HANERGY THIN FILM POWER GROUP LIMITED
漢能薄膜發電集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 566)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

UNAUDITED INTERIM RESULTS

The board of directors (the "**Board**") of Hanergy Thin Film Power Group Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016 and selected explanatory notes are as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**2,853,914**	3,296,461
Cost of sales		**(1,761,407)**	(1,231,031)
Gross profit		**1,092,507**	2,065,430
Other income and gains		**79,474**	150,665
Selling and distribution expenses		**(156,986)**	(117,258)
Administrative expenses		**(474,807)**	(553,569)
Research and development costs		**(248,263)**	(307,933)
Loss on disposal of a subsidiary	*15*	**(581)**	—
Other expenses		**(14,331)**	(29,035)
Finance costs		**(30,104)**	(24,707)
PROFIT BEFORE TAX	*5*	**246,909**	1,183,593
Income tax expense	*6*	**(2,112)**	(362,758)
PROFIT FOR THE PERIOD		**244,797**	820,835

	Notes	Six months ended 30 June **2017** ***HK$'000*** **(Unaudited)**	2016 *HK$'000* (Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Exchange differences on translation of foreign operations		**208,148**	(133,472)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**208,148**	(133,472)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**452,945**	687,363
Profit for the period attributable to:			
Owners of the parent		**244,812**	820,841
Non-controlling interests		**(15)**	(6)
		244,797	820,835
Total comprehensive income for the period attributable to:			
Owners of the parent		**452,960**	687,369
Non-controlling interests		**(15)**	(6)
		452,945	687,363
		HK Cents **(Unaudited)**	*HK Cents* (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic	*7*	**0.58**	1.97
Diluted	*7*	**0.57**	1.83

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	**30 June 2017** **HK$'000** **(Unaudited)**	31 December 2016 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**619,168**	606,111
Intangible assets		**12,531**	12,685
Deposits paid for the acquisition of items of property, plant and equipment		**29**	28
Restricted cash		**—**	1,878
Other non-current assets		**73,377**	137,685
Total non-current assets		**705,105**	758,387
CURRENT ASSETS			
Inventories		**1,406,170**	1,648,717
Trade receivables	*8*	**6,344,674**	6,813,364
Tax recoverable		**2,664**	2,571
Gross amount due from contract customers	*9*	**2,260,697**	1,547,405
Other receivables	*10*	**1,085,438**	703,550
Bills receivable		**38,525**	11,850
Deposits and prepayments	*11*	**1,457,178**	1,391,403
Restricted cash		**18,975**	36,179
Cash and cash equivalents		**2,521,289**	248,674
		15,135,610	12,403,713
Assets of a disposal group classified as held for sale	*15*	**—**	32,225
Total current assets		**15,135,610**	12,435,938

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,654,524**	1,295,630
Other payables and accruals	*13*	**3,850,147**	2,108,503
Interest-bearing bank and other borrowings		**560,098**	465,880
Tax payable		**901,741**	927,593
Deferred income		**39,922**	51,610
		7,006,432	4,849,216
Liabilities directly associated with the assets classified as held for sale	*15*	**—**	13,850
Total current liabilities		**7,006,432**	4,863,066
NET CURRENT ASSETS		**8,129,178**	7,572,872
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,834,283**	8,331,259
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**401,220**	401,220
Interest-bearing bank and other borrowings		**624,138**	584,755
Other non-current liabilities		**2,258**	4,262
Total non-current liabilities		**1,027,616**	990,237
Net assets		**7,806,667**	7,341,022
EQUITY			
Equity attributable to the owners of the parent			
Issued capital	*14*	**104,647**	104,647
Reserves		**7,701,432**	7,235,772
		7,806,079	7,340,419
Non-controlling interests		**588**	603
Total equity		**7,806,667**	7,341,022

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2016, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under historical cost convention. They are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

For the six months ended 30 June 2017, the Group had a net profit of HK$244,797,000 and the current assets were in excess of the current liabilities of HK$8,129,178,000. Included in the current assets, there were trade receivables, gross amount due from contract customers and other receivables due from Hanergy Holding Group Limited ("**Hanergy Holding**") and its affiliates (collectively "**Hanergy Affiliates**") and prepayments made to Hanergy Affiliates with a total amount of HK$4,971,857,000 (notes 8, 9, 10 and 11) and trade receivables and gross amount due from contract customers from third-party customers with a total amount of HK$3,245,818,000 (notes 8 and 9).

The directors of the Company are considering on monitoring and improving the cash flows of the Group, which included but was not limited to collection of trade receivables due from Hanergy Affiliates and the third-party customers, the expansion to downstream business and the execution of other manufacturing business with individual customers. The directors of the Company, after due and careful enquiries to assess the credibility and the capacity of the Hanergy Affiliates as well as the third-party customers are of the view that the Group is able to meet its liabilities as and when they fall due in the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare these interim condensed consolidated financial statements on a going concern basis.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016. The Group's independent auditors issued a qualified opinion on the Group's consolidated financial statements for the year ended 31 December 2016.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The adoption of new accounting standards and interpretations (which includes all new and revised Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA, collectively the "**HKFRSs**") that are relevant and first effective for the current accounting period of the Group, are summarised as below:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrecognized Losses
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12

Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrecognized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The Group applied the amendments retrospectively. However, its application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements 2014-2016 Cycle Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group has adopted the amendments retrospectively. However, the amendments have no effect on the Group's financial position and performance as the Group has no interest in a subsidiary, a joint venture or an associate that is classified as held for sale.

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined according to the Group's major product and service lines.

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

— manufacture of equipment and turnkey production lines for the manufacture of both amorphous silicon based and Copper Indium Gallium Selenium ("**CIGS**") thin film solar photovoltaic modules and the technological development and production of Gallium Arsenide ("**GaAs**") thin film power turnkey production lines ("**Manufacturing**");

— construction of solar farms, rooftop power stations, household systems, small to medium-sized enterprises ("**SME**") commercial systems etc., and sale of power stations, operation of rooftop power stations, sale of solar photovoltaic panels, application products and electricity, and provision of engineering service ("**Downstream**")

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except for certain of the interest income and head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales is transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six months ended 30 June 2017 (Unaudited)	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Revenue			
Sales to external customers	**1,726,175**	**1,127,739**	**2,853,914**
Segment Results	**565,713**	**(274,595)**	**291,118**
Including:			
Interest income	**631**	**966**	**1,597**
Finance costs	**(27,192)**	**(2,912)**	**(30,104)**
Research and development costs	**(247,758)**	**(505)**	**(248,263)**
Reconciliation of segment results:			
Segment Results			**291,118**
Interest income			**8,670**
Unallocated other income and gains			**51,185**
Corporate and other unallocated expenses			**(104,064)**
Profit before tax			**246,909**

As at 30 June 2017 (Unaudited)	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Assets	**12,560,204**	**5,766,470**	**18,326,674**
Reconciliation:			
Elimination of intersegment receivables			**(2,845,292)**
Corporate and other unallocated assets			**359,333**
Total assets			**15,840,715**
Segment Liabilities	**5,046,284**	**5,368,333**	**10,414,617**
Reconciliation:			
Elimination of intersegment payables			**(2,845,292)**
Deferred tax liabilities			**401,220**
Corporate and other unallocated liabilities			**63,503**
Total liabilities			**8,034,048**

For the six months ended 30 June 2017 (Unaudited)	**Manufacturing** *HK$'000*	**Downstream** *HK$'000*	**Total** *HK$'000*
Other Segment Information			
Depreciation and amortisation	**1,979**	**26,032**	**28,011**
Reconciliation:			
Corporate and other unallocated depreciation and amortisation			**228**
Total depreciation and amortisation			**28,239**
Capital expenditure*	**15,874**	**4,772**	**20,646**
Reconciliation:			
Corporate and other unallocated capital expenditure			**—**
Total capital expenditure			**20,646**

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

For the six months ended 30 June 2016 (Unaudited)	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Revenue			
Sales to external customers	2,585,430	711,031	3,296,461
Segment Results	1,579,164	(307,105)	1,272,059
Including:			
Research and development costs	(307,933)	—	(307,933)
Reconciliation of segment results:			
Segment results			1,272,059
Interest income			6,221
Finance costs			(24,707)
Unallocated other income and gains			9,555
Corporate and other unallocated expenses			(79,535)
Profit before tax			1,183,593

As at 31 December 2016 (Audited)	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Assets	12,930,268	3,031,997	15,962,265
Reconciliation:			
Elimination of intersegment receivables			(2,789,397)
Corporate and other unallocated assets			21,457
Total Assets			13,194,325
Segment Liabilities	3,418,722	4,784,134	8,202,856
Reconciliation:			
Elimination of intersegment payables			(2,789,397)
Deferred tax liabilities			401,220
Corporate and other unallocated liabilities			38,624
Total Liabilities			5,853,303

For the six months ended 30 June 2016 (Unaudited)	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Other Segment Information			
Depreciation and amortisation	236	26,373	26,609
Reconciliation:			
Corporate and other unallocated depreciation and amortisation			1,680
Total depreciation and amortisation			28,289
Capital expenditure*	105,759	24,460	130,219
Reconciliation:			
Corporate and other unallocated capital expenditure			31
Total capital expenditure			130,250

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland China	**2,840,857**	3,254,783
United Kingdom	**1,491**	2,231
United States	**7,431**	19,346
Europe	**3,283**	19,754
Others	**852**	347
	2,853,914	3,296,461

The customers information above is based on the locations to which the goods were delivered or the services were provided.

