the Company and it.

2. Endless Rocket International Limited is wholly owned by Triocean Investments Limited which is owned as to 52% by Mr. Zhang Ying and as to 48% by Mr. Lam Chit Wing.

3. Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang, a former non-executive Director.

4. Faithsmart Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Faithsmart Limited is deemed to be interested in 4,171,721,000 Shares held by Peace Link Services Limited for the purposes of the SFO.

5. Triocean Investments Limited is the beneficial owner of 100% shareholding in Endless Rocket International Limited and, therefore Triocean Investments Limited is deemed to be interested in 274,248,000 Shares held by Endless Rocket International Limited for the purposes of the SFO.

6. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 4,171,721,000 Shares held by Peace Link Services Limited for the purposes of the SFO.

7. Mr. Zhang Ying is the beneficial owner of a 52% shareholding in Triocean Investments Limited. In turn, Triocean Investments Limited is the beneficial owner of 100% shareholding in Endless Rocket International Limited. Therefore, Mr. Zhang Ying is deemed to be interested in 274,248,000 Shares held by Endless Rocket International Limited for the purposes of the SFO.

8. Mr. Lam Chit Wing is the beneficial owner of a 48% shareholding in Triocean Investments Limited. In turn, Triocean Investments Limited is the beneficial owner of 100% shareholding in Endless Rocket International Limited. Therefore, Mr. Lam Chit Wing is deemed to be interested in 274,248,000 Shares held by Endless Rocket International Limited for the purposes of the SFO.

9. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and, therefore, Mr. Tang Guoqiang is deemed to be interested in 126,161,000 Shares held by Coherent Gallery International Limited for the purposes of the SFO.

Save as the disclosed above, to the best knowledge of the Directors, as at 30 June 2014, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

## PUBLICATION OF INTERIM RESULTS AND 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.sf-pv.com). The interim report for the Period will be dispatched to the Shareholders and made available on the above websites in due course.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

**TO THE BOARD OF DIRECTORS OF SHUNFENG PHOTOVOLTAIC INTERNATIONAL LIMITED**

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shunfeng Photovoltaic International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 67, which comprises the condensed consolidated statement of financial position as of 30 June 2014 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 Main Board Listing 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

## EMPHASIS OF MATTER

Without qualifying our report, we draw attention to note 1 to the condensed consolidated financial statements, which states that as of 30 June 2014, the Group's current liabilities exceeded its current assets by RMB5,134,716,000. In addition, as at 30 June 2014, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements, amounting to RMB4,386,098,000 as disclosed in note 29 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
28 August 2014

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

*For the six months ended 30 June 2014*

| | NOTES | Six months ended<br>**30/06/2014**<br>**RMB'000**<br>**(Unaudited)** | <br>30/06/2013<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| Revenue | 3 | **2,946,028** | 415,950 |
| Cost of sales | | **(2,196,004)** | (364,899) |
| Gross profit | | **750,024** | 51,051 |
| Other income | 4 | **146,919** | 17,671 |
| Other gains and losses | 5 | **5,457** | (2,680) |
| Distribution and selling expenses | | **(62,159)** | (4,630) |
| Administrative expenses | | **(150,629)** | (29,818) |
| Research expenditure | | **(25,301)** | (3,789) |
| Share of profits of associates | | **325** | — |
| Other expenses | 6 | **(7,738)** | — |
| Finance costs | 7 | **(93,292)** | (27,206) |
| Profit before tax and fair value loss on convertible bonds | | **563,606** | 599 |
| Fair value loss on convertible bonds | 24 | **—** | (673,111) |
| Profit (loss) before tax | 8 | **563,606** | (672,512) |
| Income tax expense | 9 | **(59,723)** | (185) |
| Profit (loss) for the period | | **503,883** | (672,697) |
| Other comprehensive expense: | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences on translation and from foreign operations | | **(10,580)** | — |
| Gain on revaluation of available-for-sale investments | | **2,492** | — |
| Income tax relating to components of other comprehensive income | | **(374)** | — |
| Other comprehensive expense for the period | | **(8,462)** | — |
| Total comprehensive income (expense) for the period | | **495,421** | (672,697) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **502,524** | (670,845) |
| Non-controlling interests | | **1,359** | (1,852) |
| | | **503,883** | (672,697) |
| Total comprehensive income (expense) for the period attributable to: | | | |
| Owners of the Company | | **494,062** | (670,845) |
| Non-controlling interests | | **1,359** | (1,852) |
| | | **495,421** | (672,697) |
| | | **RMB cents** | RMB cents |
| EARNINGS (LOSS) PER SHARE | 11 | | |
| — Basic (RMB cents) | | **23.57** | (43.00) |
| — Diluted (RMB cents) | | **11.06** | (43.00) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2014*

| | NOTES | 30/06/2014 RMB'000 (Unaudited) | 31/12/2013 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 3,743,237 | 1,440,859 |
| Solar power plants | 13 | 7,887,485 | 5,847,313 |
| Goodwill | | 456 | — |
| Prepaid lease payments — non-current | | 258,359 | 57,420 |
| Intangible assets | | 50,758 | — |
| Interests in associates | 14 | 82,481 | — |
| Available-for-sale investments | | 91,004 | — |
| Deferred tax assets | 15 | 284,940 | 15,709 |
| Deposits paid for non-current assets | | 570,914 | 1,179,121 |
| Other non-current assets | | 94,445 | — |
| | | 13,064,079 | 8,540,422 |
| **Current assets** | | | |
| Inventories | | 973,142 | 54,483 |
| Trade and other receivables | 16 | 2,307,517 | 211,310 |
| Prepaid lease payments — current | | 4,307 | 1,293 |
| Value-added tax recoverable | | 472,538 | 132,476 |
| Prepayments to suppliers | 17 | 433,082 | 74,111 |
| Tax recoverable | | 2,401 | — |
| Amounts due from customers for contract work | | 2,258 | — |
| Amount due from an associate | | 1,587 | — |
| Pledged bank deposits | 18 | 145,102 | 3,351 |
| Restricted bank deposits | 18 | 344,048 | 413,522 |
| Bank balances and cash | | 297,716 | 207,614 |
| | | 4,983,698 | 1,098,160 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 5,539,004 | 4,249,333 |
| Customers' deposits received | | 762,861 | 221,084 |
| Advance from a shareholder | 20 | 72,808 | — |
| Obligations under finance leases | 21 | 45,864 | 329,827 |
| Provisions | 22 | 789,270 | — |
| Tax liabilities | | 14,728 | 17,827 |
| Bank and other borrowings | 23 | 2,182,630 | 2,067,724 |
| Deferred income | | 10,968 | — |
| Convertible bonds | 24 | 700,281 | 184,130 |
| | | 10,118,414 | 7,069,925 |
| **Net current liabilities** | | (5,134,716) | (5,971,765) |
| **Total assets less current liabilities** | | 7,929,363 | 2,568,657 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2014*

| | NOTES | 30/06/2014 RMB'000 (Unaudited) | 31/12/2013 RMB'000 (Audited) |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 25 | **17,649** | 17,390 |
| Reserves | | **4,710,208** | 1,759,821 |
| Equity attributable to owners of the Company | | **4,727,857** | 1,777,211 |
| Non-controlling interests | | **48,330** | 4,012 |
| **Total equity** | | **4,776,187** | 1,781,223 |
| **Non-current liabilities** | | | |
| Deferred income | | **98,641** | 50,178 |
| Obligations under finance leases | 21 | **173,283** | — |
| Deferred tax liabilities | 15 | **26,828** | — |
| Long-term loan | | **782,600** | 325,600 |
| Convertible bonds | 24 | **2,071,824** | 411,656 |
| | | **3,153,176** | 787,434 |
| | | **7,929,363** | 2,568,657 |

