順風國際清潔能源有限公司
SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01165)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	% of
	RMB'000	*RMB'000*	Change
Revenue			
– Manufacturing and sales of solar cells, solar modules, photovoltaic systems ("**PV Systems**") and related products (collectively known as "**Solar Products**") and installation services of PV Systems	**4,325,991**	4,104,461	5.4%
– Solar power generation	**727,223**	672,773	8.1%
– Solar power plant operation and services	**73,310**	62,892	16.6%
– Manufacturing and sales of LED products	**147,503**	170,243	(13.4%)
Total revenue	**5,274,027**	5,010,369	5.3%
Gross profit	**1,024,308**	687,512	49.0%
Net Loss	**(246,544)**	(1,153,999)	(78.6%)
EBITDA	**803,189**	87,662	816.2%
Adjusted EBITDA *	**768,518**	779,130	(1.4%)
Gross profit margin	**19.4%**	13.7%	41.6%
Basic loss per share	**RMB(5.03) cents**	RMB(26.78) cents	(81.2%)
Net cash from operating activities	**794,982**	1,273,499	(37.6%)

* Adjusted EBITDA excluded finance costs, income tax, depreciation and amortization, foreign exchange gain (loss), share of losses or profits of associates and joint ventures, impairment loss on property, plant and equipment, and goodwill, gain on disposal of property, plant and equipment and loss on change in fair value of derivative financial liabilities.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended 30/06/2019 RMB'000 (Unaudited)	Six months ended 30/06/2018 RMB'000 (Unaudited)
Revenue	3	**5,274,027**	5,010,369
Cost of sales		**(4,249,719)**	(4,322,857)
Gross profit		**1,024,308**	687,512
Other income	5	**94,230**	96,615
Other gains and losses and other expenses	6	**(72,998)**	(658,270)
Impairment losses under expected credit loss model, net of reversal		**(19,235)**	10,424
Distribution and selling expenses		**(387,612)**	(207,604)
Administrative expenses		**(279,531)**	(292,207)
Research and development expenditure		**(73,954)**	(52,912)
Share of losses of associates		**(3,318)**	(39)
Share of profits of joint ventures		**103,779**	1,099
Finance costs	7	**(616,620)**	(626,131)
Loss before tax	8	**(230,951)**	(1,041,513)
Income tax expense	9	**(15,593)**	(112,486)
Loss for the period		**(246,544)**	(1,153,999)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive (expense) income of associates and joint ventures		**(1,111)**	518
Exchange differences on translating foreign operations		**(170)**	(1,542)
Fair value gain on:			
Receivables at fair value through other comprehensive income ("**FVTOCI**")		**1,320**	8,382

	NOTES	Six months ended 30/06/2019 RMB'000 (Unaudited)	30/06/2018 RMB'000 (Unaudited)
Other comprehensive income for the period		**39**	7,358
Total comprehensive expense for the period		**(246,505)**	(1,146,641)
(Loss) profit for the period attributable to:			
Owners of the Company		**(250,399)**	(1,155,427)
Non-controlling interests		**3,855**	1,428
		(246,544)	(1,153,999)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(250,345)**	(1,146,792)
Non-controlling interests		**3,840**	151
		(246,505)	(1,146,641)
		RMB cents	*RMB cents*
Loss per share	*11*		
— Basic		**(5.03)**	(26.78)
— Diluted		**(5.03)**	(26.78)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTES	30/06/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**1,974,470**	2,113,165
Right-of-use assets		**674,551**	—
Solar power plants		**11,294,453**	11,558,554
Prepaid lease payments — non-current		—	445,105
Intangible assets		**30,367**	35,861
Interests in associates		**147,182**	151,824
Interests in joint ventures		**254,305**	197,976
Financial assets at fair value through profit or loss ("**FVTPL**")		**3,096**	3,096
Other non-current assets		**830,891**	877,920
Deferred tax assets		**87,138**	93,902
Value-added tax recoverable — non-current		**557,240**	550,535
Contract assets — non-current		**259,370**	206,781
		16,113,063	16,234,719
Current assets			
Inventories		**1,203,265**	1,065,043
Trade and other receivables	*12*	**4,164,524**	3,873,761
Contract assets		**9,548**	38,294
Receivables at FVTOCI		**175,764**	244,100
Prepaid lease payments — current		—	17,477
Value-added tax recoverable — current		**247,393**	307,266
Tax recoverable		**2,181**	5,990
Prepayments to suppliers		**788,000**	813,457
Amount due from an associate		—	160
Amount due from a joint venture		**207,973**	9,261
Restricted bank deposits		**1,931,239**	2,039,632
Bank balances and cash		**581,065**	754,586
		9,310,952	9,169,027

	NOTES	30/06/2019 RMB'000 (Unaudited)	31/12/2018 RMB'000 (Audited)
Current liabilities			
Trade and other payables	13	**6,927,561**	6,507,258
Contract liabilities		**294,245**	331,696
Amount due to an associate		**65,662**	48,286
Amount due to a joint venture		**107,676**	127,374
Obligations under finance leases		**—**	38,943
Lease liabilities		**91,091**	—
Provisions		**946,352**	1,019,489
Tax liabilities		**7,932**	8,327
Bank and other borrowings		**7,477,597**	7,148,081
Deferred income		**4,799**	6,394
Derivative financial liabilities		**6,078**	3,336
Convertible bonds		**82,614**	681,872
Bond payables		**822,100**	830,471
		16,833,707	16,751,527
Net current liabilities		**(7,522,755)**	(7,582,500)
Total assets less current liabilities		**8,590,308**	8,652,219
Capital and reserves			
Share capital		**40,756**	40,756
Reserves		**1,944,699**	2,222,041
Equity attributable to owners of the Company		**1,985,455**	2,262,797
Non-controlling interests		**1,425,196**	1,384,425
Total equity		**3,410,651**	3,647,222
Non-current liabilities			
Deferred tax liabilities		**38,581**	38,356
Bank and other borrowings		**3,991,269**	3,919,264
Obligations under finance leases		**—**	27,909
Lease liabilities		**67,636**	—
Deferred income		**18,448**	22,120
Convertible bonds		**1,063,723**	997,348
		5,179,657	5,004,997
		8,590,308	8,652,219

NOTES OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

The directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group reported as at 30 June 2019 and as of that date, the current liabilities exceeded its current assets by RMB7,522,755,000. In addition, as at 30 June 2019, the Group had capital commitments, contracted for but not provided in the condensed consolidated financial statements, amounting to RMB307,494,000 as disclosed in note 14 to the condensed consolidated financial statements.

In order to reduce the Group's highly indebted position and enhance its liquidity both in the short and long term, a development plan has been formulated by the directors of the Company which comprises, inter alia, (i) seeking alternative refinancing and/or extension of due dates of the relevant debts with banks and financial institutions and convertible bondholders; (ii) disposing certain of its solar power plants and/or subsidiaries that hold solar power plants; and (iii) the Disposal (as defined in note 15) (collectively the "**Development Plan**").

The Group has been actively taking the following procedures to improve the Group's short term liquidity and to address the Group's concern in respect of all expiring debts in the near future.

