INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2018 — unaudited

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(103,816)**	100,558
Other comprehensive (loss)/income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Currency translation differences	**(14,965)**	19,479
Total comprehensive (loss)/income for the period, after tax	**(118,781)**	120,037
Attributable to:		
Equity holders of the Company	**(122,245)**	114,778
Non-controlling interests	**3,464**	5,259
Total comprehensive (loss)/income for the period	**(118,781)**	120,037

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

aN

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 18 *Revenue* and HKAS 11 *Construction Contracts*. HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group elected to adopt HKFRS 15 using the modified retrospective method to all contracts that are not completed at the date of initial application. The Group concluded that there was no transitional adjustment made on 1 January 2018 to retained earnings upon initial adoption of HKFRS 15. It is because the Group recognises revenue upon the transfer of significant risks and rewards, which coincides with the fulfilment of performance obligations. Additionally, the Group's contracts with customers generally have only one performance obligation.

The impact on the Group's consolidated statement of financial position as at 1 January 2018 is as follows:

	Under HKAS 18	**Reclassification**	**Under HKFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	–	35,125	35,125
Trade and bills receivables	1,648,608	(35,125)	1,613,483
Contract liabilities	–	43,850	43,850
Other payables and accruals	134,476	(43,850)	90,626

Prior to the adoption of HKFRS 15, the conditional right to receive consideration in exchange for goods or services and the obligation to transfer goods or services were represented in "trade and bills receivables" and "other payables and accruals" in the consolidated statement of financial position, respectively. Upon the adoption of HKFRS 15, the Group reclassified above right and obligation to "contract assets" and "contract liabilities", respectively.

(1) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Financial assets at fair value through other comprehensive income	**Available-for-sale investments**
	RMB'000	*RMB'000*
Closing balance as at 31 December 2017	–	2,430
Reclassification from available-for-sale investments to financial assets at fair value through other comprehensive income	2,430	(2,430)
Re-measurement of financial assets	–	–
Opening balance as at 1 January 2018	2,430	–
	2,430	–

The financial assets of RMB2,430,000 that were previously classified as available-for-sale investments under HKAS 39 have been reclassified as financial assets at fair value through other comprehensive income under HKFRS 9. No gain or loss was recognised in profit or loss.

(2) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under

3. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has identified four reportable segments: (i) the manufacturing of, trading of, and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar

(c) Geographic information

The following table sets out information about the Group's revenue from external customers by geographical location. The geographical location of a customer is based on the location to which the goods were delivered or the services were provided.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	**1,353,740**	1,375,385
Export sales		
— Japan	**330,500**	583,868
— South East Asia	**117,448**	–
— Taiwan	**6,381**	28,700
— America	**–**	610
— Europe	**4,068**	–
— Others	**1,641**	1,398
Sub-total	**460,038**	614,576
Total	**1,813,778**	1,989,961

4. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**10,907**	12,873
Interest income from bank deposits	**2,025**	2,701
Gain on disposal of a subsidiary	**–**	32,520
Gain on previously held equity interest remeasured at acquisition-date fair value	**–**	8,819
Bargain purchase gain on acquisition of a subsidiary	**–**	159
	12,932	57,072
Other (losses)/gains, net		
Net foreign exchange (loss)/gain	**(111)**	4,314
Net (loss)/gain on disposal of property, plant and equipment	**(144)**	1,146
Gain/(loss) from sales of other materials	**2,527**	(7,576)
Others	**(136)**	3,633
	2,136	1,517

5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**89,506**	89,686
Amortisation of lease prepayments	**2,038**	2,070
Depreciation	**104,934**	101,919
Research and development costs	**110,0193**	

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits of the Company's subsidiaries incorporated in Hong Kong for the six months ended 30 June 2018 and 2017. No provision for Hong Kong profits tax has been made as the subsidiaries either did not have any assessable profits subject to Hong Kong profits tax or had accumulated tax losses brought forward from previous years to offset the estimated profits for the period.

The Company and its subsidiaries incorporated in the British Virgin Islands and the Cayman Islands are not subject to any income tax pursuant to the local rules and regulations.

7. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity holders of the Company of RMB107,280,000 (six months ended 30 June 2017: profit of

(a) The ageing analysis of trade and bills payables at the end of the reporting period based on the invoice date is as follows:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Within 1 month	**317,310**	413,868
1 to 3 months	**325,517**	285,633
4 to 6 months	**402,909**	292,278
7 to 12 months	**40,873**	18,226
Over 1 year	**39,297**	45,531
	1,125,906	1,055,536

(b) As at 30 June 2018, the Group's bills payables of RMB33,845,000 (31 December 2017: RMB95,700,000) were secured by Group's bills receivables of RMB16,922,000 (31 December 2017: RMB[illegible]13 Tc 0.125 Tw 1514 0 10 124.6929 475.3 Ai as61MCID 1046 [illegible]

As at the end of 2017, China has completed and exceeded the installation target of solar energy set out in the "13th Five-Year Plan for Solar Energy Development" (《太陽能發展「十三五」規劃》) ahead of schedule. However, in order to accelerate the ripening of photovoltaic grid parity and guide the photovoltaic industry into a more robust development direction, China National Development and Reform Commission (中國國家發展和改革委員會), Ministry of Finance (財政部), National Energy Bureau (國家能源局), jointly issued a "Notice on Matters Related to Photovoltaic Power Generation" in 2018 on 31 May 2018 (referred to as "531 New Policy" below). It guides the market and industry to adjust their development ideas, and changing the key structure of the development of the photovoltaic industry from scale-expansion to quality and efficiency improvement. It also encourages high-end products, promotes technological advancement, reduces power generation costs, lowers dependence on subsidies, and

In the Japanese market, although the Feed-in-Tariff (FIT) subsidy was further lowered on 1 April 2018, the market still expects Japan's newly installed capacity to maintain at 7GW in 2018. The Japanese government's zero-energy residential project "ZEH" is expected to continue to be the main catalyst for growth in the residential solar installation market. ZEH was launched in early 2016 to reduce the energy consumption of residential buildings and enhance its energy efficiency. The target is to have 50% of new residential buildings to be zero-energy housing by 2020. In addition, on 3 July 2018, the Japanese government passed the newly revised "Energy Basic Plan", aiming to position renewable energy sources such as solar energy and wind energy as the main power source, and to raise the proportion of renewable energy generation to total power generation from 22% to 24% by 2030, with the hope that renewable energy will become the mainstream by 2050.

The European market is entering a recovery phase and is expected to boost demand. Minimum Import Price (MIP) policy will end on 30 September 2018, which will make Europe a highly competitive market. In the emerging markets, according to the report of the second quarter of 2018 by EnergyTrend, Australia's demand is expected to boom this year. The Middle East, Morocco and Egypt in North Africa, Mexico and Brazil in South America are also expected to grow considerably this year. According to the GTM Research report, compared with only eight GW-class countries in 2017, there will be 13 countries in the world where the installed capacity of photovoltaics will reach GW-class in 2018, indicating that the demand for global photovoltaic products will increase significantly in emerging markets.

In summary, in addition to the stable demand in the traditional markets, emerging markets continue to develop in scale. Global demand is decentralised. The "One Belt, One Road" international cooperation strategy also promotes the development of emerging markets. This will offset the short-term slide in growth of the Chinese photovoltaic market. The outlook of the global photovoltaic market is still relatively optimistic. The global photovoltaic market installed capacity is expected to continue its steady growth, with an expected newly installed capacity of close to 100GW in 2018.

Operations review

The Group focuses on the vertical integration for photovoltaic monocrystalline products, providing one-stop solutions for the photovoltaic industry ranging from the manufacturing and sales of silicon ingots and wafers, photovoltaic cells and photovoltaic modules, the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants. Apart from not self-manufacturing polysilicon, the scope of its business covers the whole industry chain of photovoltaic industry.

While maintaining its own leading technological advantage in monocrystalline products, and adhering to the vertical integration strategy, through external demand for the Group's downstream modules driving the internal demand of its upstream ingots and wafers, also through establishing and strengthening strategic partnerships, the Group and its partners will be able to leverage their respective strengths and experiences in laying a solid foundation for broader co-operation in the future. For example, particularly in our solar cell segment with a lower internal capacity, under the vertical integration strategy of the Group, the Group has established strong strategic alliances with local and overseas manufacturers, through which the Group's photovoltaic wafers are sold to our strategic partners and the Group in turn purchase solar cells from them. According to our needs, this arrangement provides a stable sales channels for our photovoltaic wafers and a secure source for our solar cells if there is any turbulence in ingots was 206.4MW, representing an increase of 12% compared to 184.5MW in the corresponding period of 2017. External shipment volume of monocrystalline silicon wafers has remained stable at 323.3MW (331.7MW in the corresponding period of 2017). Major customers of external sales included huge state-owned enterprises in China, such as State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC"), TW Solar Group (通威太陽能集團), Motech Industries, Inc. (MOTECH), etc.

