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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS HIGHLIGHTS

	2017	2016	% of
	RMB'000	*RMB'000*	Changes
Revenue			
– Solar products manufacturing and sales	**8,249,220**	6,811,875	21.1%
– Solar power generation	**1,320,737**	1,074,624	22.9%
– Solar power plant operation and services	**127,457**	110,026	15.8%
– LED products manufacturing and sales	**320,018**	279,974	14.3%
Total revenue	**10,017,432**	8,276,499	21.0%
Gross profit	**1,577,080**	1,502,056	5.0%
Net loss	**-834,136**	-2,399,395	-65.2%
Adjusted EBITDA*	**1,959,192**	1,682,352	16.5%
Gross profit margin	**15.7%**	18.1%	-13.3%
Basic loss per share	**-RMB19.29 cents**	-RMB49.72 cents	-61.2%
Net cash from operating activities	**1,379,093**	1,183,712	16.5%

* Adjusted EBITDA excluded finance costs, income tax, depreciation, amortisation and impairment loss on property, plant and equipment, goodwill, intangible assets, solar power plants, interests in a joint venture and associates, inventories, trade and other receivables and prepayments to suppliers.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Shunfeng International Clean Energy Limited (the "**Company**"), I am pleased to present the audited results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017.

Never before have we seen a year like 2017, which was full of opportunities and challenges. GTM Research concluded in their annual market research report that 2017 was another record year with new solar installation worldwide exceeding 85GW, and that China, US, India and Japan continued to be the major solar application markets in the world. While an increasing number of emerging countries have started to use solar power as an alternative energy source, China continued to be the most inspiring market for solar power generation with 53GW in new installation in 2017, and thus, further enhancing its leadership role in the global solar power market.

In China, there has been a growing concern over the problem of air pollution, which was aggravated by the widespread regional heavy smog during winter. In an effort to achieve environmental protection, the Central Government of the PRC has set out targets to shift from using coal to natural gas as the energy source for residential heating. With respect to the solar power industry, various levels of the Central Government have collaborated closely to tackle the issue of overcapacity through issuing financial subsidies or non-financial support to companies in the clean energy industries, and as part of the campaign the Government encourages applications of solar energy in local communities. These are the two fundamental bases for future growth in the solar energy industry in China. However, due to budget concerns, the Central Government was constrained in securing sufficient funds for vast application of solar energy. Although the amount of solar energy generated in China decreased by 6% in 2017 and the curtailment on solar energy generation continued to be a major issue in the north-west region of China, the construction of ultra-high voltage transmission lines to connect the west and the east will be the key to solve the issue in the long run.

On the other hand, the situation in the US presents new challenges. The US has officially withdrawn from Accord de Paris which affected the development and the market of the clean energy industry. Earlier this year, the US Trade Office also decided to levy up to 30% tariffs on solar panels imported into the US from China. Given these challenges, it is estimated that the demand from the US market may decrease considerably in the next few years.

BUSINESS REVIEW

With all these changes, the Group has been adapting proactively to leverage business opportunities and minimise risks and dangers that the challenges may have brought about. For the year ended 31 December 2017, the Group recorded a revenue of RMB10,017.4 million, representing an increase of 21.0% from RMB8,276.5 million in 2016. The growth in revenue was mainly attributable to the improved sales of solar products with an increase of 30.6% in the sales volume as compared to 2016, as well as an increase in revenue from solar power generation.

During the Year, the Group continued to optimise solar products manufacturing operation through its subsidiaries in China, and leveraged on strong market growth opportunities, particularly in China. The Group achieved 21.1% growth in revenue for the sale of solar products to external third parties, which amounted to RMB8,249.2 million.

In 2017, the Group maintained the total scale of on-grid solar power plants and continued to maximise solar power generation in spite of the restriction on limiting the use of electricity in the north-west regions throughout the Year. The revenue from the solar power generation reached RMB1,320.7 million during the Year, representing an increase of 22.9% as compared to RMB1,074.6 million in 2016.

The Group also recorded revenues of RMB127.5 million and RMB320.0 million in the Year in its other two segments of plant operation and services, and manufacturing and sales of LED Products, respectively. We have recorded a steady growth in both segments, representing an increase of 15.8% as compared to a revenue of RMB110.0 million in plant operation and service in 2016 and an increase of 14.3% as compared to a revenue of RMB280.0 million in manufacturing and sales of LED Products in 2016, respectively.

FUTURE PROSPECT

Looking ahead, the global clean energy market is navigating into uncharted water, requiring a well-defined strategy and delicate manoeuver of the Group's resources. The next 5 years will be a turning point for the solar PV industry, and we expect to see record amount of additional annual installation for solar PV power, well above wind and hydro power. In China, the solar PV market is driven by continuous technology advancement in cost reduction and unprecedented market dynamics as result of policy changes.

On behalf of the Board, I would like to thank our management team and staff for their dedication and hard work, and our shareholders and business partners for their on-going trust and support. We are committed to our mission of delivering cost-effective, clean energy solutions and services to our customers.

Success is not final, and challenge is not fatal. It is the courage to strive for improvement that continues to count. Therefore we must strive to continue to create high values and bring sound returns to our shareholders.

Mr. Zhang Fubo
Chairman

28 March, 2018

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**10,017,432**	8,276,499
Cost of sales		**(8,440,352)**	(6,774,443)
Gross profit		**1,577,080**	1,502,056
Other income	*5*	**235,851**	151,909
Other gains and losses and other expenses	*6*	**(67,212)**	(1,717,570)
Distribution and selling expenses		**(341,943)**	(377,036)
Administrative expenses		**(613,542)**	(664,949)
Research and development expenditure		**(138,434)**	(177,645)
Share of loss of associates		**(4,185)**	(6,473)
Share of gain (loss) of joint ventures		**8,044**	(82,575)
Finance costs	*7*	**(1,423,292)**	(1,031,825)
Loss before tax	*8*	**(767,633)**	(2,404,108)
Income tax (expense) credit	*9*	**(66,503)**	4,713
Loss for the year		**(834,136)**	(2,399,395)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of associates and joint ventures		**1,591**	22,221
Exchange differences on translating foreign operations		**40,312**	9,387
Other comprehensive income for the year		**41,903**	31,608
Total comprehensive expense for the year		**(792,233)**	(2,367,787)

