SF-PV

Shunfeng Photovoltaic International Limited
順風光電國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01165)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS HIGHLIGHTS

	Year ended 31 December		
	2011	2010	% of
	RMB'000	*RMB'000*	Changes
Revenue	1,971,530	622,922	+216.5%
Gross profit	210,286	130,327	+61.4%
Profit attributable to owners of the Company	57,182	80,449	-28.9%
	RMB cents	*RMB cents*	
Basic earnings per share	4.22	6.88	-38.7%
	MW	MW	
Shipment volume			
Monocrystalline solar cells			
156 mm by 156 mm	234.6	7.3	+3,113.7%
125 mm by 125mm	59.1	64.6	-8.5%
Multicrystalline solar cells			
156 mm by 156 mm	43.7	–	+100.0%
Solar modules	14.3	–	+100.0%

Inter-segment sales of wafers of approximately 29.4MW and solar cells of approximately 15.5MW amounting to RMB98.7 million and RMB81.5 million have been eliminated in the revenue of the Year, respectively.

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2011	2010
	NOTES	***RMB'000***	*RMB'000*
Revenue	*4*	**1,971,530**	622,922
Cost of sales		**(1,761,244)**	(492,595)
Gross profit		**210,286**	130,327
Other income	*5*	**11,076**	3,375
Other gains and losses and other expenses	*6*	**(74,605)**	(13,601)
Distribution and selling expenses		**(6,919)**	(2,520)
Administrative expenses		**(56,922)**	(19,255)
Finance costs	*7*	**(48,506)**	(3,970)
Profit before taxation	*8*	**34,410**	94,356
Income tax expense	*9*	**(10,657)**	(14,266)
Profit and total comprehensive income for the year		**23,753**	80,090
Profit and total comprehensive income attributable to:			
Owners of the Company		**57,182**	80,449
Non-controlling interests		**(33,429)**	(359)
		23,753	80,090
		RMB cents	*RMB cents*
Earnings per share – Basic	*10*	**4.22**	6.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2011	2010
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,285,558**	480,071
Prepaid lease payments – non-current		**51,340**	24,283
Deposits for acquisition of property, plant and equipment		**30,318**	55,193
Deposits for acquisition of land use rights		**19,060**	1,646
Prepayments to suppliers		**–**	17,000
Deferred tax assets		**11,829**	–
		1,398,105	578,193
Current assets			
Inventories		**74,307**	34,452
Trade and other receivables	*12*	**525,014**	88,018
Value-added tax recoverable		**112,384**	49,224
Prepayments to suppliers		**10,610**	19,155
Prepaid lease payments – current		**1,122**	3,886
Pledged bank deposits		**148,506**	17,645
Restricted bank deposits		**236,075**	–
Bank balances and cash		**120,122**	55,432
		1,228,140	267,812
Current liabilities			
Trade and other payables	*13*	**785,982**	166,913
Customers' deposits received		**4,704**	56,846
Amount due to a director		**–**	859
Obligations under finance leases		**25,105**	–
Tax payable		**2,260**	2,468
Other financial liabilities		**7,758**	–
Borrowings		**730,187**	154,500
		1,555,996	381,586
Net current liabilities		**(327,856)**	(113,774)
Total assets less current liabilities		**1,070,249**	464,419

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**12,892**	1
Reserves	**664,003**	286,538
Equity attributable to owners of the Company	**676,895**	286,539
Non-controlling interests	**25,733**	29,411
Total equity	**702,628**	315,950
Non-current liabilities		
Borrowings	**269,000**	140,000
Other payable	**–**	4,731
Obligations under finance leases	**48,656**	–
Customers' deposits received	**–**	1,500
Deferred income	**49,965**	2,238
	367,621	148,469
	1,070,249	464,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands. Its Shares have been listed on the Main Board of The Hong Kong Stock Exchange since 13 July 2011. The Company is an investment holding company. The principal activities of the Company's subsidiaries are the manufacturing and sales of solar cells and related products.

Pursuant to the group reorganization as disclosed in section headed "History and Corporate Structure – Restructuring" of the prospectus dated 30 June 2011 issued by the Company (the "Group Reorganization"), the Company became the holding company of the Group on 26 September 2010 by interspersing the Company and Shunfeng Photovoltaic Holdings Limited ("Shunfeng HK") between Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("Shunfeng Technology") and Shunfeng Technology's then existing shareholders immediately before the Group Reorganization and accordingly, Shunfeng HK became a direct wholly-owned subsidiary of the Company and Shunfeng Technology became an indirect wholly-owned subsidiary of the Company.