The condensed consolidated financial statements on pages 25 to 67 were approved and authorised for issue by the Board of Directors on 28 August 2014 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 2014*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Paid-in capital/ Share capital** | **Share premium** | **Special reserve** | **Investment revaluation reserve** | **Exchange reserve** | **Convertible bonds option reserve** | **Statutory surplus reserve** | **Retained profits (deficits)** | **Total** | **Non-controlling interests** | **Total** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2013 (Audited) | 12,892 | 320,283 | 203,964 | – | – | – | 24,974 | (71,565) | 490,548 | (59,256) | 431,292 |
| Loss and total comprehensive expense for the period | – | – | – | – | – | – | – | (670,845) | (670,845) | (1,852) | (672,697) |
| Acquisition of a subsidiary (note 28) | – | – | – | – | – | – | – | – | – | 40 | 40 |
| Acquisition of additional interests in a subsidiary (note) | – | – | (133,108) | – | – | – | – | – | (133,108) | 61,108 | (72,000) |
| At 30 June 2013 (Unaudited) | 12,892 | 320,283 | 70,856 | – | – | – | 24,974 | (742,410) | (313,405) | 40 | (313,365) |
| At 1 January 2014 (Audited) | 17,390 | 1,368,448 | 70,856 | – | – | 2,182,749 | 30,744 | (1,892,976) | 1,777,211 | 4,012 | 1,781,223 |
| Profit for the period | – | – | – | – | – | – | – | 502,524 | 502,524 | 1,359 | 503,883 |
| Other comprehensive income (expense) for the period | – | – | – | 2,492 | (10,580) | – | – | (374) | (8,462) | – | (8,462) |
| Total comprehensive income (expense) for the period | – | – | – | 2,492 | (10,580) | – | – | 502,150 | 494,062 | 1,359 | 495,421 |
| Issue of Third CB (as defined in note 24) | – | – | – | – | – | 1,508,284 | – | – | 1,508,284 | – | 1,508,284 |
| Issue of Fourth CB (as defined in note 24) | – | – | – | – | – | 811,881 | – | – | 811,881 | – | 811,881 |
| Issue of shares upon conversion of convertible bonds | 259 | 258,760 | – | – | – | (124,117) | – | – | 134,902 | – | 134,902 |
| Capital contribution from non-controlling shareholders | – | – | – | – | – | – | – | – | – | 38,726 | 38,726 |
| Acquisition of Wuxi Suntech Group (as defined in note 27) | – | – | – | – | – | – | – | – | – | 6,075 | 6,075 |
| Acquisition of subsidiaries other than Wuxi Suntech Group (note 28) | – | – | – | – | – | – | – | – | – | 365 | 365 |
| Acquisition of additional interests in subsidiaries (note) | – | – | 1,517 | – | – | – | – | – | 1,517 | (2,207) | (690) |
| At 30 June 2014 (Unaudited) | 17,649 | 1,627,208 | 72,373 | 2,492 | (10,580) | 4,378,797 | 30,744 | (1,390,826) | 4,727,857 | 48,330 | 4,776,187 |

Note: During the current interim period, the Group acquired additional interest of 5-10% in certain subsidiaries of the Group for cash consideration of RMB690,000 in aggregate. Those subsidiaries were all engaged in the construction and operation of solar power plants. The surplus of the carrying amounts of the acquired additional interest in these subsidiaries over the consideration in the amount of RMB1,517,000 was credited to the special reserve.

On 28 March 2013, the Group acquired the remaining 45.45% equity interest in Changzhou Shunfeng Photovoltaic Materials Co., Ltd. ("Shunfeng Materials") for a consideration of RMB72,000,000. After the acquisition, Shunfeng Materials becomes an indirect wholly-owned subsidiary of the Company. The special reserve as a result of the acquisition was approximately RMB133,108,000.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2014*

| | NOTES | **30/06/2014 RMB'000 (Unaudited)** | 30/06/2013 RMB'000 (Unaudited) |
|---|---|---|---|
| Net cash from (used in) operating activities | | **624,467** | (15,355) |
| Investing activities | | | |
| Release of restricted bank deposits | | **178,564** | 1,292,058 |
| Withdrawal of pledged bank deposits | | **10,695** | 10,695 |
| Interest income received | | **4,987** | 2,959 |
| Purchase of land use rights | | **(13,094)** | — |
| Placement of pledged bank deposits | | **(152,446)** | (3,860) |
| Placement of restricted bank deposits | | **(95,573)** | (1,217,370) |
| Purchase of property, plant and equipment | | **(78,080)** | (209,917) |
| Development costs paid for solar power plants under construction | | **(2,294,464)** | — |
| Purchases intangible assets | | **(35,000)** | — |
| Acquisition of Wuxi Suntech Group (net of cash) | 27 | **(2,670,270)** | — |
| Acquisition of subsidiaries (other than Wuxi Suntech Group) (net of cash) | 28 | **(7,028)** | (3,450) |
| Addition of investment in an associate | | **(48,500)** | — |
| Acquisition of other non-current assets | | **(768)** | — |
| Net cash used in investing activities | | **(5,200,977)** | (128,885) |
| Financing activities | | | |
| Proceeds on issue of convertible bonds | | **4,537,484** | 363,717 |
| Transaction costs paid for issuance of convertible bonds | | **(25,443)** | (641) |
| New bank and other borrowings raised | | **1,187,338** | 587,410 |
| Repayment of bank and other borrowings | | **(747,642)** | (628,777) |
| Repayment of obligations under finance leases | | **(325,668)** | (5,813) |
| Receipt from government grants | | **23,375** | — |
| Advance from a shareholder | | **72,808** | 370,830 |
| Capital contributions from non-controlling shareholders | | **38,726** | — |
| Acquisition of additional interests in subsidiaries | | **(690)** | (72,000) |
| Interest paid | | **(77,618)** | (27,245) |
| Net cash from financing activities | | **4,682,670** | 587,481 |
| Net increase in cash and cash equivalents | | **106,160** | 443,241 |
| Cash and cash equivalents at beginning of the period | | **207,614** | 17,280 |
| Effect of exchange rate change for the period | | **(16,058)** | — |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | | **297,716** | 460,521 |

## 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 "Stock Exchange").

The Group had net current liabilities of RMB5,134,716,000 as at 30 June 2014, contracted for capital expenditure of RMB4,386,098,000 as set out in note 29. As at 30 June 2014, the presently available banking facilities was amounted to RMB176,120,000, and subsequent to the end of the reporting period, the Group obtained the Unconditional RMB2 Billion Integrated Credit Facility (as defined and detailed in note 33(a)) and entered into a Strategic Cooperation Agreement pursuant to which the Group would be granted the RMB20 Billion Facilities (as defined and detailed in note 33(d)) on a project-by-project basis. The directors are confident that the Group would be successful in obtaining approval in respect of the RMB20 Billion Facilities. Based on this believe, the directors are of the opinion that, together with the presently available banking facilities, Unconditional RMB2 Billion Integrated Credit Facility 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities assumed by the Group and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

#### Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standards.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

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

#### Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the condensed consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the condensed consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the condensed consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

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

#### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work.

Amounts received before the related work is performed are included in the condensed consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the condensed consolidated statements of financial position, as an asset, under trade and other receivables.

#### Intangible assets

##### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### Internally-generated intangible assets: Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

##### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

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

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated certain equity investments as available-for-sale financial assets on initial recognition of those items.

Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

#### Impairment of available-for-sale financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

#### Provisions (Continued)

#### Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

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

- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- IFRIC-Int 21 Levies.

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

### 2B. 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 2013 and note 2A, 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.

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

### 2B. Key Sources of Estimation Uncertainty (Continued)

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

#### (a) Provisional fair value of net assets on date of acquisition in respect of the acquisition of Wuxi Suntech Group

As set out in note 27, the Group completed the acquisition of Wuxi Suntech Group on 18 April 2014. However, since the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts adjusted during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the sum of the acquisition-date fair value of the assets transferred to the Group, liabilities assumed by the Group and the goodwill arising on acquisition recognized on the date of acquisition.

For the current interim period, the provisional fair value of net assets acquired on the date of acquisition was amounted to RMB3,005,619,000, and the goodwill arising on acquisition was RMB456,000.