		Year ended 31 December	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
Loss for the year attributable to:			
Owners of the Company		**(832,050)**	(2,109,843)
Non-controlling interests		**(2,086)**	(289,552)
		(834,136)	(2,399,395)
Total comprehensive expense attributable to:			
Owners of the Company		**(789,730)**	(2,080,982)
Non-controlling interests		**(2,503)**	(286,805)
		(792,233)	(2,367,787)
		RMB cents	*RMB cents*
Loss per share			
– Basic	*10*	**(19.29)**	(49.72)
– Diluted		**(19.29)**	(49.72)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 December 2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**2,831,529**	3,028,112
Solar power plants		**12,226,635**	12,836,210
Prepaid lease payments – non-current		**423,800**	467,067
Goodwill		**6,237**	6,237
Intangible assets		**40,636**	46,357
Interests in associates		**140,377**	153,774
Interests in joint ventures		**13,908**	5,864
Available-for-sale investments – non-current		**3,096**	88,916
Other non-current assets		**997,950**	1,901,679
Deferred tax assets		**213,608**	261,010
Value-added tax recoverable – non-current		**720,000**	–
		17,617,776	18,795,226
Current assets			
Inventories		**792,630**	646,213
Trade and other receivables	*12*	**3,508,054**	3,698,219
Prepaid lease payments – current		**15,701**	16,871
Value-added tax recoverable		**315,155**	1,212,312
Tax recoverable		**3,544**	–
Prepayments to suppliers		**815,172**	554,794
Amounts due from associates		**5,744**	19,953
Amount due from a joint venture		**762**	652
Available-for-sale investments – current		**111,337**	–
Restricted bank deposits		**1,476,381**	2,156,556
Bank balances and cash		**663,686**	912,611
		7,708,166	9,218,181
Current liabilities			
Trade and other payables	*13*	**5,080,326**	5,740,695
Customers' deposits received		**178,184**	167,319
Amount due to a joint venture		**32,426**	10,275
Obligations under finance leases		**45,195**	41,597
Provisions		**1,051,770**	1,013,353
Tax liabilities		**4,553**	9,608
Bank and other borrowings		**5,964,579**	3,010,351
Deferred income		**12,755**	11,505
Derivative financial liabilities		**3,336**	7,733
Convertible bonds		**429,369**	1,165,695
Bond payables		**1,045,061**	–
		13,847,554	11,178,131
Net current liabilities		**(6,139,388)**	(1,959,950)
Total assets less current liabilities		**11,478,388**	16,835,276

	NOTES	As at 31 December **2017** ***RMB'000***	 2016 *RMB'000*
Capital and reserves			
Share capital		**34,876**	34,876
Reserves		**4,006,318**	4,777,715
Equity attributable to owners of the Company		**4,041,194**	4,812,591
Non-controlling interests		**1,313,300**	1,278,691
Total equity		**5,354,494**	6,091,282
Non-current liabilities			
Deferred tax liabilities		**46,759**	46,311
Bank and other borrowings		**4,900,714**	8,414,876
Obligations under finance leases		**66,852**	105,170
Deferred income		**27,897**	52,056
Convertible bonds		**1,081,672**	1,113,486
Bond payables		–	1,012,095
		6,123,894	10,743,994
		11,478,388	16,835,276

1. GENERAL AND BASIS OF PREPARATION

(a) General Information

Shunfeng International Clean Energy Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of Hong Kong Stock Exchange. The addresses of registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong, respectively. The Company and its subsidiaries (together with the Company hereinafter referred to as the "Group") are principally engaged in the business of providing clean energy and low-carbon energy-saving integrated solutions.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

(b) Basis of preparation

The directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group reported as at 31 December 2017 and as of that date, the current liabilities exceeded its current assets by RMB6,139,388,000. In addition, as at 31 December 2017, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB417,657,000 disclosed in note 14 to the consolidated financial statements.

As at 31 December 2017, the available unconditional banking facilities amounted to RMB149,218,000, and the unutilised conditional facilities which was subject to approval on a project-by-project basis amounted to RMB20,000,000,000 ("Conditional Facilities"). The management of the Group has currently commenced negotiation with other banks and financial institutions to obtain additional facilities subsequent to the year ended 31 December 2017. Up to date of this Announcement, the Group has obtained additional conditional facilities totalling RMB1,004,747,000 ("Additional Conditional Facilities"). The directors are confident that the Group would be successful in obtaining approval in respect of the Conditional Facilities and Additional Conditional Facilities. In addition, in respect of the bank and other borrowings and finance lease obligations with respective carrying amount of RMB4,811,122,000 and RMB45,195,000 as at 31 December 2017, which will be matured in the coming next 12 months after the end of the reporting period in accordance with the scheduled repayment date of the borrowing agreements. The management has currently commenced negotiation with the financial institutions and counterparties for renewal of the borrowings or extension of the maturity date. The directors are confident that, for the majority of them, the Group would be able to renew the borrowings or extend their maturity dates. Lastly, in respect of the bank borrowings with the carrying amount of RMB1,153,457,000 as at 31 December 2017, which originally will be matured in year 2029, but currently classified as current liabilities as at 31 December 2017 due to certain financial covenants had been breached, the directors are confident that the banks will not exercise their right to demand immediate repayment from the Group, since the Group has pledged adequate amount of assets as securities for such borrowings. Taking into account the above factors, the directors are of the opinion that, together with the presently available banking facilities, and the internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the consolidated financial statements. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by International Accounting Standards Board (the IASB") for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle

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

Amendments to IAS7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Amendments to IFRSs As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The Group has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The amendments to IAS 28 Investments in Associates and Joint Ventures included in the annual improvements are not yet mandatorily effective and they have not been early applied by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that except for summarised financial information, all other disclosure requirements under IFRS 12 are applicable.

The application of these amendments has had no impact on the Group's consolidated financial statements.

3. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Sales of goods (comprising Solar Products (as defined in note 4) and LED Products (as defined in note 4))	**8,569,238**	7,091,849
Revenue from plant operation and services	**127,457**	110,026
Revenue from solar power generation (comprising sales of electricity and tariff subsidy)	**1,320,737**	1,074,624
	10,017,432	8,276,499

4. SEGMENT INFORMATION

During the year ended 31 December 2017, the Group's reportable and operating segments were presented for the both years as follows:

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

(2) Solar power generation;

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

(4) Manufacturing and sales of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "LED Products").