The Group resulting from the Group Reorganization is regarded as a continuing entity. The consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of Shunfeng HK and Shunfeng Technology throughout the year ended 31 December 2011.

At 31 December 2011, the Group's current liabilities exceeded its current assets by approximately RMB327,856,000. The Directors are confident that the Group will be able to meet its financial obligations in full when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The Directors target to maintain the sufficiency of cashflows with availability of unutilized banking facilities, internally generated funds and funds arose from other financing activities, if required. The Group obtained banking facilities of approximately RMB1,777,517,000 as at 31 December 2011, included in which approximately RMB999,187,000 were utilized and approximately RMB778,330,000 were unutilized as at 31 December 2011. The Directors believe that the banking facilities as mentioned above will continue to be available and will not be withdrawn within the next twelve months from the date of approval and authorized for issue of these consolidated financial statements. In addition, the Directors review the forecasted cashflows on an on-going basis to ensure that the Group will have sufficient capital for operations and expansion. Changes on capital expansion plan will be made should the need arise.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial statement instruments, which are measured at fair values, as appropriate.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new or revised standards and interpretations ("new or revised IFRSs").

- Amendments to IFRSs Improvements to IFRSs issued in 2010
- IAS 24 (as revised in 2009) Related Party Disclosure
- Amendments to IAS 32 Classification of Rights Issues
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The application of the above new or revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

The Directors anticipate that the application of these new or revised IFRSs will have no material impact on the results and the financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the manufacturing and sales of solar cells, solar modules and related products. The chief executive officer, who is also a Director and the chief operating decision maker, regularly reviews revenue analysis by major products and the Group's profit for the year to make decisions about resources allocation and performance assessment. No segment information is presented other than entity-wide disclosures as no other discrete financial information is available for the assessment of performance and resources of the Group's business activities.

Entity-wide disclosures

Revenue analyzed by major products

The Group has been engaged in manufacturing and sales of solar cells, solar modules and related products.

The following table sets forth a breakdown of the Group's revenue for the year ended 31 December 2011 and 2010:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Monocrystalline solar cells	**1,713,053**	622,800
Multicrystalline solar cells	**166,563**	19
Solar modules	**91,914**	103
Total	**1,971,530**	622,922

Geographical information

The analysis of revenue by geographical location:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
The PRC (country of domicile)	**1,883,131**	577,386
Spain	**27,073**	–
Switzerland	**13,249**	43,802
Other countries *(note)*	**48,077**	1,734
Total	**1,971,530**	622,922

All the Group's non-current assets, including property, plant and equipment, prepaid lease payments, deposits for acquisition of property, plant and equipment, deposits for acquisition of land use rights and prepayments to suppliers are located in the PRC at the end of the reporting period.

Note: The customers located in other countries are mainly from certain Asian and European countries.

Information about major customers

Details of the customers accounting for 10% or more of total revenue are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Customer A	**544,813**	154,277
Customer B	*	138,486
Customer C	*	92,991

* *The corresponding revenue does not contribute over 10% of the total revenue of the Group.*

5. OTHER INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Bank interest income	**3,194**	895
Government grants *(note)*	**3,563**	981
Gain on sales of raw and other materials	**3,167**	1,209
Others	**1,152**	290
	11,076	3,375

Note: The government grants represent the amount received from the local government by the PRC operating entities of the Group. Government grants of approximately (a) RMB1,949,000 (2010: RMB852,000) represents incentive received in relation to activities carried out by the Group and (b) RMB1,614,000 (2010: RMB129,000) represents subsidy on acquisition of land use rights and plant and equipment amortized to profit or loss.

6. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Foreign exchange gains (losses), net	**9,284**	(2,203)
Release of gain on a sale and leaseback arrangement	**582**	–
Change in fair values of foreign currency forward contracts	**(7,758)**	(3,002)
Legal and professional fees *(note)*	**(13,060)**	(9,247)
Impairment loss on property, plant and equipment	**(63,652)**	–
Loss on disposal of property, plant and equipment	**(1)**	–
Recognition of fair values of financial guarantee contracts issued	**–**	(2,761)
Amortization of financial guarantee liability	**–**	3,612
	(74,605)	(13,601)

Note: The amount mainly represented legal and professional expenses incurred for the preparation of the listing of the Shares on the Hong Kong Stock Exchange.

