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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2012	2011	% of
	RMB'000	*RMB'000*	Changes
Revenue	**659,194**	1,076,980	-38.8%
Gross profit	**61,977**	134,407	-53.9%
Profit attributable to owners of the Company	**292**	87,212	-99.7%
	RMB cents	*RMB cents*	
Basic earnings per share	**0.02**	7.45	-98.5%
	MW	**MW**	
Shipment volume			
Monocrystalline solar cells			
156 mm by 156 mm	**80.2**	122.0	-34.3%
125 mm by 125mm	**9.3**	32.4	-71.3%
Multicrystalline solar cells			
156 mm by 156 mm	**108.2**	1.8	+5,911.1%
Solar modules	**8.4**	—	+100.0%

Inter-segment sales of wafers of approximately 35.0MW and solar cells of approximately 9.4MW amounting to RMB74.2 million and RMB36.5 million have been eliminated in the revenue of the Period, respectively.

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the Period together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2012	2011
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	3	**659,194**	1,076,980
Cost of sales		**(597,217)**	(942,573)
Gross profit		**61,977**	134,407
Other income	4	**20,853**	4,420
Other gains and losses	5	**(3,289)**	(4,133)
Distribution and selling expenses		**(4,210)**	(1,891)
Administrative expenses		**(35,162)**	(17,716)
Finance costs	6	**(41,395)**	(18,383)
(Loss) Profit before taxation	7	**(1,226)**	96,704
Income tax expense	8	**(3,558)**	(10,898)
(Loss) Profit and total comprehensive income for the Period		**(4,784)**	85,806
(Loss) Profit and total comprehensive income attributable to:			
Owners of the Company		**292**	87,212
Non-controlling interests		**(5,076)**	(1,406)
		(4,784)	85,806
		RMB cents	*RMB cents*
Earnings per share – Basic	9	**0.02**	7.45

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2012** *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,449,024**	1,285,558
Prepaid lease payments – non-current		**50,779**	51,340
Deposits for acquisition of property, plant and equipment		**21,834**	30,318
Deposits for acquisition of land use rights		**20,476**	19,060
Deferred tax assets		**11,232**	11,829
		1,553,345	1,398,105
Current assets			
Inventories		**43,315**	74,307
Trade and other receivables	11	**630,941**	525,014
Value-added tax recoverable		**97,462**	112,384
Prepayments to suppliers		**33,095**	10,610
Prepaid lease payments – current		**1,122**	1,122
Pledged bank deposits		—	148,506
Restricted bank deposits		**369,353**	236,075
Bank balances and cash		**54,418**	120,122
		1,229,706	1,228,140
Current liabilities			
Trade and other payables	12	**734,821**	785,982
Customers' deposits received		**12,970**	4,704
Amount due to a director		**10,000**	—
Obligations under finance leases		**26,244**	25,105
Tax payable		**1,995**	2,260
Other financial liabilities		**288**	7,758
Bank and other borrowings		**962,736**	730,187
		1,749,054	1,555,996
Net current liabilities		**(519,348)**	(327,856)
Total assets less current liabilities		**1,033,997**	1,070,249

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012 *RMB'000* (Unaudited)	31 December 2011 *RMB'000* (Audited)
Capital and reserves		
Share capital	**12,892**	12,892
Reserves	**664,295**	664,003
Equity attributable to owners of the Company	**677,187**	676,895
Non-controlling interests	**20,657**	25,733
Total equity	**697,844**	702,628
Non-current liabilities		
Bank and other borrowings	**249,000**	269,000
Obligations under finance leases	**35,382**	48,656
Deferred income	**51,771**	49,965
	336,153	367,621
Total equity and liabilities	**1,033,997**	1,070,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 “Interim Financial Reporting” issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The Group had net current liabilities as at 30 June 2012. The Directors are of the opinion that, taking into account the presently available banking facilities of RMB847,460,000 as at the date of issuance of the condensed consolidated financial statements, and 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

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRS”) issued by the IASB.