#### (b) Provision

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 based on its best estimate of both future costs and the probability of incurring warranty claims to make the provision for warranty. When the future costs and the probability of incurring warranty claims are higher than expected and where events or changes in circumstances indicate that the amount of warranty provision may not be adequate, such difference will impact the carrying values and warranty provision expenses in the years in which such estimate has been changed.

On date of acquisition and as of 30 June 2014, the carrying amount of warranty provision was RMB617,894,000 and RMB619,352,000, respectively.

#### (c) 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.

The recognition of deferred tax assets for the current interim period was solely resulted from the acquisition of Wuxi Suntech Group. 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 of 18 April 2014 and as at 30 June 2014, the Group has recognised deferred tax asset arising from unused tax losses in the amount of RMB175,480,000 and RMB131,223,000, respectively as set out in note 15.

## 3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker (the "CODM"), the Chairman of the Group (six months ended 30 June 2013: Chief Executive Officer who was also a director) for the purposes of resource allocation and performance assessment. The internal reports submitted to the CODM has been analyzed based on different categories of business. Since the second half of year 2013, the Group commenced the business of solar power generation, and two reportable and operating segments were presented for the current period:

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

(2) Solar power generation.

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 2014:

### For the six-month period ended 30 June 2014

| | Manufacture and sales of Solar Products RMB'000 | Solar power generation RMB'000 (Note) | Elimination RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| External revenue | 2,802,805 | 143,223 | — | 2,946,028 |
| Inter-segment revenue | 1,566,289 | — | (1,566,289) | — |
| Revenue | 4,369,094 | 143,223 | (1,566,289) | 2,946,028 |
| **Segment profit** | 492,357 | 103,949 | — | 596,306 |
| Unallocated income | | | | |
| — Interest income | | | | 4,987 |
| — Technical advisory income | | | | 37,735 |
| Unallocated expenses | | | | |
| — Central administration cost | | | | (20,060) |
| — Finance costs | | | | (39,304) |
| — Foreign exchange loss, net | | | | (16,058) |
| Profit before tax | | | | 563,606 |

Note: Revenue from solar power generation was only earned by the Group since this interim period as certain solar power plants completed its construction and trial operation and were successfully connected to grids and generated electricity in 2014.

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### For the six-month period ended 30 June 2013

| | Manufacture and sales of Solar Products RMB'000 |
|---|---|
| **Segment revenue** | |
| External revenue | 415,950 |
| Revenue | 415,950 |
| **Segment profit** | 34,256 |
| Unallocated income | |
| — Interest income | 2,959 |
| Unallocated expenses | |
| — Central administration cost | (4,799) |
| — Finance costs | (27,206) |
| — Foreign exchange loss, net | (4,611) |
| Profit before tax and fair value loss on convertible bonds | 599 |
| Fair value loss on convertible bonds | (673,111) |
| Loss before tax | (672,512) |

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

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### For the six-month period ended 30 June 2014 (Continued)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment as of 30 June 2014:

| | **At 30 June 2014 RMB'000 (Unaudited)** | At 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| **Segment assets** | | |
| Manufacture and sales of Solar Products | **8,083,349** | 2,408,413 |
| Solar power generation | **9,004,077** | 6,605,682 |
| | **17,087,426** | 9,014,095 |
| Unallocated | **960,351** | 624,487 |
| Consolidated total assets | **18,047,777** | 9,638,582 |
| **Segment liabilities** | | |
| Manufacture and sales of Solar Products | **5,920,145** | 1,464,115 |
| Solar power generation | **4,824,058** | 4,983,821 |
| | **10,744,203** | 6,447,936 |
| Unallocated | **2,527,387** | 1,409,423 |
| Consolidated total liabilities | **13,271,590** | 7,857,359 |

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

- All assets are allocated to operating segments other than pledged bank deposits, restricted bank deposits, bank balances and cash, interests in associates and available-for-sale investments; and
- All liabilities are allocated to operating segments other than general borrowings for corporate use, obligations under finance leases and liability portion of First CB, Second CB and Fourth CB (as defined in note 24).

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Entity-wide disclosures

#### Revenue analyzed by major products

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2014 and 2013:

| | Six months ended | |
|---|---|---|
| | **30/06/2014** | 30/06/2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Sales of polysillicon materials | **107,139** | — |
| Sales of wafers | **303,054** | — |
| Sales of solar cells | | |
| Monocrystalline-type | **162,465** | 96,190 |
| Multicrystalline-type | **721,636** | 279,970 |
| Sales of solar modules | **1,480,306** | 39,790 |
| Sales of PV systems | **28,205** | — |
| | **2,802,805** | 415,950 |
| Revenue from solar power generation | **143,223** | — |
| Total | **2,946,028** | 415,950 |

## 4. OTHER INCOME

| | Six months ended | |
|---|---|---|
| | **30/06/2014** | 30/06/2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Bank interest income | **4,987** | 2,959 |
| Government grants (note) | **28,525** | 9,721 |
| Gain on sales of raw and other materials | **73,581** | 4,405 |
| Technical advisory income | **37,735** | — |
| Others | **2,091** | 586 |
| Total | **146,919** | 17,671 |

Note: The government grants represent the amount received from the local government by the entities of the Group operating in the People's Republic of China (the "PRC"). Government grants of approximately (a) RMB24,539,000 (six months ended 30 June 2013: RMB7,101,000) represents incentive received in relation to activities carried out by the Group and (b) RMB3,986,000 (six months ended 30 June 2013: RMB2,620,000) represents subsidy on acquisition of land use rights and machineries amortized to profit or loss.

## 5. OTHER GAINS AND LOSSES

| | Six months ended | |
|---|---|---|
| | **30/06/2014** | 30/06/2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Foreign exchange losses, net | **(16,058)** | (4,611) |
| Release of gain on a sale and lease back arrangement | **1,165** | 1,165 |
| Reversal of impairment loss recognized on trade and other receivables | **—** | 1,002 |
| Amortisation of financial guarantee contracts | **20,496** | — |
| Others | **(146)** | (236) |
| | **5,457** | (2,680) |

## 6. OTHER EXPENSES

| | Six months ended | |
|---|---|---|
| | **30/06/2014** | 30/06/2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Professional fee | **7,738** | — |

The amount solely represents the professional fee which is the acquisition-related cost in respect of the Group's acquisition of Wuxi Suntech Group during the current interim period.

## 7. FINANCE COSTS

| | Six months ended | |
|---|---|---|
| | **30/06/2014** | 30/06/2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank borrowings wholly repayable within five years | **61,121** | 19,511 |
| Interest on bank borrowings wholly repayable more than five years | **9,644** | — |
| Finance charges on factoring of bills receivable | **6,853** | 10,630 |
| Interest on finance leases | **7,593** | 1,540 |
| Effective interest on convertible bonds | **119,345** | — |
| Total borrowing costs | **204,556** | 31,681 |
| Less: Amounts capitalized | **(111,264)** | (4,475) |
| | **93,292** | 27,206 |

Borrowing costs capitalized during the current period arose on the general borrowing pool and are calculated by applying a capitalization rate of 9.51% (six months ended 30 June 2013: 6.41%) per annum to expenditure on qualifying assets.