7. FINANCE COSTS

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**44,849**	3,635
Finance charges on factoring of bills receivable	**4,919**	580
Interest on finance leases wholly repayable within five years	**1,235**	–
Total borrowing costs	**51,003**	4,215
Less: amounts capitalized	**(2,497)**	(245)
	48,506	3,970

Borrowing costs capitalized during the year ended 31 December 2011 arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.52% (2010: 5.67%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**1,487**	1,107
Other staff costs	**61,191**	20,626
Other staff's retirement benefits scheme contributions	**3,745**	958
Total staff costs	**66,423**	22,691
Auditor's remuneration	**1,777**	20
Cost of inventories recognized as expense	**1,761,244**	492,595
Depreciation of property, plant and equipment	**44,598**	11,611
Release of prepaid lease payments	**945**	1,844
Research expenses (included in administrative expenses)	**4,081**	2,654
Operating lease rentals in respect of rented premises	**1,924**	203

Note: Included in cost of inventories recognized as expense were write-down of inventories to net realizable values of approximately RMB3,627,000 (2010: nil).

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**22,486**	13,891
Deferred taxation	**(11,829)**	375
Tax charge	**10,657**	14,266

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

Pursuant to the relevant laws and regulations in the PRC, Shunfeng Technology is exempted from PRC enterprise income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. As a result, Shunfeng Technology was exempted from enterprise income tax for two years, starting from its first profitable year, which were 2007 and 2008, and was then entitled to a 50% reduction in enterprise income tax for three years thereafter from 2009 to 2011.

10. EARNINGS PER SHARE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**57,182**	80,449

	Year ended 31 December	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,353,780,822**	1,169,970,274

The number of shares for the purpose of basic earnings per share has been determined assuming the Group Reorganization occurred on the first day of the year ended 31 December 2010 and the capitalization issue on 13 July 2011 has been adjusted retrospectively.

The over-allotment option of the Company did not have a dilutive effect to the Company's earnings per share during the year ended 31 December 2011 because the exercise price of such option was higher than the average market prices of the Company's shares during the period when the option was exercisable. No diluted earnings per share for the year ended 31 December 2010 was presented as there were no potential dilutive ordinary shares outstanding.

11. DIVIDENDS

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**265,267**	46,174
Bills receivable	**210,399**	29,500
Other receivables and prepayments	**49,348**	12,344
	525,014	88,018

The Group normally requests prepayments from customers before delivery of goods and allows an average credit period up to 180 days (2010: 30 days to 180 days) to certain trade customers on a case by case basis. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period:

	As at 31 December	
Age	**2011**	2010
	RMB'000	*RMB'000*
0 to 30 days	**143,397**	46,174
31 to 60 days	**92,021**	–
61 to 90 days	**5,758**	–
91 to 180 days	**24,091**	–
	265,267	46,174

The following is an aged analysis of the Group's bills receivable presented based on issue date at the end of the reporting period:

	As at 31 December	
Age	**2011**	2010
	RMB'000	*RMB'000*
0 to 30 days	**41,372**	–
31 to 60 days	**8,000**	15,500
61 to 90 days	**145,927**	9,500
91 to 180 days	**15,100**	4,500
	210,399	29,500

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current liabilities		
Trade payables	**196,683**	33,703
Bills payable	**450,436**	–
Payables for acquisition of property, plant and equipment	**115,253**	120,878
Other tax payables	**276**	87
Other payables and accrued charges	**23,334**	12,245
	785,982	166,913

The credit period on purchases of goods is 0 to 180 days (2010: 0 to 90 days) and certain suppliers allow longer credit period on a case-by-case basis.

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Age		
0 to 30 days	**139,505**	33,295
31 to 60 days	**39,409**	262
61 to 90 days	**12,159**	75
91 to 180 days	**5,602**	25
Over 180 days	**8**	46
	196,683	33,703

The following is an aged analysis of the Group's bills payable presented based on issue date at the end of the reporting period:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Age		
0 to 30 days	**55,698**	–
31 to 60 days	**64,339**	–
61 to 90 days	**60,815**	–
91-180 days	**269,584**	–
	450,436	–

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present to the Shareholders the audited consolidated annual results of the Group for the year ended 31 December 2011.