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Manufacturing and sales of Solar Products		Solar power generation		Plant operation and services		Manufacturing and sales of LED Products		Sub-total		Elimination		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue														
External sales	**8,249,220**	6,811,875	**444,702**	361,233	**127,457**	110,026	**320,018**	279,974	**9,141,397**	7,563,108	**—**	—	**9,141,397**	7,563,108
Tariff subsidy	**—**	—	**876,035**	713,391	**—**	—	**—**	—	**876,035**	713,391	**—**	—	**876,035**	713,391
	8,249,220	6,811,875	**1,320,737**	1,074,624	**127,457**	110,026	**320,018**	279,974	**10,017,432**	8,276,499	**—**	—	**10,017,432**	8,276,499
Inter-segment revenue	**115,573**	873,294	**—**	—	**—**	—	**—**	—	**115,573**	873,294	**(115,573)**	(873,294)	**—**	—
	8,364,793	7,685,169	**1,320,737**	1,074,624	**127,457**	110,026	**320,018**	279,974	**10,133,005**	9,149,793	**(115,573)**	(873,294)	**10,017,432**	8,276,499
Segment profit (loss)	**427,347**	482,128	**336,019**	(247,723)	**(2,305)**	(157,587)	**4,616**	(1,106,111)	**765,677**	(1,029,293)	**—**	—	**765,677**	(1,029,293)
Unallocated income														
— Bank interest income													**13,052**	40,024
— Change in fair value of derivative financial liabilities													**4,397**	350,330
Unallocated expenses														
— Central administration costs													**(73,902)**	(128,129)
— Finance costs													**(1,423,292)**	(1,031,825)
Financial guarantee expenses provided for a joint venture													**(50,849)**	(228,250)
Share of loss of associates													**(4,185)**	(6,473)
Impairment loss on interests in associates													**—**	(18,944)
Share of gain (loss) of joint ventures													**8,044**	(82,575)
Impairment loss on interest in a joint venture													**—**	(259,888)
Other expenses													**(6,575)**	(9,085)
Loss before tax													**(767,633)**	(2,404,108)

Amounts included in the measure of segment profit (loss):

	Manufacturing and sales of Solar Products		Solar power generation		Plant operation and services		Manufacturing and sales of LED Products		Sub-total		Elimination		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Impairment loss on solar power plants	**—**	—	**(15,509)**	(221,540)	**—**	—	**—**	—	**(15,509)**	(221,540)	**—**	—	**(15,509)**	(221,540)
Recognition of doubtful debts for trade and other receivables, net	**(40,468)**	(51,369)	**(74,477)**	(199,000)	**—**	—	**(14,594)**	(143,840)	**(129,539)**	(394,209)	**—**	—	**(129,539)**	(394,209)
Impairment loss on property, plant and equipment	**—**	(4,004)	**—**	—	**—**	—	**—**	(244,891)	**—**	(248,895)	**—**	—	**—**	(248,895)
Impairment loss on goodwill	**—**	—	**—**	—	**—**	(107,856)	**—**	(412,171)	**—**	(520,027)	**—**	—	**—**	(520,027)
Impairment loss on intangible assets	**—**	—	**—**	—	**—**	(35,623)	**—**	(160,864)	**—**	(196,487)	**—**	—	**—**	(196,487)
Impairment loss on prepayment to suppliers	**—**	—	**—**	—	**—**	—	**—**	(6,790)	**—**	(6,790)	**—**	—	**—**	(6,790)
Write-down of inventory	**(4,450)**	(7,165)	**—**	—	**—**	—	**(25,447)**	—	**(29,897)**	(7,165)	**—**	—	**(29,897)**	(7,165)

Other Information:

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of bank interest income, change in fair value of derivative financial liabilities, central administration cost, finance costs, financial guarantee expenses provided for a joint venture, share of results of associates and joint ventures, impairment loss on interests in associates and a joint venture, and other expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

	2017	2016
	RMB'000	*RMB'000*
Segment assets		
Manufacturing and sales of Solar Products	**6,905,972**	7,296,613
Solar power generation	**15,393,314**	16,841,321
Plant operation and services	**49,934**	49,312
Manufacturing and sales of LED Products	**561,431**	487,835
Total segment assets	**22,910,651**	24,675,081
Other unallocated assets (note i)	**2,415,291**	3,338,326
Consolidated assets	**25,325,942**	28,013,407
Segment liabilities		
Manufacturing and sales of Solar Products	**6,809,205**	6,861,411
Solar power generation	**9,827,221**	11,019,166
Plant operation and services	**48,747**	47,294
Manufacturing and sales of LED Products	**318,168**	309,953
Total segment liabilities	**17,003,341**	18,237,824
Other unallocated liabilities (note ii)	**2,968,107**	3,684,301
Consolidated liabilities	**19,971,448**	21,922,125

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

(i) All assets are allocated to operating segments other than bank balances and cash, restricted bank deposits, available-for-sale investments, interests in associates, interests in joint ventures and amounts due from associates, amount due from a joint venture; and

(ii) All liabilities are allocated to operating segments other than obligations under finance leases, liability component of the Group's convertible bonds, financial guarantee provision for a joint venture, derivative financial liabilities, amount due to a joint venture and bonds payable liable for centralised financing of the Group.

Entity-wide disclosures

Revenue analysed by major products

The following table sets forth a breakdown of the Group's revenue for the years ended 31 December 2017 and 2016:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Sales of solar wafers	**21,936**	62,488
Sales of solar cells	**2,011,181**	2,490,233
Sales of solar modules	**5,916,655**	4,131,357
Sales of PV systems	**269,302**	100,073
Other solar products	**30,146**	27,724
	8,249,220	6,811,875
Sales of electricity	**444,702**	361,233
Tariff subsidy (note)	**876,035**	713,391
	1,320,737	1,074,624
Plant operation and services	**127,457**	110,026
Sales of LED Products	**320,018**	279,974
Total	**10,017,432**	8,276,499

Note: The amount represents the tariff subsidy which is approximately 36% to 84% (2016: 54% to 84%) of the total electricity sales in the PRC. The amount is subject to the allocation of funds by the relevant government authorities and is determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

5. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank interest income	**13,052**	40,024
Gain from change in fair value of available-for-sale investments	**7,278**	–
Interest income arising from advances to independent third parties	**44,265**	3,156
Government grants (notes i)	**140,438**	99,278
Gain on sales of raw and other materials	**22,900**	5,811
Technical advisory income (note ii)	**7,788**	3,097
Others	**130**	543
	235,851	151,909

Notes:

(i) The government grants represent the amount received from the local government by the PRC operating entities of the Group. Government grants of approximately (a) RMB126,318,000 (2016: RMB86,384,000) represents unconditional incentive received and recognised, in relation to activities carried out by the Group and (b) RMB14,120,000 (2016: RMB12,894,000) represents subsidy on acquisition of land use rights and machineries amortised to profit or loss.

(ii) Technical advisory income represents the consultancy and advisory service on the design and implementation of the development of solar power plants provided to independent third parties.

6. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Other gains and losses		
Gain on change in fair value of derivative financial liabilities (note iii)	**4,397**	350,330
Gain on disposal of subsidiaries	**10,878**	41,023
Gain on disposal of available-for-sale investments	**—**	23,445
Gain on disposal of associates	**340**	—
Impairment loss on interest in a joint venture	**—**	(259,888)
Impairment loss on solar power plants	**(15,509)**	(221,540)
Recognition of doubtful debts for trade and other receivables, net (note i)	**(129,539)**	(394,209)
Net foreign exchange gain (loss)	**35,264**	(34,945)
Impairment loss on property, plant and equipment	**—**	(248,895)
Loss on disposal of property, plant and equipment	**(11,948)**	(14,601)
Net gain on Compensation Arrangement	**14,787**	—
Impairment loss on goodwill	**—**	(520,027)
Impairment loss on intangible assets	**—**	(196,487)
Impairment loss on interests in associates	**—**	(18,944)
Impairment loss on prepayment to suppliers	**—**	(6,790)
Provision of financial guarantee expense	**(51,469)**	(228,250)
Gain on release of financial guarantee contracts	**36,651**	—
Loss on write-off of intangible assets	**(2,430)**	—
Loss on write-off of solar power plants	**(6,165)**	—
Gain on derecognition of other payable upon deregistration of a subsidiary (note ii)	**40,302**	—
Others	**13,804**	21,293
	(60,637)	(1,708,485)
Other expenses		
Provision on legal claims, net	**(6,575)**	(9,085)
	(67,212)	(1,717,570)

Notes:

(i) Included in the amounts was a gain on reversal of bad debts previously written off amounting to RMB14,389,000 for Wuxi Suntech Group (2016: RMB13,670,000 for Wuxi Suntech Group and Lattice Power Group). On the date of acquisition of Wuxi Suntech Group and Lattice Power Group, these receivables due from certain independent third parties amounting to RMB704,368,000 and RMB54,894,000 respectively were regarded as unrecoverable and fully written off at initial recognition. Nevertheless, the management and lawyers of the Group have made relentless efforts to collect the above impaired bad debts subsequent to the acquisition. During the year ended 31 December 2017, RMB14,389,000 for Wuxi Suntech Group (2016: RMB13,670,000 for Wuxi Suntech Group and Lattice Power Group) in respect of these impaired bad debts prior to the Group's acquisition were collected in the form of cash, resulting in the reversal of doubtful debts.

(ii) The amount represented the environment protection expense previously provided in respect of a subsidiary, which was previously engaged in the research and development of chemical products and became inactive in recent years. The amount has been fully reversed, after obtaining approval from the relevant government authority that such subsidiary was not subject to any such payment, upon its deregistration completed during the year ended 31 December 2017.

(iii) Amount for the year ended 31 December 2017 included only the gain of change in fair value in respect of the warrants liabilities arising from previous acquisition of Lattice Power Group of RMB4,397,000 (2016: RMB254,929,000), which such for the year ended 31 December 2016 also included the gain from the derivative instrument arising from the previous acquisition of Suniva of RMB95,401,000, representing the Total Consideration Shares to be issued arising from the Adjustment Mechanism.

On 11 March 2016, a total number of 123,138,889 new ordinary shares of the Company were allotted and issued by the Company in respect of the Total Consideration Shares. The fair value of the ordinary shares of the Company, determined using the market price as published by the Hong Kong Stock Exchange on 11 March 2016, amounted to HKD1.52 (equivalent to RMB1.27) each, totalling HKD187,171,000 (equivalent to RMB156,476,000). Upon the issue of total consideration shares on 11 March 2016, gain on changes in fair value of RMB95,401,000 during the year ended 31 December 2016 was recognised in "other gains and losses and other expenses" while the corresponding share capital and share premium was credited by RMB1,030,000 and RMB155,446,000, totalling RMB156,476,000 accordingly.

7. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**896,883**	777,525
Finance charges on discounting of bills receivable	**1,437**	6,586
Interest on finance leases	**10,972**	14,198
Effective interest on convertible bonds	**444,178**	407,445
Effective interest on bonds payable	**88,187**	58,446
Interest on consideration received in advance in respect of the termination of the 2015 Proposed Disposal	**19,662**	44,463
Total borrowing costs	**1,461,319**	1,308,663
Less: amounts capitalised	**(38,027)**	(276,838)
	1,423,292	1,031,825

8. LOSS BEFORE TAX

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Loss before tax has been arrived at after charging:		
Directors' remuneration	**8,102**	9,886
Other staff costs	**644,117**	645,493
Other staff's retirement benefits scheme contributions	**53,791**	54,124
Share-based payment expenses in relation to the share option scheme of Lattice Power Group	**57,695**	58,379
Less: amount capitalised	**—**	—
Total staff costs	**763,705**	767,882
Capitalised in inventories	**(35,189)**	(35,628)
	728,516	732,254
Auditor's remuneration	**9,955**	18,498
Warranty provided (included in cost of sales)	**55,528**	44,960
Cost of inventories recognised as expense (note)	**7,694,024**	6,153,575
Release of prepaid lease payments	**19,036**	20,847
Operating lease rentals in respect of rented premises	**23,387**	27,014
Depreciation of property, plant and equipment	**411,206**	482,007
Depreciation of completed solar power plants	**690,800**	575,908
Amortisation of intangible assets	**7,546**	19,521
Total depreciation and amortisation	**1,109,552**	1,077,436
Capitalised in inventories	**(37,983)**	(37,590)
	1,071,569	1,039,846

Note: Included in cost of inventories recognised as expense were write-down of inventories to net realisable values of approximately RMB29,897,000 (2016: RMB7,165,000).

9. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**19,988**	40,241
Other jurisdictions	**4,665**	607
	24,653	40,848
Over provision in prior year:		
PRC Enterprise Income Tax	**(2,843)**	(1,805)
	21,810	39,043
Deferred tax expense (credit)	**44,693**	(43,756)
Income tax expense (credit)	**66,503**	(4,713)

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

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

On 17 November 2017, Jiangsu Shunfeng and certain subsidiaries of the Wuxi Suntech Group renewed the "High Technology Enterprise" status for 3 years that entitles them a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to PRC Tax law.

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

For those subsidiaries of the Company located in Japan, the corporate tax rate is 30.86%. Certain subsidiaries of the S.A.G. Interests were located in Switzerland, Austria, Germany and Czech Republic, of which the corporate tax rate is approximately 23%, 25%, 30% and 20%, respectively.