Alternative refinancing and/or extension of due dates of the relevant debts

Currently, the Group is negotiating with banks and financial institutions to seek for refinancing and/or extension of due dates of the relevant debts as follows:

- negotiating with banks and financial institutions for renewal of the loans from banks/financial institutions and extension of the maturity date.

    (i) the borrowings from Sino Alliance Capital Ltd. ("**Sino Alliance**") and China Minsheng Banking Corporation Ltd. Hongkong Branch ("**CMBC-HK**") have a corresponding outstanding principal balance of HKD2,500 million (equivalent to RMB2,199 million) and HKD980 million (equivalent to RMB862 million) (collectively the "**Outstanding Loans from Sino Alliance and CMBC-HK**"), which had been matured before 30 June 2019.

CMBC-HK

The management has successfully extended the maturity of the loan from CMBC-HK of HKD980 million to 20 August 2019 and has been expired up to date of this condensed consolidated financial statements.

Through the recent negotiation with the management of CMBC-HK, the Group has agreed to additionally pledge its entire 59% of equity interest in Lattice Power Group to CMBC-HK, and CMBC-HK has expressed its intention to agree a further extension of the due date of its principal amount to 18 December 2020 and to settle the outstanding principal of HKD980 million by four instalments, including a) outstanding interest expense of HKD30 million and outstanding principal amount of HKD30 million to be settled before 31 October 2019; b) amount of HKD270 million or in respect of the possible disposal of the First Batch of Solar Power Plants (as defined below), 20% of consideration for the equity interests of the project companies holding the solar power plants, whichever is higher, to be extended to 31 December 2019; c) amount of HKD300 million to be extended to 15 July 2020; and d) the remaining balance to be extended to 18 December 2020. The Company expects both parties to sign a formal extension agreement in September 2019.

Sino Alliance

The Group, the Purchaser (as defined in note 15), Mr. Cheng Kin Ming ("**Mr. Cheng**" or a substantial shareholder of the Company) and Sino Alliance have entered into another supplementary agreement dated 28 June 2019 to further extend the due dates, pursuant to which, including:

(a) amount of HKD1,300 million to be settled in two instalments under different scenarios: (i) HKD500 million or in respect of the possible disposal of the First Batch of Solar Power Plants (as defined below), 50% of consideration for the equity interests of the project companies holding the solar power plants, whichever is higher, to be extended to 31 December 2019 or 30 business days after completion of the Group's possible disposal of the First Batch of Solar Power Plants (as defined below), whichever is earlier; and (ii) the remaining balances to be settled on 31 December 2020 or 30 business days after completion of the Group's possible disposal of the Remaining Solar Power Plants (as defined below), if any and whichever is earlier; and

(b) the remaining HKD1,200 million will be extended to 30 September 2020 or transferred to the Purchaser upon completion of the Disposal, whichever is earlier.

(ii) out of the other short-term bank and other borrowings (excluding the Outstanding Loans from Sino Alliance and CMBC-HK) with a carrying amount of RMB3,352 million as at 30 June 2019, RMB535 million of which has been subsequently matured, among which in respect of a borrowing from an independent financial institution of a principal balance of RMB490 million due on 16 August 2019, the Group received a writ of lawsuit from the independent financial institution requesting the Group to repay the outstanding loan principal of RMB490 million and related interest of RMB66.1 million, totalling RMB556.1 million immediately. The management of the Company is currently in negotiation with the independent financial institution for a settlement plan, including to extend the loan maturity and/or to repay the outstanding loan principal and interests partially or wholly.

Save as the above, the management of the Group is confident that a significant portion of the Group's bank and other borrowings can be successfully renewed upon maturity in view of the Group's historical successful experiences in refinancing expiring debts;

- negotiating with banks not to exercise their rights to demand for immediate payment in respect of the Group's bank borrowings that had breached certain financial covenants, which amounted to a total of RMB1,062 million as at 30 June 2019. The management of the Group is confident that these banks will not demand for immediate repayment based on our negotiations with these banks;

- negotiating with banks and financial institutions to obtain approval to drawdown borrowings under the available facilities and/or obtain additional credit facilities. The management of the Group is of the view that the Group is able to obtain new or additional financing from banks and financial institutions by pledging its available assets as collaterals.

Dispose of its certain solar power plants and/or subsidiaries that hold solar power plants

The Group has also considered disposing certain of its solar power plants and/or subsidiaries that hold solar power plants as its remedial action plan. The Group has sourced potential buyers of its solar power plants in order to prevent the Group from any shortage of fund.

The Group is currently in discussions with certain potential investors in respect of the possible disposal of certain solar power plants located in the PRC with an aggregate capacity of approximately 300 megawatt (which equals to 300,000,000 watts). The Group might, subject to the negotiation results with the potential investors, dispose of its solar power plants with higher aggregate capacity (here collectively referred to as the "**First Batch of Solar Power Plants**").

Apart from the possible disposal of the First Batch of Solar Power Plants, subject to the Group's funding requirement and working capital conditions, the Group might further dispose of more solar power plants, which are located in the PRC (the "**Remaining Solar Power Plants**").

The Group intends to sell the First Batch of Solar Power Plants and Remaining Solar Power Plants with reference to the reasonable market price. However, subject to the market conditions or other unforeseen factors, the transaction price of the solar power plants might be determined at certain discount to their carrying amounts in order to facilitate the transaction.

In addition, as part of the remedial plan, the Group has been negotiating with other banks and financial institutions requesting to delay the loan repayment schedule, as well as seeking for other financing resources (including but not limited to advances from its shareholders), in order to enable the Group to have adequate time to obtain proceed from the disposal of solar power plants that might require and adequate working capital to repay the maturing debts from time to time.

For the measure to enhance the Group's long term liquidity, the directors believe that by completing the Disposal, the Group can benefit from the improvement of its balance sheet position by reducing its debt level which, in turn, strengthen the Group's liquidity in the long term. The Group is currently proceeding the completion of the Disposal, and the relevant resolution has already been passed during the extraordinary general meeting held subsequent to the end of the reporting period on 8 August 2019. Details of which are set out below:

The Disposal

As set out in note 15, upon completion of the Disposal, (1) the Group will receive cash payments of RMB1,945 million from the Purchaser, out of which RMB1,745 million shall be used to repay the amount due to the Disposal Group (as defined in note 15) as soon as possible after the Purchaser has made the payment of RMB1,945 million; (2) the Purchaser will also assume the Company's borrowings from Sino Alliance partially for a principal amount of HKD1,200 million (equivalent to RMB1,056 million); and (3) in addition, pursuant to the legally binding deed of waiver entered into on 24 March 2019 and the relevant supplementary agreement entered into on 15 May 2019, Peace Link, a company beneficially owned by Mr. Cheng, will waive the Third CB with a principal balance of HKD1,948 million (equivalent to the pre-agreed rate of exchange of RMB1,546 million), which will be matured in April 2024. As such, the completion of the Disposal will significantly reduce the highly indebted position and finance costs of the Group, strengthen its liquidity in the long term.