## 8. PROFIT (LOSS) BEFORE TAX

| | Six months ended | |
|---|---|---|
| | **30/06/2014** | 30/06/2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Profit (loss) before tax has been arrived at after charging: | | |
| Cost of inventories recognized as expense | **2,186,759** | 364,899 |
| Depreciation of property, plant and equipment | **132,081** | 37,627 |
| Depreciation of completed solar power plants | **34,500** | — |
| Release of prepaid lease payment | **1,379** | 561 |
| Amortisation of intangible assets | **10,965** | — |
| Staff costs | **206,638** | 47,943 |

## 9. INCOME TAX EXPENSE

| | Six months ended 30/06/2014 RMB'000 (Unaudited) | Six months ended 30/06/2013 RMB'000 (Unaudited) |
|---|---|---|
| Current tax: | | |
| PRC Enterprise Income Tax | **22,404** | — |
| Overprovision in prior period: | | |
| PRC Enterprise Income Tax | **(7,930)** | — |
| | **14,474** | — |
| Deferred tax | **45,249** | 185 |
| | **59,723** | 185 |

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

On 8 November 2011, Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("Shunfeng Technology") obtained "High Technology Enterprise" status for 3 years that entitles Shunfeng Technology a preferential tax rate of 15% for year 2011 to 2013 according to PRC Tax Law. Shunfeng Technology was in the process of renewal for another 3 years for the preferential tax rate of 15% in the current interim period. No provision for taxation had been made in respect of Shunfeng Technology as it has no taxable profit generated in prior period.

Certain subsidiaries of the Wuxi Suntech Group obtained "High Technology Enterprise" status for 3 years that entitles them a preferential tax rate of 15% for year 2010 to 2013 according to PRC Tax Law. These subsidiaries successfully obtained the renewal for preferential tax rate of 15% for another 3 years, starting from year 2014, during the current interim period.

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. As at 30 June 2014, certain subsidiaries of the Company which was engaged in the public infrastructure project had their first year with operating incomes.

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

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2014 and 2013. The directors have determined that no dividend will be paid in respect of the current interim period.

## 11. EARNINGS (LOSS) PER SHARE

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

| | **Six months ended** | |
|---|---|---|
| | **30/06/2014** | 30/06/2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Earnings (Loss)** | | |
| Profit (loss) for the period attributable to owners of the Company for the purposes of basic earnings (loss) per share | **502,524** | (670,845) |
| Effect of dilutive potential ordinary shares: Interest on convertible bonds | **58,284** | N/A |
| Earnings for the purposes of diluted earnings per share | **560,808** | N/A |
| **Number of shares** | | |
| Weighted average number of ordinary shares (30 June 2013: number of ordinary shares) for the purpose of basic earnings (loss) per share | **2,132,339,841** | 1,560,000,000 |
| Effect of dilutive potential ordinary shares: — convertible bonds | **2,939,125,631** | N/A |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **5,071,465,472** | N/A |

The computation of diluted earnings per share for the six months ended 30 June 2014 does not assume the conversion of certain convertible bonds because the conversion of such convertible bonds would be anti-dilutive.

## 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, apart from the property, plant and equipment with carrying amounts of RMB2,324,068,000 (six months ended 30 June 2013: nil) acquired on acquisitions of Wuxi Suntech Group, the Group had additions to property, plant and equipment (including capital expenditure for construction in progress) of approximately RMB116,501,000 (six months ended 30 June 2013: RMB163,000,000).

## 13. MOVEMENTS IN SOLAR POWER PLANTS

During the six months ended 30 June 2014, apart from the solar power plants with carrying amounts of RMB1,133,000 (six months ended 30 June 2013: nil) acquired through acquisition of subsidiaries other than Wuxi Suntech Group, the Group had additions to solar power plants under construction of RMB2,073,540,000. During the current interim period, there were twenty solar power plants amounting to RMB4,001,200,000, which was previously under construction, completed the trial operation and were successfully connected to grids and generate electricity, and transferred from solar power plants under construction to completed solar power plants. As at 30 June 2014, completed solar power plants and solar power plants under construction amounted to RMB3,966,700,000 and RMB3,920,785,000, respectively.

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

During the six months ended 30 June 2014, apart from those associates with the carrying amount of RMB31,233,000 determined on a provisional basis in respect of the acquisition of Wuxi Suntech Group, the Group also acquired total 28% equity interest in Shanghai Everpower Technology Co., Ltd. ("Shanghai Everpower") for cash consideration of RMB48,500,000 in aggregate. Shanghai Everpower is mainly engaged in fuel cell technology and related new energy product research, design, development and sales and providing technical advisory services.

## 15. DEFERRED TAX

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

| | **30/06/2014** | 31/12/2013 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Deferred tax assets | **284,940** | 15,709 |
| Deferred tax liabilities | **(26,828)** | — |
| | **258,112** | 15,709 |

## 15. DEFERRED TAX (Continued)

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

| | Fair value adjustments arising from business combination and available-for-sale investments RMB'000 | Unrealized profits on inventories RMB'000 | Warranty costs RMB'000 | Tax losses RMB'000 | Accelerated tax depreciation RMB'000 | Others (note) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2013 (Audited) | — | — | — | — | — | 11,513 | 11,513 |
| Charge to profit or loss | — | — | — | — | — | (185) | (185) |
| At 30 June 2013 (Unaudited) | — | — | — | — | — | 11,328 | 11,328 |
| Credit to profit or loss | — | — | — | — | — | 4,381 | 4,381 |
| At 31 December 2013 (Audited) | — | — | — | — | — | 15,709 | 15,709 |
| Exchange adjustments | 326 | — | (429) | (1,876) | (429) | (704) | (3,112) |
| Arising on acquisition of Wuxi Suntech Group | (30,460) | — | 40,155 | 175,480 | 40,115 | 65,848 | 291,138 |
| Credit (charge) to profit or loss | 3,680 | 16,927 | 285 | (42,381) | (6,155) | (17,605) | (45,249) |
| Charge to equity | (374) | — | — | — | — | — | (374) |
| At 30 June 2014 (Unaudited) | (26,828) | 16,927 | 40,011 | 131,223 | 33,531 | 63,248 | 258,112 |

Note: The amount included mainly the deferred tax assets recognized for the future deductible temporary difference arising from accrued expenses, write-down of inventories and deferred income.

## 15. DEFERRED TAX (Continued)

As at the end of the current interim period, the Group has unused tax losses of RMB803,055,000 (31 December 2013: RMB19,144,000) available for offset against future profits. As at the end of the current interim period, a deferred tax asset of RMB131,223,000 (31 December 2013: nil) in respect of tax losses of RMB524,893,000 (31 December 2013: nil) has been recognized. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB278,162,000 (31 December 2013: RMB19,144,000) due to the unpredictability of future profit streams.

Included in unrecognised tax losses are losses of RMB1,442,000 (31 December 2013: RMB6,788,000), RMB30,762,000 (31 December 2013: RMB4,496,000) and RMB245,958,000 (31 December 2013: RMB7,860,000) that will be expired for the year 2016, year 2017 and year 2018, respectively.

As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB398,000,000 (31 December 2013: RMB242,000,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 16. TRADE AND OTHER RECEIVABLES

| | **30/06/2014**<br>**RMB'000**<br>**(Unaudited)** | 31/12/2013<br>RMB'000<br>(Audited) |
|---|---|---|
| Trade receivables | **2,195,101** | 181,010 |
| Less: Allowance for doubtful debts | **(31,295)** | (31,295) |
| | **2,163,806** | 149,715 |
| Bills receivable | **6,755** | 29,996 |
| Other receivables and prepaid expenses (note) | **136,956** | 31,599 |
| | **2,307,517** | 211,310 |

Note: The Group entered into an agreement (the "Original Agreement") with an independent party which is not related to the Group and is engaged in the building of photovoltaic power generation plant in November 2011. According to the terms of the Original Agreement, the Group advanced an amount of Euro4,000,000 (approximately RMB33,271,000) to the counterparty during the year ended 31 December 2011 for the building of a photovoltaic power generation project. In March 2012, the parties involved signed a supplementary agreement and mutually agreed that the advance will be repayable in one year since the date of the Original Agreement with interest at a rate of 5% per annum. In December 2012, the parties involved signed another supplemental agreement and mutually agreed that the advance is charged with interest at 6% per annum and will be repayable in the following manner: (i) Euro1,000,000 to be paid before 15 May 2013, (ii) Euro1,000,000 to be paid in July 2013, (iii) Euro1,000,000 to be paid in September 2013 and (iv) Euro1,000,000 and all outstanding interest payment to be paid in February 2014 .The amount is also guaranteed by the owner of the counterparty. As at 31 December 2013, the respective amount due was Euro1,000,000 (equivalent to approximately RMB8,419,000) and was fully repaid to the Group during the current interim period.