Despite the exceptionally challenging operating environment in 2011, the Group achieved a net profit of RMB23.8 million in 2011 and expanded our production capacity to approximately 420 MW. Our shipment volume in 2011 was approximately 351.7 MW, which represents an increase of 389.2% from 71.9 MW in 2010. Even under an unfavourable business environment resulted from the global financial crisis, demand for our products by our customers was robust, we believe this was attributable to our strong track record of product quality and superior branding.

The "Shunfeng Photovoltaic" brand is synonymous with quality. We maintain the strength of our brand by executing a stringent manufacturing process, tailoring our products to meet our customers' needs and leveraging on our extensive track record of superior product quality. In the second half of 2011, we successfully launched the 156mm by 156mm multicrystalline solar cells.

During 2011, the Company successfully raised HKD432.9 million by its listing on the Main Board of the Hong Kong Stock Exchange on 13 July 2011. The proceeds from the Global Offering have been used to fund the Group's long-term development and strengthen our ability to drive innovation, build downstream relationships, increase production capacity and further develop technological expertise to mitigate against the unfavorable business conditions brought on by the global financial crisis.

Our Board and management team have confidence in the prospects of the solar energy industry. We believe governments of various countries will continue to invest heavily in solar and other clean energies with the objective to restore their economies, to create employment opportunities and, at the same time, to establish a low-carbon emission environment. In respect of the PV markets on a global level, countries including Germany, Spain and Italy are currently regarded as the major end-markets. These countries are promoting solar generation by implementing proactive policies (such as government grants), and these policies are driving the fast development of the PV manufacturing industry. Similarly, China and the United States, being the top two energy consuming countries in the world, as well as France, Australia and the Middle East are promising solar energy markets with substantial potential in the future.

At present, solar energy is still a relatively high cost method for generating power compared to traditional sources. However, the cost of generating solar energy (per watt) had reduced substantially since the third quarter of 2011, this is due to the decrease in polysilicon costs, the continuous upgrading of production techniques and the enhancement of operational effectiveness in the industry. This reduction in polysilicon prices has accelerated the industry's progression towards grid-parity and created opportunities for the Group. With our reputation and our stable and well-managed relationships with the suppliers and customers, I am confident that the Group has capability to adapt to the new economical and competitive landscape in the solar industry, and with the support of our Board and management team, I strongly believe that our business will continue to grow and develop in a steady and healthy manner.

Currently, the Group has expanded solar cell production capacity from approximately 180 MW in 2010 to approximately 420 MW. In order to implement vertical integration to capture additional profit along the value chain and achieve greater, we had invested in the coordinated expansion of our silicon wafer and solar module production to realize the benefits of vertical integration. By end of 2011, we had reached an annual silicon wafers production capacity and solar module production capacity of 200 MW installed of which 66.7 MW has been started for production and 60 MW, respectively.

The Group will continue to strive to improve product quality and minimize production cost to further strengthen our competitive advantages. At present, the Group is refining the existing business strategies and identifying potential business opportunities proactively, in an effort to capture the enormous opportunities in the upcoming era of clean and economy solar energy, which will enable us to create the greatest reward for our Shareholders.

Lastly, for and on behalf of the Board, I would like to acknowledge the dedications and efforts made by the management and our staff during the past year and express my gratitude to our Shareholders and business partners for their continuous support and trust. I look forward to reporting to our Shareholders at the forthcoming annual general meeting on our effective stewardship of the Group's business and assets, as well as the value we continuously delivered to our Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During 2011, the adverse impact of the collapse of the U.S. mortgage market quickly spread into the wider financial sector and then, inevitably, into what is often referred to as the "real economy". The financial crisis also created short-term challenges in the business environment for the solar industry, which affected the overall demand for solar products as well as the price for the raw materials and solar products.

Despite the adverse impacts of the global economic downturn in 2011, the long-term prospect of the solar industry remains promising. The reduction in price has accelerated the progression to grid-parity, and governments of various countries have invested heavily into solar and other clean energies, with the objective to restore their economies, to create employment opportunities while at the same time establish a low-emission environment.