In addition, the Group has invested in a project located in Qujing City, Yunnan Province, China in two phases. Each phase consists of 600MW and the total investment will be 1.2GW in two phases. The first phase of 600MW capacity is expected to commence mass production in the second half of 2018. The management believes that there is local suppliers for raw material, polysilicon, required for the project, which will significantly reduce the cost involved in raw material transportation; the local water and electricity costs at the new plant has to be lower than that at our major production base to facilitate the lowering of manufacturing cost of ingots and wafers; strong support from the local government are available, in particular financial support obtained for land, warehouses and a variety of factory facilities, the construction and follow-up operation, in order to improve the operating efficiency of the new plant. The Group expects the Qujing Project will become the new layout point of the Group, and further improve the Group's overall manufacturing costs.

Solar cell business

The Group's production lines of solar cells are located at the Group's manufacturing base in Jinzhou, Liaoning. During the period, the annual production capacity of solar cells was 400MW (31 December 2017: 400MW). Solar cells are mainly provided internally to the downstream module business of the Group. Only a small portion of solar cells with special specifications are sold to our selected customers in China and Japan. The Group's solar cell manufacturing capacity is highly flexible. Our products range is hence extensive, which includes monocrystalline, multicrystalline, P-type high end, N-type double-sided solar cells, etc. Focusing on the implementation of the vertical integration strategy on monocrystalline products, most of the solar cells being main products are mainly provided to the Group's downstream solar modules companies.

Besides, in terms of solar cell production process, in addition to the current mass production capacity of monocrystalline P-type solar cells and the mainstream of the future of monocrystalline N-type solar cells, the Group also possesses the technology

Module business

During the period under review, due to the influence of the aforementioned "531 New Policy" by the Chinese government, the unit price of the modules was irrationally lowered. This led to a decrease in total sales from RMB1,499.41 million in the first half of 2017 to RMB1,360.73 million in the first half of 2018. In terms of shipments, although the "531 New Policy" also caused sudden freezing in short-term market demand, the Group's photovoltaic module shipments maintained an upward trend during the period. The Group's external shipments during the period were 643.3 MW, greater than the 616.5MW external shipments in the corresponding period of 2017. With regard to the planning of module production capacity, the Group has newly added an annual production capacity of 1 GW of module production capacity, which was officially commenced mass-production at the end of the second quarter of 2018, adding that to the existing annual production capacity of 1.2 GW. The total production capacity has reached 2.2 GW.

External sales was mainly made to huge Chinese state-owned enterprises and Japanese multinational composite enterprises, such as CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司) ("CGN"), China Huadian Corporation (中國華電集團公司) ("Huadian"), Beijing Enterprises Holdings Limited (北京控股集團有限公司) ("BEGCL"), SHARP Corporation and SANSHIN ELECTRONICS CO., LTD., etc.

On the other hand, following the increasing awareness of the benefits of higher

Emitter and Rear Cell (PERC), smart photovoltaic modules, and Super Runner Program-related high-end products. Among them, modules of N-type monocrystalline IBC solar cell, which produces higher current output, open circuit voltage, fill factor and other electrical performance advantages, are also expected to start stable large-scale shipment to major overseas customers before the end of 2018. It will become one of the Group's main module products.

In our continuous effort to drive production costs down, the new 1GW addition of high-efficiency module production line was officially commissioned at the end of the second quarter of this year. Adding this to the module production line with an annual production capacity of 1.2GW, the total annual production capacity has reached 2.2GW. Not only will the economies of scale be more distinguished, through commencement of production by the newly added capacity, it enhances the flexibility in scheduling of high-end products. Unit production costs and product yield will also continuously be improved significantly.