## 16. TRADE AND OTHER RECEIVABLES (Continued)

The Group, other than Wuxi Suntech 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 average credit period granted by Wuxi Suntech Group to the customers (including the receivables arising from construction contracts) range from 60–90 days (30 June 2013: N/A). The average credit period granted by the Group on the sale of electricity is 30–180 days. The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period.

| | **30/06/2014 RMB'000 (Unaudited)** | 31/12/2013 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | **1,530,188** | 134,841 |
| 31 to 60 days | **229,357** | 7,467 |
| 61 to 90 days | **133,830** | 1,025 |
| 91 to 180 days | **107,308** | 5,648 |
| Over 180 days | **163,123** | 734 |
| | **2,163,806** | 149,715 |

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

| | **30/06/2014 RMB'000 (Unaudited)** | 31/12/2013 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | **4,233** | 29,466 |
| 31 to 60 days | **1,190** | 500 |
| 61 to 90 days | **525** | 10 |
| 91 to 180 days | **807** | 20 |
| | **6,755** | 29,996 |

## 17. PREPAYMENTS TO SUPPLIERS

From time to time, the Group makes prepayments to suppliers for purchase of raw materials. The management of the Group expects the amount of prepayments would be utilized within 180 days after the end of the reporting period.

## 18. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

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

## 19. TRADE AND OTHER PAYABLES

| | **30/06/2014 RMB'000 (Unaudited)** | 31/12/2013 RMB'000 (Audited) |
|---|---|---|
| Trade payables | **1,027,435** | 113,415 |
| Bills payable | **853,494** | 655,430 |
| Payables for acquisition of property, plant and equipment | **90,296** | 53,661 |
| Payables for EPC of solar power plants | **2,739,339** | 3,177,307 |
| Other tax payables | **36,763** | 4,867 |
| Other payables and accrued charges | **791,677** | 244,653 |
| | **5,539,004** | 4,249,333 |

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

| | **30/06/2014 RMB'000 (Unaudited)** | 31/12/2013 RMB'000 (Audited) |
|---|---|---|
| **Age** | | |
| 0 to 30 days | **521,860** | 63,340 |
| 31 to 60 days | **226,600** | 31,987 |
| 61 to 90 days | **122,714** | 8,633 |
| 91 to 180 days | **80,961** | 8,952 |
| Over 180 days | **75,300** | 503 |
| | **1,027,435** | 113,415 |

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

| | **30/06/2014 RMB'000 (Unaudited)** | 31/12/2013 RMB'000 (Audited) |
|---|---|---|
| **Age** | | |
| 0 to 30 days | **302,385** | 285,180 |
| 31 to 60 days | **102,584** | 60,695 |
| 61 to 90 days | **99,559** | 184,524 |
| 91 to 180 days | **348,966** | 125,031 |
| | **853,494** | 655,430 |

## 20. ADVANCE FROM A SHAREHOLDER

The advance from a shareholder is unsecured, interest-free and repayable on demand.

## 21. OBLIGATIONS UNDER FINANCE LEASES

| | **30/06/2014 RMB'000 (Unaudited)** | 31/12/2013 RMB'000 (Audited) |
|---|---|---|
| Current liabilities | **45,864** | 329,827 |
| Non-current liabilities | **173,283** | — |
| | **219,147** | 329,827 |

It is the Group's policy to lease certain of its buildings and machineries under finance leases. The original lease terms ranging from 6 months to 12 years (31 December 2013: 4 months to 3 years). Interest rates underlying the obligations under finance leases are at a range of 6.77% to 11.30% (31 December 2013: 6.77% to 8.00%) per annum.

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **30/06/2014 RMB'000 (Unaudited)** | 31/12/2013 RMB'000 (Audited) | **30/06/2014 RMB'000 (Unaudited)** | 31/12/2013 RMB'000 (Audited) |
| Amounts payable under finance leases: | | | | |
| Within one year | **64,832** | 331,836 | **45,864** | 329,827 |
| In more than one year but not more than two years | **43,999** | — | **27,802** | — |
| In more than two years but not more than five years | **179,817** | — | **145,481** | — |
| | **288,648** | 331,836 | **219,147** | — |
| Less: future finance charges | **(69,501)** | (2,009) | **—** | — |
| Present value of lease obligations | **219,147** | 329,827 | **219,147** | 329,827 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(45,864)** | (329,827) |
| Amount due for settlement after 12 months | | | **173,283** | — |

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

## 22. PROVISIONS

| | Warranty RMB'000 | Financial guarantee contract RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2013, 30 June 2013 and 31 December 2013 | — | — | — |
| Acquired on acquisition of Wuxi Suntech Group | 617,894 | 190,414 | 808,308 |
| Provision in the period | 9,245 | — | 9,245 |
| Reversal in the period | — | (20,496) | (20,496) |
| Utilisation of provision | (8,249) | — | (8,249) |
| Exchange adjustments | 462 | — | 462 |
| At 30 June 2014 | 619,352 | 169,918 | 789,270 |

## 23. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB1,109,838,000 (six months ended 30 June 2013: RMB497,410,000), and made repayments in bank loans amounting to RMB377,142,000 (six months ended 30 June 2013: RMB613,777,000).

During the current interim period, the Group obtained other borrowing from an independent third party amounting to RMB77,500,000 (six months ended 30 June 2013: RMB90,000,000), which is unsecured, carrying interest at fixed interest rate of 8% per annum and repayable within one year. The Group made repayments in other borrowings amounting to RMB370,500,000 (six months ended 30 June 2013: RMB15,000,000) during the period.

The proceeds from the above borrowings were used to finance the acquisition of property, plant and equipment and to fund working capital for operation.

## 24. CONVERTIBLE BONDS

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

On 28 February 2013, the Company issued convertibile bonds at par to Peace Link, with principal amount of HK$449,400,000 (equivalent to RMB363,717,000) ("First CB"). Please refer to the annual report of year 2013 for details.

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

| | Liability component at FVTPL | Liability component at amortised cost | Convertible bonds option reserve | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Carrying amount at 1 January 2013 | — | — | — | — |
| Issued during the period | 363,717 | — | — | 363,717 |
| Fair value loss | 673,111 | — | — | 673,111 |
| At 30 June 2013 | 1,036,828 | — | — | 1,036,828 |
| Fair value loss | 1,142,887 | — | — | 1,142,887 |
| Modification on 19 September 2013 | (2,179,715) | 60,621 | 2,119,094 | — |
| Effective interest expense charged for the period | — | 3,894 | — | 3,894 |
| Converted during the period | — | (7,869) | (171,640) | (179,509) |
| At 31 December 2013 | — | 56,646 | 1,947,454 | 2,004,100 |
| Effective interest expense charged for the period | — | 5,625 | — | 5,625 |
| At 30 June 2014 | — | 62,271 | 1,947,454 | 2,009,725 |

As at 30 June 2014, RMB16,388,000 (31 December 2013: RMB15,782,000) of the First CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 5% of the First CB within 12 months of the period end date.

## 24. CONVERTIBLE BONDS (Continued)

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

On 19 August 2013, the Company issued convertible bonds at par to Peace Link with principal amount of HK$930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26) ("Second CB"). Please refer to the annual report of year 2013 for details.

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

| | Liability component at amortised cost | Convertible bonds option reserve | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Carrying amount at 1 January 2013 and 30 June 2013 | — | — | — |
| Issued during the period | 503,197 | 235,295 | 738,492 |
| Effective interest expense charged for the period | 35,943 | — | 35,943 |
| At 31 December 2013 | 539,140 | 235,295 | 774,435 |
| Effective interest expense charged for the period | 52,659 | — | 52,659 |
| At 30 June 2014 | 591,799 | 235,295 | 827,094 |

As at 30 June 2014, RMB196,509,000 (31 December 2013: RMB168,348,000) of the Second CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 20% of the Second CB within 12 months of the period end date.