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

10. LOSS PER SHARE — BASIC AND DILUTED

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(832,050)**	(2,109,843)
Effect of dilutive potential ordinary shares: Interest on convertible bonds (note)	**—**	—
Loss for the purposes of diluted loss per share	**(832,050)**	(2,109,843)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,314,151,191**	4,243,778,563
Effect of dilutive potential ordinary shares: — convertible bonds (note)	**—**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**4,314,151,191**	4,243,778,563

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

11. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2016 and 2017, nor has any dividend been proposed since the end of the reporting period for 2017 and 2016.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**1,649,041**	1,376,710
Less: Allowance for doubtful debts	**(229,300)**	(157,804)
	1,419,741	1,218,906
Accrued revenue on tariff subsidy	**1,178,427**	1,244,513
Total trade receivables and accrued revenue on tariff subsidy	**2,598,168**	2,463,419
Bills receivables	**224,900**	131,973
	2,823,068	2,595,392
Other receivables		
Prepaid expenses	**49,425**	29,790
Retention receivables	**15,518**	21,495
Amounts due from independent third parties (note i)	**438,109**	336,746
Consideration receivable for disposal of available-for-sale investments	**—**	11,000
Consideration receivable for disposal of subsidiaries	**43,388**	255,772
Amounts due from disposed subsidiaries (note ii)	**40,990**	386,782
Government subsidy receivable arising from the sales of LED Products (note iii)	**62,153**	—
Others (note iv)	**35,403**	61,242
	684,986	1,102,827
	3,508,054	3,698,219

Notes:

(i) The amounts were non-trade in nature as at 31 December 2017, except for the amounts of RMB39,800,000 (2016: RMB254,256,000) which are unsecured, carried interest at 10% (2016: ranging from 5% to 10%) per annum, and repayable within one year, all other balances were unsecured, interest free and repayable on demand. The management of the Group expects the balances would be settled within the next 12 months after the end of the reporting period.

In addition, included in the balance as at 31 December 2016, was a loan of HKD232,000,000 (equivalent to RMB207,519,000) advanced to one of the convertible bondholders of the Fifth CB. Pursuant to the loan agreement, the Group had the option to offset the loan receivables with the Group's outstanding balance of the Fifth CB on 27 November 2017 ("Maturity Date"). During the year ended 31 December 2017, additional interest income of HKD10,550,000 (equivalent to RMB8,906,000) was accrued in respect of the loan receivables, together with the principal balance of HKD232,000,000 (equivalent to RMB196,243,000) were offset against the outstanding Fifth CB partially upon the Maturity Date.

(ii) As at 31 December 2017, the amount included RMB40,990,000 (2016: RMB386,782,000), representing the current accounts with the disposed subsidiaries of which was disposed to independent third parties during the current year. The amounts were unsecured, interest-free, and repayable within one year. RMB600,289,000 due from these disposed subsidiaries (including subsidiaries being disposed of in the current and prior years) had been received during the current year ended 31 December 2017.

(iii) Amount represented the receivable balance in respect of the incentive provided by and confirmed with the local government of Nanchang City, Jiangxi Province, PRC as to support the business development of LED industry in the PRC.

(iv) The amount includes interest receivables arising from advances to third parties, custom deposits and advances to staff for operational purpose.

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

	As at 31 December	
Age	**2017**	2016
	RMB'000	*RMB'000*
0 to 30 days	**615,656**	556,210
31 to 60 days	**285,758**	251,727
61 to 90 days	**318,121**	169,730
91 to 180 days	**485,780**	420,707
Over 180 days	**892,853**	1,065,045
	2,598,168	2,463,419

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days (2016: 180 days) to certain trade customers on a case by case basis.

The Group's trade receivables and accrued revenue on tariff subsidy from the sales of electricity are mainly receivables from the state grid companies. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidy, representing 36% to 84% in 2017 (2016: 54% to 84%) of total electricity sales, which is subject to settlement by state grid companies upon finalisation of the allocation of funds by relevant government authorities to the state grid companies.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**1,198,808**	1,079,427
Bills payables	**649,525**	720,898
Payables for acquisition of property, plant and equipment	**101,116**	120,071
Payables for EPC of solar power plants (note i)	**1,749,173**	2,359,083
Other tax payables	**30,444**	22,390
Amounts due to independent third parties (note ii)	**762,182**	566,714
Tendering deposits received	**49,617**	59,266
Interest payable	**129,528**	103,246
Accrued expense	**221,238**	236,205
Accrued payroll and welfare	**102,563**	98,216
Consideration received in advance and related accrued interest (note iii)	**—**	274,700
Consideration payable for previous acquisition of subsidiaries (note iv)	**46,979**	55,712
Others	**39,153**	44,767
	5,080,326	5,740,695

Notes:

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

(ii) Amount included an aggregate outstanding principal balance of the Fifth CB totalling HKD445,000,000 (equivalent to RMB376,381,000) due to two independent convertible bondholders (including True Bold Global Limited ("True Bold") and Eagle Best Limited ("Eagle Best")) and the related unpaid interest totalling HKD3,500,000 (equivalent to RMB2,926,000), being reclassified from convertible bonds since the Maturity Date of the Fifth CB, which was unsecured, interest-bearing and immediately repayable.

The Company issued the Fifth CB on 28 November 2014, and True Bold subscribed for an aggregate principal amount of HKD385,000,000. True Bold has received an aggregate settlement amounts of HKD29,250,000 (including the principal sum of HKD10,000,000 and interest of HKD19,250,000) from the Company on the Maturity Date. The Company had not yet fully repaid the outstanding balance as at 31 December 2017, and, instead, entered into a "Standstill and Forbearance Agreement" (the "Agreement") with True Bold with respect of the outstanding principal amount of HKD375,000,000. True Bold agreed to standstill and forbear from exercising its acceleration or enforcement rights and remedies under the Fifth CB from the Maturity Date to 31 March 2018 (the "Standstill Period").

Subsequent to the end of the reporting period in February 2018, an outstanding principal balance of HKD177,896,000 and accrued interest expense of HKD2,697,000 totalling HKD180,593,000 has been settled in cash by the Group to True Bold. The management of the Group currently is in the process to negotiate with True Bold to convert the outstanding unsettled balances to a loan, which is unsecured, carried at a fixed interest rate of 10% per annum and with scheduled repayment in year 2018 and 2019.

In respect of the outstanding principal balance of the Fifth CB due to Eagle Best of HKD70,000,000 (equivalent to RMB59,206,000), the amount was unsecured, carried at a fixed interest rate of 5% per annum and was immediately repayable. The related accrued interest included in amounts due to independent third parties as at 31 December 2017 amounted to HKD3,500,000 (equivalent to RMB2,926,000).

Subsequent to the end of the reporting period in March 2018, a total outstanding balance of HKD70,000,000 and the related accrued interest expense of HKD4,666,667, totalling HKD74,666,667 has been fully settled in cash by the Group to Eagle Best.

Lastly, except for the balance of RMB580,946,000 (2016: RMB206,000,000) carried at fixed interest rates ranging from 4.35% to 10% (2016:4.35%) per annum, the amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) As at 31 December 2015, the Group received the first instalment of RMB650,000,000 in respect of a proposed disposal of the Group's entire equity interest in certain subsidiaries which were engaged in the construction, development and operation of nine photovoltaic projects and power plants is different provinces in the PRC, to Chongqing Future Investment Co., Ltd (the "2015 Proposed Disposal"), an independent party, which was accounted as consideration received in advance, accordingly.