The directors, after due and careful enquiry and after taking into account the Development Plan and the financial resources available to the Group, including cash and cash equivalents on hand, cash flows from operating activities and available facilities, are of the opinion that the Group will have sufficient working capital for its present operating requirements and for at least the next twelve months from the end of reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

Principal Accounting Policies

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs that are mandatory effective for annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendments, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**") and the related interpretations.

Transition and summary of effects arising from initial application of IFRS 16

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	2,113,165	(139,790)	1,973,375
Right-of-use assets	—	672,931	672,931
Prepaid lease payments — non-current	445,105	(445,105)	—
Current assets			
Prepaid lease payment — current	17,477	(17,477)	—
Current liabilities			
Obligations under finance leases	38,943	(38,943)	—
Trade and other payables	6,507,258	(38,015)	6,469,243
Lease liabilities	—	86,277	86,277
Non-current liabilities			
Lease liabilities	—	89,149	89,149
Obligations under finance leases	27,909	(27,909)	—

3. REVENUE

Disaggregation of revenue

A. Disaggregation of revenue from contracts with customers

For the six-month period ended 30 June 2019

Segments	**Sales of goods (comprising Solar Products and LED Products)** *RMB'000* (Unaudited)	**Installation services of PV Systems** *RMB'000* (Unaudited)	**Service income from Plant Operation and Services** *RMB'000* (Unaudited)	**Revenue from sales of electricity** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Types of goods or service					
Sales of electricity	—	—	—	**217,332**	**217,332**
Tariff subsidy	—	—	—	**509,891**	**509,891**
Sales of goods	**4,469,489**	—	—	—	**4,469,489**
Service income	—	**4,005**	**73,310**	—	**77,315**
Total	**4,469,489**	**4,005**	**73,310**	**727,223**	**5,274,027**
Timing of revenue recognition					
A point in time	**4,469,489**	—	—	**727,223**	**5,196,712**
Over time	—	**4,005**	**73,310**	—	**77,315**
Total	**4,469,489**	**4,005**	**73,310**	**727,223**	**5,274,027**

For the six-month period ended 30 June 2018

Segments	Sales of goods (comprising Solar Products and LED Products) *RMB'000* (Unaudited)	Installation services of PV Systems *RMB'000* (Unaudited)	Service income from Plant Operation and Services *RMB'000* (Unaudited)	Revenue from sales of electricity *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or service					
Sales of electricity	—	—	—	234,778	234,778
Tariff subsidy	—	—	—	437,995	437,995
Sales of goods	4,127,758	—	—	—	4,127,758
Service income	—	146,946	62,892	—	209,838
Total	4,127,758	146,946	62,892	672,773	5,010,369
Timing of revenue recognition					
A point in time	4,127,758	—	—	672,773	4,800,531
Over time	—	146,946	62,892	—	209,838
Total	4,127,758	146,946	62,892	672,773	5,010,369

B. Performance obligations for contracts with customers

Sales of Solar Products and LED Products

In respect of sales of solar cells, solar modules, photovoltaic systems ("**PV Systems**") and related products (collectively known as "**Solar Products**") and sales of GaN-on-Silicon substrate light-emitting diode ("**LED**") epitaxial wafers and chips (collectively known as "**LED Products**"), the Group recognises the revenue at a point in time when there is persuasive evidence that the control of Solar Products and LED Products has been transferred to the customer, the customer has adequate control over the product and the Group has no unfulfilled obligations that effect customer acceptance products.

Sales of electricity

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

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

Tariff Subsidy

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

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

Installation services of PV Systems

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

Provision of Plant Operation and Services (as defined below)

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

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

4. SEGMENT INFORMATION

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

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

(2) Solar power generation;

(3) Plant Operation and Services; and

(4) Manufacturing and sales of LED Products.

Segment revenue and results

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 2019

	Manufacturing and sales of Solar Products and installation services of PV Systems	Solar power generation	Plant Operation and Services	Manufacturing and sales of LED Products	Sub-total	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue							
External sales	4,325,991	217,332	73,310	147,503	4,764,136	—	4,764,136
Tariff subsidy	—	509,891	—	—	509,891	—	509,891
	4,325,991	727,223	73,310	147,503	5,274,027	—	5,274,027
Inter-segment revenue	—	615	—	—	615	(615)	—
Segment revenue	4,325,991	727,838	73,310	147,503	5,274,642	(615)	5,274,027
Segment profit (loss)	13,993	178,813	(6,237)	18,063	204,632	—	204,632
Unallocated income							
— Bank interest income							9,683
Unallocated expenses							
— Central administration costs							(18,672)
— Finance costs							(616,620)
— Change in fair value of derivative financial liabilities							(2,742)
Loss allowance reversed on financial guarantee contract provided for a joint venture							92,307
Share of losses of associates							(3,318)
Share of profits of joint ventures							103,779
Loss before tax							(230,951)

Segment revenue and results

For the six-month period ended 30 June 2018

	Manufacturing and sales of Solar Products and installation services of PV Systems *RMB'000* (Unaudited)	Solar power generation *RMB'000* (Unaudited)	Plant Operation and Services *RMB'000* (Unaudited)	Manufacturing and sales of LED Products *RMB'000* (Unaudited)	Sub-total *RMB'000* (Unaudited)	Elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue							
External sales	4,104,461	234,778	62,892	170,243	4,572,374	—	4,572,374
Tariff subsidy	—	437,995	—	—	437,995	—	437,995
	4,104,461	672,773	62,892	170,243	5,010,369	—	5,010,369
Inter-segment revenue	—	—	—	—	—	—	—
Segment revenue	4,104,461	672,773	62,892	170,243	5,010,369	—	5,010,369
Segment (loss) profit	(670,021)	281,798	(262)	7,359	(381,126)	—	(381,126)
Unallocated income							
— Bank interest income							3,395
Unallocated expenses							
— Central administration costs							(18,592)
— Finance costs							(626,131)
Loss allowance recognised on financial guarantee contract provided for a joint venture							(15,638)
Share of losses of associates							(39)
Share of profits of joint ventures							1,099
Other expenses							(4,481)
Loss before tax							(1,041,513)

Revenue analysed by major products

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2019 and 2018:

	Six months ended	
	30/06/2019	30/06/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of solar wafers	**—**	10,638
Sales of solar cells	**536,691**	677,421
Sales of solar modules	**3,673,125**	3,193,503
Sales of PV Systems	**105,110**	66,172
Other solar products	**7,060**	9,781
	4,321,986	3,957,515
Sales of LED products	**147,503**	170,243
Sales of goods	**4,469,489**	4,127,758
Sales of electricity	**217,332**	234,778
Tariff subsidy *(note)*	**509,891**	437,995
	727,223	672,773
Installation services of PV systems	**4,005**	146,946
Plant Operation and Services	**73,310**	62,892
	5,274,027	5,010,369

Note: The amount represents the tariff subsidy which were approximately 41% to 90% (six months ended 30 June 2018: 41% to 84%) of the total electricity sales, adjusted with the amount of significant financing component. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

5. OTHER INCOME

	Six months ended	
	30/06/2019	30/06/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**9,683**	3,395
Interest income arising from advances to third parties	**—**	1,990
Government grants *(note)*	**37,720**	53,046
Gain on sales of raw and other materials	**7,128**	12,632
Technical advisory income	**3,474**	5,408
Imputed interest income of accrued revenue on tariff subsidy	**26,246**	17,364
Others	**9,979**	2,780
	94,230	96,615

Note: The government grants represent the amount received from the local government by the entities of the Group operating in the PRC. Government grants of approximately (a) RMB34,459,000 (six months ended 30 June 2018: RMB43,381,000) represents unconditional incentive received in relation to activities carried out by the Group and (b) RMB3,261,000 (six months ended 30 June 2018: RMB9,665,000) represents subsidy on the Group's prior acquisition of land use rights and machineries amortised to profit or loss in the current interim period.

6. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Six months ended	
	30/06/2019	30/06/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other gains and losses		
Impairment loss recognised on property, plant and equipment *(note ii)*	—	(674,356)
Impairment loss recognised on goodwill *(note i)*	—	(6,237)
Gain on disposal of solar power plants	—	11,673
Gain on disposal of subsidiaries	—	31,586
Gain on disposal of property, plant and equipment	**2,393**	5,536
Loss on change in fair value of derivative financial liabilities *(note iii)*	**(2,742)**	—
Net foreign exchange loss	**(75,124)**	(20,866)
Others	**2,475**	(1,125)
	(72,998)	(653,789)
Other expenses		
Provision on legal claims, net	—	(4,481)
	(72,998)	(658,270)

Notes:

(i) During the period ended 30 June 2018, due to adverse changes in market conditions, including the release of the new governmental policy, the management of the Group reviews the recoverable amounts of the relevant cash generating units ("**CGUs**") (which is the higher of its value-in-use and its fair value less costs of disposal) to determine whether there is any impairment loss. As a result, the goodwill of RMB6,237,000 was fully impaired during the period ended 30 June 2018, accordingly.

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

(iii) Amount for the six months ended 30 June 2019 represented the loss of change in fair value in respect of the warrants liabilities arising from previous acquisition of Lattice Power Group of RMB2,742,000. There was no significant change of such fair value during the six months ended 30 June 2018.

7. FINANCE COSTS

	Six months ended 30/06/2019 RMB'000 (Unaudited)	30/06/2018 RMB'000 (Unaudited)
Interest on bank and other borrowings	**441,646**	420,770
Finance charges of discounting bills receivable	**26**	4,132
Interest on obligation under finance leases	**—**	4,257
Interest on lease liabilities	**4,727**	—
Effective interest on convertible bonds	**141,436**	145,277
Effective interest on bonds payable	**28,339**	42,174
Interest on amounts due to independent third parties	**1,458**	11,265
Total borrowing costs	**617,632**	627,875
Less: amounts capitalised	**(1,012)**	(1,744)
	616,620	626,131

Borrowing costs capitalised during the current interim period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.55% (six months ended 30 June 2018: 6.75%) per annum to expenditure on qualifying assets.

8. LOSS BEFORE TAX

	Six months ended 30/06/2019 RMB'000 (Unaudited)	30/06/2018 RMB'000 (Unaudited)
Loss before tax has been arrived at after charging (crediting):		
Staff costs	**303,551**	310,340
Including: recognition of share-based payment expense of Lattice Power Group	**9,934**	26,518
Capitalised in inventories	**(50,409)**	(40,523)
	253,142	269,817
Impairment loss on property, plant and equipment	**—**	674,356
Impairment loss on goodwill	**—**	6,237
Warranty provided (included in cost of sales)	**31,809**	29,939
Cost of inventories recognised as expense	**3,924,589**	3,973,363
Write-down of inventories	**11,247**	25,738
Depreciation of property, plant and equipment	**96,750**	180,765
Depreciation of completed solar power plants	**293,321**	319,555
Release of prepaid lease payments	**—**	8,641
Depreciation of right-of-use assets	**21,788**	—
Amortisation of intangible assets	**5,661**	2,724
Total depreciation and amortisation	**417,520**	511,685
Capitalised in inventories	**(24,205)**	(39,050)
	393,315	472,635

9. INCOME TAX EXPENSE

	Six months ended	
	30/06/2019	30/06/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**6,711**	1,270
Other jurisdictions	**1,494**	—
Under provision in prior periods:		
PRC Enterprise Income Tax	**331**	609
	8,536	1,879
Deferred tax charge	**7,057**	110,607
	15,593	112,486

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

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. Certain subsidiaries of the Company which was engaged in the public infrastructure project had their first year with operating incomes in 2014.

On 17 November 2017, Jiangsu Shunfeng Photovoltaic Technology Company Limited* (江蘇順風光電科技有限公司) ("**Jiangsu Shunfeng**") and certain subsidiaries of the Wuxi Suntech renewed "High Technology Enterprise" status for 3 years that entitled them a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to PRC Tax Law.

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

For those subsidiaries of the Company located in Japan, the corporate tax rate is 30.86% (six months ended 30 June 2018: 30.86%).

Certain subsidiaries of the S.A.G. Interests were located in Switzerland, Austria, Germany and Czech Republic, of which corporate tax rate is approximately 23%, 25%, 30% and 20%, respectively.

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

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2019 and 2018. The directors have determined that no dividend will be paid in respect of the current interim period.

11. LOSS PER SHARE — BASIC AND DILUTED

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

	Six months ended	
	30/06/2019	30/06/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	**(250,399)**	(1,155,427)
Effect of dilutive potential ordinary shares: Interest on convertible bonds *(note)*	**—**	—
Loss for the purposes of diluted loss per share	**(250,399)**	(1,155,427)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,982,375,490**	4,314,151,191
Effect of dilutive potential ordinary shares: — convertible bonds *(note)*	**—**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**4,982,375,490**	4,314,151,191

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

12. TRADE AND OTHER RECEIVABLES

	30/06/2019	31/12/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,691,456**	1,855,163
Less: Allowance for credit losses	**(268,174)**	(220,803)
	1,423,282	1,634,360
Accrued revenue on tariff subsidy *(note i)*	**2,142,159**	1,626,801
Total trade receivables and accrued revenue on tariff subsidy	**3,565,441**	3,261,161
Other receivables		
Prepaid expenses	**19,817**	25,114
Amounts due from independent third parties *(note ii)*	**376,103**	277,933
Consideration receivable for disposal of subsidiaries *(notes iii)*	**12,030**	40,468
Amounts due from disposed subsidiaries *(note iv)*	**29,801**	40,171
Dividend receivable from an associate	**—**	490
Security deposit *(note vii)*	**107,000**	107,000
Government subsidy receivable arising from the sales of LED Products *(note v)*	**21,455**	79,053
Other deposits	**11,693**	14,381
Others *(note vi)*	**21,184**	27,990
	599,083	612,600
	4,164,524	3,873,761

Notes:

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

In the opinion of the directors of the Company, the revenue recognition of tariff adjustment is proper based on their judgement and taking into account the opinion from the Group's PRC legal advisor, that the Group's operating solar power plant has qualified for registration in the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "**Catalogue**"), and has met all the relevant requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that the Group's operating solar power plant is able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidy is fully recoverable upon the allocation of funds from the PRC government.

