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 2016

RESULTS HIGHLIGHTS

	2016	2015	% of
	RMB'000	*RMB'000*	Changes
Revenue			
– Solar products manufacturing and sales	**6,811,875**	5,887,099	15.7%
– Solar power generation	**1,074,624**	894,236	20.2%
– Solar power plant operation and services	**110,026**	105,009	4.8%
– LED products manufacturing and sales*	**279,974**	146,030	91.7%
Total revenue	**8,276,499**	7,032,374	17.7%
Gross profit	**1,502,056**	1,326,118	13.3%
Net (loss) profit	**-2,399,395**	57,960	-4,239.7%
Adjusted EBITDA**	**1,682,352**	1,763,997	-4.6%
Gross profit margin	**18.1%**	18.9%	-4.2%
Basic (loss) earnings per share	**-RMB49.72 cents**	RMB1.33 cents	-3,838.3%
Net cash from operating activities	**1,183,712**	1,607,086	-26.3%

* The acquisition of 59% equity interest in Lattice Power Group was completed on 6 August 2015

** Adjusted EBITDA excluded finance costs, income tax, depreciation, amortization and impairment loss on property, plant and equipment, goodwill, intangible assets, solar power plants, interests in a joint venture and associates, 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 2016.

2016 proved to be another year of both opportunities and challenges for the global renewable energy market. China continued to build up the momentum to escalate the growth of new PV installation on the base of 15GW in 2015 and the National Energy Administration (NEA) officially announced in June 2016 the annual target of 18GW new PV installation by end of 2016.

However, undeniably the world's economy has further deteriorated and is faced with many political and economic uncertainties. European members were mulling about the solutions for political and economic issues arisen by the influx of massive refugees. In the meantime Brexit (i.e. the departure of the United Kingdom of the European Union) has evoked political division to the European Union, and more profoundly Brexit has cast a cloud over the economic prospect of both Europe and the United Kingdom. While in the East, Japan and China were blown by the economic downside pressure. After years of rapid economic growth, China saw its GDP growth dropped to around 6.5% and the government reported significant decline in their fiscal revenues. In this context, the delay of subsidy payment by the PRC government and the curtailment of solar PV generation imposed by the local grid in the north-west provinces and autonomous regions continued to be the major challenges for the China's renewable industry.

Despite all the challenges, the PRC government has been seeking strategic economic restructuring and mulling industry upgrading fuelled by technology innovation. On 8 January 2016, one of our subsidiaries, Lattice Power Corporation ("Lattice Power"), won the first prize of the National Technological Invention Award for the "High Efficacy GaN-on-Si Blue LED" technology that was jointly developed by Lattice Power, Nanchang University and CECEP Lattice Lighting Co., Ltd.

With all these challenges of the new norm of economic slowdown and overall market volatility, the Group adapted to development trends and continued with its strategic transition. In the international market, the Group gradually transformed from a developer of solar products and solar power plants into a diversified service provider of comprehensive clean energy solutions. Below is a business review of 2016 and the prospect for 2017 of our Group.

BUSINESS REVIEW

For the year ended 31 December 2016, the Group recorded a revenue of RMB8,276 million, representing an increase of 17.7% from RMB7,032 million in 2015. The growth in revenue was mainly attributable to higher sales of solar products and LED products, as well as a fast increase of revenue from solar power generation.

During 2016, the Group continued to optimize solar products manufacturing operations at its subsidiaries in China, and leveraged the strong market growth opportunities, in particularly in China before the June 30. The Group achieved a 15.7% growth in revenue of solar products to RMB6,812 million to external third parties.

In 2016, the Group maintained the total scale of on-grid solar power plants and continued to maximize the solar power generation in spite of the severe curtailment in the North-West regions throughout the Year 2016. The revenue from the solar power generation reached RMB1,075 million during the Year, representing an increase of 20.2% compared to RMB895 million in 2015.

2016 was the first year for Lattice Power to be fully integrated in the Group's consolidated financial report. Lattice Power recorded revenue of RMB280 million during the Year, as the company continued to drive initiatives to optimize the commercialization of GaN-on Silicon LED technology and further cooperated with downstream manufacturers to expand indoor and outdoor market applications for GaN-on Silicon LED chips and LED packages.

FUTURE PROSPECT

Looking into 2017, global clean energy industry will continue to post strong growth momentum. The following trends will be irreversible: firstly fossil fuels will be replaced by renewable energy; secondly distributed renewable energy resources will continue to be integrated into the smart grid power system; thirdly each individual will play a role in the development of renewable energy and may have an access to the "interconnected" clean energy.

In China, the National Development and Reform Commission continues to support the development of clean energy, including the "13th Five-Year Plan" for renewable energy. Meanwhile, the Ministry of Housing and Urban-Rural Development has rolled out supporting policies on the construction of characteristic towns nationwide. With the competitive expertise in various sources of clean energy such as solar PV, LED lighting and internet monitoring systems, the Group will be in an unique position to provide the comprehensive clean energy solutions to these characteristic towns with substantial energy saving results in the same way as demonstrated in the project of Hongqiao International School in Shanghai.

Faced with opportunities and challenges, all members of the Group will stick to the agreed business strategies. Through leveraging the powerful brand established by Shunfeng in the global market, the Group will continue to expand the businesses of solar power plant construction and operation and the manufacturing of solar products. In the meantime, the Group will deepen business consolidation and seek to explore businesses related to clean energy and resources, so as to realize diversified development and to build itself as a globally leading provider of clean energy that is committed to offering customers integrated low-carbon and energy-saving solutions.