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

On 16 April 2014, the Company issued convertible bonds at par to Peace Link and other independent third parties with aggregate principal amount of HK$3,580,000,000 (equivalent to RMB2,841,270,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26) ("Third CB"). The Third CB bears no interest with a conversion period of 10 years from the issue date and can be converted into ordinary shares of the Company at HK$3.58 with pre-determined fixed rate of exchange of RMB1.00 to HK$1.26, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivative issues. The principal extinguished upon conversion and the corresponding unpaid interest to be distributed would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26.

## 24. CONVERTIBLE BONDS (Continued)

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

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

(i) up to 20% of the aggregate amount of the Third CB, i.e. HK$716,000,000, during the period from the first anniversary of the date of issue of the Third CB to the fifth anniversary of the date of issue of the Third CB; and

(ii) up to 100% of the aggregate amount of the Third CB during the period from the date after the fifth anniversary of the date of issue of the Third CB to the Third CB Maturity Date.

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

(I) up to 20% of the aggregate amount of the Third CB, i.e. HK$716,000,000, during the period from the first anniversary of the date of issue of the Third CB to the fifth anniversary of the date of issue of the Third CB; and

(II) up to 100% of the aggregate amount of the Third CB during the period from the date after the fifth anniversary of the date of issue of the Third CB to the Third CB Maturity Date.

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

The Third CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds option reserve". The liability component was subsequently measured at amortized cost using the effective interest rate method. The effective interest rate of the Third CB is 21.31% per annum.

## 24. CONVERTIBLE BONDS (Continued)

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

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 option reserve RMB'000 | Total RMB'000 |
|---|---|---|---|
| Carrying amount at 1 January 2013, 30 June 2013 and 31 December 2013 | — | — | — |
| Issued during the period | 1,332,986 | 1,508,284 | 2,841,270 |
| Effective interest expense charged for the period | 53,988 | — | 53,988 |
| At 30 June 2014 | 1,386,974 | 1,508,284 | 2,895,258 |

As at 30 June 2014, RMB487,384,000 of the Third 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 Third CB within 12 months of the period end date.

### (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"). The Fourth CB bears fixed interest rate of 4% per annum with interest to be paid semi-annually in arrears at RMB using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26. The Fourth CB is with a conversion period of 5 years from the issue date and can be converted into ordinary shares of the Company at HK$10.00 ("Fourth CB Conversion Price") with pre-determined fixed rate of exchange of RMB1.00 to HK$1.26, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivative issues. The principal extinguished upon conversion and the corresponding unpaid interest to be distributed would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26.

If the closing price of the Company's ordinary shares exceeds HK$18.00 in any 20 days during 30 consecutive trading days, the Company shall have the right to require the holder(s) of the Fourth CB to exercise their conversion rights under the Fourth CB at the then prevailing Fourth CB Conversion Price.

The Fourth CB matures on 16 June 2019 and the outstanding Fourth CB would be repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HK$1.26 on the Maturity and the liability component of the Fourth CB was therefore all classified as non-current liability accordingly.

## 24. CONVERTIBLE BONDS (Continued)

### (d) Fourth CB (as defined below) (Continued)

The Fourth CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on gross proceeds at issuance. Commission of RMB25,443,000 (equivalent to HK$32,058,000) was deducted from the gross proceeds of the Fourth CB on initial recognition and allocated to the liability component and equity conversion component in proportion to their respective fair values. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds option reserve". The liability component was subsequently measured at amortized cost using the effective interest rate method. The effective interest rate of the Fourth CB is 28.20% per annum.

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

| | **Liability component at amortised cost** | **Convertible bonds option reserve** | **Total** |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Carrying amount at 1 January 2013 ,30 June 2013 and 31 December 2013 | — | — | — |
| Issued during the period | 858,890 | 811,881 | 1,670,771 |
| Effective interest expense charged for the period | 7,073 | — | 7,073 |
| Converted during the period | (134,902) | (124,117) | (259,019) |
| At 30 June 2014 | 731,061 | 687,764 | 1,418,825 |

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

| | **30/06/2014** | 31/12/2013 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Current liabilities | **700,281** | 184,130 |
| Non-current liabilities | **2,071,824** | 411,656 |
| | **2,772,105** | 595,786 |

## 25. SHARE CAPITAL

| | Number of shares | Amount HK$ |
|---|---|---|
| **Authorised** | | |
| At 1 January 2014 and 30 June 2014 — ordinary shares of HK$0.01 each | 10,000,000,000 | 100,000,000 |

| | Number of shares | Amount HK$ |
|---|---|---|
| **Issued and fully paid** | | |
| Ordinary shares of HK$0.01 each as at 1 January 2014 | 2,130,093,457 | 21,300,935 |
| Issue of new shares upon conversion of convertible bonds (note) | 32,673,000 | 326,730 |
| At 30 June 2014 | 2,162,766,457 | 21,627,665 |

| | **30/06/2014 RMB'000** | 31/12/2013 RMB'000 |
|---|---|---|
| Presented as | **17,649** | 17,390 |

Note: The new ordinary shares issued upon conversion of convertible bonds rank pari passu with the then existing shareholders in all aspects.

## 26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed below.

| Financial assets/financial liabilities | Fair value as at 30/06/2014 | Fair value as at 31/12/2013 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Equity investments classified as available-for-sale investments listed in the PRC in the condensed consolidated statement of financial position | RMB85,141,000 (note) | N/A | Level 1 | Quoted bid prices in an active market. | N/A | N/A |

Note: Total available-for-sale investments of the Group as at 30 June 2014 amounted to RMB91,004,000, the difference of RMB5,863,000 represented the Group's investment in unquoted equity investment of which was carried at cost less impairment since the range of reasonable fair value estimate is significant that cannot be measured reliably.

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

| | **30/06/2014 Carrying amount RMB'000 (Unaudited)** | **30/6/2014 Fair value RMB'000 (Unaudited)** | 31/12/2013 Carrying amount RMB'000 (Audited) | 31/12/2013 Fair value RMB'000 (Audited) |
|---|---|---|---|---|
| Liability component of convertible bonds | **2,772,105** | **2,790,431** | 595,786 | 520,941 |

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

### Fair value measurements and valuation process

The board of directors of the Company together with the Chief Financial Officer ("CFO") of the Group determine 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, or the Group would engage 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 of the Company at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

## 27. ACQUISITION OF WUXI SUNTECH GROUP

### For the six-month period ended 30 June 2014

On 23 October 2013, Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("Jiangsu Shunfeng"), a wholly owned subsidiary of the Company, entered into a conditional reorganization agreement between Wuxi Suntech Power Co., Ltd. ("Wuxi Suntech") and the Administrator (defined as below) (the "Agreement") in relation to the proposed acquisition of the entire equity interest in Wuxi Suntech for a cash consideration of RMB3,000,000,000 plus certain undertakings as detailed in the circular dated 21 March 2014 issued by the Company in connection with "Very Substantial Acquisition — acquisition of equity interest in Wuxi Suntech" (the "VSA Circular") (the "Proposed Acquisition"). Wuxi Suntech went into administration on 20 March 2013 pursuant to an order of the Wuxi Municipal Intermediate People's Court as Wuxi Suntech failed to pay its debts when they fell due. An administrator was designated by the Wuxi Municipal Intermediate People's Court pursuant to a court order dated 20 March 2013 (the "Administrator") to administer the restructuring of Wuxi Suntech.

Wuxi Suntech's restructuring plan was approved by Wuxi Municipal Intermediate People's Court pursuant to the Enterprise Bankruptcy Law of the PRC ("Restructuring Plan") on 15 November 2013 ("Approval Date"). In accordance with the Restructuring Plan, Jiangsu Shunfeng will pay RMB3,000,000,000 (the "Consideration") to the designated account of the Administrator for the settlement of Wuxi Suntech's debts and restructuring cost in the manner as detailed in the Restructuring Plan. Details of the Restructuring Plan were set out in the VSA Circular. In return, the entire equity interest of Wuxi Suntech will be transferred to Jiangsu Shunfeng or an entity as designated by Jiangsu Shunfeng. The Group completed the payment of RMB500,000,000 to the designated account of the Administrator in October 2013, which was non-refundable and accounted for as deposits paid in the consolidated statement of financial position as at 31 December 2013. The Restructuring Plan has been executed and completed prior to 18 April 2014.

