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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)

PROFIT WARNING

This announcement is made by the Company pursuant to Inside Information Provisions under Part XIVA of the SFO and Rule 13.09(2)(a) of the Listing Rules.

The Board wishes to inform the shareholders and potential investors of the Company that although the Group recorded a profit of approximately RMB54.5 million for the first half of 2016, it has recorded a loss for the second half of 2016; therefore, it is expected that the Group will record an accumulated loss for the year of 2016. It is expected that the Group will record a loss of approximately RMB923 million for the year ended 31 December 2016, as compared to a profit of approximately RMB58.0 million for the year ended 31 December 2015.

As the Company is still in the process of gathering information to finalise the annual results of the Group for the year ended 31 December 2016, the information contained in this announcement is only based on the preliminary assessment by the Board of the Company with reference to the information currently available (including the unaudited management accounts of the Group for the ten months ended 31 October 2016), and is not based on any figures or information which have been audited or reviewed by the Company's auditors.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Shunfeng International Clean Energy Limited (the “**Company**”, together with its subsidiaries the “**Group**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “**SFO**”) and Rule 13.09(2)(a) of the Listing Rules.

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders and potential investors of the Company that although the Group recorded a profit of approximately RMB54.5 million for the first half of 2016, based on the preliminary assessment with reference to the information of the Group currently available (including the unaudited consolidated management accounts of the Group for the ten months ended 31 October 2016), the Group is expected to record a loss for the second half of 2016; therefore, it is expected that the Group will record an accumulated loss for the year of 2016. It is expected that the Group will record a loss of approximately RMB923 million for the year ended 31 December 2016 (the “**Year 2016**”), as compared to a profit of approximately RMB58.0 million for the year ended 31 December 2015 (the “**Year 2015**”), and is mainly attributable to the following reasons:

- (i) despite the volume of electricity generated by the Group increased as a result of an increase in the total on-grid scale for power generation, the continued circumstance where use of electricity is limited throughout the Year 2016 in the provinces and regions where the power plants of the Group are located (including Xinjiang, Gansu and Qinghai of the People’s Republic of China (the “**PRC**”)) resulted in an estimated loss of approximately 600,000,000 kWh in terms of power generation volume and approximately RMB480 million in revenue of the Group for the Year 2016 from power generation;
- (ii) the Group continuously obtained loans and financing from financial institutions to develop its solar power generation business. As a number of newly constructed solar power plants commenced operation in the Year 2016, the Group ceased the capitalization of a portion of interest expenses related to the construction of such solar power plants in the Year 2016. As a result, the finance costs of the Group in the second half of 2016 is expected to increase approximately 8.4% as compared to the first half of 2016, and is expected to accumulatively increase approximately 35% or RMB245 million for the Year 2016 as compared to the Year 2015;
- (iii) the Group completed the acquisition of 63.13% of the equity interests in Suniva Inc. in October 2015 which became a joint venture of the Group. It is expected that the Group will share the loss of Suniva Inc. in the amount of approximately RMB51.5 million in the second half of 2016 and approximately RMB113 million for the Year 2016 accumulatively, while the loss recorded for the Year 2015 was approximately RMB13 million;
- (iv) the Group completed the acquisition of 59% of the equity interests in Lattice Power Corporation in August 2015 which became an indirect non-wholly owned subsidiary of the Company. Lattice Power Corporation faced severe market competition and incurred substantial research and development expenses and is expected to record an additional loss of approximately RMB35 million for the second half of 2016 and is expected to record an accumulated loss of approximately RMB135 million for the Year 2016, while a profit of RMB35 million was recorded for the Year 2015. In addition, it is expected that Lattice Power Corporation will face uncertainties in the future. Based on the preliminary assessment by the management and the preliminary discussion with an independent valuer, the Group intends to recognise an impairment of approximately RMB200 million for its investment in Lattice Power Corporation for the Year 2016. Such impairment provision is subject to confirmation and audit, while there was no such provision in the Year 2015;

(v) the Group recorded RMB430 million non-recurring income from reversal of bad debts previously written off in the Year 2015, but it is expected that the Group will only record approximately RMB59 million non-recurring income from reversal of bad debts previously written off in the Year 2016;

(vi) it is expected that the Group will record a loss from bad debts of approximately RMB160 million for the Year 2016, while the loss for the Year 2015 was only RMB33 million.

Reference is made to the announcement of the Company also published today titled “Termination of Memorandum of Understanding in respect of Possible Disposal”. As the Possible Disposal referred to in the announcement has been terminated, the Group will not record any non-recurring income from the Possible Disposal in the results of the Year 2016.

The Company is still in the process of gathering information to finalise the annual results of the Group for the year ended 31 December 2016. Therefore, the information contained in this announcement is only based on the preliminary assessment by the Board with reference to the information currently available (including the unaudited management accounts of the Group for the ten months ended 31 October 2016), and is not based on any information or figures which have been audited or reviewed by the Company’s auditors or the audit committee of the Board. Shareholders and potential investors of the Company are advised to peruse with care the annual results announcement of the Company for the Year 2016, which is expected to be released in March 2017.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 6 January 2017

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