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 to our customers and thus creating values for our shareholders.

Mr. Zhang Yi
Chairman

28 March, 2017

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2016	2015
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**8,276,499**	7,032,374
Cost of sales		**(6,774,443)**	(5,706,256)
Gross profit		**1,502,056**	1,326,118
Other income	*5*	**151,909**	245,466
Other gains and losses and other expenses	*6*	**(1,717,570)**	409,052
Distribution and selling expenses		**(377,036)**	(308,195)
Administrative expenses		**(664,949)**	(673,826)
Research and development expenditure		**(177,645)**	(130,493)
Share of loss of associates		**(6,473)**	(69,830)
Share of loss of joint ventures		**(82,575)**	(12,922)
Finance costs	*7*	**(1,031,825)**	(699,605)
(Loss) profit before tax	*8*	**(2,404,108)**	85,765
Income tax credit (expense)	*9*	**4,713**	(27,805)
(Loss) profit for the year		**(2,399,395)**	57,960
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income (expense) of associates and a joint venture		**22,221**	943
Exchange differences on translating foreign operations		**9,387**	(25,587)
Other comprehensive income (expense) for the year		**31,608**	(24,644)
Total comprehensive (expense) income for the year		**(2,367,787)**	33,316

	NOTES	Year ended 31 December **2016** **RMB'000**	2015 RMB'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(2,109,843)**	44,803
Non-controlling interests		**(289,552)**	13,157
		(2,399,395)	57,960
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(2,080,982)**	14,186
Non-controlling interests		**(286,805)**	19,130
		(2,367,787)	33,316
		RMB cents	RMB cents
(Loss) earnings per share			
– Basic	*10*	**(49.72)**	1.33
– Diluted		**(49.72)**	1.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2016	2015
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**3,028,112**	3,592,394
Solar power plants		**12,836,210**	13,373,501
Prepaid lease payments – non-current		**467,067**	379,760
Goodwill		**6,237**	523,142
Intangible assets		**46,357**	251,604
Interests in associates		**153,774**	170,737
Interests in joint ventures		**5,864**	329,660
Available-for-sale investments		**88,916**	19,957
Other non-current assets		**1,901,679**	1,142,252
Deferred tax assets		**261,010**	250,691
		18,795,226	20,033,698
Current assets			
Inventories		**646,213**	784,749
Trade and other receivables	*12*	**3,698,219**	2,872,994
Prepaid lease payments – current		**16,871**	10,726
Value-added tax recoverable		**1,212,312**	1,303,033
Prepayments to suppliers		**554,794**	497,648
Amount due from associates		**19,953**	27,288
Amount due from a joint venture		**652**	–
Pledged bank deposits		–	600,000
Restricted bank deposits		**2,156,556**	874,866
Bank balances and cash		**912,611**	1,854,409
		9,218,181	8,825,713
Current liabilities			
Trade and other payables	*13*	**5,740,695**	6,253,456
Customers' deposits received		**167,319**	580,664
Amount due to a joint venture		**10,275**	–
Obligations under finance leases		**41,597**	48,123
Provisions		**1,013,353**	760,758
Tax liabilities		**9,608**	17,527
Borrowings		**3,010,351**	2,473,211
Deferred income		**11,505**	8,092
Derivative financial liabilities		**7,733**	514,539
Convertible bonds		**1,165,695**	165,532
		11,178,131	10,821,902
Net current liabilities		**(1,959,950)**	(1,996,189)
Total assets less current liabilities		**16,835,276**	18,037,509

	NOTES	As at 31 December **2016** ***RMB'000***	 2015 *RMB'000*
Capital and reserves			
Share capital		**34,876**	32,930
Reserves		**4,777,715**	6,595,247
Equity attributable to owners of the Company		**4,812,591**	6,628,177
Non-controlling interests		**1,278,691**	1,543,861
Total equity		**6,091,282**	8,172,038
Non-current liabilities			
Deferred tax liabilities		**46,311**	78,911
Borrowings		**8,414,876**	7,158,598
Obligations under finance leases		**105,170**	132,638
Deferred income		**52,056**	65,391
Convertible bonds		**1,113,486**	1,890,763
Bond payables		**1,012,095**	539,170
		10,743,994	9,865,471
		16,835,276	18,037,509

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 2016 and as of that date, the current liabilities exceeded its current assets by RMB1,959,950,000. In addition, as at 31 December 2016, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB3,794,424,000 disclosed in note 14 to the consolidated financial statements.