Amendments to IFRS 7	Disclosures – Offsetting Financial Assets
Amendments to IAS 12	Deferred tax: Recovery of Underlying Assets

While the application of the above amendments to IFRSs in the current 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, the Directors considers that the application of amendments to IFRS 7 may increase the disclosure requirements for transactions involving transfers of financial assets in its 2012 annual financial statements. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

3. REVENUE AND SEGMENT INFORMATION

The Group mainly operates in manufacturing and sales of solar cells and related products. The chief executive officer, who is also a Director and the chief operating decision maker, regularly reviews revenue analysis by major products and the Group's profit for the period to make decisions about resources allocation and performance assessment. Accordingly, the Group has only one operating and reporting segment for financial reporting purpose. No segment information is presented as no discrete financial information is available for the assessment of performance and resources of the Group's business activities.

Entity-wide disclosures

Revenue analyzed by major products

The Group has been engaged in manufacturing and sales of solar cells, solar modules and related products.

The following table sets forth a breakdown of the Group's revenue for the Period and six months ended 30 June 2011:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Monocrystalline solar cells	**305,660**	1,068,679
Multicrystalline solar cells	**300,084**	8,301
Solar modules	**53,450**	-
	659,194	1,076,980

4. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank interest income	**4,547**	240
Government grants *(Note)*	**10,996**	1,249
Gain on sales of raw and other materials	**4,360**	2,493
Others	**950**	438
	20,853	4,420

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) RMB7,417,000 (six months ended 30 June 2011: RMB625,000) represents incentive received in relation to activities carried out by the Group; (b) RMB2,029,000 (six months ended 30 June 2011: RMB624,000) represents subsidy on acquisition of land use rights and machineries amortized to profit or loss and (c) RMB1,550,000 (six months ended 30 June 2011: nil) represents grants in recognition of the Group's successful listing in the Hong Kong Stock Exchange in year 2011.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Foreign exchange (losses) gains, net	**(3,879)**	957
Release of gain on a sale and leaseback arrangement	**1,165**	—
Change in fair values of foreign currency forward contracts	**(19)**	348
Legal and professional fees *(Note)*	**—**	(5,438)
Others	**(556)**	—
	(3,289)	(4,133)

Note: The amount mainly represented legal and professional expenses incurred for the preparation of the listing of the Shares on the Main Board of Hong Kong Stock Exchange.

6. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on bank borrowings wholly repayable within five years	**24,365**	18,461
Finance charges on factoring of bills receivable	**16,665**	852
Interest on finance leases	**2,816**	—
Total borrowing costs	**43,846**	19,313
Less: amounts capitalized	**(2,451)**	(930)
	41,395	18,383

Borrowing costs capitalized during the Period arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.21% (six months ended 30 June 2011: 6.35%) per annum to expenditure on qualifying assets.

7. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(Loss) Profit before taxation has been arrived at after charging:		
Cost of inventories recognized as expense	**597,217**	942,573
Depreciation of property, plant and equipment	**38,798**	18,524
Research expenses (included in administrative expenses)	**3,072**	1,587

Included in costs of inventories recognized as expense were write-down of inventories to net realizable values of approximately RMB1,738,000 (six months ended 30 June 2011: nil) during the Period.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
PRC Enterprise Income Tax	**2,961**	15,638
Deferred taxation	**597**	(4,740)
	3,558	10,898

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

Pursuant to the relevant laws and regulations in the PRC, Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("Shunfeng Technology") is exempted from PRC enterprise income tax for two years starting from first profit-making year, followed by a 50% reduction for the next three years. As a result, Shunfeng Technology was exempted from enterprise income tax for two years, starting from its first profitable year, which were 2007 and 2008, and was then entitled to a 50% reduction in enterprise income tax for three years thereafter from year 2009 to 2011. Shunfeng Technology was subject to 12.5% tax rate for the year ended 31 December 2011.

On 8 November 2011, Shunfeng Technology obtained "High Technology Enterprise" status for 3 years that entitles Shunfeng Technology a preferential tax rate of 15% until year 2013 according to PRC Tax law. Shunfeng Technology was subject to 15% tax rate for the current period.