(b) Non-current assets

	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China	**311,116**	337,077
United States	**360,631**	401,751
Germany	**4,811**	766
Sweden	**5,117**	249
Hong Kong	**714**	963
United Kingdom	**15,058**	14,420
Others	**7,658**	3,161
	705,105	758,387

The non-current assets information above is based on the locations of the assets.

Information about major customers

Revenue of HK$1,062,467,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK$447,376,000) was derived from sales by the Manufacturing segment to Hanergy Affiliates.

Revenue of HK$656,301,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil) was derived from sales by the Manufacturing segment to Jingzhou Shunbai Solar Power Company Limited ("**Jingzhou Shunbai**").

4. REVENUE

Revenue, which is also the Group's turnover, mainly represents an appropriate proportion of contract revenue of construction contracts and the sale of solar power stations, the sale of rooftop power stations, sale of solar photovoltaic panels and photovoltaic application products, electricity and provision of engineering service to customers.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Contract revenue	**1,801,419**	2,566,132
Sales of solar photovoltaic panels	**9,561**	110,420
Sales of rooftop power stations	**1,017,831**	606,907
Sales of photovoltaic application products	**4,657**	2,762
Sales of electricity	**20,446**	3,932
Sales of engineering service	**—**	6,308
	2,853,914	3,296,461

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reversal of impairment of other receivables *(note 10)*	**(11,222)**	(112,095)
Reversal of impairment of inventories	**(3,229)**	—
Reversal of impairment of trade receivables *(note 8)*	**(729)**	—
Loss on disposal of items of property, plant and equipment	**210**	733
Loss on disposal of a subsidiary *(note 15)*	**581**	—
Impairment of trade receivables *(note 8)*	**917**	—
Impairment of prepayment	**1,156**	—
Write-off of other receivables *(note 10)*	**2,217**	—
Write-down of inventories to net realisable value	**23,855**	10,237
Equity-settled share option expenses	**12,700**	20,365
Depreciation of items of property, plant and equipment	**27,560**	26,491
Amortisation of intangible assets	**679**	1,798
Product warranty provision *(note 13)*	**31,065**	—

6. INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
— The PRC		
Income tax expense for the period	**2,112**	275,252
Underprovision in respect of prior years	**—**	24
	2,112	275,276
Deferred tax charge:		
Current period	**—**	87,482
Total tax charge for the period	**2,112**	362,758

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the period		
Profit attributable to owners of the parent, for the purpose of basic and diluted earnings per share calculations	**244,812**	820,841

The Group had share options and subscription rights outstanding which could potentially dilute basic earnings per share in the future but these share options were excluded from the computation of diluted earnings per share for the six months ended 30 June 2017 as their effects would have been anti-dilutive.

	Number of shares Six months ended 30 June **2017** *'000*	2016 *'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**41,859,051**	41,747,101
Effect of dilution — weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	**—**	374,878
Deemed exercise by Hanergy Holding of all outstanding subscription rights	**920,004**	2,782,918
Weighted average number of ordinary shares in issue during the period used in diluted earnings per share calculation	**42,779,055**	44,904,897

8. TRADE RECEIVABLES

	Notes	**30 June 2017** ***HK$'000*** **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Trade receivables:			
— Due from Hanergy Affiliates	*(i)*	**3,273,236**	3,913,807
— Due from third parties	*(ii)*	**3,130,988**	2,957,487
		6,404,224	6,871,294
Less: impairment on amounts due from third parties		**(59,550)**	(57,930)
		6,344,674	6,813,364

Notes:

(i) Trade receivables from Hanergy Affiliates

The balances are mainly related to contracts with Hanergy Affiliates, settled in accordance with the terms of the respective contracts which is generally from 3 to 10 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Based on the invoice date, the ageing analysis of the Group's net trade receivables from Hanergy Affiliates is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**1,024,664**	1,394,950
3 to 6 months	**—**	54,146
6 months to 1 year	**1,461,682**	68,857
More than 1 year	**786,890**	2,395,854
	3,273,236	3,913,807

The ageing analysis of the trade receivables from Hanergy Affiliates that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**428,226**	1,394,950
Less than 3 months past due	**596,438**	—
3-6 months past due	**1,407,185**	54,146
6 months to 1 year past due	**54,497**	68,857
More than 1 year past due	**786,890**	2,395,854
	3,273,236	3,913,807

During this period, Hanergy Affiliates paid HK$76,209,000 down payment of a construction contract and repaid a total of HK$1,692,449,000 (translated from RMB by using the exchange rate at the beginning of March 2017) for the previous construction contracts to the Group.

Trade receivables of HK$786,890,000 as at 30 June 2017 (31 December 2016: HK$2,395,854,000) were past due for more than 1 year. Trade receivables of HK$2,058,120,000 as at 30 June 2017 (31 December 2016: HK$123,003,000) were past due for less than 1 year. Subsequent to 30 June 2017 and up to 25 August 2017 (when the financial statements were approved for issuance), Hanergy Affiliates repaid HK$798,513,000 (translated from RMB by using the respective spot rates at the date of the payments made) to the Group.

Pursuant to the relevant sales contracts, the Group is entitled to claim Hanergy Affiliates interest penalty on the overdue progress payments. Interest penalty is calculated at 0.04% per day of the overdue trade receivables. No interest penalty was recognised due from Hanergy Affiliates for the six months ended 30 June 2017 (six months ended 30 June 2016: nil). The balance of interest penalty recorded in amount due from Hanergy Holding that included in the other receivables was HK$194,394,000 as at 30 June 2017 (31 December 2016: HK$194,394,000). Up to 25 August 2017 (when the financial statements were approved for issuance), Hanergy Holding did not settle any of the interest penalty of HK$194,394,000.

(ii) Trade receivables from third parties

a. Trade receivables from Shandong Macrolink

The balances are mainly related to contracts with Shandong Macrolink, settled in accordance with the terms of the contracts which is generally from 3 to 7 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Based on the invoice date, the ageing analysis of the Group's net trade receivables from Shandong Macrolink is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
6 months to 1 year	—	1,599,964
More than 1 year	**1,814,244**	936,781
	1,814,244	2,536,745

The ageing analysis of the trade receivables from Shandong Macrolink that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
3 to 6 months past due	—	980,186
6 months to 1 year past due	**986,536**	619,778
More than 1 year past due	**827,708**	936,781
	1,814,244	2,536,745

During this period, Shandong Macrolink repaid a total of HK$734,685,000 (translated from RMB by using the respective spot rates at the date of the payments made) to the Group.

Trade receivables of HK$827,708,000 as at 30 June 2017 (31 December 2016: HK$936,781,000) were past due for more than 1 year. Trade receivables of HK$986,536,000 as at 30 June 2017 (31 December 2016: HK$1,599,964,000) were past due for less than 1 year. Subsequent to 30 June 2017 and up to 25 August 2017 (when the financial statements were approved for issuance), Shandong Macrolink did not settle any of the trade receivables of HK$1,814,244,000.

b. Trade receivables from Jingzhou Shunbai

The balances are mainly related to contracts with Jingzhou Shunbai, settled in accordance with the terms of the contracts which is generally 15 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Based on the invoice date, the ageing analysis of the Group's net trade receivables from Jingzhou Shunbai is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**281,420**	—
	281,420	—

The ageing analysis of the trade receivables from Jingzhou Shunbai that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**56,039**	—
Less than 3 months past due	**225,381**	—
	281,420	—

During this period, Jingzhou Shunbai paid HK$120,272,000 down payment of a construction contract to the Group. Subsequent to 30 June 2017 and up to 25 August 2017 (when the financial statements were approved for issuance), Jingzhou Shunbai repaid HK$289,757,000 (translated from RMB by using the respective spot rate at the date of the payment made) to the Group.

c. ***Trade receivables from other third parties***

The credit period is generally one month, extending up to three months for major customers.

Based on the invoice date, the ageing analysis of the Group's net trade receivables from other third parties is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**565,364**	66,549
3 to 6 months	**209,018**	119,537
6 months to 1 year	**160,706**	142,741
More than 1 year	**100,236**	91,915
	1,035,324	420,742
Less: Impairment	**(59,550)**	(57,930)
	975,774	362,812

The ageing analysis of the net trade receivables from other third parties that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**565,364**	65,979
Less than 3 months past due	**209,018**	119,525
3 to 6 months past due	**160,706**	148,555
6 months to 1 year past due	**12,583**	3,601
More than 1 year past due	**28,103**	25,152
	975,774	362,812

The movements of provision for impairment of trade receivables from other third parties are as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January	**57,930**	197,220
Impairment losses recognized *(note 5)*	**917**	18,211
Reversal during the period/year *(note 5)*	**(729)**	(28,830)
Disposal of a subsidiary	**—**	(125,150)
Exchange realignment	**1,432**	(3,521)
At 30 June 2017/31 December 2016	**59,550**	57,930

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$59,550,000 (31 December 2016: HK$57,930,000) with a carrying amount before provision of HK$59,550,000 (31 December 2016: HK$57,930,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and none of the receivables is expected to be recovered.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

9. GROSS AMOUNT DUE FROM CONTRACT CUSTOMERS

The Group's gross amount due from customers for contract work was related to contracts with Hanergy Affiliates, Shandong Macrolink and Jingzhou Shunbai and construction of solar power stations for certain small to medium-sized enterprises ("**SME**"). The movement of gross amount due from contract customers is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January	**1,547,405**	2,930,836
Contract costs incurred plus recognized profits less recognized losses	**2,186,841**	3,280,988
Progress billings	**(1,594,831)**	(4,196,857)
Exchange realignment	**121,282**	(467,562)
At 30 June 2017/31 December 2016	**2,260,697**	1,547,405

As at 30 June 2017, the Group's gross amount due from Hanergy Affiliates, Shandong Macrolink and Jingzhou Shunbai for contract work were HK$1,106,023,000 (31 December 2016: HK$745,928,000), HK$821,835,000 (31 December 2016: HK$796,204,000) and HK$328,319,000 (31 December 2016: nil) respectively.