As at 31 December 2016, the available unconditional banking facilities amounted to RMB159,792,000, and the unutilized conditional facilities which was subject to approval on a project-by-project basis amounted to RMB37,610,420,000 ("Conditional Facilities"). The directors are confident that the Group would be successful in obtaining approval in respect of the Conditional Facilities. 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 IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 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 IAS 1 Disclosure Initiative

The Group has applied the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of capital risk management, financial instruments, revenue and segment information have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information in relation to revenue and segment was reordered to note 3 and 4. Other than the above presentation and disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the new and amendments to IFRSs issued but not yet effective have 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.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost of fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit of loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

In addition, the change in fair value of the Group's derivative financial liabilities designated at fair value through profit or loss that is attributable to changes in credit risk could be presented in other comprehensive income. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the amounts reported may be affected by the application of IFRS 15 in the future. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the directors of the Company perform a detailed review.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB182,435,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to IAS 7 Disclosure Initiative

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 changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities 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.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. REVENUE

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Sales of goods (comprising Solar Products (as defined in note 4) and LED Products (as defined in note 4))	**7,091,849**	6,033,129
Revenue from plant operation and services	**110,026**	105,009
Revenue from solar power generation (comprising sales of electricity and tariff subsidy)	**1,074,624**	894,236
	8,276,499	7,032,374

4. SEGMENT INFORMATION

During the year ended 31 December 2015, the Group commenced the business in the research, production and sale of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "LED Products") in the PRC along with the acquisition of Lattice Power Group, and those reportable and operating segments were presented for the both year 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 optimization, and in the long-term, the repowering, dismantling and recycling of plants ("Plant operation and services"); and

(4) Manufacturing and sales of 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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*
Revenue														
External sales	**6,811,875**	5,887,099	**361,233**	315,850	**110,026**	105,009	**279,974**	146,030	**7,563,108**	6,453,988	**—**	—	**7,563,108**	6,453,988
Tariff subsidy	**—**	—	**713,391**	578,386	**—**	—	**—**	—	**713,391**	578,386	**—**	—	**713,391**	578,386
	6,811,875	5,887,099	**1,074,624**	894,236	**110,026**	105,009	**279,974**	146,030	**8,276,499**	7,032,374	**—**	—	**8,276,499**	7,032,374
Inter-segment sales	**873,294**	930,621	**—**	771	**—**	430	**—**	—	**873,294**	931,822	**(873,294)**	(931,822)	**—**	—
	7,685,169	6,817,720	**1,074,624**	895,007	**110,026**	105,439	**279,974**	146,030	**9,149,793**	7,964,196	**(873,294)**	(931,822)	**8,276,499**	7,032,374
Segment profit (loss)	**482,128**	602,488	**(250,879)**	331,452	**(157,587)**	14,121	**(1,106,111)**	45,765	**(1,032,449)**	993,826	**—**	—	**(1,032,449)**	993,826
Unallocated income														
— Interest income													**43,180**	24,182
— change in fair value of derivative financial liabilities													**350,330**	21,529
— gain on deemed disposal of an associate													**—**	10,733
Unallocated expenses														
— Central administration costs													**(128,129)**	(119,466)
— Finance costs													**(1,031,825)**	(699,605)
Provision of financial guarantee expenses													**(228,250)**	—
Share of loss of associates													**(6,473)**	(69,830)
Impairment loss on interests in associates													**(18,944)**	—
Share of loss of joint ventures													**(82,575)**	(12,922)
Impairment loss on interest in a joint venture													**(259,888)**	—
Other expenses													**(9,085)**	(62,682)
(Loss) profit before tax													**(2,404,108)**	85,765

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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	**–**	–	**(221,540)**	(16,839)	**–**	–	**–**	–	**(221,540)**	(16,839)	**–**	–	**(221,540)**	(16,839)
(Recognition) reversal of doubtful debts for trade and other receivables, net	**(51,369)**	417,953	**(199,000)**	(19,249)	**–**	–	**(143,840)**	(1,886)	**(394,209)**	396,818	**–**	–	**(394,209)**	396,818
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 prepayments to suppliers	**–**	–	**–**	–	**–**	–	**(6,790)**	–	**(6,790)**	–	**–**	–	**(6,790)**	–
Write-down of inventory	**(7,165)**	(14,869)	**–**	–	**–**	–	**–**	(2,798)	**(7,165)**	(17,667)	**–**	–	**(7,165)**	(17,667)

Other Information:

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the loss incurred or profit earned by each segment without allocation of bank interest income, gain on change in fair value of derivative instrument arising from the acquisition of Suniva, central administration cost, finance costs, other expenses, share of losses of associates and joint ventures, impairment loss on interest in associates and a joint venture, financial guarantee expenses and gain on deemed disposal of an associate. 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 segments:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Segment assets		
Manufacturing and sales of Solar Products	**7,296,613**	6,121,496
Solar power generation	**16,841,321**	17,372,086
Plant operation and services	**49,312**	270,842
Manufacturing and sales of LED Products	**487,835**	1,218,070
Total segment assets	**24,675,081**	24,982,494
Other unallocated assets	**3,338,326**	3,876,917
Consolidated assets	**28,013,407**	28,859,411
Segment liabilities		
Manufacturing and sales of Solar Products	**6,861,411**	4,476,896
Solar power generation	**11,019,166**	12,319,878
Plant operation and services	**47,294**	210,572
Manufacturing and sales of LED Products	**309,953**	389,262
Total segment liabilities	**18,237,824**	17,396,608
Other unallocated liabilities	**3,684,301**	3,290,765
Consolidated liabilities	**21,922,125**	20,687,373

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

- 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 and a joint venture; and

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

Entity-wide disclosures

Revenue analyzed by major products

The following table sets forth a breakdown of the Group's revenue for the years ended 31 December 2016 and 2015:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Sales of solar wafers	**62,488**	89,987
Sales of solar cells	**2,490,233**	1,630,663
Sales of solar modules	**4,131,357**	4,042,110
Sales of PV systems	**100,073**	77,849
Other solar products	**27,724**	46,490
	6,811,875	5,887,099
Sales of electricity	**361,233**	315,850
Tariff subsidy (note)	**713,391**	578,386
	1,074,624	894,236
Plant operation and services	**110,026**	105,009
Sales of LED Products	**279,974**	146,030
Total	**8,276,499**	7,032,374