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

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**292**	87,212

	Six months ended 30 June	
	2012	2011
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,560,000,000**	1,170,000,000

The number of ordinary shares for the purpose of calculation of 2011 basic earnings per share has been determined based on the 50,000 shares in issued during the six months ended 30 June 2011 and assuming the capitalization issue of 1,169,950,000 shares on 13 July 2011 has been in effect since 1 January 2011.

No diluted earnings per share for the period was presented as no potential ordinary shares outstanding during both periods.

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend (2011: nil).

11. TRADE AND OTHER RECEIVABLES

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Trade receivables	**187,991**	265,267
Bills receivable	**387,140**	210,399
Other receivables and prepayments	**55,810**	49,348
	630,941	525,014

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days to certain trade customers on a case by case basis. The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
0 to 30 days	**79,780**	143,397
31 to 60 days	**38,094**	92,021
61 to 90 days	**60,996**	5,758
91 to 180 days	**9,121**	24,091
	187,991	265,267

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 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
0 to 30 days	**53,631**	41,372
31 to 60 days	**90,958**	8,000
61 to 90 days	**96,594**	145,927
91 to 180 days	**145,957**	15,100
	387,140	210,399

12. TRADE AND OTHER PAYABLES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**170,075**	196,683
Bills payables	**458,224**	450,436
Payables for acquisition of property, plant and equipment	**83,903**	115,253
Other payables and accrued charges	**22,619**	23,610
	734,821	785,982

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**113,582**	139,505
31 to 60 days	**32,664**	39,409
61 to 90 days	**16,204**	12,159
91 to 180 days	**3,382**	5,602
Over 180 days	**4,243**	8
	170,075	196,683

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**56,246**	55,698
31 to 60 days	**73,502**	64,339
61 to 90 days	**64,478**	60,815
91 to 180 days	**263,998**	269,584
	458,224	450,436

CHAIRMAN'S STATEMENT

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.

The continuing uncertainty of economy in the Eurozone and the sluggish recovery of the US economy has adversely affected the solar energy industry. In the current environment, customers have been more cautious and tend to put orders on hold and demand lower prices. The Group recorded a net loss of RMB4.8 million during the Period and our production capacity was approximately 420 MW. Our shipment volume during the Period was approximately 206.1 MW, which represents an increase of 31.9% from 156.2 MW for the corresponding period in 2011. Our shipment volume of solar modules increased to approximately 8.4 MW from zero for the corresponding period in 2011. Even during such unfavourable business environment resulting from the global financial crisis, demand for our products by our customers is still sustainable. We believe this sustainability was attributable to our strong track record of product quality and superior branding.

The "Shunfeng Photovoltaic" brand is synonymous with quality. We maintain the strength of our brand by executing a stringent manufacturing process, tailoring our products to meet our customers' needs and leveraging our extensive track record of superior product quality.

Our Board and management team have confidence in the prospects of the solar energy industry. We believe governments of various countries will continue to invest in solar and other kinds of clean energy with the objective to restore their economies, to create employment opportunities and, at the same time, to establish a low-carbon emission environment.

At present, compared to traditional sources, solar energy is still a relatively high cost method for generating power. However, the cost of generating solar energy (per watt) has reduced substantially since the third quarter of 2011, which is due to the decrease in polysilicon costs, the continuous upgrading of production techniques and the enhancement of operational effectiveness in the industry. This reduction in polysilicon prices has accelerated the industry's progression towards grid-parity and created opportunities for the Group. With our reputation and our stable and well-managed relationships with suppliers and customers, I am confident that the Group has the capability to adapt to the new economic and competitive landscapes in the solar energy industry, and with the support of our Board and management team, I strongly believe that our business will continue to develop in a steady and healthy manner.

Currently, the Group reached a solar cell production capacity of approximately 420 MW during the Period. In order to implement vertical integration to capture additional profit along the value chain and have greater achievement, we invested in the coordinated expansion of our silicon wafer and solar module production to realize the benefits of vertical integration. By the end of the Period, we had reached an annual silicon wafers production capacity of 200 MW installed, of which 66.7 MW has been started for production and solar module production capacity of 60 MW, respectively.