10. OTHER RECEIVABLES

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Other receivables:		
— Due from Hanergy Holding	**194,858**	194,820
— Due from Hanergy Affiliates	**3,516**	2,621
— Due from third parties	**901,479**	529,032
	1,099,853	726,473
Less: impairment	**(14,415)**	(22,923)
	1,085,438	703,550

The movements in provision for impairment of other receivables are as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January	**22,923**	237,099
Write-off *(note 5)*	**2,217**	—
Reversal during the period/year *(note 5)*	**(11,222)**	(110,188)
Disposal of a subsidiary	**—**	(94,416)
Exchange realignment	**497**	(9,572)
At 30 June 2017/31 December 2016	**14,415**	22,923

Included in the above provision for impairment of other receivables is a provision for individually impaired receivables of HK$14,415,000 (31 December 2016: HK$22,923,000) with a carrying amount before provision of HK$14,415,000 (31 December 2016: HK$22,923,000).

The individually impaired other receivables relate to debtors that were in financial difficulties or were in default in principal payments and none of the receivables is expected to be recovered.

Except for those other receivables already impaired and the interest penalty due from Hanergy Affiliates, the financial assets included in the above balance are related to receivables for which there was no recent history of default and no fixed term of repayment.

11. DEPOSITS AND PREPAYMENTS

		30 June 2017	31 December 2016
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Deposits		**24,856**	47,768
Prepayments paid to:			
— Hanergy Affiliates	*(i)*	**394,224**	405,991
— Third parties		**1,083,895**	981,683
		1,478,119	1,387,674
Less: impairment		**(45,797)**	(44,039)
		1,457,178	1,391,403

Included in the above assets, HK$895,433,000 (31 December 2016: HK$1,100,740,000) of the prepayments has an ageing over 1 year, whereas all the remaining deposits and prepayment have an ageing less than 1 year.

Except for those prepayments already impaired and prepayments paid to Hanergy Affiliates, assets included in the above balance are related to prepayments for certain uncompleted purchase contracts which the Group currently keeps communicating with the suppliers for settlement of these contracts.

Note:

(i) The balances mainly represented the prepayments for the purchase of photovoltaic ("**PV**") modules under the master agreement signed on 11 April 2012. The master agreement was effective for three years from 1 January 2012 to 31 December 2014. During 2013, the Company's subsidiaries entered into several PV module purchase subcontracts ("**Subcontracts**") with Hanergy Affiliates, nominees of Hanergy Holding, to purchase PV modules with a total capacity of 677.9MW for construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract amounts have been paid by the Company's subsidiaries on the placement of the orders in 2013. As of 31 December 2013, a total of 58.5MW PV modules have been delivered by Hanergy Affiliates.

The delay of delivery of the PV modules was mainly due to the production arrangement by Hanergy Affiliates, which has caused the delay in the construction of the photovoltaic power generation projects by the Group. Accordingly, the Group reached mutual agreement with Hanergy Affiliates to return the prepayments of HK$1,262,629,000 before 31 December 2014 in relation to a total capacity of 459.4MW PV modules and terminate these Subcontracts simultaneously.

During 2014, the Company's subsidiaries also entered into several new PV module purchase Subcontracts with Hanergy Affiliates to purchase PV modules with a total capacity of 558MW for construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract amounts have been paid by the Company's subsidiaries on the placement of the orders in 2014.

A total of 28.8MW PV modules have been delivered by Hanergy Affiliates in 2014. As of 31 December 2014, there were a total capacity of 689.2MW PV modules have not been delivered by Hanergy Affiliates.

On 20 January 2015, the Company entered into a supplemental agreement to the 150MW PV modules supply contract signed on 23 December 2013 with Hanergy Holding on the settlement of prepayments made in 2013 by offsetting this with the payables of delivered PV modules under the 150MW PV modules supply contract, and the original total capacity of 150MW was reduced to 80.9MW.

The Company and Hanergy Holding entered into a PV module supply agreement on 30 April 2015 for purchase of PV modules for the year ended 31 December 2015.

During 2015, the Company's subsidiaries aforementioned entered into several new Subcontracts with Hanergy Affiliates under the PV module supply agreement to purchase PV modules with a total capacity of 57.7MW for construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract sum have been paid by the Company's subsidiaries on the placement of the orders in 2015.

A total of 315MW PV modules have been delivered by Hanergy Affiliates in the year 2015. As of 31 December 2015, there are a total capacity of 362.8MW PV modules have not been delivered by Hanergy Affiliates.

During 2016, the Company signed certain new purchase orders with Hanergy Affiliates for a total capacity of 1.2MW PV modules. A total capacity of 136.0MW PV modules have been delivered by Hanergy Affiliates in 2016. As at 31 December 2016, a total capacity of 228.0MW PV modules have not been delivered by Hanergy Affiliates.

During the first half of the year 2017, the Company did not sign any new purchase contracts with Hanergy Affiliates. A total capacity of 16.7MW PV modules has been delivered by Hanergy Affiliates in the first half year of 2017. As of 30 June 2017, a total capacity of 211.3MW PV modules have not been delivered by Hanergy Affiliates.

12. TRADE AND BILLS PAYABLES

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
Trade and bills payables due to:		
— Related parties	**452,629**	409,469
— Third parties	**1,201,895**	886,161
	1,654,524	1,295,630

Based on the invoice date, the ageing analysis of the Group's trade and bills payables is as follows:

	30 June 2017 *HK$'000* **(Unaudited)**	31 December 2016 *HK$'000* (Audited)
0 — 30 days	**223,140**	372,940
31 — 60 days	**381,452**	53,963
61 — 90 days	**17,563**	73,741
Over 90 days	**1,032,369**	794,986
	1,654,524	1,295,630

The trade payables are non-interest-bearing and the credit terms are normally 60 days.

13. OTHER PAYABLES AND ACCRUALS

	Notes	**30 June 2017 *HK$'000* (Unaudited)**	31 December 2016 *HK$'000* (Audited)
Deposits		**5,157**	6,238
Other payables due to:			
— Hanergy Holding	*(i)*	**4,052**	3,931
— Hanergy Affiliates	*(ii)*	**106,556**	98,618
— Third parties		**1,409,483**	984,685
Sub-total		**1,520,091**	1,087,234
Advances from customers	*(iii)*	**1,988,571**	698,705
Accruals	*(iv)*	**288,617**	289,564
Provision for warranties	*(v)*	**47,711**	26,762
		3,850,147	2,108,503

Notes:

(i) Payables to Hanergy Holding represent the advances from Hanergy Holding to the Group for the daily operation purpose. The balances are unsecured, interest-free and repayable on demand.

(ii) The balance included the advances of HK$59,354,000 (31 December 2016: HK$56,558,000) from Hanergy Affiliates to the Group for the daily operation purpose, and the balance of HK$47,202,000 (31 December 2016: HK$42,060,000) payable to Sichuan Hanergy Photovoltaic Limited ("**Sichuan Hanergy**"), Hanergy Holding's affiliate, relating to rental of a production line, office premises, factory premises and staff dormitory, and the usage of relevant equipment, material and facilities, etc. The above balances are unsecured, interest-free and repayable on demand.

(iii) The balance included the advances of HK$382,670,000 (31 December 2016: HK$326,717,000) from distributors to the Group to buy the household rooftop power stations and photovoltaic application products. The balance included the advances of HK$1,180,969,000 (31 December 2016: nil) from third parties to the Group to buy the turnkey production lines.

(iv) The balance included an amount of HK$40,851,000 (31 December 2016: HK$43,930,000) which represented the maximum expense which the Group would be charged on certain current lawsuits.

(v) Provision for warranties

	Product warranties	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January	**26,762**	—
Provided during the period/year *(note 5)*	**31,065**	37,188
Amounts utilised during the period/year	**(10,898)**	(9,544)
Exchange realignment	**782**	(882)
At 30 June 2017/31 December 2016	**47,711**	26,762

The Group provides three to ten years warranties to its customers on certain of its photovoltaic modules, inverter and rooftop power stations, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Saved for those disclosed above, other payables and accruals are non-interest-bearing and normally have no fixed term of settlement.

14. SHARE CAPITAL

Shares

	Number of shares	**Nominal value**
	'000	*HK$'000*
Authorised:		
At 1 January 2016, 31 December 2016 and 30 June 2017 (ordinary shares of HK$0.0025 each)	64,000,000	160,000
Issued and fully paid:		
At 1 January 2016 (ordinary shares of HK$0.0025 each)	41,747,101	104,367
Exercise of share options	111,950	280
At 31 December 2016 and 1 January 2017 (ordinary shares of HK$0.0025 each, audited)	41,859,051	104,647
At 30 June 2017 (ordinary shares of HK$0.0025 each, unaudited)	41,859,051	104,647

The Company did not issue or repurchase any shares during the six months ended 30 June 2017.

15. DISPOSAL OF A SUBSIDIARY

2017

On 15 October 2016, the Company entered into a sale and purchase agreement with an independent third party (the "**Buyer**") to sell all the entire equity interest in Jiangmen Qingyuan New Energy Power Investment Limited ("**Jiangmen Qingyuan**") with a total consideration of RMB28,210,000 (equivalent to approximately HK$31,718,000). Jiangmen Qingyuan was classified as a disposal group held for sale as at 31 December 2016. The transaction was completed in March 2017. The information of Jiangmen Qingyuan was included in the Downstream segment for the six months ended 30 June 2017 and 2016.