Note: The amount represents the tariff subsidy which were approximately 54% to 84% (2015: 54% to 75%) of the total electricity sales in the PRC. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

5. OTHER INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Bank interest income	**43,180**	24,182
Government grants (note i)	**99,278**	105,561
Gain on sales of raw and other materials	**5,811**	16,169
Technical advisory income (note ii)	**3,097**	44,240
Others (note iii)	**543**	55,314
	151,909	245,466

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) RMB86,384,000 (2015: RMB97,523,000) represents unconditional incentive received in relation to activities carried out by the Group and (b) RMB12,894,000 (2015: RMB8,038,000) represents subsidy on acquisition of land use rights and machineries amortized 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.

(iii) Included in the amounts for the year ended 31 December 2015 was royalty income amounting to RMB51,877,000, representing the income earned from the customers for the use of the Group's trademark, of which was acquired from the prior acquisition of Wuxi Suntech Group in 2014.

During the year ended 31 December 2016, due to commercial decision and an agreement entered into among the Group and the customers, the Group agreed not to charge royalty fee to its customers with effect from 1 January 2016.

6. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Other gains and losses		
Change in fair value of derivative financial liabilities	**350,330**	21,529
Gain on disposal of subsidiaries	**41,023**	3,758
Gain on disposal of available-for-sale investments	**23,445**	–
Impairment loss on interest in a joint venture	**(259,888)**	–
Impairment loss on solar power plants	**(221,540)**	(16,839)
(Recognition) reversal of doubtful debts for trade and other receivables, net (note i)	**(394,209)**	396,818
Net foreign exchange loss	**(34,945)**	(45,282)
Impairment loss on property, plant and equipment	**(248,895)**	–
(Loss) gain on disposal of property, plant and equipment	**(14,601)**	15,041
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)**	–
Gain on deemed disposal of an associate	**–**	10,733
Bargain purchase gain arising from acquisition of a subsidiary	**–**	4,686
Gain on disposal of intangible assets	**–**	4,335
Gain on release of financial guarantee contracts (note ii)	**–**	39,571
Provision of financial guarantee expenses	**(228,250)**	–
Others	**21,293**	37,384
	(1,708,485)	471,734
Other expenses		
Provision on legal claims	**(9,085)**	(43,083)
Legal and professional fee for acquisition of businesses	**–**	(19,599)
	(9,085)	(62,682)
	(1,717,570)	409,052

Notes:

(i) Included in the amounts was a gain on reversal of bad debts previously written off amounting to RMB13,670,000 (2015: RMB430,000,000). On the date of acquisition of Wuxi Suntech and Lattice Power, the receivables due from certain independent third parties amounting to RMB759,262,000 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 2016, RMB13,670,000 (2015: RMB430,000,000) 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 gain arising from the release of financial guaranteed provided by the Group in respect of banking facilities granted to independent third parties upon maturity during last year.

7. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest on borrowings	**774,064**	589,457
Finance charges on discounting of bills receivables	**6,586**	6,790
Interest on finance leases	**17,659**	19,138
Effective interest on convertible bonds	**407,445**	442,567
Effective interest on bond payables	**58,446**	6,297
Interest on consideration received in advance in respect of the 2015 Proposed Disposal	**44,463**	–
Total borrowing costs	**1,308,663**	1,064,249
Less: amounts capitalized	**(276,838)**	(364,644)
	1,031,825	699,605

Borrowing costs capitalized during the year ended 31 December 2016 included those finance costs arising from specific bank borrowings and those from general borrowing pool of which calculated by applying a capitalization rate of 15.06% (2015: 16.01%) per annum to expenditure on qualifying assets.

8. (LOSS) PROFIT BEFORE TAX

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
(Loss) profit before tax has been arrived at after charging:		
Directors' remuneration	**9,886**	12,339
Other staff costs	**645,493**	503,355
Other staff's retirement benefits scheme contributions	**54,124**	37,072
Share-based payment expenses in relation to the share option scheme of Lattice Power Group	**58,379**	24,503
Less: amount capitalised	**–**	(3,690)
Total staff costs	**767,882**	573,579
Auditor's remuneration	**18,498**	14,611
Warranty provided (included in cost of sales)	**44,960**	40,878
Cost of inventories recognized as expense (note)	**6,153,575**	5,180,220
Depreciation of property, plant and equipment	**482,007**	459,360
Depreciation of completed solar power plants	**575,908**	481,467
Amortization of intangible assets	**19,521**	12,364
Release of prepaid lease payments	**20,847**	8,597
Operating lease rentals in respect of rented premises	**27,014**	13,265

Note: Included in cost of inventories recognized as expense were write-down of inventories to net realizable values of approximately RMB7,165,000 (2015: RMB17,667,000).

9. INCOME TAX CREDIT (EXPENSE)

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**40,241**	31,675
Other jurisdictions	**607**	809
	40,848	32,484
(Over) under provision in prior year:		
PRC Enterprise Income Tax	**(1,805)**	2,251
	39,043	34,735
Deferred tax credit	**(43,756)**	(6,930)
Income tax (credit) expense	**(4,713)**	27,805

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure 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.