The Group will continue to strive to improve product quality and minimize production cost to further strengthen our competitive advantages. As disclosed in the section headed "Risks relating to our business and industry" of the prospectus dated 30 June 2011 issued by the Company, we must relocate our facilities originally in Xueyan Town, Changzhou City, Jiangsu Province to Wujin Hi-Tech Industrial Zone by no later than 31 December 2012. The relocation is already underway. Upon completion of the relocation, we will be able to fully utilize our facilities in Wujin Hi-Tech Industrial Zone and allocate our resources. At present, the Group is refining its existing business strategies and identifying potential business opportunities proactively with the aim of capturing the enormous opportunities in the upcoming era of clean and economy solar energy, which will enable us to create the greatest reward for our Shareholders.

Lastly, for and on behalf of the Board, I would like to acknowledge the dedications and efforts made by the management team and our staff during the Period and express my gratitude to our Shareholders and business partners for their continued support and trust.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall, the Group's existing business remains challenging and there is no clear visibility amidst the continuing global economic uncertainties. Concerns over global economic uncertainties, in particular the Eurozone debt crisis, have adversely affected the overall demand for solar products as well as the price for the raw materials and solar products.

In long term, however, we believe that once the global economic uncertainties have been cleared, the solar energy industry prospects will remain promising. The reduction in price has accelerated the progression to grid-parity, and governments of various countries have invested heavily into solar and other kinds of clean energy, with the objective of restoring their economies, to create employment opportunities while at the same time establishing a low-emission environment.

With respect to the PV markets on a global level, countries including Germany, Spain and Italy are currently the major end markets. China and the United States, being the top two energy consuming countries in the world, as well as France, Australia and the Middle East being emerging markets with substantial potential in the future. These countries either have policies that offer, or plan to introduce policies that offer substantial incentives in the form of direct subsidies for solar power system installations, or rebates for electricity produced from solar power. These policies would speed up the development of the PV manufacturing industry, as increasing government support for solar power use would drive up demand for solar power.

In addition to the foregoing, the recent economic downturn has also created new opportunities for us. Our customers are beginning to realize the value of buying high-quality solar cells from a reputable and well-established producer with the indispensable strength and stability, like our company, to support their long term development.

Our shipment volume during the Period was 206.1 MW, which was approximately 31.9% higher than that of approximately 156.2 MW for the corresponding period in 2011. This has indicated that even during the first half of 2012 when the solar energy industry and global economy were severely threatened by the financial crisis, we still secured strong demand for our products.

Our top 5 customers during the Period represented approximately 55.7% of our total revenue as compared to approximately 60.1% for the corresponding period in 2011. Our largest customers accounted for approximately 28.5% of our total revenue during the Period while it represented approximately 33.1% for the corresponding period in 2011. These changes were mainly the result of our efforts to optimise the customer base. We believe product quality and cost advantage will be crucial in the upcoming era of solar energy.

We have been able to gradually increase the number of customers, as well as expand our geographic coverage during the Period. In addition to our strong solar module manufacturers customer' base in the PRC, we were able to expand our customer base to include leading solar cell and module manufacturers in other parts of the world.

During the Period, our sales to PRC based customers represented approximately 89.2% of our total revenue, as compared to approximately 97.5% for the corresponding period in 2011. Our sales to overseas customers represented approximately 10.8% of our total revenue during the Period, as compared to approximately 2.5% for the corresponding period in 2011. Our strong track record for product quality, advanced proprietary technology, and efforts to reduce production costs, have contributed to our reputation and thus our success in optimising our customer base. We believe such strategic moves will continue to contribute to a strong and sustainable demand for our products.

Our ability to manufacture high quality monocrystalline solar cells (in terms of industry metrics), reflects on the conversion efficiency and quality of our products. Through utilising our competitive advantages, we strive to maintain our high quality standard in the production of monocrystalline solar cells.