The following table summarises the carrying value of net assets of Jiangmen Qingyuan as at the date of disposal:

	HK$'000
Net assets disposal of:	
Property, plant and equipment	28,148
Trade receivables	246
Other receivables	3,869
Prepayments	90
Cash and cash equivalents	—
Other payables and accruals	(54)
	32,299
Loss on disposal of a subsidiary *(note 5)*	(581)
	31,718
Cash received in 2016	20,238
Receivable as at 30 June 2017	11,480
Total consideration	31,718

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	—
Cash and bank balances disposed of	—
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	—

The Buyer paid RMB18,000,000 (equivalent to approximately HK$20,238,000) in October and November 2016 as advance payment for the above disposal. Up to 25 August 2017 (when the financial statements were approved for issuance), the Buyer did not settle any of the remaining consideration of RMB10,210,000 (equivalent to approximately HK$11,480,000).

2016

There was no disposal of a subsidiary during the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODEL

Hanergy Thin Film Power Group Limited is a high-tech energy company listed on The Stock Exchange of Hong Kong Limited. Its principal businesses include (i) the development and sale of high-end thin film solar turnkey production lines for thin film power generation, and (ii) the development, operation and sale of downstream thin film power generation projects and application products.

Since entering the thin film power generation industry in 2009, the Group has been actively investing in and developing the most advanced thin film solar energy technology, and successively acquired a number of leading thin film technology companies overseas. These include Solibro in Germany, MiaSolé, Global Solar Energy and Alta Devices in the U.S.A. These companies have mastered the most advanced Copper Indium Gallium Selenium ("CIGS") and Gallium Arsenide ("GaAs") technologies in the world, and possess research and development capabilities in manufacturing the most advanced equipment and production lines. The Group employs the best professional scientist teams from around the globe (including the U.S.A, Germany, Sweden, as well as Beijing and Sichuan in China), for continuous improvement in the performance of our thin film solar power generation technology, which enables us to supply to our customers advanced turnkey production line solutions.

The Group's businesses include the manufacturing of thin film production lines in the upstream and photovoltaic applications in the downstream. We focus on the manufacturing of integrated photovoltaic power generation systems and the selling of distributed photovoltaic power generation systems. These include the building-integrated photovoltaic ("BIPV") business, the building-attached photovoltaic ("BAPV") business, the residential rooftop power stations for households, the rooftop power stations for industrial and commercial use, the agricultural photovoltaic applications business, power-generating curtain wall, portable photovoltaic products and mobile energy products, etc.

As one of the top thin film corporations in the world, we will continue to maintain our positioning as the most advanced thin film power generation high-tech energy enterprise in the world. We will focus on the delivery of "turnkey solutions" for the manufacturing of high-end equipment and production lines in the upstream, and the provision of "one-stop" solutions for distributed energy and mobile energy by leveraging on our professional knowledge.

By way of the "One Base Two Fronts" strategy, we focus on the provision of "turnkey solutions" for the manufacturing of high-end thin film solar energy equipment and production lines on the left front, and "one-stop" solutions for distributed energy and mobile energy on the right front. We are committed to becoming a leading global supplier of thin film solar energy equipment and photovoltaic application solutions. We believe in changing the world with thin film solar energy and we will work together in contributing to the field of clean energy.

FINANCIAL REVIEW

During the six months ended 30 June 2017, the Group recorded a revenue of HK$2,853,914,000, representing a decrease of approximately 13% as compared with HK$3,296,461,000 in the corresponding period of 2016. Gross profit for the period decreased from HK$2,065,430,000 in the corresponding period last year to HK$1,092,507,000, representing a decrease of approximately 47%. The Group recorded a profit of HK$244,797,000 during the period as compared with a profit of HK$820,835,000 in the corresponding period last year, representing a decrease of approximately 70%.

During the period, the Group's upstream business brought a revenue of over HK$1.7 billion, which was mainly derived from the Shandong Zibo project and Jingzhou project and accounted for 60% of the Group's revenue for the period. For downstream business, the Key Account Business Unit and Channel Sales Business Unit contributed a revenue of over HK$1.1 billion for the Group, which accounted for 40% of the Group's revenue for the period.

During January and March 2017, Shandong Macrolink repaid RMB650 million (equivalent to approximately HK$734,685,000) to the Group. Trade receivables from Shandong Macrolink decreased from HK$2,536,745,000 as at 31 December 2016 to HK$1,814,244,000 as at 30 June 2017 and the trade receivables were all overdue. Gross amount due from contract works amounted to HK$821,835,000, therefore, the total of trade receivables and gross amount due from Shandong Macrolink as at 30 June 2017 amounted to HK$2,636,079,000.

On 20 March 2017, Mr. Li Hejun (the "Guarantor") entered into a deed of guarantee (the "Deed of Guarantee") with the Company, pursuant to which the Guarantor agreed to provide personal guarantee in favour of the Company in respect of the trade receivables (due and not yet due) owed by Hanergy Holding and/or its subsidiaries to the Group, the gross amount due from the contract with Hanergy Affiliates, other receivables and interest penalty due from Hanergy Affiliates (the "Secured Indebtedness"). The Guarantor undertook to procure Hanergy Holding and its subsidiaries to repay the Remaining Secured Indebtedness owed to the Group within 24 months after the resumption of trading in the shares of the Company ("Resumption of Trading").

As at 31 December 2016, the total amount of the Secured Indebtedness amounted to HK$4,857,176,000.

On 10 March 2017, Hanergy Holding and its subsidiaries made the repayment of RMB1.5 billion (equivalent to approximately HK$1,692,449,000, based on the exchange rate at the beginning of March 2017) to the Group. The amount of Secured Indebtedness was reduced from HK$4,857,176,000 to HK$3,164,727,000.

During the period, the Group continued to perform the two sales contracts of automated integrated production lines for CIGS thin film solar modules totalling 600MW with Shandong Zibo Hanergy Thin Film Solar Company Limited (山東淄博漢能薄膜太陽能有限公司), an affiliate of Hanergy Holding, of which 300MW applies MiaSolé technology and the other 300MW applies Solibro technology. For the six months ended 30 June 2017, a revenue of HK$1,062,467,000 was recognised for the two sales contracts which resulted in additional trade receivables and gross amount due from contract customers.

The independent non-executive directors of the Company have made an assessment on the sales contracts and revenue recognition as well as on the credibility and financial capacity of Hanergy Holding and Hanergy Affiliates. They have confirmed that the above connected transactions are carried out under normal course of business of the Company and on normal or better commercial terms, and that the transactions are conducted according to the provisions of the relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The independent non-executive directors of the Company believed the above two sales contracts could bring benefits to the Group and considered that Hanergy Holding and Hanergy Affiliates would be able to repay all of the new trade receivables due to the Group in the future, thus agreed that the revenue generated from the above connected transactions to be recognised in the financial statements of the Company for the six months ended 30 June 2017.

As at 30 June 2017, the total amount due from Hanergy Holding and its affiliates includes:

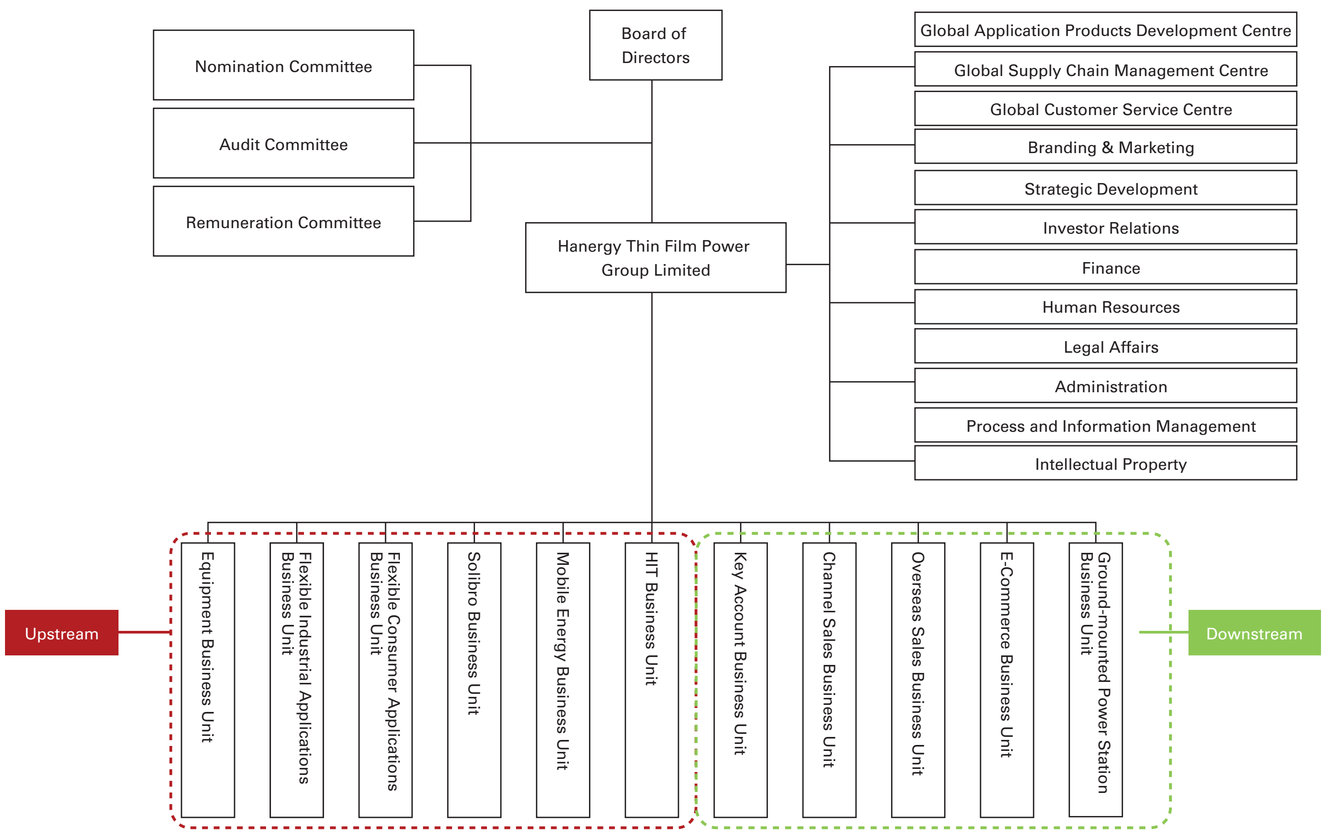
	HK$
Trade receivables:	
— Not overdue	428,226,000
— Overdue	2,845,010,000
Gross amount due from contract customers	1,106,023,000
Interest on overdue trade receivables	194,394,000
Other receivables	3,980,000
Prepayments for the purchase of modules	394,224,000
Total	4,971,857,000