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 31 December 2016. Pursuant to the Termination Agreement, the Group shall return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement.

RMB250,748,000 (2016: RMB419,760,000) including the related accumulated interest of RMB21,306,000 (2016: RMB42,689,000) was returned during the year ended 31 December 2017, and on 30 September 2017, the Group entered into a loan agreement with Chongqing Future and agreed to convert the remaining outstanding balance of RMB43,484,000 to other borrowing, of which was secured, carried a fixed interest of 9% per annum and repayable prior to 29 September 2019.

(iv) The amounts mainly resulted from the Group's acquisition of solar power plants and were unsecured, interest-free and repayable upon completion of the development of solar power plants.

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Age		
0 to 30 days	**609,275**	157,834
31 to 60 days	**139,198**	465,352
61 to 90 days	**130,463**	103,403
91 to 180 days	**40,177**	65,381
Over 180 days	**279,695**	287,457
	1,198,808	1,079,427

14. CAPITAL COMMITMENTS

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment, and EPC of solar power plants		
– contracted for but not provided in the consolidated financial statements	**373,557**	3,750,324

The Group's share of the capital commitments made jointly with the other joint venturer relating to its joint venture, meteocontrol Electric Power Development Co., Ltd., but not recognised at the end of the reporting date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Commitments to contribute investments in meteocontrol Electric Power Development Co., Ltd.	**44,100**	44,100

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Solar Power Generation

During the Year, the solar power plants owned by the Group generated an aggregate of approximately 1,564,675MWh.

	For the year ended 31 December		
	2017	2016	% of
	MWh	*MWh*	Changes
Power generation volume:			
PRC	**1,512,121**	1,282,217	17.9%
Overseas	**52,554**	46,377	13.3%
Total	**1,564,675**	1,328,594	17.8%

As at 31 December 2017, the Group's solar power plants successfully realised a total installed capacity of approximately 1.5GW of on-grid generation.

Manufacturing and Sales of Solar Products

As at 31 December 2017, the sales volume of solar products amounted to 3,859.2MW, representing an increase of 904.6MW or 30.6% from 2,954.6MW for the year ended 31 December 2016.

	For the year ended 31 December		
	2017	2016	% of
	MW	*MW*	Changes
Sales volume to independent third parties:			
Wafers	**37.6**	55.8	-32.6%
Cells	**1,346.6**	1,465.6	-8.1%
Modules	**2,475.0**	1,433.2	72.7%
Total	**3,859.2**	2,954.6	30.6%

As at 31 December 2017, our top five customers represented approximately 15.2% of our total revenue as compared to approximately 14.9% in 2016. Our largest customer accounted for approximately 4.0% of our total revenue for the Year as compared to approximately 5.6% in 2016. We believe that product quality and cost advantage will be crucial in the upcoming era of solar energy. Our largest customer is an integrated solutions provider with photovoltaic integration and agricultural comprehensive services located in the PRC, which mainly purchase solar modules from the Group and has been maintaining business relationship with the Group for more than 4 years. Other major customers also purchase solar products from the Group. The Group has been maintaining business relationship with such customers for one year to three years and offered them credit periods ranging from 30 days to 180 days. As at the date of this anouncement, our major customers repaid their debts in accordance with the agreed commercial terms on time and the outstanding receivables were still within the credit periods granted by the Group. Therefore, no provision of the related doubtful debt in respect of the major customers is necessary. After conducting an internal assessment by the Group, it is concluded that our major customers have good repayment history and credibility. In order to minimise the credit risk, the Directors continuously monitor the level of exposure via frequent review of the financial conditions and credibility of the major customers, so as to ensure that prompt actions will be taken to lower exposure.

In 2017, our sales to PRC-based and overseas customers represented approximately 74.9% and 25.1% of the Group's total revenue, respectively. While in 2016, our sales to PRC-based and overseas customers represented approximately 67.8% and 32.2% of the Group's total revenue, respectively. Our strong track record of product quality, advanced proprietary technology and effective cost control measures have contributed to our sound reputation and thus our success in optimizing our customer base. We believe such strategic measures will continue to create strong and sustainable market demand for our products.

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

Plants Operation and Services

S.A.G., enhanced the Group's capability in solar project development, engineering, procurement and construction ("**EPC**"), solar power plant monitoring and operation and maintenance businesses on a global scale. S.A.G. offers a broad range of services within the solar industry and its wholly-owned subsidiary, meteocontrol GmbH ("**meteocontrol**"), is one of the world's largest independent photovoltaic plant monitoring service providers. meteocontrol has extensive solar power plant monitoring, operation and maintenance experience in residential, commercial and utility sectors and has a monitoring volume of 12GW. meteocontrol offers services covering the entire process of solar power plant projects, from planning and installation to global operation and maintenance, and also provides independent consultation for the projects at every stage. In addition, meteocontrol is the only company to receive accreditation from DAkkS, a research institution authorised by the German government. During the Year, meteocontrol has brought revenue of RMB127.5 million (2016: approximately RMB110.0 million) to the Group.

Production and Sales of LED Products

Lattice Power is principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for the use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries. During the Year, the sales of LED chips, LED packages and other LED products within the Group's production business amounted to RMB320.0 million while it amounted to approximately RMB280.0 million in 2016.

Financing Activities

During the Year, the Group has earned continuous support from financial institutions to fund the development of its solar business. In 2017, the Company has successfully obtained loans from financial institutions. These funds serve as a continuous support for enhancing liquidity and future business development.

FINANCIAL REVIEW

Revenue

Revenue increased by RMB1,740.9 million, or 21.0%, from RMB8,276.5 million for the year ended 31 December 2016 to RMB10,017.4 million for the Year, primarily due to the fact that (i) most of the solar power plants of the Group that completed on-grid connection before 2017 have completed testing and commenced operation in 2017 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increasing by 18.4% from 1,291,875MWh for the year ended 31 December 2016 to 1,529,406MWh for the Year; (ii) the sales volume of our solar products increased by 30.6% from 2,954.6MW for the year ended 31 December 2016 to 3,859.2MW for the Year; (iii) revenue from solar power plants operating and services increased by 15.9% from RMB110.0 million for the year ended 31 December 2016 to RMB127.5 million for the Year; and (iv) sales revenue from LED products increased by 14.3% from RMB280.0 million for the year ended 31 December 2016 to RMB320.0 million for the Year.

The power generation of the Group increased as the overall scale of the on-grid connected power plants increased. However, the power plants of the Group which are located in certain provinces or regions in the PRC were affected by the influence of curtailment on energy generation during the Year, resulting in a decrease in power generation. The revenue from power generation of the Group decreased by approximately RMB370.0 million.