(ii) The amount was non-trade in nature, unsecured, interest-free and repayable on demand. The management of the Group expects these balances would be received within twelve months after the end of the reporting period.

(iii) As at 30 June 2019, the amount includes consideration receivable of RMB5,000,000 reclassified from other non-current assets, according to the arrangement. The amount was non-trade in nature, unsecured, interest-free and repayable within one year.

(iv) As at 30 June 2019, the balance represents the amount due from those subsidiaries that were disposed of in previous year, which was non-trade in nature, unsecured, interest-free, and repayable within one year.

(v) Amount represented the receivable balance in respect of the incentive provided by and confirmed with the local government of Nanchang City, Jiangxi Province, PRC as to support the business development of LED industry in the PRC. During the six months ended 30 June 2019, RMB79,053,000 (six months ended 30 June 2018: RMB62,153,000) was received.

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

(vii) The amount represented deposits placed by the Group in the security deposits account opened in the independent financial institution, which was one of the corporate bondholders of one subsidiary of the Group. Pursuant to the maturity notice dated on 15 June 2018, an offsetting right has been granted by the Group to the independent financial institution, allowing it to offset the security deposits against the Group's outstanding corporate bond payable upon the maturity of the corporate bond. During the Period, the Group and the bondholder have entered into a supplementary agreement to extend the due dates of the remaining outstanding amounts of corporate bond payable to 25 April 2020.

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

	30/06/2019	31/12/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**1,002,998**	871,041
31 to 60 days	**258,186**	414,498
61 to 90 days	**157,591**	159,149
91 to 180 days	**291,158**	366,203
Over 180 days	**1,855,508**	1,450,270
	3,565,441	3,261,161

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

13. TRADE AND OTHER PAYABLES

	30/06/2019	31/12/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**2,078,633**	1,968,798
Bills payables	**1,952,070**	1,565,825
Payables for acquisition of property, plant and equipment	**197,585**	203,329
Payables for EPC of solar power plants *(note i)*	**1,473,186**	1,595,956
Other tax payables	**42,868**	48,540
Amounts due to independent third parties *(note ii)*	**114,022**	186,152
Tendering deposits received	**67,663**	57,024
Accrued expenses *(note iv)*	**787,980**	657,665
Accrued payroll and welfare	**81,758**	109,283
Consideration payable for acquisition of subsidiaries *(note iii)*	**15,729**	25,729
Penalty interest and termination fee *(note v)*	**70,806**	69,377
Others	**45,261**	19,580
	6,927,561	6,507,258

Notes:

(i) Amount represented payables incurred for EPC of solar power plants. The amounts would be repayable within 12 months after the end of the reporting period and such amounts were therefore classified as current liabilities at the end of the reporting period.

(ii) Except for the balance of RMB37,000,000 (2018: RMB106,000,000) carried at fixed interest rates ranging from 4.35% to 6% (2018: 4.35%) per annum, the amount is non-trade in nature, unsecured, interest-free and repayable on demand.

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

(iv) Included in the balance of accrued expense as at 30 June 2019, interest expense on convertible bonds of HKD18,740,000 (equivalent to RMB16,486,000) was provided for the Second CB and is fully repaid during the current interim period. As at 30 June 2019, the Second CB arrived at its par value as the early redemption option gives the holder the right to require the Company to redeem up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date. As a result, since then the relevant interest expense was calculated used fixed interest rate on 8% per annum with interest to be paid annually.

(v) On 1 September 2014, an independent third party, lodged a litigation against Wuxi Suntech. On 20 July 2015, court order for the first instance was made by the Jiangsu High People's Court that Wuxi Suntech is obliged to return the vendor payment of RMB206,000,000 and the estimated penalty interest and termination fee. On 17 April 2018, the final appeal was released by the National High People's Court that Wuxi Suntech was obliged to return the vendor payment of RMB206,000,000 and the accumulated penalty interest and termination fee totalling RMB69,377,000, including the additional provision on legal claims of RMB8,148,000 made during the year ended 31 December 2018. Wuxi Suntech returned the vendor payment of RMB100,000,000 during the year ended 31 December 2018 and the remaining of RMB106,000,000 was accounted for amounts due to independent third parties and included in other payables as at 31 December 2018. As at 31 December 2018, the provision of RMB69,377,000 in respect of penalties and interests on the principal amount was reclassified to other payables.

During the current interim period, Wuxi Suntech returned the vendor payment of RMB70,000,000 and the remaining of RMB36,000,000 was still accounted for amounts due to independent third parties and included in other payables as at 30 June 2019. Additional interest of RMB1,429,000 was made in accordance with the outstanding principal amount during the current interim period.

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

Age	**30/06/2019** ***RMB'000*** **(Unaudited)**	31/12/2018 *RMB'000* (Audited)
0 to 30 days	**766,025**	905,185
31 to 60 days	**401,421**	433,801
61 to 90 days	**245,971**	164,589
91 to 180 days	**333,140**	181,423
Over 180 days	**332,076**	283,800
	2,078,633	1,968,798

14. CAPITAL COMMITMENTS

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

	30/06/2019	31/12/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure in respect of acquisition of property, plant and equipment and EPC of solar power plants — contracted for but not provided in the condensed consolidated financial statements	**283,194**	372,528

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

	30/06/2019	31/12/2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Commitments to contribute investments in an associate	**24,300**	24,300
Commitments to contribute investments in joint ventures	**—**	24,137
	24,300	48,437

15. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group subsequent to the end of reporting period had carried out the following significant transactions:

The Disposal

On 30 June 2019, a circular has been announced and dispatched by the Group in relation to the disposal of 100% of the equity interests in Jiangsu Shunfeng and its subsidiaries (hereafter collectively referred to as the "**Disposal Group**") to Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司) (the "**Purchaser**" or "**AP Resources**", a company wholly-owned by Mr. Cheng at an aggregate consideration of approximately RMB3,000 million, which comprises the amounts of (a) cash amount of RMB200 million; (b) an amount of RMB1,745 million which will be applied to repay certain amounts payable by the Company's wholly-owned subsidiary to the Disposal Group; and (c) the Purchaser assuming certain indebtedness of HKD1,200 million owed by the Company to Sino Alliance (collectively referred as the "**Disposal**").

Save for Mr. Cheng Kin Ming and his associates (including Peace Link and AP Resources), the independent shareholders have attended extraordinary general meeting dated 8 August 2019 and have approved, confirmed and ratified the Disposal. For more details, please refer to the announcements made by the Company published on 8 August 2019 and 12 August 2019, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the Period, the Group recorded a revenue of RMB5,274.0 million, representing an increase of 5.3% from RMB5,010.4 million for the corresponding period in 2018. The growth in revenue was mainly contributed by manufacturing and sales of Solar Products and installation of services of PV systems and solar power generation.