On 28 July 2017 and 16 August 2017, the Group received RMB388,000,000 (equivalent to approximately HK$450,804,000) from Hanergy Holding and its affiliates for the repayment of additional receivables from Shandong Zibo Hanergy Thin Film Solar Company Limited and RMB300,000,000 (equivalent to approximately HK$347,709,000) for the repayment of Secured Indebtedness, respectively. The Group will continue to communicate with Hanergy Holding, with a view to settling all trade receivables and Secured Indebtedness as early as possible.

A. *Organisation Structure:*

The Group carried out an organisational restructuring in 2016 to streamline and strengthen the internal governance and promote the upstream and downstream business development. In the first half of 2017, the Group integrated "Commercial Power Generation Business Unit", "BIPV Business Unit" and "Agricultural Applications Business Unit" into "Key Account Business Unit", and renamed "Household Power Generation Business Unit" as "Channel Sales Business Unit". The organisation structure of the Group as at 30 June 2017 is as follows:

Chart of Organisation Structure of Hanergy Thin Film Power Group Limited



B. *Upstream Manufacturing Business:*

The upstream business of the Group mainly includes the manufacturing and delivery of thin film solar cells production equipment and turnkey production lines, the provision of supporting technical services for the production of various thin film solar modules, as well as the development and design of thin film production lines and thin film solar module technology. The highlights of the Group's upstream business during the period include:

(1) Shandong Zibo Project

Currently, the Group continues to execute connected transactions under the sales contracts of thin film production lines to Hanergy Holding and Hanergy Affiliates, which are mainly related to two sales contracts of automated integrated production lines for CIGS thin film solar modules with a total capacity of 600MW, with Shandong Zibo Hanergy Thin Film Solar Company Limited, an affiliate of Hanergy Holding. For the six months ended 30 June 2017, a revenue of HK$1,062,467,000 was recognised for the two sales contracts.

(2) Jingzhou Project

In May 2017, the Group entered into a contract for the production of agricultural greenhouse modules with a total production capacity of 300MW with Jingzhou Shunbai Solar Power Company Limited for a total contract sum of US$240 million. The purchaser will adopt Hanergy Thin Film Power's production line using silicon-based solar cell module technology in the production of agricultural greenhouse modules.

As at 30 June 2017, the Group has delivered part of the equipment which is at its stage of move-in and installation. Based on the percentage of completion, approximately 39% of the project has been completed. A revenue of approximately HK$656,301,000 was recognised in respect of the contract during the period. An amount of RMB106,003,000 (equivalent to approximately HK$120,272,000) was received during the period.

On 28 July 2017, the purchaser made a further payment of RMB250,000,000 (equivalent to approximately HK$289,757,000) to the Group.

Jingzhou Shunbai Solar Power Company Limited is an independent third party and is a subsidiary wholly owned by Guangdong Shunbai Real Estate Development Co. Ltd. (廣東順佰房地產開發有限公司). The principal activities of Guangdong Shunbai Real Estate Development Co. Ltd. are property investment and development, wholesale and retail of construction equipment and materials, and the development and construction of municipal infrastructure. Since its establishment, Guangdong Shunbai Real Estate Development Co. Ltd. has involved in property investment in a number of provinces, cities and regions in the country, covering places such as Guangdong, Fujian, Jiangxi and Hainan, and has become an integrated large-scale property development enterprise.

(3) Macrolink

As indicated in 2015 and 2016 annual reports, the Group has delivered the equipment for all of 600MW to Shandong Macrolink New Resources Technology Limited and recognised a total revenue of HK$3,960,246,000. In March 2017, Shandong Macrolink repaid HK$734,685,000 to the Group. The Group's total amount due from Shandong Macrolink amounted to HK$2,636,079,000 as at 30 June 2017, which included overdue trade receivables of HK$1,814,244,000 and gross amount due from contract works of HK$821,835,000. The Group will continue to negotiate with Shandong Macrolink over the debt to ensure that Shandong Macrolink can make repayment as soon as possible.

C. Downstream Business:

The downstream business of the Group mainly includes the development, design, integration and sales of thin film solar power generation system and mobile energy application products as well as the provision of related services, including: (i) the sales of power stations for household rooftop power generation system, industrial/commercial rooftop power generation system, BIPV system and photovoltaic agricultural application system; (ii) the sales of mobile energy application products; (iii) the provision of construction, operation and maintenance services for photovoltaic power stations to the customers.

The highlights of the Group's downstream business during the period were as follows:

(1) Key Account Business Unit:

During the period, the Group restructured a few existing business segments into "Key Account Business Unit" in order to create a more efficient sales structure in handling commercial power generation, BIPV, agricultural applications and photovoltaic poverty alleviation projects. These include distributed thin film power generation system, BIPV photovoltaic curtain walls, lighting roofs, photovoltaic shading and other power generation systems, quality agricultural power generation system and government photovoltaic poverty alleviation projects. For the six months ended 30 June 2017, the Key Account Business Unit recorded a revenue of approximately RMB313 million (equivalent to approximately 354 million) through the sales and installation of distributed power generation projects as well as industrial/commercial and agricultural power generation systems. This included approximately RMB296 million (equivalent to approximately 335 million) of revenue from power generation construction work and approximately RMB17 million (equivalent to approximately HK$19 million) of revenue from electricity sales.

Business Highlights:

— **Rooftop Power Station Project at Plantion, a Plant and Flower Auction House in the Netherlands**

A 2.3MW thin film power generation system was installed successfully on the rooftop of Plantion, a plant and flower auction house in Ede in the central Netherlands, which was successfully connected to the grid and commenced power generation during the period. The Group's Solibro modules with a daily power generation capacity of 10,000kWh in summer are used in this project, which is now one of the largest rooftop photovoltaic power station projects in the Netherlands. The grid connection of this solar rooftop project was a successful attempt for the Group in full-range solar energy applications business in the Netherlands. This project was fully recognised by the Chinese embassy in the Netherlands and was listed as model of cooperation between enterprises in China and the Netherlands in the promotion of the use of clean energy.

Rooftop Thin Film Power Generation Project at Plantion, a Plant and Flower Auction House in the Netherlands

— **SPIC Building's BIPV Project (國家電力投資集團公司辦公大樓) at Financial Street, Beijing**

In early 2017, the Group installed its thin film building integrated photovoltaic (BIPV) power generation system at the office building of State Power Investment Corporation ("SPIC's Building") located at Financial Street in Beijing to supply the building with green energy. The total installed capacity of the photovoltaic module curtain wall of SPIC's Building amounted to 170.66KW with an average power generation capacity of 126,900kWh for a useful lifespan of 25 years. It is estimated that photovoltaic power generation and energy saving during the 25-year equipment cycle can generate a total revenue of over RMB23 million. The thin film solar building modules used for this project can generate electricity through effective use of sunlight on the building surfaces. Also, with a light transmission coefficient of only 1/5 of the original glass, this is a huge advantage that can reduce 60% of sunlight radiation and lower the room temperature in the building by 5-8 degrees Celsius, resulting in energy savings and enhanced efficiency. The successful implementation of the project demonstrates once again the Group's leading position in BIPV applications. It also plays a proactive role in testifying and promoting BIPV energy efficient buildings in the future.

SPIC's Building's BIPV Project at Financial Street, Beijing

— **Photovoltaic Agricultural Project in Xundian, Yunnan**

The photovoltaic agricultural project in Xundian, Yunnan is a photovoltaic poverty alleviation cooperative project supported by the Group and Asia Standard International Group Ltd., with a total installed capacity of 1.97MW. It is estimated that the annual power generation capacity will be 2.24 million kWh. The total contract sum of the project is RMB21.8 million (equivalent to approximately HK$24,666,000). According to the contract and the accounting policies of the Company, a revenue of HK$8.72 million was recognised for this project during the period and most of the payment has been received.

Photovoltaic Agricultural Poverty Alleviation Project in Xundian, Yunnan

— **Photovoltaic Poverty Alleviation Projects**

Up to present, the Group has signed contracts for more than 20 photovoltaic poverty alleviation projects through direct sales to major customers with a total contracted amount reaching RMB267 million. Completed poverty alleviation projects include the 5.4MW photovoltaic poverty alleviation power station projects in Zhenxing Township, Jixiang Township and Heli Town of Tangyuan County, with a total contracted amount of RMB40.32 million (equivalent to approximately HK$45,624,000). According to the contract and the accounting policies of the Company, a revenue of HK$28.77 million was recognised for this project during the period.