Jiangsu Shunfeng renewed the "High Technology Enterprise" status for 3 years that entitles Jiangsu Shunfeng a preferential tax rate of 15% for a period of three years starting from 2014 to 2016 according to PRC Tax law.

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% starting from 2014 to 2016 according to PRC Tax Law. For those subsidiaries of the Company located in Japan, the corporate tax rate is 28.3%.

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

Certain subsidiaries of 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 2014 to 2016 according to PRC Tax Law.

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

10. (LOSS) EARNINGS PER SHARE – BASIC AND DILUTED

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic (loss) earnings per share	**(2,109,843)**	44,803
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**–**	10,355
(Loss) earnings for the purposes of diluted (loss) earnings per share	**(2,109,843)**	55,158
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,243,778,563**	3,370,034,000
Effect of dilutive potential ordinary shares:		
– convertible bonds	**–**	1,479,519,000
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**4,243,778,563**	4,849,553,000

2016: The computation of the diluted loss per share for the current year does not assume the conversion of convertible bonds because this would result in a decrease in the loss per share.

2015: The computation of diluted earnings per share for the year does not assume the conversion of certain convertible bonds because the conversion of such convertible bonds would be anti-dilutive.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015 and 2016, nor has any dividend been proposed since the end of the reporting period for 2016 and 2015.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,376,710**	1,079,689
Less: Allowance for doubtful debts	**(157,804)**	(81,354)
	1,218,906	998,335
Accrued revenue on tariff subsidy	**1,244,513**	1,057,961
Total trade receivables and accrued revenue on tariff subsidy	**2,463,419**	2,056,296
Bills receivables	**131,973**	314,806
	2,595,392	2,371,102
Other receivables		
Prepaid expenses	**29,790**	50,068
Receivable from EPC of power plants	**–**	71,706
Retention receivables	**21,495**	58,205
Purchase Price Adjustment Receivables	**–**	1,288
Amounts due from independent third parties *(note i)*	**336,746**	256,907
Consideration receivable for disposal of available for sale investments	**11,000**	–
Consideration receivable for disposal of subsidiaries	**255,772**	–
Amounts due from disposed subsidiaries *(note iii)*	**386,782**	–
Others *(note ii)*	**61,242**	63,718
	1,102,827	501,892
	3,698,219	2,872,994

Notes:

(i) The amounts were non-trade in nature as at 31 December 2016, except for the amounts of RMB254,256,000 (2015: RMB225,476,400) which are unsecured, carried interest ranging from 5% to 10% (2015: ranging from 5.5% to 12%) per annum, and repayable within one year, all other balances were unsecured, interest free and repayable on demand.

(ii) The amount for both years represents other tax recoverable, custom deposits and advances to staff for operational purpose.

(iii) The amount was non-trade in nature, unsecured, interest-free, and repayable on demand.

The following is an aged 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.

Age	As at 31 December 2016 *RMB'000*	2015 *RMB'000*
0 to 30 days	**556,210**	560,911
31 to 60 days	**251,727**	111,754
61 to 90 days	**169,730**	93,128
91 to 180 days	**420,707**	292,054
Over 180 days	**1,065,045**	998,449
	2,463,419	2,056,296

The Group normally requests prepayments from customers before delivery of goods and allows credit period of up to 180 days (2015: 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 54% to 84% of total electricity sales, which is subject to settlement by state grid companies upon finalization of the allocation of funds by relevant government authorities to the state grid companies.

13. TRADE AND OTHER PAYABLES

	As at 31 December 2016 *RMB'000*	2015 *RMB'000*
Trade payables	**1,079,427**	998,234
Bills payables	**720,898**	643,334
Payables for acquisition of property, plant and equipment	**120,071**	119,637
Payables for EPC of solar power plants (note i)	**2,359,083**	3,132,820
Other tax payables	**22,390**	21,414
Amounts due to independent third parties (note ii)	**566,714**	132,810
Tendering deposits received	**59,266**	47,240
Accrued expense	**339,451**	302,783
Accrued payroll and welfare	**98,216**	90,823
Consideration received in advance and related accrued interest (note iii)	**274,700**	650,000
Consideration payable for acquisition of subsidiaries (note iv)	**55,712**	68,122
Consideration payable for acquisition of Suniva	–	6,495
Others	**44,767**	39,744
	5,740,695	6,253,456

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) Except for the amount of RMB206,000,000 (2015: nil) carried interest of 4.35% per annum, the amount is non-trade in nature and is 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 solar power plants in different provinces in the PRC to Chongqing Future Investment Co., Ltd (the "2015 Proposed Disposal"), an independent third 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.

RMB419,760,000 including the related accumulated interest of RMB42,689,000 was returned during the year ended 31 December 2016, and the remaining RMB272,926,000 together with the unsettled accumulated interest of RMB1,774,000 accrued as at 31 December 2016 and the future interest up to the date of the said payment are expected to be returned within one year after the execution of the Termination Agreement.

(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 credit period on purchases of goods is 0 to 180 days (2015: 0 to 180 days) and certain suppliers allow longer credit period on a case-by-case basis.