In summary, through customer demand for the Group's downstream modules, it has, not only driven the internal demand for the Group's upstream monocrystalline ingots and monocrystalline wafers, it also helps realise the benefits arising from the Group's vertical integration strategy, and better mitigate the market risks arising from fluctuant sales of upstream silicon wafers or unstabngun al ea ea ea eaeuoe5(aeuoe5(aeuoi)0TJE(a)0.5(ei5(

shipments increased from 1,161 MW in the first half of 2017 to 1,207 MW in the first half of 2018, of which total processing volume also increased from 338 MW in 2017 to 361 MW in 2018, which are both higher than the same period last year. However, in terms of sales price, in addition to the goal of accelerating the achievement of a comprehensive grid parity and the drive by the technological improvement and product efficiency each year to achieve lower selling prices, sales prices faces irrational downward pressure due to influence of the "531 New Policy". As such, the Group's revenue amounted to RMB1,813.778 million, representing a decrease of 9% from RMB1,989.961 million for the same period in 2017.

Cost of sales

Up to 30 June 2018, cost of sales decreased from RMB1,684.726 million last year to RMB1,630.694 million, representing a drop of 3%. The main reason was the continuous improvement of the manufacturing technology of each manufacturing cycle, leading to the decrease in per-W production cost.

Gross profit and gross profit margin

During the period, affected by the news of the "531 New Policy", the sudden and rapid freezing of market demand caused the supply side to irrationally cut prices in the short term. However, not only did the price cuts failed to immediately stimulate demand, it even caused deferrals in procurement by the buy side. In addition, the decrease in purchase price of raw and auxiliary materials was not as elastic as in the said price cuts, causing significant inventory provision loss. Affected by the twofold influences, the Group recorded gross profit of RMB183.084 million in the first half of 2018, lower than the RMB305.235 million in the corresponding period of 2017. The Group's overall gross profit was also being compressed. The gross profit margin reduced from 15.3% in the first half of 2017 to 10.1% in the first half of 2018.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. Selling and distribution expenses increased to RMB41.588 million in the first half of 2018 from RMB26.166 million in the first half 2017. The increase in selling and distribution expense was mainly due to the increase in volume of external shipment in 2018 and also customers' special requirements on the deliveries.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses in the first half of 2018 amounted to RMB197.408 million, increased by 27% as compared to RMB155.995 million in the corresponding period of 2017. The increase was mainly due to the continuous enhancement of manufacturing process and existing and new products, which resulted in an increase input in research and development expenses. In turn, it led to an increase in administrative expenses.

Finance costs

Finance costs represented mainly bank loan interests. As the amounts of long-term and short-term financing during the period has been similar to those of last year, the finance costs of RMB64.380 million for the period, similar to the RMB61.901 million of the corresponding period of last year. No material variance was noted.

Income tax

Income tax credit was RMB1.860 million in the first half of 2018, while an income tax expense amounted to RMB4.560 million was recorded in the corresponding period of 2017. Income tax credit recorded in 2018 was mainly due to the recognition of the Group's deferred tax assets.

Profit attributable to the equity holders

For the six months ended 30 June 2018, the Group recorded a loss attributable to the equity shareholders of RMB107.280 million, as compared to a profit attributable to the equity shareholders of RMB95.299 million for the corresponding period of 2017.

Inventory turnover days

In order to replace traditional petrochemical energy in a larger scale and to effectively achieve the ultimate goal of green and clean energy, continuous technological advancement has driven down the prices of photovoltaic products over the years. This led to declining trends in prices of many related raw and auxiliary materials for production and finished products. Hence, in terms of inventory reserve strategy, the Group has been focusing its efforts in raising inventory turnover and lowering the inventory turnover days in order to mitigate the risk of a sudden decline in inventory prices, help reduce committed capital and, at the same time, further strengthen the Group's operation working capital. As a result, the Group's inventory turnover days has been lowered to 44 days during the year (31 December 2017: 58 days).

Trade receivable turnover days

The Group completed the vertical integration of upstream and downstream monocrystalline silicon products. Apart from not producing polysilicon in-house, the scope of the Group's business covers self-production of monocrystalline silicon ingots, monocrystalline silicon wafers, solar cells and solar modules. However, due to the large capacity of upstream products in earlier years, external sales were at the time dominated by monocrystalline silicon wafers. Hence, to get closer to the customer needs of the module end-user market, the capacity of module production gradually increased from 400 MW in 2013 to 2.2 GW by the end of the second quarter of 2018. Under the rapid growth of the capacity of module production, the solar modules sales accounted for over 70% of the Group's overall sales. According to the terms of the industry's general module sales contract, the recovery of module receivable depends on the

Foreign currency risk