Photovoltaic Poverty Alleviation Power Station Project in Tangyuan County, figure 1

Photovoltaic Poverty Alleviation Power Station Project in Tangyuan County, figure 2

During the period, the Group and Zhongya Photovoltaic Power Development Company Limited in Pingdingshan City entered into a contract for the Ye County photovoltaic poverty alleviation project with a total capacity of 15MW and a contract amount of RMB120 million (equivalent to approximately HK$135,780,000). The primary site of this project is located in Longquan Township, Ye County, Pingdingshan City, Henan Province and the construction of the project's power station is currently underway at Mozhuang Village. The Project takes each 3,000KW as a milestone for payment settlement. For the completion of construction of every 3,000KW of power station equipped with all the requirements for grid connection, an amount of RMB22.80 million will be collected from the customer. After installation and acceptance, if there is no disagreement with respect to production quality, the customer will be required to pay for the remaining RMB1.20 million which has been reserved as a guarantee for quality. The total installed capacity of the Longquan Township photovoltaic project in Ye County will be 40MW. This 15MW photovoltaic poverty alleviation project is the first part of the Longquan Township photovoltaic project. The construction of the second part of 22MW and the third part of 3MW are expected to commence in the future.

The 15MW Ye County Poverty Alleviation Project

(2) Channel Sales Business Unit

Through Channel Sales Business Unit which engages in the construction of household distributed thin film power generation projects, the Group has unified the coverage of channel distributors and dealers in most of the counties and cities across the nation and established an integrated service system of sales, installation and after-sales services, so as to focus on the small and medium-sized distributed power generation market. This unit provides different thin film power generation solutions to ordinary families, small-sized factories, commercial buildings, agricultural households and villas, so that the public can have easy access to green living. During the period, this business unit recorded a revenue of RMB681 million (equivalent to approximately HK$771 million) through the sales of small and medium-sized household systems and photovoltaic panels.

Business Highlights:

— **Distributor Expansion and Service Improvement:**

By penetrating into markets from villages to big cities in China through an extensive network of distributors, the Group can sell distributed thin film power generation systems to households in the whole country and provide installation and after-sales services to customers. As at 30 June 2017, the Group had over thirteen hundred dealers, and over nine hundred are active dealers. The Group reviews dealer activity regularly and may terminate those dealership if they are found to be inactive. Furthermore, the Group strictly manages its dealers and distributors to ensure that they provide quality services to the end-users.

— **Expansion of Household Distributed Systems:**

To cater for the general public and industrial/commercial applications, the Company has introduced four types of household distributed thin film power generation systems, including 1) the standard product series for ordinary home users; 2) the small scale industrial/commercial product series which make use of idle rooftops of industrial/commercial buildings for small power stations; 3) the solar shed series applicable to sunshades and gazebos; and 4) the Hantile Series power generation modules which take the shape of the arched roof tiles used in traditional Chinese architecture for general roofing. During the period, the number of orders for these household distributed systems exceeded fifty thousand.

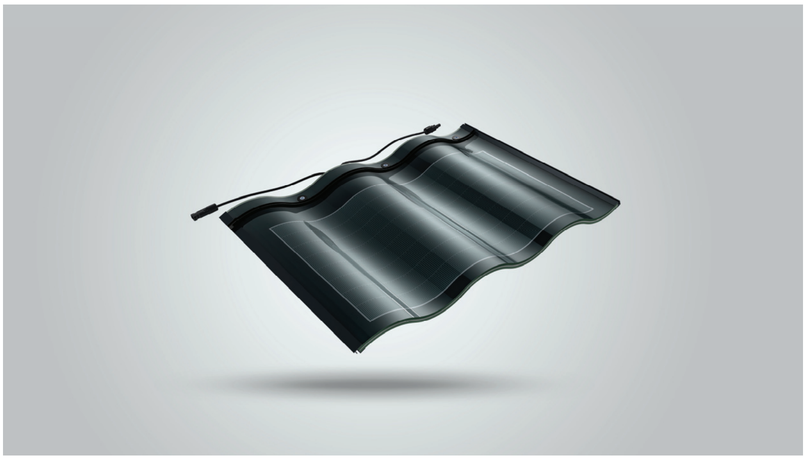
(3) Introduction of Innovative Products and their Applications

Through continuous technological breakthroughs and increasing equipment production capabilities, the Group introduced a number of unique and innovative products and applications during the period to meet the needs of the market. The following are some examples for the Group's innovative products and applications:

— **Hantile**

Hantile represents a new generation of roof tiles combining Hanergy's globally leading flexible thin film solar cell with roof tile, capable of efficient power generation with high safety level, a perfect fit for current aesthetic modern architectural design. The existing household PV systems on the market are all installed on the rooftop. Hantile is a thin film BIPV product representing an upgrade to the traditional distributed rooftop power generation system. It becomes an integral part of a building, breaking the boundaries of traditional photovoltaic applications.

In July 2017, the Group introduced three types of Hantile products, namely the Curved Surface Solar Tile, the Inverted C-shaped Solar Tile and the Second Generation Flat Panel Solar Tile. The conversion rate for these mass-produced cells reaches 17.5%. The curved surface is derived from the arched roof tiles used in traditional Chinese architecture, which matches perfectly with the appearance of the buildings. It demonstrates the Chinese characteristics, fits harmoniously with oriental aesthetic standards and represents the development direction of green architecture.



Hanergy's Triple-Arched Thin Film Solar Hantile

As a building material, the safety performance of Hantile is superior to traditional roof tile and performs better in terms of heat insulation, heat preservation, fire-proof, water-resistant and hail-proof properties. Especially for waterproof performance, Hantile's special three-layer structure waterproof design includes the use of glass material, U-shaped water protection strip and F-shaped card slot which enhances the waterproof performance of the rooftop. In terms of structure, Hantile also has sound windproof, lightning protection and other safety design features. It can generate electricity normally at the temperature from -40 to 85 degree Celcius. Hantile has been granted 3C Certification and passed the real case installation test, meeting relevant industry requirements in terms of product quality and safety.

Hantile is positioned as a middle to high-end product which can be used in the construction of commodity villas, urban and rural public buildings, self-built residences in rural areas, beautiful villages or small towns with characteristics, targeted at various types of customers including real estate developers, local governments and high net worth groups. Meanwhile, Hantile has application advantages in roof renovation such as refurbishment of ageing roofs and altering flat roofs into pitched roofs. As for the sales of Hantile, the Group will apply the model of dealership and implement the channel policy of "one city, one distributor" to provide standardised, systematic and professional "one-stop delivery solutions" comprising consulting, system design, installation, grid connection, training on the use of the product, monitoring of operational data and other services.

The Application of Hantile on the Roof of a Customer's House in Shunyi District, Beijing

— **New Portable Mobile Energy Products**

During the period, the Group introduced a number of portable thin film solar energy products such as a new version of thin film solar power generation paper as well as a more advanced and practical power generation pack, power generation backpack and small off-grid power generation system to meet various market needs. With the growing popularity of portable electronic devices including mobile Internet and smartphones, the market shows great demand for mobile energy usage solutions in the areas such as mobile communications, outdoor sports, tourism, photography, professional scientific research, field operations and emergency rescue. The Group brings flexible thin film solar power generation technology into our living, and introduces new portable thin film solar energy products with better performance, more stable power generation efficiency and appealing design, providing the users with a more portable and satisfactory mobile power usage experience. Based on researches and market needs, the Group will constantly introduce more portable thin film solar energy products to satisfy the needs of the users.

A Display of Hanergy's Portable Thin Film Solar Power Generation Products

D. Connected Transactions with Hanergy Holding Group

The Group has entered into several connected transaction agreements with Hanergy Holding since 2010. All connected transactions are in compliance with the requirements under the Listing Rules, including making necessary disclosure in announcements, circulars and annual reports. As required under the Listing Rules, some of the connected transactions received relevant advices from the independent financial advisor. The Independent Board Committee, after considering the report from the independent financial advisor, gave advices to shareholders. The connected transactions were approved by the shareholders at general meetings.

Currently, the Group continues to execute connected transactions for the sales of thin film production lines to Hanergy Holding and/or its affiliates. For the six months ended 30 June 2017, the Group performed two sales contracts of automated integrated production lines for CIGS thin film solar modules totalling 600MW with Shandong Zibo Hanergy Thin Film Solar Company Limited ("**Shandong Zibo**"), an affiliate of Hanergy Holding, of which 300MW applies MiaSolé technology and the other 300MW applies Solibro technology:

- In January 2016, Apollo Precision (Fujian) Limited ("**Fujian Apollo**") entered into a sales contract of automated integrated production lines for 300MW CIGS thin film solar panels applying MiaSolé technology with Shandong Zibo. And in June 2017, Fujian Apollo entered into a supplemental agreement with Beijing Hanergy Solar Investment Co., Ltd. ("**Beijing Hanergy Solar Investment**"), pursuant to which Beijing Hanergy Solar Investment would complete the uncompleted portion of the sales contract in place of Fujian Apollo. For the six months ended 30 June 2017, after tax income of HK$433,809,000, calculated according to the percentage of completion, was recognised for the contract.

- In April 2017, Beijing Hanergy Solar Investment further entered into a sales contract of automated integrated production lines for 300MW CIGS thin film solar modules applying Solibro technology with Shandong Zibo. For the six months ended 30 June 2017, a prepayment of RMB66,500,000 was received for the contract. An after tax income of HK$628,658,000, calculated according to the percentage of completion, was recognised.