In respect of the PV markets on a global level, countries including Germany, Spain and Italy are currently the major end markets. China and the United States, being the top two energy consuming countries in the world, as well as France, Australia and the Middle East are emerging markets with substantial potential in the future. These countries either have policies that offer, or plan to introduce policies to offer substantial incentives in the form of direct subsidies for solar power system installations, or rebates for electricity produced from solar power. These would speed up the development of the PV manufacturing industry, as increasing government support for solar power use will drive up demand for solar power.

In addition to the foregoing, the recent economic downturn has also created new opportunities for us. Our customers are beginning to realize the value of buying high-quality solar cells from a reputable and well-established producer with the indispensable strength and stability to support their long term development. This created a strong demand for our high-quality solar cells even amid the challenging environment of 2011.

Our shipment volume for the Year was 351.7 MW which was approximately 389.2% higher than that of approximately 71.9 MW for the year ended 31 December 2010. This indicated that even during the first half of 2011 when the solar industry and global economy were severely threatened by the financial crisis, we still secured strong demand for our products.

Our top 5 customers in 2011 represented approximately 50.0% of our total revenue as compared with approximately 75.9% in 2010. Our largest customers accounted for approximately 27.6% of our total revenue in 2011 while it represented approximately 24.8% in 2010. These changes were mainly the result of our efforts to optimise the customer base. We believe product quality and cost advantage would be crucial in the upcoming era of solar energy.

We have been able to gradually increase the number of customers, as well as expand the geographic coverages we reached during 2011. In addition to our strong solar module manufacturers customer base in the PRC, we were able to expand our customer base to include leading solar cell and module manufacturers in other parts of the world.

During 2011, our sales to PRC based customers represented approximately 95.5% of our total revenue, as compared with approximately 92.7% in 2010. Our sales to overseas customers represented approximately 4.5% of our total revenue in 2011, as compared with approximately 7.3% in 2010. Our strong track record of production quality, advanced proprietary technology and efforts on reducing production costs have contributed to our reputation and thus our success in optimising our customer base, and we believe such strategic move will continue to contribute to a strong and sustainable demand for our products.

Our ability to manufacture high quality monocrystalline solar cells (in terms of industry metrics), reflects on the conversion efficiency and quality of our products. Through utilising our competitive advantages, we strive to maintain our high quality standards in the production of monocrystalline solar cells.

We plan to devote substantial resources into research and development to enhance our manufacturing processes, reduce our production costs, and improve our product quality and performance. We believe these efforts, together with the industry experience of our management team, will enable us to continue to improve production efficiency and enhance product quality. These, we believe, will in turn help to promote our reputation in product innovation within the solar market.

In order to meet the anticipated growth in demand for our solar products, we have expanded our solar cell production capacity from approximately 180 MW to approximately 420 MW during 2011. While we plan to maintain our primary focus on solar cells, we had invested in the coordinated expansion of our silicon wafer and solar module production to realize the benefits of vertical integration. By end of

2011, we had reached an annual silicon wafers production capacity and solar module production capacity of 200 MW installed of which 66.7 MW has been started for production and 60 MW, respectively. We are now in the process of further expanding the production capacity.

We intend to introduce a diversified procurement strategy which, when implemented, will involve purchasing from multiple suppliers. The intention of this initiative is to minimize potential disruptions to our operation in the event that any one of our suppliers is unable to satisfy our order in a timely manner, we will adhere to this strategy and diversify our supply source even when a supplier offers wafers at a more competitive unit price than the other suppliers in the market. To ensure a successful implementation of this strategy, we will develop strategic alliances with key suppliers, continue to maintain existing relationships and expand our network of suppliers to, among others, emerging suppliers who are able to provide us with high-quality wafers.

The past 12 months have not been easy. However, we have successfully managed and took effective steps to mitigate against the impacts of the risks on our business which arose from the volatile and difficult economic environment in 2011. Not only did we ride out the storm, we emerged stronger than ever and stood ready to capture the opportunities for the renewable energy sector in the coming years.