We plan to devote substantial resources in research and development to enhance our manufacturing processes, reduce our production costs, and improve our product quality and performance. We believe these efforts, together with the industry experience of our management team, will enable us to continue to improve production efficiency and enhance product quality. These, we believe, will in turn help to promote our reputation in product innovation within the solar market.

In order to meet the anticipated growth in demand for our solar products, we have reached our solar cell production capacity of approximately 420 MW during the Period. While we plan to maintain our primary focus on solar cells, we also invested in the coordinated expansion of our silicon wafer and solar module production to realize the benefits of vertical integration. By the end of the Period, we had reached an annual silicon wafers production capacity and solar module production capacity of 200 MW installed, of which 66.7 MW has been started for production and 60 MW, respectively.

We intend to introduce a diversified procurement strategy which, once implemented, will involve purchasing from multiple suppliers. The intention of this initiative is to minimize potential disruptions to our operation in the event that any one of our suppliers is unable to satisfy our order in a timely manner. We will adhere to this strategy and diversify our supply source even when a supplier offers wafers at a more competitive unit price than the other suppliers in the market. To ensure a successful implementation of this strategy, we will develop strategic alliances with our key suppliers, continue to maintain existing relationships, and expand our network of suppliers to, among others, emerging suppliers who are able to provide us with high-quality wafers.

Despite the adverse impacts of the global economic downturn, we have successfully taken effective steps to mitigate the relevant risks on our business which resulting from the volatile and difficult economic environment in 2012 and coming future.

Financial Review

Revenue

Revenue decreased by RMB417.8 million, or 38.8%, from RMB1,077.0 million for the corresponding period in 2011 to RMB659.2 million during the Period, primarily as a result of a decrease in the average selling price of our solar products, partially offset by an increase in our sales volume. The decrease in the average selling price of our solar products was generally due to the significant fall in the market prices for solar products, which was caused by the Eurozone debt crisis. The increase in our sales volume was generally due to the increase in customer demand for our multicrystalline solar products. The shipment volume of our solar products increased by 31.9% from 156.2 MW for the corresponding period in 2011 to 206.1 MW during the Period. Inter-segment sales of wafers of approximately 35.0MW and solar cells of approximately 9.4 MW amounting to RMB74.2 million and RMB36.5 million, respectively, have been eliminated in the revenue of the Period.

During the Period, sales of monocrystalline solar cells and multicrystalline solar cells accounted for 46.4% and 45.5%, respectively, of the total revenue, while sales of solar modules accounted for 8.1% of the total revenue. For the six months ended 30 June 2011, sales of monocrystalline solar cells accounted for a substantial part of the total revenue whereas we only derived limited revenue from sales of multicrystalline solar cells. In order to capture the demand for multicrystalline solar cells, we successfully launched the 156 mm by 156 mm multicrystalline solar cells since June 2011.

Sales of 156 mm by 156 mm monocrystalline solar cells

Revenue from sales of 156 mm by 156 mm monocrystalline solar cells decreased by RMB568.0 million, or 67.4%, from RMB842.4 million for the corresponding period in 2011 to RMB274.4 million during the Period, primarily as a result of a decrease in shipment volume by 34.3% from 122.0 MW for the corresponding period in 2011 to 80.2 MW during the Period and a decrease in our average unit price for this product by 50.5% from RMB6.91 per watt for the corresponding period in 2011 to RMB3.42 per watt during the Period.

Sales of 156 mm by 156 mm multicrystalline solar cells

Revenue from sales of 156mm by 156mm multicrystalline solar cells increased by RMB291.8 million, or 35.2 times, from RMB8.3 million for the corresponding period in 2011 to RMB300.1 million during the Period, primarily as a result of an increase in shipment volume by 59.1 times from 1.8 MW in the corresponding period in 2011 to 108.2 MW during the Period.

Sales of 125 mm by 125 mm monocrystalline solar cells

Revenue from sales of 125 mm by 125 mm monocrystalline solar cells decreased by RMB194.9 million, or 86.2%, from RMB226.2 million for the corresponding period in 2011 to RMB31.3 million during the Period, primarily as a result of a decrease in our average unit price for this product by 51.9% from RMB6.97 per watt for the corresponding period in 2011 to RMB3.35 per watt during the Period and a decrease in our shipment volume by 71.3% from 32.4 MW for the corresponding period in 2011 to 9.3 MW during the Period.