Pursuant to further negotiations between Jiangsu Shunfeng and the Administrator and at the request of the Administrator, the balance of the Consideration, being RMB2,500,000,000, was required to be paid within one month after the Approval Date to facilitate payments to the creditors. To facilitate the above request of the Administrator, Mr. Cheng Kin Ming ("Mr. Cheng"), a substantial shareholder of the Company, has agreed to, in his sole and personal capacity, transfer the balance of the Consideration to the Administrator (the "Arrangement"). Pursuant to this Arrangement and as announced by the Company, Mr. Cheng, through his wholly-owned subsidiary, Peace Link Services Limited ("Peace Link"), completed the transfer of RMB2,500,000,000 to the Administrator on 19 December 2013.

On 7 April 2014, the Proposed Acquisition has been approved during the extraordinary general meeting by the shareholders of the Company in respect of the Agreement and the transactions contemplated thereunder (the "Approval"), the Company proceeded with the Proposed Acquisition, and was responsible for such balance of the Consideration. The Company on 16 April 2014 issued the Third CB with the aggregate principal amount of HK$3,580,000,000 (equivalent to RMB2,841,270,000) and such proceeds received would be used for the purpose of settlement of the Consideration.

Wuxi Suntech and its subsidiaries (collectively referred to as "Wuxi Suntech Group") are principally engaged in the manufacturing and trading of solar cells, modules and PV system. The acquisition has been accounted for as business combination and completed on 18 April 2014.

## 27. ACQUISITION OF WUXI SUNTECH GROUP (Continued)

### For the six-month period ended 30 June 2014 (Continued)

Assets and liabilities after the completion of Restructuring Plan recognised at the date of acquisition on 18 April 2014 (determined on a provisional basis):

| | RMB'000 |
|---|---|
| **Assets** | |
| Property, plant and equipment | 2,324,068 |
| Prepaid lease payments | 171,121 |
| Intangible assets | 28,203 |
| Interests in associates | 31,233 |
| Available-for-sale investments | 89,714 |
| Deferred tax assets | 320,024 |
| Deposits paid for non-current assets | 12,843 |
| Other non-current assets | 100,428 |
| Inventories | 894,882 |
| Trade and other receivables | 544,901 |
| Value-added tax recoverable | 26,236 |
| Prepayments to suppliers | 73,189 |
| Tax recoverable | 2,410 |
| Amounts due from customers for contract works | 1,916 |
| Amount due from an associate | 14,149 |
| Amounts due from the Company and its subsidiaries | 1,757,964 |
| Restricted bank deposits | 13,517 |
| Cash and cash equivalents | 329,730 |
| | 6,736,528 |

## 27. ACQUISITION OF WUXI SUNTECH GROUP (Continued)

### For the six-month period ended 30 June 2014 (Continued)

| | RMB'000 |
|---|---|
| **Liabilities** | |
| Trade and other payables | (1,235,267) |
| Customers' deposits received | (473,771) |
| Amounts due to the Company and its subsidiaries | (780,906) |
| Amount due to an associate | (8,669) |
| Provisions | (808,308) |
| Tax liabilities | (1,032) |
| Bank borrowings | (122,584) |
| Deferred income | (64,810) |
| Obligations under finance leases | (206,676) |
| Deferred tax liabilities | (28,886) |
| | (3,730,909) |
| **Net assets acquired** | 3,005,619 |

The receivables acquired (which principally comprised trade and other receivables, amounts due from related companies as well as the Company and its subsidiaries) with a fair value of RMB2,317,439,000 at the date of acquisition had gross contractual amounts of RMB6,400,286,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected to RMB4,082,847,000.

#### Non-controlling interest

The non-controlling interest recognized at the acquisition date represents non-wholly-owned subsidiary held by Wuxi Suntech and was measured by reference to the proportionate share of recognized amounts of net assets.

#### Goodwill arising on acquisition (determined on a provisional basis)

| | RMB'000 |
|---|---|
| Consideration transferred | 3,000,000 |
| Plus: Non-controlling interests | 6,075 |
| Less: Recognized amount of identifiable net assets acquired | (3,005,619) |
| Goodwill arising on acquisition | 456 |

## 27. ACQUISITION OF WUXI SUNTECH GROUP (Continued)

### For the six-month period ended 30 June 2014 (Continued)

Net cash outflow arising on acquisition

| | |
|---|---|
| Consideration paid in cash | 3,000,000 |
| Less: Cash and cash equivalents acquired | (329,730) |
| | 2,670,270 |

Impact of acquisition on the results of the Group

Included in the profit for the interim period is profit of RMB371,259,000 attributable to Wuxi Suntech Group. Revenue for the interim period includes RMB1,460,138,000 is attributable to Wuxi Suntech Group.

Had the acquisition of Wuxi Suntech Group been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2014 would have been RMB3,411,418,000, and the amount of the profit for the interim period would have been RMB386,304,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Wuxi Suntech Group been acquired at the beginning of the interim period, the directors calculated depreciation and amortization of plant and equipment based on the recognized amounts of plant and equipment at the date of the acquisition.

## 28. ACQUISITION OF SUBSIDIARIES OTHER THAN WUXI SUNTECH GROUP

### For the six-month period ended 30 June 2014

In order to enhance the scale of the Group's solar power plants operation, during current year, the Group completed the acquisitions of the majority equity interests in 5 entities from independent third parties for a total cash consideration of RMB8,035,000. In these transactions, the Group had acquired 95% of equity interests in 3 entities and 100% equity interests in the remaining 2 entities. As all these entities were still at the development stage for the solar power plants, which did not yet operate and had no integrated set of activities existed at the date of acquisitions, the acquisitions had been accounted for as acquisition of assets accordingly.

## 28. ACQUISITION OF SUBSIDIARIES OTHER THAN WUXI SUNTECH GROUP (Continued)

### For the six-month period ended 30 June 2014 (Continued)

The net assets acquired on the date of acquisition are as follows:

| Net assets acquired: | RMB'000 |
|---|---|
| Solar power plants under construction | 1,133 |
| Deposits paid for non-current assets | 6,273 |
| Cash and cash equivalents | 1,007 |
| Other payables | (13) |
| | 8,400 |
| Non-controlling interests | (365) |
| Total consideration, satisfied by cash and cash equivalents | 8,035 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid in cash | 8,035 |
| Less: Cash and cash equivalents acquired | (1,007) |
| | 7,028 |

### For the six-month period ended 30 June 2013

On 25 June 2013, the Group completed the acquisition of 99% interest in Suntech (Hami) Solar Power Generation Co., Ltd. ("Suntech Hami"), from an independent third party for a total consideration of RMB3,960,000. As Suntech Hami was at the development stage and had no integrated set of activities existed at the date of acquisition, the acquisition had been accounted for as acquisition of assets.