Financial Review

Revenue

Revenue increased by RMB1,348.6 million, or 216.5%, from RMB622.9 million for the year ended 31 December 2010 to RMB1,971.5 million for the Year, primarily as a result of a decrease in the average selling price of our solar products, partially offset by an increase in our sales volume. The decrease in the average selling price of our solar products was generally due to the significant fall in the market prices for solar products, which was caused by the european debt crisis. The increase in our sales volume was generally due to the increase in customer demand for our monocrystalline solar products. The shipment volume of our solar products increased by 389.2% from 71.9 MW for the year ended 31 December 2010 to 351.7 MW for the Year. Inter-segment sales of wafers of approximately 29.4MW and solar cells of approximately 15.5MW amounting to RMB98.7 million and RMB81.5 million have been eliminated in the revenue of the Year, respectively.

For the Year, sales of monocrystalline solar cells and multicrystalline solar cells accounted for 86.9% and 8.4% of total revenue, respectively, while sales of solar modules accounted for 4.7% of total revenue. For the year ended 31 December 2010, sales of monocrystalline solar cells substantially accounted for all total revenue whereas we only derived limited revenue from sales of multicrystalline solar cells and solar modules. In order to capture the demand for multicrystalline solar cells, we successfully launched the 156 mm by 156 mm multicrystalline solar cells in the second half of 2011.

Sales of 156 mm by 156 mm monocrystalline solar cells

Revenue from sales of 156 mm by 156 mm monocrystalline solar cells increased by RMB1,311.5 million, or 2,175.0%, from RMB60.3 million for the year ended 31 December 2010 to RMB1,371.8 million for the Year, primarily as a result of an increase in shipment volume by 3,113.7% from 7.3 MW for the year ended 31 December 2010 to 234.6 MW for the Year, partially offset by a decrease in our average unit price for this product by 30.1% from RMB8.3 per watt for the year ended 31 December 2010 to RMB5.8 per watt for the Year.

Sales of 156 mm by 156 mm multicrystalline solar cells

Revenue from sales of 156mm by 156mm multicrystalline solar cells increased by RMB166.5 million, or 8,765.5 times, from RMB0.02 million for the year ended 31 December 2010 to RMB166.6 million for the Year, primarily due to launch of this new product in the second half of 2011. Our sales volume increased by 100% to 43.7 MW for the Year.

Sales of 125 mm by 125 mm monocrystalline solar cells

Revenue from sales of 125 mm by 125 mm monocrystalline solar cells decreased by RMB221.3 million, or 39.3%, from RMB562.5 million for the year ended 31 December 2010 to RMB341.2 million for the Year, primarily as a result of a decrease in our average unit price for this product by 33.3% from RMB8.7 per watt for the year ended 31 December 2010 to RMB5.8 per watt for the Year and decrease in our sales volume by 8.5% from 64.6 MW for the year ended 31 December 2010 to 59.1 MW for the Year.

Sales of solar modules

Revenue from sales of solar module increased by RMB91.8 million, or 891.4 times, from RMB0.1 million for the year ended 31 December 2010 to RMB91.9 million for the Year, primarily due to successfully installed 60MW production capacity and received the OEM sales orders in the fourth quarter of 2011.

In terms of geographic markets from which our revenue was generated, approximately 95.5% of the total revenue for the Year was generated from the sales to our PRC customers, as compared with 92.7% for the year ended 31 December 2010. The remaining portion was generated from the sales to our overseas customers, who are mainly based in certain Asian and European countries.

Cost of sales

Cost of sales increased by RMB1,268.6 million, or 257.5%, from RMB492.6 million for the year ended 31 December 2010 to RMB1,761.2 million for the Year, primarily as a result of an increase in our shipment volume.

Gross profit

Gross profit increased by RMB80.0 million, or 61.4%, from RMB130.3 million for the year ended 31 December 2010 to RMB210.3 million for the Year, primarily as a result of the above.

Other income

Other income increased by RMB7.7 million, or 228.2%, from RMB3.4 million for the year ended 31 December 2010 to RMB11.1 million for the Year, primarily due to an increase in bank interest income, the government grants and gain on sales of raw and other materials.

Other gains and losses and other expenses

Other gains and losses and other expenses increased by RMB61.0 million, or 448.5% from RMB13.6 million for the year ended 31 December 2010 to RMB74.6 million for the Year, which was primarily due to increase in an impairment loss of approximately RMB63.7 million to write down the carrying amount of certain non-current assets to their recoverable amount. The recognition of this impairment loss is mainly due to the severe and challenging market conditions in solar applications of the late calendar year of 2011 which impact on the market demand and the selling price of industry.