For the six months ended 30 June 2017, an after tax income of HK$1,062,467,000, calculated according to the percentage of completion, was recognised for the two sales contracts.

E. Delivery of Production Lines to Hanergy Holding Group

The Group entered into two master sales contracts with Hanergy Holding for the sale of equipment and turnkey production lines for the manufacture of thin film solar photovoltaic modules to Hanergy Holding in 2010 and 2011, respectively. The table below shows an analysis of the sales capacity committed and contract revenue recognised in the Group's financial statements:

		2010 Sale Contracts	2011 Sale Contracts
1.	Total purchase capacity as stipulated in the sales contracts	**3,000MW**	7,000MW
2.	Purchase capacity of module equipment and production lines committed by Hanergy Holding as at 30/6/2017	**1,600MW**	7,000MW
		HK$'mil	HK$'mil
3.	Total contract sum	**25,800**	61,270
4.	To the extent purchase capacity committed by Hanergy Holding:		
	(i) Contract sum attributed to the purchase capacity committed	**25,800**	61,270
	(ii) Total cumulative down payment made by Hanergy Holding as at 30/6/2017	**1,998**	1,560
	(iii) Contract revenue (net of VAT and relevant taxation) recognized in:		
	Year ended 31/12/2010	**2,310**	0
	Year ended 31/12/2011	**1,446**	1,009
	Year ended 31/12/2012	**0**	2,756
	Year ended 31/12/2013	**0**	3,243
	Period ended 31/12/2014	**3,102**	2,853
	Period ended 31/12/2015	**134**	(68)
	Period ended 31/12/2016	**39**	865
	Period ended 30/6/2017	**628**	434

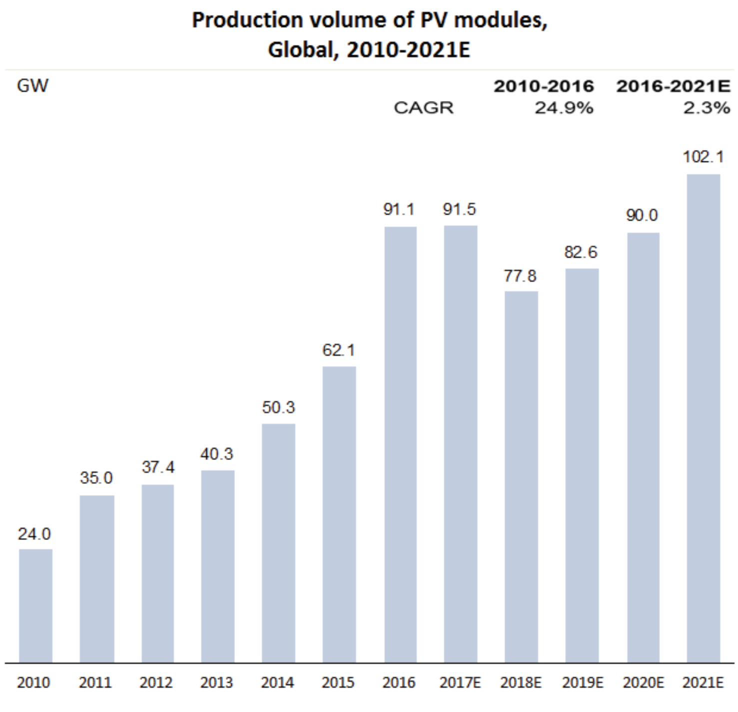
FUTURE OUTLOOK

A. *Global Solar Energy Market*

While the installed capacity of global solar photovoltaic power generation may still continue to increase in 2017, the rate of increase will slow down. The growth in the demand for new photovoltaic power generation installations in China, Japan and the United States, three of the most dominant markets, has been stagnant, despite the expectation that the global demand for installation will continue to grow in 2017. According to Bloomberg New Energy Finance, India and countries in South America and South East Asia may add new momentum to the growth of the global demand in 2017. The total demand will increase to 78.6GW, surpassing the level of 2016.

According to industry reports, the global photovoltaic power generation installation is expected to increase continuously with a compound growth rate of 20.2% from 2016 to 2021, and the increase in installed capacity of photovoltaic power generation will help induce the increase in the production photovoltaic modules. The chart below demonstrates the historical as well as expected production volume of global photovoltaic modules from 2010 to 2021.

Figure 1. Global production volume of PV modules: 2010-2021



Source: China Photovoltaic Industry Association ("CPIA"), China Insights Consultancy

Solar Energy and Photovoltaic Market in China

China continues to lead in the global photovoltaic market, showing stronger growth and better growth potentials. Affected by a number of factors such as the adjustment of electricity prices in the first half of 2017, the scale of photovoltaic power generation market has expanded rapidly. According to the statistics of National Energy Administration of the PRC, the newly added photovoltaic power generation capacity in the first half of the year reached 24.4GW, among which 17.29GW were contributed by photovoltaic power stations, representing a year-on-year decrease of approximately 16%. Around 7.11GW of the capacity were contributed by distributed photovoltaic power stations, representing a year-on-year growth of 2.9 times and a relatively significant growth in its proportion which reached 29%.

As at the end of June 2017, the accumulative installed capacity of the nation's photovoltaic power generation reached 102GW, among which 84.39GW were photovoltaic power stations and 17.43GW were contributed by distributed photovoltaic power stations. As seen from the distribution, the trend is evident that the newly added installations are moving from China's northwestern region to the central and eastern regions. Newly installed capacity in China's eastern region was 8.25GW, increased by 1.5 times year-on-year and accounting for 34% of the national total growth. Newly installed capacity in the central region was 4.23GW, representing a year-on-year growth of approximately 37% and accounting for approximately 17.3% out of the national total growth. Newly installed capacity in the northwestern region was 4.16GW, representing a year-on-year drop of approximately 50%. The development of distributed photovoltaic power generation installations continued to speed up. In the first half of the year, the installed capacity for each of the three provinces Zhejiang, Shandong and Anhui all exceeded 1GW, representing a year-on-year growth of more than 2 times. The new installations of distributed photovoltaic power generation for these three provinces accounted for approximately 54.2% of the nation.

Looking ahead to year 2017, there is still a lot of room for development in the Chinese photovoltaic market, driven by top runner programs, photovoltaic poverty alleviation and distributed PV projects. The "Paris Climate Accord" will also help promote the development of photovoltaic power generation. Under the guidance of the national policy, it is believed that more provinces will accelerate in their development of distributed photovoltaic power generation, and the proportion of distributed power stations will continue to increase rapidly after 2018. The Group will seize the opportunities of photovoltaic poverty alleviation and distributed PV power generation, take the market advantage of a head start in the industry and the technological advantage of the Group's thin film products, and promote a wider application of the thin film power generation products in distributed photovoltaic power generation.

B. Policy Support by the Chinese Government

Thin Film Solar Cell as a Focus of National Strategy

Starting from June 2016, a number of ministries and commissions of the central government, including the State Council and the National Development and Reform Commission of the PRC, successively promulgated a number of documents related to the manufacturing of energy equipment, key products of the strategic emerging industries, the 13th Five-Year Science and Technology Innovation Plan and the development of key new materials for the manufacturing industry, in which CIGS thin film cells, high efficiency GaAs cells, thin film solar cell manufacturing equipment, high efficiency photovoltaic cells, as well as CIGS and GaAs materials were listed as the focus of strategic development. There will be great potentials for our future development, as the manufacturing equipment for thin film solar cells developed by the Group as well as our CIGS and GaAs thin film cells are on the list.

Solar Energy and Renewable Energy in the 13th Five-Year Plan

At the end of 2016, National Energy Administration issued the "13th Five-Year Plan for the Development of Solar Energy" (《太陽能發展十三五規劃》), which pointed out the direction for the future development of solar energy. The plan proposes that by 2020, the rate of photovoltaic power should decrease by 50% based on the level of 2015, with the objective to achieve low-price access to the grid from the user side. This will bring relatively greater pressure on the photovoltaic industry to reduce their costs. On the other hand, the policy also contributes to the long-term healthy development of the industry by allowing the photovoltaic industry to become more market-driven, and promoting the industry to involve in technological innovation which will in turn enhance the efficiency of power generation.

On 5 January 2017, National Energy Administration held a press conference and issued the "13th Five-Year Plan for the Development of Energy" (《能源發展"十三五"規劃》) and the"13th Five-Year Plan for the Development of Renewable Energy" (《可再生能源發展"十三五"規劃》), which pointed out that clean energy will be the main source for the increase in energy supply in the "13th Five-Year Plan". The PRC government will exercise strict control on new coal production capacity, facilitate wind power and photovoltaic development towards eastern and central regions, and establish a trading mechanism of "green certificates" for renewable energy to achieve grid parity in terms of wind power generation and photovoltaic power consumption in 2020. The plan stated that during the "13th Five-Year Plan" period, the consumption of non-fossil energy in China will increase to over 15% of the primary energy consumption in 2020, while the proportion of coal consumption will decrease to under 58% of the primary energy consumption in 2020. To achieve photovoltaic power generation of 105 million KW in 2020, the focus will be placed on distributed photovoltaic development. With a combination of a sound system and electricity tariff reform, the PRC government will strive to promote market-oriented transactions in order to help reduce transaction costs. By making full use of the advantages of distributed photovoltaic, the PRC government's subsidy policy can be implemented sooner, which will in turn encourage different groups of investors to participate fully in distributed photovoltaic investment and construction. Meanwhile, attempts in resources allocation should also be made with respect to marketization, and photovoltaic fore-runner programs should be implemented to promote the products and applications of advanced photovoltaic technologies.