Sales of solar modules

Revenue from sales of solar module increased to RMB53.5 million during the Period, primarily due to the success in installing 60 MW production capacity and from receiving the OEM sales orders in the fourth quarter of 2011. Our shipment volume of solar module was 8.4 MW during the Period.

Geographic markets

In terms of geographic markets from which our revenue was generated, approximately 89.2% of the total revenue during the Period was generated from sales to our PRC customers, as compared to 97.5% for the corresponding period in 2011. The remaining portion was generated from the sales to our overseas customers, who are mainly based in certain Asian and European countries.

Cost of sales

Cost of sales decreased by RMB345.4 million, or 36.6%, from RMB942.6 million for the corresponding period in 2011 to RMB597.2 million during the Period, primarily as a result of a decrease in our procurement cost partly offset by the increased in our shipment volume.

Gross profit

Gross profit decreased by RMB72.4 million, or 53.9%, from RMB134.4 million for the corresponding period in 2011 to RMB62.0 million during the Period, primarily as a result of the aforesaid reasons.

Other income

Other income increased by RMB16.4 million, or 371.8%, from RMB4.4 million for the corresponding period in 2011 to RMB20.9 million during the Period, primarily due to an increase in bank interest income, the government grants and gain on sales of raw and other materials.

Other gains and losses

Other gains and losses decreased by RMB0.8 million, or 20.4% from RMB4.1 million for the corresponding period in 2011 to RMB3.3 million during the Period, which was primarily due to an increase in foreign exchange losses, partially offset by the realised gains on foreign currency forward contracts.

Distribution and selling expenses

Distribution and selling expenses increased by RMB2.3 million, or 122.6% from RMB1.9 million for the corresponding period in 2011 to RMB4.2 million during the Period, primarily due to the significant increase in our shipment volume from 156.2 MW for the corresponding period in 2011 to 206.1MW during the Period.

Administrative and general expenses

Administrative and general expenses increased by RMB17.4 million, or 98.5%, from RMB17.7 million for the corresponding period in 2011 to RMB35.2 million during the Period, primarily as a result of the material increase in production capacity and operation scale.

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 and obligations under the finance lease increased by RMB23.0 million, or 125.2%, from RMB18.4 million for the corresponding period in 2011 to RMB41.4 million during the Period, primarily as a result of an increase in the amount of bank loans borrowed.

(Loss) Profit before taxation

Profit before taxation decreased by RMB97.9 million, or 101.3%, from a profit of RMB96.7 million for the corresponding period in 2011 to a loss of RMB1.2 million during the Period, as a result of the reasons stated above.

Income tax expense

Income tax expense decreased from RMB10.9 million for the corresponding period in 2011 to RMB3.6 million during the Period, primarily as a result of the recognition of deferred tax which arose from the asset-related government grants received during the Period.

On 8 November 2011, Shunfeng Technology obtained "High Technology Enterprise" status for 3 years that entitles Shunfeng Technology a preferential tax rate of 15% until year 2013 according to PRC Tax law. Shunfeng Technology was subject to 15% tax rate for the current period.

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

(Loss) Profit for the Period

Net profit decreased by RMB90.6 million, or 105.6%, from a profit of RMB85.8 million for the corresponding period in 2011 to a loss of RMB4.8 million during the Period, as a result of the reasons stated above. Net profit margin decreased from 8.0% for the corresponding period in 2011 to -0.7% during the Period.

Inventory turnover days

The inventories of the Group mainly comprised raw materials, work-in-progress and finished goods. The increase in inventories was mainly due to the expansion in the production capacity of the Group. Included in the balance of the inventories as at 30 June 2012 was a write-down of inventories of RMB1.7 million (31 December 2011: RMB3.6 million), this write-down was mainly due to the continuous fall in the prices of raw material and product selling prices caused by the global economic slowdown. The inventory turnover days as at 30 June 2012 was 18.5 days (31 December 2011: 11.6 days). Unless we received attractive offers from suppliers, the optimal inventory level should be around one month of our sales volume to meet the Group's production requirements.