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Age		
0 to 30 days	**157,834**	260,398
31 to 60 days	**465,352**	169,998
61 to 90 days	**103,403**	89,684
91 to 180 days	**65,381**	120,820
Over 180 days	**287,457**	357,334
	1,079,427	998,234

14. CAPITAL COMMITMENTS

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment, EPC of solar power plants and acquisition of land leases – contracted for but not provided in the consolidated financial statements	**3,750,324**	3,973,688

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Commitments to contribute investments in Nanjing meteocontrol	**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 international 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 1,328,594MWh.

	For the year ended 31 December		
	2016	2015	% of
	MWh	*MWh*	Changes
Power generation volume:			
PRC	**1,282,217**	977,192	31.2%
Overseas	**46,377**	39,120	18.6%
Total	**1,328,594**	1,016,312	30.7%

As at 31 December 2016, the Group's solar power plants successfully realized a total installed capacity of 1,600 MW of on-grid generation, with 110MW under construction.

Manufacturing and Sales of Solar Products

As at 31 December 2016, the sales volume of solar products amounted to 2,954.6MW, representing an increase of 672.3MW or 29.5% from 2,282.3MW for the year ended 31 December 2015.

	For the year ended 31 December		
	2016	2015	% of
	MW	*MW*	Changes
Sales volume to independent third parties:			
Wafers	**55.8**	91.4	-38.9%
Cells	**1,465.6**	887.1	65.2%
Modules	**1,433.2**	1,303.8	9.9%
Total	**2,954.6**	2,282.3	29.5%

As at 31 December 2016, our top five customers represented approximately 14.9% of our total revenue as compared to approximately 22.6% in 2015. Our largest customer accounted for approximately 5.6% of our total revenue for the Year as compared to approximately 7.7% in 2015. These changes were mainly due to our continuing efforts to optimize the customer base. We believe that product quality and cost advantage will be crucial in the upcoming era of solar energy. Our largest customer is one of the largest solar companies in PRC, which mainly purchase solar cells from the Group and has been maintaining business relationship with the Group for more than seven years. Other major customers purchase solar products or solar power from the Group. The Group has been maintaining business relationship with such customers for one year to five 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. After conducting internal assessment by the Group, it is concluded that our major customers have good repayment history and credibility. In order to minimize 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 2016, our sales to PRC-based customers represented approximately 67.8% of the Group's total revenue, as compared to approximately 52.3% in 2015. In 2016, our sales to overseas customers represented approximately 32.2% of the Group's total revenue, as compared to approximately 47.7% in 2015. Our strong track record of product quality, advanced proprietary technology and effective cost control measures have contributed to our 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 acquired a 63.13% equity interest in Suniva Inc. ("**Suniva**") in October 2015 and was accounted for as a joint venture of the Group. As the solar product market competition has become fierce in the United Sates during the Year, Suniva has been operating at a loss. In light of the loss incurred, the severe financial difficulty experienced by Suniva, and certain unfavourable factors expected by the management, the directors of the Company recognized an impairment loss of RMB259,888,000 in relation to the Group's interest in Suniva as a joint venture and a provision of RMB221,466,000 on the financial guarantee expenses in respect of Suniva's additional bank borrowing and an accounts payable of RMB6,784,000 raised for the Year.

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 realize diversified business development.

Solar Power Plants Operation and Services

S.A.G., a German solar power enterprise acquired by the Group in 2014, 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 authorized by the German government. During the Year, meteocontrol has brought revenue of RMB110 million (2015: approximately RMB105 million) to the Group.

Nevertheless, S.A.G. Interests recorded a loss during the Year. Due to adverse changes in market conditions subsequent to initial recognition and certain unfavourable factors expected by the management, the directors of the Company no longer expected S.A.G. Interests to bear any benefit of synergies, revenue growth, future market development and assembled workforce in the foreseeable future. As a result, the Group recognised impairment loss on goodwill of RMB107,856,000 in relation to S.A.G Interests, and partial impairment losses on intangible assets and certain interests in associates held by S.A.G. Interests of RMB35,623,000 and RMB18,944,000, respectively.

Production and Sales of LED Products

The Group completed the acquisition of 59% equity interest of Lattice Power in August 2015. 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, LED 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 RMB280 million while it amounted to approximately RMB146 million in 2015. In light of the loss incurred during the Year, the management assessed the recoverable amounts in relation to each cash-generating-units determined based on a value-in-use calculation, and recognized impairment losses on goodwill and intangible assets of RMB412,171,000 and RMB160,864,000 respectively, and partial impairment losses on property, plant and equipment of RMB244,891,000 in relation to Lattice Power. In addition, the Group also recognised gain of RMB254,929,000 on changes in fair value of Series E Warrants in Lattice Power during the Year.

Financing Activities

During the Year, the Group has earned continuous support from financial institutions to fund the development of solar business. In 2016, the Company has successfully issued private placement bonds and obtained loans from financial institutions. These funds serve as a significant support for enhancing liquidity and future business development.

	RMB'000
Issue of private placement bonds	450,000
Loans from financial institutions	6,026,802
Total	6,476,802

FINANCIAL REVIEW

Revenue

Revenue increased by RMB1,244.1 million, or 17.7%, from RMB7,032.4 million for the year ended 31 December 2015 to RMB8,276.5 million for the Year, primarily due to the fact that most of the solar power plants of the Group that completed on-grid connection before 2016 have completed testing and commenced operation in 2016 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increasing by 27.5% from 1,013,252MWh for the year ended 31 December 2015 to 1,291,875MWh for the Year; the sales volume of our solar products increased by 29.5% from 2,282.3MW for the year ended 31 December 2015 to 2,954.6MW for the Year; revenue from solar power plants monitoring service increased by 4.8% from RMB105.0 million for the year ended 31 December 2015 to RMB110.0 million for the Year; and sales revenue from LED products amounted to RMB280.0 million.