The Group recorded a 5.4% growth in revenue of RMB4,326.0 million from manufacturing and sales of Solar Products and installation services of PV systems.

The Group maintained the overall scale of on-grid solar power plants in China and overseas. The segment in solar power generation has contributed of RMB727.2 million to the group revenue during the Period, which represents a stabilizing growth of 8.1% as compared to the corresponding period in 2018, with total power generation of 923,833MWh.

The Group also recorded a revenue of RMB73.3 million from solar power plant operation and services, which represents a considerable growth of 16.6% or RMB10.4 million as compared to the corresponding period in 2018.

Further, for the segment in manufacturing and sales in LED products, a revenue of RMB147.5 million was recorded during the Period, representing a decrease of 13.4% or RMB22.7 million as compared to the corresponding period in 2018.

Solar Power Generation

During the Period, the solar power plants owned by the Group generated an aggregate of approximately 929,254MWh.

	For the six months ended 30 June		
	2019	2018	% of
	MWh	*MWh*	Change
Power generation volume:			
PRC	**915,059**	827,240	10.6%
Overseas	**14,195**	17,098	(17.0%)
Total	**929,254**	844,338	10.1%

As at 30 June 2019, the Group's solar power plants successfully realised a total installed capacity of 1.5GW of on-grid generation.

Manufacturing and Sales of Solar Products and Installation Services of PV Systems

As of 30 June 2019, the sales volume of Solar Products amounted to 2,470.9MW, representing an increase of 501.7MW or 25.5% from 1,969.2MW for the same period in 2018.

	For the six months ended 30 June		
	2019	2018	% of
	MW	*MW*	Change
Sales volume to independent third parties:			
Wafers	—	12.5	—%
Cells	**672.1**	558.2	20.4%
Modules	**1,798.8**	1,398.5	28.6%
Total	**2,470.9**	1,969.2	25.5%

As of 30 June 2019, our top five customers represented approximately 18.7% of our total revenue as compared to approximately 18.6% in the same period in 2018. During the Period, our largest customer accounted for approximately 6.0% of our total revenue, as compared to approximately 5.4% in the same period in 2018. This change was mainly due to our continuing efforts to optimise our customer base. We believe that product quality and cost advantage will be crucial in the upcoming era of solar energy. During the Period, our largest customer is a company situated in India and its business is to operate solar power plants in India and other European countries. It mainly acquires solar modules from the Group and maintained a business relationship with the Group since 2018. Other major customers purchase Solar Products or solar power from the Group. The Group has maintained business relationships with such customers ranging from one year to twelve years and offered them credit periods ranging from 30 days to 180 days. As at the date of this announcement, our major customers repaid their debts on time in accordance with the agreed commercial terms and the outstanding receivables were still within the credit periods granted by the Group. After conducting an internal assessment by the Group, we conclude that our major customers have good repayment history and credibility. In order to minimise the credit risk, the Directors continuously monitor the level of risk exposure via frequent review of the financial conditions and credibility of the major customers, so as to ensure that prompt actions will be taken to lower risk exposure.

During the Period, our sales to PRC-based customers represented approximately 36.2% of the Group's total revenue, as compared to approximately 58.2% in the same period in 2018. During the Period, our sales to overseas customers represented approximately 63.8% of the Group's total revenue, as compared to approximately 41.8% in the same period in 2018. Our strong track record of product quality, advanced proprietary technology and effective cost control measures have contributed to our strong reputation and thus our success in optimizing our customer base. We believe such strategic measures will continue to create strong and sustainable market demand for our products.

The Group strives to become a global leading supplier of clean energy and provider of low-carbon and energy-saving integrated solutions. Apart from leveraging on the positive brand awareness of "Shunfeng" and "Suntech" established over years in the global market to continuously expand the businesses of constructing and operating of global solar power plants and manufacturing of Solar Products, the Group also pursues other clean energy-related businesses to realise diversified business development.

Plant Operation and Services

meteocontrol GmbH ("**meteocontrol**") is one of the world's largest independent photovoltaic plant monitoring service providers. meteocontrol has extensive solar power plant monitoring, operation and maintenance experience in residential, commercial and utility sectors and has a monitoring volume of 14GW. meteocontrol offers services covering the entire process of solar power plant projects, from planning and installation to global operation and maintenance, and also provides independent consultation for the projects at every stage. During the Period, meteocontrol has brought revenue of RMB73.3 million (for the same period in 2018: RMB62.9 million) to the Group.

Production and Sales of LED Products

Lattice Power is principally engaged in the development, manufacturing, marketing and sales of LED chips and packages for use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries. The sales of LED chips, LED packages and other LED products within the Group's production business amounted to RMB147.5 million during the Period, as compared to RMB170.2 million for the corresponding period in 2018.

Financing Activities

During the Period, the Group has continued to receive support from financial institutions. In the first half of 2019, the Company successfully obtained loans from banks and other financial institutions. These funds serve as continued support for enhancing liquidity and future business development.

FINANCIAL REVIEW

Revenue

Revenue increased by RMB263.6 million, or 5.3%, from RMB5,010.4 million for the same period in 2018 to RMB5,274.0 million for the Period. The stable revenue mainly included that (i) most of the solar power plants of the Group that completed on-grid connection have completed testing and commenced operation and thus generated revenue from power generation, with power generation that has completed testing and included in revenue of 923,833MWh recorded for the Period (for the same period in 2018: 838,687MWh) and (ii) the sales volume of our Solar Products recorded for the Period was 2,470.9MW (for the same period in 2018: 1,969.2MW).

In certain provinces and regions where the power plants of the Group are located in PRC, the use of electricity continues to be limited, resulting in loss of power generation volume and approximately RMB92.0 million (for the same period in 2018: RMB160.0 million) in revenue of the Group from power generation during the Period. The Group has been participating in various cross-province selling schemes which enabled the Group to sell the electricity generated to other regions or provinces other than the location of the relevant solar power plants to alleviate the impact of the restriction on the use of electricity on the Group.

During the Period, sales of Solar Products accounted for 81.9% of the total revenue, of which sales of modules, cells, PV Systems and other solar products accounted for 69.6%, 10.2%, 2.0% and 0.1% of the total revenue, respectively. Revenue from installation services of PV Systems accounted for 0.1% of the total revenue. Further, revenue from solar power generation accounted for 13.8% of the total revenue. Revenue from LED products accounted for 2.8% of the total revenue while sales from solar power plant operation and services accounted for 1.4% of the total revenue.

Solar modules

Revenue from the sales of solar modules increased by RMB479.6 million, or 15.0%, from RMB3,193.5 million for the same period in 2018 to RMB3,673.1 million for the Period, primarily due to an increase in the Group's sales volume by 400.3MW or 28.6% from 1,398.5MW for the same period in 2018 to 1,798.8MW for the Period, but was partially offset by a decrease in the average selling price for our products by 10.5% from RMB2.28 per watt for the same period in 2018 to RMB2.04 per watt for the Period.