For the Year, sales of solar products accounted for 82.4% of the total revenue, of which sales of modules, cells, wafers and other PV systems accounted for 59.1%, 20.1%, 0.2% and 3.0% of the total revenue, respectively; revenue from solar power generation accounted for 13.2% of the total revenue. Revenue from solar power plants operating and services accounted for 1.2% of the total revenue while sales from LED products accounted for 3.2% of the total revenue.

Solar modules

Revenue from the sales of solar modules increased by RMB1,785.3 million, or 43.2%, from RMB4,131.4 million for the year ended 31 December 2016 to RMB5,916.7 million for the Year, primarily due to an increase in the Group's sales volume by 1,041.8MW or 72.7% from 1,433.2MW for the year ended 31 December 2016 to 2,475.0MW for the Year, but was partially offset by the decrease in the average selling price of solar modules products by 17.2% from RMB2.9 per watt for the year ended 31 December 2016 to RMB2.4 per watt for the Year.

Solar cells

Revenue from the sales of solar cells decreased by RMB479.0 million, or 19.2%, from RMB2,490.2 million for the year ended 31 December 2016 to RMB2,011.2 million for the Year, primarily due to a decrease in the sales volume by 119.0 MW or 8.1% from 1,465.6 MW for the year ended 31 December 2016 to 1,346.6 MW for the Year, and the decrease in the average selling price by 11.8% from RMB1.7 per watt for the year ended 31 December 2016 to RMB1.5 per watt for the Year.

Solar wafers

Revenue from the sales of solar wafers decreased by RMB40.6 million, or 65.0%, from RMB62.5 million for the year ended 31 December 2016 to RMB21.9 million for the Year, which was primarily attributable to the decrease in sales volume by 32.6% from 55.8 MW for the year ended 31 December 2016 to 37.6 MW for the Year.

Solar power generation

Revenue from solar power generation increased by RMB246.1 million, or 22.9%, from RMB1,074.6 million for the year ended 31 December 2016 to RMB1,320.7 million for the Year, primarily because total power generated amounted to 1,564,675 MWh, of which 1,529,406 MWh was recorded as revenue from power generation upon completion of testing.

Solar Power Plant Operation and Services

meteocontrol provides solar power plant monitoring service. The revenue from relevant service fee generated during the Year increased by RMB17.5 million or 15.9% from RMB110.0 million for the year ended 31 December 2016 to RMB127.5 million for the Year.

LED products

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB40.0 million or 14.3% from RMB280.0 million for the year ended 31 December 2016 to RMB320.0 million for the Year.

Geographical market

In terms of geographical markets from which our revenue was generated, approximately 74.9% of the total revenue for the Year was generated from sales to our PRC customers, as compared to 67.8% for the year ended 31 December 2016. The remaining portion was generated from the sales to our certain overseas customers, who are mainly based in certain Asian, North American and European countries.

Cost of sales

Cost of sales increased by RMB1,666.0 million, or 24.6%, from RMB6,774.4 million for the year ended 31 December 2016 to RMB8,440.4 million for the Year, primarily due to the increase in our total shipment volume of solar products and the increase in power generation volume of solar power generation business.

Gross profit

Gross profit increased by RMB75.0 million, or 5.0%, from RMB 1,502.1 million for the year ended 31 December 2016 to RMB1,577.1 million for the Year.

Other income

Other income increased by RMB84.0 million, or 55.3%, from RMB151.9 million for the year ended 31 December 2016 to RMB235.9 million for the Year, primarily due to the receipt of interest income arising from advances to independent third parties of RMB44.3 million for the Year (for the year ended 31 December 2016: RMB3.2 million) and the receipt of government grants increased by RMB41.1 million, or 41.4%, from RMB99.3 million for the year ended 31 December 2016 to RMB140.4 million for the Year.

Other gains and losses and other expenses

Other gains and losses and other expenses recorded a decline of 96.1%, or RMB1,650.4 million, from a net loss of RMB1,717.6 million for the year ended 31 December 2016 to a net loss of RMB67.2 million for the Year, which was primarily due to (1) no impairment loss on interest in a joint venture was recorded for the year ended 31 December 2017, while impairment loss on interest in a joint venture of RMB259.9 million was recorded for the year ended 31 December 2016; (2) the decrease in impairment loss on solar power plants by RMB206 million, or 93.0% from RMB221.5 million for the year ended 31 December 2016 to RMB15.5 million for the Year; (3) recognition of doubtful debts for trade and other receivables decreased by RMB264.7 million, or 67.1%, from 394.2 million for the year ended 31 December 2016 to 129.5 million for the Year; (4) no impairment loss on property, plant and equipment was recorded for the year ended 31 December 2017, while impairment loss on property, plant and equipment of RMB248.9 million was recorded for the year ended 31 December 2016; (5) no impairment loss on goodwill was recorded for the year ended 31 December 2017, while impairment loss on goodwill of RMB520.0 million was recorded for the year ended 31 December 2016; and (6) no impairment loss on intangible assets was recorded for the year ended 31 December 2017, while impairment loss on intangible assets of RMB196.5 million was recorded for the year ended 31 December 2016.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB35.1 million or 9.3%, from RMB377.0 million for the year ended 31 December 2016 to RMB341.9 million for the Year, primarily due to the decrease in shipment cost which resulted from the decrease in the sales volume of overseas customers.

Administrative expenses

Administrative and general expenses decreased by RMB51.4 million, or 7.7%, from RMB664.9 million for the year ended 31 December 2016 to RMB613.5 million for the Year.

Research and development expenditure

Research and development expenditure decreased by RMB39.2 million, or 22.1%, from RMB177.6 million for the year ended 31 December 2016 to RMB138.4 million for the Year, primarily due to the decrease in the expenses on research and development investment and related costs.

Share of loss of associates

Share of loss of associates for the year decreased by RMB2.3 million, or 35.4%, from RMB6.5 million for the year ended 31 December 2016 to RMB4.2 million for the Year.

Share of gain (loss) of joint ventures

Share of gain of joint ventures for the Year amounted to RMB8.0 million, while the share of losses of joint ventures for the year ended 31 December 2016 was recorded as RMB82.6 million.

Finance costs

Finance costs increased by RMB391.5 million, or 37.9%, from RMB1,031.8 million for the year ended 31 December 2016 to RMB 1,423.3 million for the Year, primarily due to an increase in the interest on bank and other borrowings for the Year by RMB119.4 million, or 15.4%, from RMB777.5 million for the year ended 31 December 2016 to RMB896.9 million for the Year and the deductible amounts capitalised for the Year decreased by RMB238.8 million, or 86.3%, from RMB276.8 million for the year ended 31 December 2016 to RMB38.0 million for the Year.

Loss before tax

Due to the above reasons, loss before tax decreased by RMB1,636.5 million, from RMB2,404.1 million for the year ended 31 December 2016 to the loss before tax of RMB767.6 million for the Year.