In July 2017, National Energy Administration issued the "Guiding Opinions in Relation to the Implementation of the 13th Five-Year Plan for the Development of Renewable Energy" (《關於可再生能源發展"十三五"規劃實施的指導意見》), which provided guidelines for the local governments, energy regulatory authorities and national power generation companies with respect to strengthening target achievements, monitoring and assessments of renewable energy, laying out development plans, strengthening the implementation of power grid access as well as the conditions for market consumption, promoting technological progress and cost reduction through innovative development, optimizing the construction scale and control mechanism of photovoltaic power generation, exploring the sources of subsidy funds through various means, and strengthening policy support, etc. Further guidance and scopes were also provided for the continuous healthy development of renewable energy.

Active Support of Distributed Photovoltaic Power Generation

China's national and local governments continue to encourage and support distributed power projects. The introduction of policies to support the development of distributed photovoltaic industry fully demonstrates the government's confidence in and long-term support for the development of distributed PV. With the gradual saturation of ground-mounted power stations in China's northwestern region and the maturing of conditions for low-cost PV grid access, it is expected that distributed PV will be at its height of development in the next few years, especially in China's eastern and southern regions where populations are dense. This will facilitate the Group's development in distributed power generation business, and we must seize the opportunity to improve our channels, fully exploit the potentials to increase sales.

C. Continue with the Implementation of the Sales-oriented Strategy of "One Base Two Fronts"

After continuous corporate restructuring and governance improvement, the Group has established a clearer governance structure, more efficient business processes and a customer-oriented sales culture. The Group has adopted the strategic deployment of "One Base Two Fronts", that is, based on the continuous innovation of thin film solar technology, and with "turnkey" solutions for high-end equipment and production lines on the left front, and "One-stop" solutions for distributed energy and mobile energy on the right front, with focus on the upstream business of equipment production lines, and the downstream business of distributed and mobile energy.

The Group's upstream business provides the major customers with integrated "turnkey" solutions for thin film solar equipment and production lines. The downstream business provides customers with "one-stop" services and solutions, which are mainly driven by distributors/channel partners and supplemented by direct sales to major customers. In terms of the manufacturing and delivery of upstream production lines, the Group successfully developed independent third party customers and secured large orders. During the period, part of the delivery has been completed and part of the payment was received. The Group has achieved good results with the downstream photovoltaic applications. The preliminary business model and organization for distributors of household distributed systems in the downstream business are ready. In addition, there has been steady growth in the businesses including industrial and commercial power generation, BIPV, photovoltaic poverty alleviation, agricultural applications. New innovations, cooperation and breakthroughs have also been witnessed in the mobile energy business.

D. Research and Development for New Products and New Applications

Since the end of 2016, the Group's thin film solar energy cells have been used in a number of mobile traffic applications one after another. In places from Equador, South America to China, and with applications from solar energy powered boats to cars, unmanned aerial vehicles and other types of transportation, all have enjoyed green and uninterrupted electricity supplies because of the installation of thin film solar energy cells. Furthermore, in response to market demand, the Group introduced various types of portable mobile energy products such as a new generation of solar energy thin film power generation paper, power generation pack, power generation backpack and small off-grid power generation system to provide users with a more convenient and efficient mobile power usage experience.

In July 2017, the Group introduced Hantile, a brand new product which integrates MiaSolé's high efficiency thin film solar energy cells with glass to form new types of rooftop construction materials, and with these safe and durable tiles, roof-top solar energy power generation can be achieved. These products will be heavily used in the applications for the construction market which have enormous growth potentials. According to the data provided by China Brick and Tile Industry Association, China sold a total of 1.01 billion m^2 of tiles in 2016, and this figure maintains a substantial annual growth rate of approximately 20%.

The Group has developed a systematic product plan, which centers around two main topics — living and travelling. Under these, a total of twelve product categories, including building and construction materials power generation products, consumer type portable power generation products, household power generation systems, flexible industrial rooftop power generation systems, agricultural power generation products, car-top solutions for solar energy powered vehicles, and high-altitude long-endurance unmanned aerial vehicles and satellite applications and other special products have been deployed. We will follow the IPD process to carry out the management of product development life cycle, and gradually develop more products and improvement upgrades for launching to the market.

In the first half of 2017, the Group continued with its undertaking in developing its core business. Efforts were made to explore new sources and carry out costs reduction, to bolster its technological advantage, and to develop new products and new business models. Active explorations were carried out with respect to the localization and mass production of advanced thin film solar technology. The Group continued to implement the customer-oriented corporate culture at all levels of the organization, encourage the channel sales of downstream distributed power generation, and promote business in major photovoltaic applications such as BIPV, industrial and commercial power generation, photovoltaic poverty alleviation and mobile energy. With the arrival of the thin film era and the mobile energy era, the Group will continue to ride on the trend and capture the business opportunity, by introducing the thin film power generation technology and products to the public so that more people will know the technology and use its products.

INTERIM DIVIDEND

The Board does not recommend declaration of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group have interest-bearing bank and other borrowings of HK$1,184,236,000 (31 December 2016: HK$1,050,635,000) while the cash and cash equivalents amounted to approximately HK$2,521,289,000 (31 December 2016: approximately HK$248,674,000).

Gearing ratio (total debt less cash and cash equivalent, tax payable, deferred income, other non-current liabilities and deferred tax liabilities ("**Net Debt**") over equity attributable to the owners of the parent and Net Debt) as at 30 June 2017 was 34.81% (31 December 2016: 36.43%).

TREASURY POLICIES AND EXCHANGE & OTHER EXPOSURES

The Group's monetary transactions and deposits continued to be denominated in US dollars, Renminbi and Hong Kong dollars. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore had not engaged in any hedging activities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

PERSONNEL

The number of employees of the Group as at 30 June 2017 was 3,063 (31 December 2016: 3,162) of whom 497 (31 December 2016: 511) were office administration staff.

Remuneration of employees and directors are determined according to individual performance and the prevailing trends in different areas and reviewed on an annual basis. The Group has also contributed mandatory provident fund retirement funds and provided medical insurance to its employees.

Bonuses are awarded based on individual performance and overall Group performance and are made to certain employees of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the reporting period.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2017 (the "Interim Financial Statements") and discussed internal control and financial reporting matters with senior management relating to the preparation of the Interim Financial Statements.

As at the date of this announcement, the Audit Committee comprises all independent non-executive directors of the Company, namely, Ms. Zhao Lan (Chairperson), Mr. Wang Tongbo, Professor Xu Zheng and Dr. Wang Wenjing.

SUSPENSION OF TRADING IN SHARES

Trading in the Company's shares has been halted with effect from 10:40 a.m. on 20 May 2015.

The Company received a letter from the Securities and Futures Commission ("SFC") dated 15 July 2015 in relation to the Rule 8(1) direction of Stock Market Rules, in which the SFC directed the Stock Exchange to suspend trading in the securities of the Company.

The Company has been communicating with the SFC to seek resumption of trading of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Finally the SFC set out two requirements for a resumption. One requirement is that Mr. Li Hejun ("Mr Li", an executive director and the Chairman of the Company from 15 May 2014 to 20 May 2016) and the four existing independent non-executive directors of the Company agree not to contest liability and the court orders sought by the SFC in the civil proceedings commenced by the SFC under section 214 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") against them ("Section 214 Proceedings"). The other requirement is the publication of a disclosure document by the Company ("Disclosure Document") which will provide detailed information on the Company, its activities, business, assets, liabilities, financial performance and prospects.

On 23 January 2017, the SFC has commenced the Section 214 Proceedings to seek disqualification orders against Mr. Li and the four INEDs. The disqualification orders, if given by the Court, will disallow the five persons from being a director or being involved, directly or indirectly, in the management of any corporation for a certain period in Hong Kong. As at the date of this announcement, Mr. Li Hejun, Hanergy Holding and its subsidiaries, have made the following arrangements for the Secured Indebtedness: (a) Mr. Li promised to procure Hanergy Holding and its subsidiaries to repay the Secured Indebtedness of HK$3,164,727,000 to the Company in accordance with a time schedule within 24 months from the date of the resumption of trading of the Company's shares on the Stock Exchange ("Resumption"); (b) Mr. Li and the Company entered into a deed of guarantee ("Deed of Guarantee"), pursuant to which the guarantor provided a personal guarantee to the Company in respect of the Secured Indebtedness; and (c) by way of first fixed charge, 1,367,000,000 ordinary shares of the Company's issued share capital held by Hanergy Option Limited (the "Securing Party", a company owned by Mr. Li Hejun) were mortgaged and pledged in favour of the Company.

As to the above requirements set out by SFC for resumption, the Company will continue to use its best endeavours to fulfill the requirements and will seek to resume trading of its shares on the Stock Exchange as soon as possible. The Company will make further announcement(s) on the progress of the above-mentioned two requirements at appropriate time(s).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hanergythinfilmpower.com). The interim report of the Company for the six months ended 30 June 2017 will be dispatched to the shareholders of the Company and will be available at the above websites in due course.

By order of the Board
Hanergy Thin Film Power Group Limited
Yuan Yabin
Chairman

Beijing, the PRC, 25 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. Yuan Yabin (Chairman), Dr. Lam Yat Ming Eddie (Vice Chairman), Mr. Wang Xiong (Vice Chairman), Mr. Si Haijian (Chief Executive Officer), Mr. Huang Songchun (Financial Controller), Mr. Xu Xiaohua and Mr. Zhang Bin; and the independent non-executive directors of the Company are Ms. Zhao Lan, Mr. Wang Tongbo, Professor Xu Zheng and Dr. Wang Wenjing.