Solar cells

Revenue from the sales of solar cells decreased by RMB140.7 million, or 20.8%, from RMB677.4 million for the same period in 2018 to RMB536.7 million for the Period, but the sales volume increased by 113.9MW or 20.4% from 558.2MW for the same period in 2018 to 672.1MW for the Period. It is mainly due to a decrease in the average selling price for products by 34.4% from RMB1.22 per watt for the same period in 2018 to RMB0.80 per watt for the Period.

Installation services of PV Systems

The Group provides the installation services of certain distributed solar power plants, which are often built on rooftop of buildings owned by the customers. Revenue from the installation services of PV Systems decreased by RMB142.9 million, or 97.3%, from RMB146.9 million for the same period in 2018 to RMB4.0 million for the Period, which was recognised by the Group over time by reference to the progress towards the satisfaction of stage of completion.

Solar power generation

Revenue from solar power generation increased by RMB54.4 million, or 8.1%, from RMB672.8 million for the same period in 2018 to RMB727.2 million for the Period, and the total power generated for the Period amounted to 929,254MWh, while 923,833MWh was recorded as revenue from power generation upon completion of testing.

Plant Operation and Services

meteocontrol provides solar power plant monitoring services. The revenue from relevant service fees generated during the Period increased by RMB10.4 million or 16.5% from RMB62.9 million for the same period in 2018 to RMB73.3 million for the Period.

LED products

Revenue from the sales of LED chips, LED packages and other LED products decreased by RMB22.7 million, or 13.3%, from RMB170.2 million for the same period in 2018 to RMB147.5 million for the Period.

Geographical market

In terms of geographical markets from which our revenue was generated, approximately 36.2% of the total revenue for the Period was generated from sales to our PRC customers, as compared to 58.2% for the same period in 2018. The remaining portion was generated from sales to our overseas customers, who are mainly based in certain Asian, North American and European countries.

Cost of sales

Cost of sales decreased by RMB73.2 million, or 1.7%, from RMB4,322.9 million for the same period in 2018 to RMB4,249.7 million for the Period.

Gross profit

Gross profit increased by RMB336.8 million, or 49.0%, from RMB687.5 million for the same period in 2018 to RMB1,024.3 million for the Period.

Other income

Other income decreased by RMB2.4 million, or 2.5%, from RMB96.6 million for the same period in 2018 to RMB94.2 million for the Period, primarily due to (1) the income from government grants decreased by RMB15.3 million, or 28.9%, from RMB53.0 million for the same period in 2018 to RMB37.7 million for the Period; and (2) gain on sales of raw and other materials decreased by RMB5.5 million, or 43.7%, from RMB12.6 million for the same period in 2018 to RMB7.1 million for the Period, but was partially offset by the increase in the bank interest income by RMB6.3 million and increase in imputed interest income of accrued revenue on tariff subsidy by RMB8.8 million for the Period.

Other gains and losses and other expenses

Other gains and losses and other expenses represents a decrease by RMB585.3 million or 88.9% from a loss recorded of RMB658.3 million for the same period in 2018 to a loss recorded of RMB73.0 million for the Period, which was primarily due to the fact that (1) the recognition of an impairment loss on property, plant and equipment in amount of RMB674.4 million for the same period in 2018, while there was no such impairment loss recognized for the Period; (2) the recognition of an impairment loss on goodwill in amount of RMB6.2 million for the same period in 2018, while there was no such impairment loss recognized for the Period. In the meanwhile it was partially offset by an increase in net foreign exchange loss by RMB54.2 million, or 259.3% from RMB20.9 million for same period in 2018 to RMB75.1 million for the Period.

Distribution and selling expenses

Distribution and selling expenses increased by RMB180.0 million, or 86.7%, from RMB207.6 million for the same period in 2018 to RMB387.6 million for the Period, principally due to an increase in shipment cost as a result of the increase in sales to overseas customers.

Administrative expenses

Administrative and general expenses decreased by RMB12.7 million, or 4.3%, from RMB292.2 million for the same period in 2018 to RMB279.5 million for the Period.

Research and development expenditure

Research and development expenses increased by RMB21.1 million, or 39.9%, from RMB52.9 million for the same period in 2018 to RMB74.0 million for the Period, primarily due to the increase in the expenses on research and development investment and related costs.

Share of losses of associates

Share of losses of associates for the Period increased by RMB3.28 million, or 8,412.8%, from RMB39,000 for the same period in 2018 to RMB3.32 million for the Period.

Share of profits of joint ventures

Share of profits of joint ventures for the Period increased by RMB102.7 million, or 9,336.4%, from RMB1.1 million for the same period in 2018 to RMB103.8 million for the Period.

Finance costs

Finance costs decreased by RMB9.5 million, or 1.5%, from RMB626.1 million for the same period in 2018 to RMB616.6 million for the Period, primarily due to the decrease in effective interest on bonds payable by RMB13.9 million, or 32.9%, from RMB42.2 million for the same period in 2018 to RMB28.3 million for the Period.

Loss before tax

The loss before tax decreased by RMB810.5 million from RMB1,041.5 million for the same period in 2018 to RMB231.0 million for the Period due to the above reasons.

Income tax expense

The income tax expense decreased by RMB96.9 million, or 86.1%, from RMB112.5 million for the same period in 2018 to RMB15.6 million for the Period, primarily due to the decrease in deferred tax expense for the Period.

Loss for the Period

As a result of the reasons stated above, the loss for the Period decreased by RMB907.5 million from RMB1,154.0 million for the same period in 2018 to RMB246.5 million for the Period.

Inventory turnover days

The inventories of the Group mainly comprise of raw materials, work-in-progress and finished goods. The increase in inventories was mainly due to an decrease in demand for our solar and LED products. Included in the inventory balance as at 30 June 2019 was a write-down of inventories of RMB146.3 million (31 December 2018: RMB152.4 million), which was mainly attributable to inventories bought in previous years at higher prices. The inventory turnover days as at 30 June 2019 was 48.3 days (31 December 2018: 40.2 days), and the increase in inventory turnover days was mainly due to the long shipment days from PRC to our overseas customers.

Trade receivables turnover days

The trade receivables turnover days as at 30 June 2019 was 124.3 days (31 December 2018: 103.9 days). The increase in turnover days was primarily due to the addition of overseas customers and part of the tariff subsidy to be received by the Group. The trade receivables turnover days as at 30 June 2019 was still within the credit period (normally 30 to 180 days) which the Group granted to its customers.

Trade payables turnover days

The trade payables turnover days as at 30 June 2019 was 86.2 days (31 December 2018: 68.5 days). Given the established business relationship and the change in the overall market environment, the Group paid to the suppliers in due course based on the credit terms during the Period.

Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As at 30 June 2019, the Group's current ratio (current assets divided by current liabilities) was 0.55 (31 December 2018: 0.55) and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 30 June 2019, the Group was in a negative net cash position of RMB13,014.9 million (a negative net cash position: 31 December 2018: RMB12,889.3 million), which included cash and cash equivalents of RMB581.1 million (31 December 2018: RMB754.6 million), bank and other borrowings of RMB11,468.9 million (31 December 2018: RMB11,067.3 million), convertible bonds of RMB1,146.3 million (31 December 2018: RMB1,679.2 million), bonds payable of RMB822.1 million (31 December 2018: RMB830.5 million) and lease liabilities of RMB158.7 million (obligations under finance leases 31 December 2018: RMB66.9 million).