For the Year, sales of solar products accounted for 82.3% of the total revenue, of which sales of modules, cells, wafers and PV systems accounted for 49.9%, 30.1%, 0.8% and 1.5% of the total revenue, respectively; revenue from solar power generation accounted for 13.0% of the total revenue. Revenue from solar power plants monitoring service accounted for 1.3% of the total revenue while sales from LED products accounted for 3.4% of the total revenue.

Solar modules

Revenue from the sales of solar modules increased by RMB89.3 million, or 2.2%, from RMB4,042.1 million for the year ended 31 December 2015 to RMB4,131.4 million for the Year, primarily due to an increase in the Group’s sales volume by 129.4MW or 9.9% from 1,303.8MW for the year ended 31 December 2015 to 1,433.2MW for the Year, but was partially offset by the decrease in the average selling price of our products by 6.5% from RMB3.1 per watt for the year ended 31 December 2015 to RMB2.9 per watt for the Year.

Solar cells

Revenue from the sales of solar cells increased by RMB859.5 million, or 52.7%, from RMB1,630.7 million for the year ended 31 December 2015 to RMB2,490.2 million for the Year, and the sales volume increased by 578.5 MW or 65.2% from 887.1 MW for the year ended 31 December 2015 to 1,465.6 MW for the Year, the increase in revenue from the sales of solar cells was partially offset by the decrease in the average selling price of our products by 5.6% from RMB1.8 per watt for the year ended 31 December 2015 to RMB1.7 per watt for the Year.

Solar wafers

Revenue from the sales of solar wafers decreased by RMB27.5 million, or 30.6%, from RMB90.0 million for the year ended 31 December 2015 to RMB62.5 million for the Year, which was primarily attributable to the decrease in sales volume by 38.9% from 91.4 MW for the year ended 31 December 2015 to 55.8 MW for the Year.

Solar power generation

Revenue from solar power generation increased by RMB180.4 million, or 20.2%, from RMB894.2 million for the year ended 31 December 2015 to RMB1,074.6 million for the Year, primarily because total power generated amounted to 1,328,594.4 MWh, of which 1,291,874.9 MWh was recorded as revenue from power generation upon completion of testing.

Solar Power Plant Operation and Services

meteocontrol, as a wholly owned subsidiary of S.A.G., acquired by the Group in 2014, provides solar power plant monitoring service. The revenue from relevant service fee generated during the Year increased by RMB5.0 million or 4.8% from RMB105.0 million for the year ended 31 December 2015 to RMB110.0 million for the Year.

LED products

The Group completed the acquisition of Lattice Power in August 2015. Revenue from the sales of LED chips, LED packages and other LED products increased by RMB134 million or 91.7% from RMB146.0 million for the year ended 31 December 2015 to RMB280.0 million for the Year.

Geographical market

In terms of geographical markets from which our revenue was generated, approximately 67.8% of the total revenue for the Year was generated from sales to our PRC customers, as compared to 52.3% for the year ended 31 December 2015. 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 RMB1,068.1 million, or 18.7%, from RMB5,706.3 million for the year ended 31 December 2015 to RMB6,774.4 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 RMB176 million, or 13.3%, from RMB1,326.1 million for the year ended 31 December 2015 to RMB1,502.1 million for the Year.

Other income

Other income decreased by RMB93.6 million, or 38.1%, from RMB245.5 million for the year ended 31 December 2015 to RMB151.9 million for the Year, primarily due to (1) the decrease in technical advisory income by RMB41.1million or 93% from RMB44.2 million for the year ended 31 Decemebr 2015 to RMB3.1 million for the Year, and (2) the decrease in gain on sales of raw and other materials by RMB10.4 million or 64.2% from RMB16.2 million for the year ended 31 December 2015 to RMB5.8 million for the Year. However, the decrease was partially offset by an increase in bank interest income, which increased by RMB19 million.

Other gains and losses and other expenses

Other gains and losses and other expenses recorded a significant decline of RMB2,126.7 million, or 519.8% from a net gain of RMB409.1 million for the year ended 31 December 2015 to a net loss of RMB1,717.6 million for the Year, which was primarily due to (1) the increase in recognition of doubtful debts for trade and other receivables of RMB791.0 million or 199.3%, from a net gain of RMB396.8 million for the year ended 31 December 2015 to a net loss of RMB394.2 million for the Year, (2) the increase in impairment loss on solar power plants by RMB204.7 million, or 1,218.5% from a net loss of RMB16.8 million for the year ended 31 December 2015 to a net loss of RMB221.5 million for the Year, (3) impairment loss on goodwill of RMB520 million for the Year (for the year ended 31 December 2015: nil), (4) impairment loss on interest in a joint venture of RMB259.9 million for the Year (for the year ended 31 December 2015: nil) and (5) impairment loss on intangible assets of RMB196.5 million for the Year (for the year ended 31 December 2015: nil). However, the effect were partially offset by the increase in gain on change in fair value of derivative financial liabilities, which increased by RMB328.8 million to RMB350.3 million for the Year.