Trade receivables turnover days

The trade receivables turnover days as at 30 June 2012 was 61.9 days (31 December 2011: 28.8 days). The increase in turnover days was mainly due to the change in the general market environment and even with such increase, the trade receivables turnover days as at 30 June 2012 was still within the credit period (normally 15 to 180 days) which the Group grants to its customers.

Trade payables turnover days

The trade payables turnover days as at 30 June 2012 was 59.3 days (31 December 2011: 23.9 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 and the proceeds from the Global Offering. As at 30 June 2012, the Group's current ratio (current assets divided by current liabilities) was 0.7 (31 December 2011: 0.8) 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 2012, the Group was in a negative net cash position of RMB908.3 million (31 December 2011: RMB610.1 million) which included cash and cash equivalent of RMB54.4 million (31 December 2011: RMB120.1 million) and short-term bank and other borrowings of RMB962.7 million (31 December 2011: RMB730.2 million).

The Group's borrowings were denominated in RMB while its cash and bank balances, restricted bank deposits and pledged bank deposits were denominated in RMB, HKD, Euro and JPY. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increase from 125.1% as at 31 December 2011 to 165.8% as at 30 June 2012.

The Group have budgeted RMB124.7 million for its production capacity expansion, which will be funded by proceeds from the Global Offering, our cash flows from operations and/or bank loans.

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 2011: Nil).

Contingent liabilities and guarantees

As at 30 June 2012, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (31 December 2011: Nil)

Charges on the Group's assets

As at 30 June 2012, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB369.4 million (31 December 2011: RMB384.6 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 RMB35,000,000 (six months ended 30 June 2011:nil), which was unsecured, bearing interest at fixed interest rate of 6.10% per annum and repayable within one year.

Save as disclosed above, as at 30 June 2012 and 31 December 2011, 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 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 by way of arrangement of foreign currency forward contracts and will consider hedging significant foreign currency exposure should the need arise.

Significant investments held and material acquisitions or disposals

There was no significant investment in, and no acquisition or disposal of subsidiaries and associated companies by the Group during the Period.

Human resources

As at 30 June 2012, the Group had 1,418 employees (31 December 2011: 1,107). 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.

Use of net proceeds from the listing

The Shares were listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2011 with net proceeds from the Global Offering of approximately HK$416.4 million (after deducting underwriting commissions and related expenses).

The use of the net proceeds from the Global Offering as at 30 June 2012 was as follows:

Use	**Percentage of net proceeds**	**Amount of net proceeds** *(in HK$ million)*	**Amount utilised** *(in HK$ million)*	**Amount remaining** *(in HK$ million)*
Expansion of solar cell production capacity	45%	187.4	187.4	—
Expansion of silicon wafer production capacity	45%	187.4	71.8	115.6
Expansion of solar module production capacity	8%	33.3	27.0	6.3
Working capital	2%	8.3	8.3	—
	100%	416.4	294.5	121.9

The Directors intend to apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 30 June 2011.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions under the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Listing Rules) for the period from 1 January 2012 to 31 March 2012 and Corporate Governance Code (the new edition of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules) for the period from 1 April 2012 to 30 June 2012 .

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 during the Period with the Directors. The audit committee of the Company considered that the interim financial statements during 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.

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.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.

DEFINITIONS

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

"Board"	Board of directors 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
"Global Offering"	the global offering of 390,000,000 Shares by the Company by way of Hong Kong public offering and international offering on 13 July 2011
"Group"	the Company and its subsidiaries
"HKD", "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
"Period"	six months ended 30 June 2012
"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

By order of the Board of
Shunfeng Photovoltaic International Limited
Tang Guoqiang
Chairman

Jiangsu, the PRC, 27 August 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Tang Guoqiang, Mr. Qian Kaiming, Mr. Shi Jianmin and Mr. Gao Zhan,; and the independent non-executive Directors of the Company are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Ge Ming.