The Group's borrowings were mainly denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB, HKD and JPY. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 353.4% as at 31 December 2018 to 381.6% as at 30 June 2019.

During the Period, the Group did not enter into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks (31 December 2018: Nil).

Contingent liabilities and guarantees

As at 30 June 2019, the Group provided guarantees to independent third parties and a joint venture with a total amount of RMB210.7 million (31 December 2018: RMB364.0 million), of which RMB182.9 million (31 December 2018: RMB276.8 million) has been provided and recognised as a loss allowance on financial guarantee contracts in the statement of financial position. As at 30 June 2019, save as disclosed above, the Group had no significant contingent liabilities.

Exposure to the fluctuation in exchange rates

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than RMB, which exposes the Group to foreign exchange risks. The Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile and control exchange exposure through arrangement of foreign currency forward contracts, and will consider hedging significant foreign currency exposure should the need arise.

Significant investments held and material acquisitions or disposals

During the Period, as disclosed in the circular of the Company dated 30 June 2019 (the "**VSD Circular**"), as well as the announcements on 25 March 2019 (the "**VSD Announcement**"), on 10 December 2018 (after trading hours), Shunfeng Photovoltaic Holdings Limited (the "**Vendor**"), a direct wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (as amended and supplemented on 24 March 2019) (the "**Sale and Purchase Agreement**") with Asia Pacific Resources Development Limited (the "**Purchaser**"), pursuant to which the Vendor agreed to sell 100% of the equity interest in Jiangsu Shunfeng at an aggregate consideration of RMB3,000 million (the "**Disposal**").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder exceed 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a very substantial disposal of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is held as to 100% by Mr. Cheng Kin Ming, a substantial shareholder of the Company, and is therefore a connected person of the Company, the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rule. The independent shareholders' approval was obtained on 8 August 2019 and the completion of the Disposal is expected to be completed in October 2019.

Human resources

As at 30 June 2019, the Group had 6,278 employees (31 December 2018: 6,330). The remuneration packages for the current employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Interim dividend

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

Events subsequent to the Period

As disclosed in the poll results of the extraordinary general meeting (the "**EGM**") by the Company dated 8 August 2019 and 12 August 2019 (collectively the "**EGM poll result**") in relation to the Disposal, as more than 50% of the votes were cast in favour of the Resolution, the Resolution was duly passed as an ordinary resolution of the Company at the EGM.

Further, the Group is currently involved in one legal proceeding in relation to an outstanding loan sued by an independent financial institution in PRC. The outstanding loan was matured on 16 August 2019 with principal amount of approximately RMB490.0 million and related interest of approximately RMB66.1 million, totaling RMB556.1 million. As of the date of this announcement, the Company has already received a settlement plan proposed by the independent financial institution. The Company is reviewing and further negotiating the terms of the settlement including but not limited to extend the loan maturity date and/or to repay the outstanding loan principal and interest partially or wholly. Further announcement will be made as and when necessary in compliance with the Listing Rules.

FUTURE PROSPECT

Following completion of Disposal, the Group will remain to focus its current business and develop the Group into a global leading clean energy provider. Specifically, the Company will focus on (i) the solar power businesses including the development and management of solar power plants and manufacturing related equipment; and (ii) LED manufacturing and sales business.

Whilst the Company intends to focus on the above business, reference is made to the voluntary announcement of the Company dated 25 April 2019 in relation to the possible disposal of certain power plants of the Company. For the purpose of optimizing the shareholding and asset structure of the Group, the Company is currently in preliminary discussions with certain potential investors in respect of the possible disposal of certain solar power plants located in the PRC with an aggregate capacity of approximately 300 MW. The Group intends to sell either partly, wholly or in such proportion as to be negotiated and agreed, of such solar power plants to one or more investors (the "**Possible Disposals**"), and the consideration of the Possible Disposals are to be negotiated by parties to the transaction with reference to a reasonable market price. The Group is also actively considering, either as part of or separate from the Possible Disposals, to raise funds for the Group by other ways, including but not limited to alternative refinancing, extension of maturity dates of debts and/or further disposal of solar power plants, if appropriate (together with the Possible Disposals, the "**Proposed Plans**"). Once the Proposed Plans are fully or partly implemented, it is expected to strengthen the financial stability and shareholding and asset structure of the Group and support its long term strategic development. The Proposed Plans are still in preliminary stages, therefore all or part of the Proposed Plans may or may not proceed. Any Proposed Plan will be subject to compliance with the Listing Rules and, if applicable, the approval of the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

The following is an extract of the independent auditor's report on the Group's unaudited condensed consolidated financial statements for the Period which has included a material uncertainty related to going concern, but without qualifications:

Conclusion

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

Material uncertainty related to going concern

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements, which indicates that as of 30 June 2019, the Group's current liabilities exceeded its current assets by RMB7,522,755,000. In addition, as at 30 June 2019, the Group had capital commitments, contracted for but not provided in the condensed consolidated financial statements, amounting to RMB307,494,000 as disclosed in note 14. As stated in note 1, these conditions along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement containing the relevant information required by the Listing Rules is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (http://www.sfcegroup.com). The interim report for the Period will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

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

"Audit Committee"	the audit committee of the Board
"Board"	the board of director(s) of the Company
"BVI"	the British Virgin Islands
"Company", "we" or "us"	Shunfeng International Clean Energy Limited
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"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
"Lattice Power"	Lattice Power Corporation, a company incorporated in Cayman Islands and a non-wholly owned subsidiary of the Company
"Lattice Power Group"	Lattice Power and its subsidiaries
"LED"	light-emitting diode
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

"MW"	megawatt, which equals to one million watt
"MWh"	megawatt hour
"Peace Link"	Peace Link Services Limited, a company incorporated under the laws of the BVI with limited liability
"Period"	six months ended 30 June 2019
"PRC" or "China"	the People's Republic of China
"PV"	photovoltaic
"RMB"	Renminbi, the lawful currency of the PRC
"S.A.G."	S.A.G. Solarstrom AG i.I.
"S.A.G. Interests"	all the tangible and intangible assets, mobile goods and rights pertaining to the businesses of S.A.G., S.A.G. Solarstrom Vertriebsgesellschaft mbH i.I. and S.A.G. Technik GmbH i.I., 17 entities in which S.A.G. has a direct interest and one entity in which S.A.G. Solarstrom Vertriebsgesellschaft mbH has a direct interest
"Second CB"	On 19 August 2013, the Company issued convertible bonds at par to Peace Link with principal amount of HKD930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Third CB"	On 16 April 2014, the Company issued zero-coupon convertible bonds at par to Peace Link and other independent third parties with aggregate principal amount of HKD3,580,000,000 (equivalent to RMB2,841,270,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26)

"United States" or "U.S."	the United States of America
"Wuxi Suntech"	Wuxi Suntech Power Co., Ltd

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

Hong Kong, 29 August 2019

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