Distribution and selling expenses

Distribution and selling expenses increased by RMB68.8 million or 22.3%, from RMB308.2 million for the year ended 31 December 2015 to RMB377 million for the Year, primarily due to the increase in shipment volume for the Group's solar products.

Administrative expenses

Administrative and general expenses decreased by RMB8.9 million, or 1.3%, from RMB673.8 million for the year ended 31 December 2015 to RMB664.9 million for the Year.

Research and development expenses

Research and development expenses increased by RMB47.1 million, or 36.1%, from RMB130.5 million for the year ended 31 December 2015 to RMB177.6 million for the Year, primarily due to the increase in the expenses on research and development investment and related material costs.

Share of losses of associates

Share of losses of associates for the year decreased by RMB63.3 million, or 90.7%, from RMB69.8 million for the year ended 31 December 2015 to RMB6.5 million for the Year.

Share of losses of a joint venture

Share of losses of a joint venture for the Year amount to RMB82.6 million, which was attributable to Suniva, a joint venture acquired in October 2015.

Finance costs

Finance costs increased by RMB332.2 million, or 47.5%, from RMB699.6 million for the year ended 31 December 2015 to RMB1,031.8 million for the Year, primarily due to (1) the increase in interest on borrowings by RMB184.5 million, or 31.3% to RMB774.1 million and (2) the increase in effective interest on bond payables by RMB52.1 million, or 828.2% to RMB58.4 million.

Loss before tax

Due to the above reasons, profit before tax decreased by RMB2,489.9 million from the profit before tax of RMB85.8 million for the year ended 31 December 2015 to the loss before tax of RMB2,404.1 million for the Year.

Income tax credit

Income tax expense decreased by RMB32.5 million, or 116.9%, from income tax expense of RMB27.8 million for the year ended 31 December 2015 to income tax credit of RMB4.7 million for the Year, primarily due to the increase in deferred tax credit for the Year.

Loss for the Year

As a result of the reasons stated above, profit for the Year decreased by RMB2,457.4 million, from the profit of RMB58 million for the year ended 31 December 2015 to the loss of RMB2,399.4 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 increase in demand for our solar products. Included in the balance of the inventories as at 31 December 2016 was a write-down of inventories of RMB73.5 million (31 December 2015: RMB97.6 million), which was mainly attributable to inventories bought in previous years at higher price. The inventory turnover days as at 31 December 2016 was 38.5 days (31 December 2015: 54.4 days), and the decrease in inventory turnover days was mainly attributable to the increase in demand of our solar products.

Trade receivables turnover days

The trade receivables turnover days as at 31 December 2016 was 99.7 days (31 December 2015: 85.4 days). The increase in turnover days was mainly due to new addition of overseas customers and the Group has not yet realized part of the tariff subsidy, while the trade receivables turnover days as at 31 December 2016 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 2016 was 56 days (31 December 2015: 57.7 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 2016, the Group's current ratio (current assets divided by current liabilities) was 0.82 (31 December 2015: 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 2016, the Group was in a negative net cash position of RMB13,950.7 million (31 December 2015: RMB10,553.7 million), which included cash and cash equivalents of RMB912.6 million (31 December 2015: RMB1,854.4 million), bank and other borrowings of RMB11,425.2 million (31 December 2015: RMB9,631.8 million), convertible bonds of RMB2,279.2 million (31 December 2015: RMB2,056.3 million), bond payables of RMB1,012.1 million (31 December 2015: RMB539.2 million) and obligations under finance leases of RMB146.8 million (31 December 2015: RMB180.8 million).

The Group's 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 129.1% as at 31 December 2015 to 229.0% as at 31 December 2016.

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 2015: Nil).

Contingent liabilities and guarantees

As at 31 December 2016, the Group provided guarantees to independent third parties and a joint venture with a total amount of RMB354.3 million (31 December 2015: RMB126.1 million), of which RMB307.7 million (31 December 2015: RMB79.4 million) has been provided and recognized as provision in the statement of financial position. As at 31 December 2016, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

As at 31 December 2016, the Group had pledged certain trade and other receivables with carrying amount of RMB1,117.1 million (31 December 2015: RMB984.8 million) and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB11,762.7 million (31 December 2015: RMB10,417.9 million) to various banks for securing loans and general credit facilities granted to the Group.

As at 31 December 2016, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB2,156.6 million (31 December 2015: RMB1,474.9 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 31 December 2016 and 31 December 2015, 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 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

As at the date of this announcement, the Group completed various acquisitions of equity interests in independent third party entities. For details of such projects, please refer to the section entitled "Management Discussion and Analysis – Business Review".

Save as disclosed in the consolidated financial statements, there was no other substantial acquisition of subsidiaries or associates by the Group during the Year.

Human resources

As at 31 December 2016, the Group had 6,921 employees (31 December 2015: 7,039). 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.

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:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion in respect of the review, we draw attention to note 1 to the consolidated financial statements, which states that as at 31 December 2016, the Group's current liabilities exceeded its current assets by RMB1,959,950,000. In addition, as at 31 December 2016, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB3,794,424,000, as disclosed in note 14.

The Company is implementing several measures as disclosed in note 1 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 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
"GDP"	gross domestic product

"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
"JPY"	Japanese Yen, the lawful currency of Japan
"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 2016
"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 Yi
Chairman

Hong Kong, 28 March 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.