Income tax (expense) credit

Income tax decreased by RMB71.2 million, from income tax credit of RMB4.7 million for the year ended 31 December 2016 to income tax expense of RMB66.5 million for the Year, primarily due to the decrease in deferred tax credit for the Year.

Loss for the Year

As a result of the reasons stated above, loss for the Year decreased by RMB1,565.3 million, or 65.2%, from the loss of RMB2,399.4 million for the year ended 31 December 2016 to the loss of RMB834.1 million for the Year.

Inventory turnover days

The inventories of the Group mainly comprise raw materials, work-in-progress and finished goods. The decrease in inventories was mainly due to an increase in demand for our solar and LED products. Included in the balance of the inventories as at 31 December 2017 was a write-down of inventories of RMB101.5 million (31 December 2016: RMB73.5 million), which was mainly attributable to inventories bought in previous years at a higher price. The inventory turnover days as at 31 December 2017 was 31.1 days (31 December 2016: 38.5 days), and the decrease in inventory turnover days was mainly attributable to the increase in demand of our solar and LED products.

Trade receivables turnover days

The trade receivables turnover days as at 31 December 2017 was 92.2 days (31 December 2016: 99.7 days). The trade receivables turnover days as at 31 December 2017 was still within the credit period (normally 30 to 180 days) which the Group granted to its customers.

Trade payables turnover days

The trade payables turnover days as at 31 December 2017 was 49.3 days (31 December 2016: 56 days). Given the established business relationship and the change in overall market environment, the Group paid to the suppliers in due course based on the credit terms during the Year.

Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As at 31 December 2017, the Group's current ratio (current assets divided by current liabilities) was 0.56 (31 December 2016: 0.82) and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 31 December 2017, the Group was in a negative net cash position of RMB12,869.7 million (31 December 2016: RMB13,950.7 million), which included cash and cash equivalents of RMB663.7

million (31 December 2016: RMB912.6 million), bank and other borrowings of RMB10,865.3 million (31 December 2016: RMB11,425.2 million), convertible bonds of RMB1,511.0 million (31 December 2016: RMB2,279.2 million), bond payables of RMB1,045.1 million (31 December 2016: RMB1,012.1 million) and obligations under finance leases of RMB112.0 million (31 December 2016: RMB146.8 million).

The Group's bank and other borrowings were mainly denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB, HKD, USD and Euro. The Group's net debts to equity ratio (net debt divided by shareholders' equity) increased from 229.0% as at 31 December 2016 to 240.4% as at 31 December 2017.

During the Year, the Group did not enter into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks (31 December 2016: Nil).

Contingent liabilities and guarantees

As at 31 December 2017, the Group provided guarantees to independent third parties and a joint venture with a total amount of RMB413.8 million (31 December 2016: RMB354.3 million), of which RMB307.6 million (31 December 2016: RMB307.7 million) has been provided and recognised as provision in the statement of financial position. As at 31 December 2017, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

As at 31 December 2017, the Group had pledged certain trade and other receivables with carrying amount of RMB953.8 million (31 December 2016: RMB1,117.1 million) and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB11,470.3 million (31 December 2016: RMB11,762.7 million) to various banks for securing loans and general credit facilities granted to the Group.

As at 31 December 2017, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB1,476.4 million (31 December 2016: RMB2,156.6 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 31 December 2017 and 31 December 2016, none of the other assets of the Group were pledged in favor of any financial institution.

Exposure to the fluctuation in exchange rates

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

Significant investments held and material acquisitions or disposals

There was no other substantial acquisition or disposal of subsidiaries or associates by the Group during the Year.

Human resources

As at 31 December 2017, the Group had 6,397 employees (31 December 2016: 6,921). The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Final dividend

The Board has resolved not to declare final dividend for the Year.

Events subsequent to the Year

Except as disclosed in note 13(ii), there was no other significant events after the Year up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company has arranged appropriate insurance coverage in respect of potential legal action against its Directors according to Code A.1.8 of the Corporate Governance Code, it has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the current year.

COMPLIANCE WITH THE MODEL CODE

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

REVIEW OF ANNUAL FINANCIAL INFORMATION

The Audit Committee has reviewed and agreed with the management on the accounting principles, treatment and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the annual results and the audited consolidated annual financial statements for the Year with the Directors.

The results and statements have been reviewed by the independent auditor in accordance with the International Standard on Review Engagements issued by the International Auditing and Assurance Standards Board. The Audit Committee considered that the annual financial statements for the Year are in compliance with the relevant accounting standards, the requirements of the Hong Kong Stock Exchange and the laws of Hong Kong, and the Company had made appropriate disclosure thereof.

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

The following is an extract of the independent auditor's report on the Group's audited financial statements for the Year which has included an emphasis of matter, but without qualification:

CONCLUSION

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

Emphasis of Matter

Without qualifying our opinion in respect of the review, we draw attention to note 1(b) to the consolidated financial statements, which states that as at 31 December 2017, the Group's current liabilities exceeded its current assets by RMB6,139,388,000. In addition, as at 31 December 2017, the Group had capital commitments, contracted for but not provided in the condensed consolidated financial statements, amounting to RMB417,657,000, as disclosed in note 14.

The Company is implementing several measures as disclosed in note 1(b) to the consolidated financial statements to improve the financial position of the Group and after taking these steps into account, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 1(b) to the consolidated financial statements. These conditions indicate the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

DEFINITIONS

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

"Audit Committee"	the audit committee of the Board
"Board"	the board of director(s) of the Company
"Company", "we" or "us"	Shunfeng International Clean Energy Limited
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Euro"	Euro, the lawful currency of the member states of European Union
"Group"	the Company and its subsidiaries
"GW"	gigawatt, which equals to one billion watt
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Jiangsu Shunfeng"	Jiangsu Shunfeng Photovoltaic Technology Co., Ltd.

"Lattice Power"	Lattice Power Corporation, a company incorporated in Cayman Islands and a non-wholly owned subsidiary of the Company
"LED"	light-emitting diode
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals to one million watt
"MWh"	megawatt hour
"Year"	twelve months ended 31 December 2017
"PV"	photovoltaic
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"S.A.G."	S.A.G. Solarstrom AG i.l.
"S.A.G. Interests"	all the tangible and intangible assets, mobile goods and rights pertaining to the businesses of S.A.G., S.A.G. Solarstrom Vertriebsgesellschaft mbH i.I. and S.A.G. Technik GmbH i.I., 17 entities in which S.A.G. has a direct interest and one entity in which S.A.G. Solarstrom Vertriebsgesellschaft mbH has a direct interest
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"United States"	the United States of America
"Wuxi Suntech"	Wuxi Suntech Power Co., Ltd.

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

Hong Kong, 28 March 2018

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