The net assets acquired on the date of acquisition were as follows:

| Net assets acquired: | RMB'000 |
|---|---|
| Property, plant and equipment | 4,981 |
| Deposits paid for non-current assets | 792 |
| Cash and cash equivalents | 510 |
| Other payables | (2,283) |
| | 4,000 |
| Non-controlling interests | (40) |
| Total consideration, satisfied by cash and cash equivalents | 3,960 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid in cash | 3,960 |
| Less: Cash and cash equivalents acquired | (510) |
| | 3,450 |

## 29. CAPITAL COMMITMENTS

| | 30/06/2014<br>RMB'000<br>(Unaudited) | 31/12/2013<br>RMB'000<br>(Audited) |
|---|---|---|
| Capital expenditure in respect of acquisition of certain investment entities engaged in solar energy-related industry:<br>— authorized but not contracted for | **930,199** | — |
| | **930,199** | — |
| Capital expenditure in respect of acquisition of property, plant and equipment | | |
| — contracted for but not provided | **4,386,098** | 1,673,423 |
| — authorized but not contracted for (note) | **60,120,944** | 69,133,393 |
| | **64,507,042** | 70,806,816 |

Note: The Company entered into a framework investment agreement (the "Tibet Framework Agreement") with Hainan Tibetan Autonomous Prefectural People's Government in Qinghai Province. Pursuant to the Tibet Framework Agreement, the Company will, subject to the entering of the further substantive agreements, establish a project company in Hainan Tibetan Autonomous Prefecture in Qinghai Province and make investment of not less than RMB50 billion within ten years.

## 30. RELATED PARTY DISCLOSURES

### (a) Related party transactions

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties during the current period.

| Name of related party | Nature of transaction | Six months ended<br>30/06/2014<br>RMB'000<br>(Unaudited) | <br>30/06/2013<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| Tiancheng International Auctioneer Limited ("Tiancheng") (note) | Rental expense | **1,226** | 601 |

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

## 30. 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 | |
|---|---|---|
| | **30/06/2014** | 30/06/2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Basic salaries and allowances | **5,522** | 5,087 |
| Performance — related incentive bonuses | **940** | — |
| Retirement benefits scheme contributions | **138** | 66 |
| | **6,600** | 5,153 |

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

## 31. CONTINGENT LIABILITIES

| | **30/06/2014** | 31/12/2013 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Guarantees given to bank, in respect of banking facilities to independent third parties: | | |
| Total guarantee amounts | **400,490** | — |
| Less: Amount provided as financial guarantee contracts | **(169,918)** | — |
| Unprovided amount | **230,572** | — |

## 32. OTHER MATTERS

During the current interim period, SF Suntech Deutschland GmbH ("SF GmbH"), previously known as Blitz F14-218 GmbH and a wholly owned subsidiary of the Company, entered into an asset transfer agreement with Dr. Thorsten Schleich, who was an independent third party and acted in his capacity as insolvency administrator over the assets of Sunways Aktiengesellschaft ("Sunways AG"), an independent third party who was currently in the process of insolvency. Pursuant to the asset transfer agreement, SF GmbH agrees to acquire the inventory and property, plant and equipment from Sunways AG for a cash consideration of EUR2,200,000 (equivalent to RMB18,468,000). Since this acquisition was only an asset deal and the assets itself do not constitute a business, such acquisition has been accounted for as acquisition of assets and was completed during the current interim period.

As at 30 June 2014, SF GmbH paid consideration of EUR1,980,000 (equivalent to RMB16,621,000) and valued add tax of EUR418,000 (equivalent to RMB3,509,000), and the remaining amount of EUR220,000 (equivalent to RMB1,847,000) will be payable within one year pursuant to the term of the asset transfer agreement.

## 33. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2014:

(a) On 18 July 2014, Jiangxi Shunfeng Photovoltaic Investments Co., Ltd. ("Jiangxi Shunfeng"), a wholly-owned subsidiary of the Company, entered into a credit facility agreement (the "Credit Facility Agreement") with China Merchants Bank Co., Ltd. ("China Merchants Bank"). Pursuant to the Credit Facility Agreement, China Merchants Bank agreed to provide a 3-year revolving integrated credit facility of up to RMB2,000,000,000 ("Unconditional RMB2 Billion Integrated Credit Facility") to Jiangxi Shunfeng, and for every loan drawn down under the Unconditional RMB2 Billion Integrated Credit Facility, the terms of such loan would not be more than 10 years. The credit facility may be used for fixed asset loans, financial guarantees and credit financing. Jiangxi Shunfeng and its 16 subsidiaries may share the credit facility.

The Group intends to use the credit facility for the development and construction of solar plant projects.

(b) On 11 July 2014, Shunfeng Photovoltaic Holdings Limited ("Shunfeng Holdings"), a wholly-owned subsidiary of the Company, has entered into an exempted limited partnership agreement and a subscription agreement (the "Partnership Agreements"). Pursuant to the Partnership Agreements, Shunfeng Holdings has committed to make a maximum investment of JPY7,500,000,000 (equivalent to approximately RMB456,000,000) (the "Investment") in a private equity fund (the "Partnership"). The Partnership is established as an exempted limited partnership under the laws of the Cayman Islands, with the purpose to invest primarily in power station projects with an accumulated capacity of 100 megawatt in Japan.

Shunfeng Holdings will be the sole limited partner under the Partnership. The general partner, a Cayman Islands exempted limited company, will have exclusive responsibility for the management of the business and affairs of the Partnership. The term of the Partnership is expected to be a period of up to ten years commencing from the date upon which Shunfeng Holdings is admitted as limited partner.

## 33. EVENTS AFTER THE END OF THE REPORTING PERIOD (Continued)

(c) In order to become a fully-integrated solar energy enterprise, on 7 August 2014, SF Suntech Inc. ("SF Suntech"), a wholly-owned subsidiary of the Company, has entered into a subscription agreement (the "Subscription Agreement") with Powin Corporation and Powin Energy Corporation ("Powin Energy"), both are independent third parties of the Group. Pursuant to the Subscription Agreement and subject to the terms and conditions of the Agreement, SF Suntech has agreed to subscribe for 30% equity interest in Powin Energy at a total consideration of USD25,000,000 (equivalent to approximately RMB153,820,000) and SF Suntech has been granted an option exercisable within two years at its discretion to acquire further 30% equity interest in Powin Energy at a consideration of USD37,500,000 (equivalent to approximately RMB230,730,000). Powin Energy is a U.S. enterprise possessing power storage technology for lithium-battery which can be used in public utility power grid, retail power grid, transportation and commercial applications.

The directors of the Company are still in the process of assessing the financial impact arising from this transaction to the Group.

(d) On 15 August 2014, the Company and the Shanghai Branch of China Minsheng Banking Corporation Limited ("CMBC") entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement"). Pursuant to Strategic Cooperation Agreement, CMBC agreed a framework to provide the Group with banking credit and facilities up to RMB20,000,000,000 in aggregate to be drawn down within 2 years ("RMB20 Billion Facilities").

The Strategic Cooperation Agreement has a term of two years from 15 August 2014. The Strategic Cooperation Agreement provides a framework whereby the Company could work closely with CMBC to enhance the forward planning of the Group's financing needs for its business development. The Strategic Cooperation Agreement will be automatically extended for one year upon expiry of the initial term if it has not been terminated by the parties. Further definitive agreements will be entered into by the parties in respect of any specific transactions or cooperation to be carried out under the Strategic Cooperation Agreement.

The draw down of funds under the banking credit and facilities is subject to separate approval process from CMBC on a project-by-project basis.

(e) On 25 August 2014, Shunfeng Photovoltaic Holdings Limited ("Shunfeng Holdings"), a wholly-owned subsidiary of the Company, entered into a licence agreement with certain parties, pursuant to which the Company intends to utilize the opportunities arising from the licence agreement to expand its scope and business operations into the seawater power generation business, and also intends to use the applied technologies and intellectual properties for its future development and expansion into power generation other than using its existing solar technology. For more details, please refer to the announcement published by the Company on 25 August 2014.

# 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 Photovoltaic International Limited |
| "Corporate Governance Code" | the Corporate Governance Code contained in Appendix 14 to the Listing Rules |
| "Directors(s)" | the director(s) of the Company |
| "EURO" | Euro, the lawful currency of the member states of European Union |
| "Group" | the Company and its subsidiaries |
| "GW" | gigawatt, which equals to 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 |
| "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 2014 |
| "PRC" or "China" | the People's Republic of China |
| "PV" | Photovoltaic |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | shareholder(s) of the Company |
| "United States" | the United States of America |
| "Wuxi Suntech" | Wuxi Suntech Power Co., Ltd. |