Distribution and selling expenses

Distribution and selling expenses increased by RMB4.4 million, or 174.6% from RMB2.5 million for the year ended 31 December 2010 to RMB6.9 million for the Year, primarily due to the significant increase in our shipment volume to 351.7MW for the Year from 71.9 MW for the year ended 31 December 2010.

Administrative and general expenses

Despite the material increase in production capacity and operation scale, administrative and general expenses increased by RMB37.7 million, or 195.6%, from RMB19.3 million for the year ended 31 December 2010 to RMB56.9 million for the Year, primarily as a result of our cost control measures to improve operating efficiency.

Finance costs

The Group had bank loans carried variable interest rates based on the benchmark interest rates issued by the People's Bank of China and also have fixed rate borrowings. Interest expenses in relation to bank loans and obligation under finance lease increased by RMB44.5 million, or 1,121.8%, from RMB4.0 million for the year ended 31 December 2010 to RMB48.5 million for the Year, primarily as a result of an increase in the amount of bank loans borrowed.

Profit before taxation

Profit before taxation decreased by RMB59.9 million, or 63.5%, from RMB94.4 million for the year ended 31 December 2010 to RMB34.4 million for the Year, as a result of the reasons stated above.

Income tax expense

Income tax expense decreased from RMB14.3 million for the year ended 31 December 2010 to RMB10.7 million for the Year, primarily as a result of the recognition of deferred tax arose from the asset-related government grants received for the Year. Our effective tax rate for the Year was 31.0% (2010: 15.1%).

Profit for the Year

Net profit decreased by RMB56.3 million, or 70.3%, from RMB80.1 million for the year ended 31 December 2010 to RMB23.8 million for the Year, as a result of the reasons stated above. Net profit margin decreased from 12.9% for the year ended 31 December 2010 to 1.2% for the Year.

Inventory turnover days

The inventories of the Group mainly comprised raw materials, work-in-progress and finished goods. The increase in inventories was mainly due to the expansion in the production capacity of the Group and the attractive offers from our wafer suppliers by the end of 2011. Included in the balance of the inventories as at 31 December 2011 was a write-down of inventories of RMB3.6 million (2010: Nil), this write-down was mainly due to the continuous fall in the prices of raw material and product selling prices caused by the global economic slowdown. The inventory turnover days as at 31 December 2011 was 11.6 days (2010: 20.0 days). Unless we get attractive offers from suppliers, the optimal inventory level should be around one to two months of our sales volume to meet the Group's production requirements.

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2011 was 28.8 days (2010: 16.9 days). The increase in turnover days was mainly due to the change in general market environment and even with such increase, the trade receivable turnover days as at 31 December 2011 was still within the credit period (normally 15 to 180 days) which the Group grants to its customers.

Trade payable turnover days

The trade payable turnover days as at 31 December 2011 was 23.9 days (2010: 19.7 days). Given the established relationship and the change in general market environment, our suppliers allowed the Group to have a reasonable payment period throughout 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 and the proceeds from the Global Offering. As at 31 December 2011, the Group's current ratio (current assets divided by current liabilities) was 0.8 (2010: 0.7) 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 strong 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 2011, the Group was in a negative net cash position of RMB610.1 million (2010: RMB99.1 million) which included cash and cash equivalent of RMB120.1 million (2010: RMB55.4 million) and short-term bank loans of RMB730.2 million (2010: RMB154.5 million).

The Group's borrowings were denominated in RMB while its cash and bank balances, restricted bank deposits and pledged bank deposits were denominated in RMB, HKD, Euro and JPY. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increase from 75.7% as at 31 December 2010 to 125.1% as at 31 December 2011.

The Group have budgeted RMB148.9 million for its production capacity expansion, which will be funded by proceeds from the Global Offering, our cash flows from operations and/or bank loans.

During 2011, the Group did not entered into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange rate risks (2010: Nil).

Contingent liabilities and guarantees

As at 31 December 2011, the Group did not provide any guarantees for any third party and had no significant contingent liabilities (31 December 2010: Nil)

Charges on the Group's assets

As at 31 December 2011, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB384.6 million (31 December 2010: RMB17.6 million) to banks to secure banking facilities granted to the Group.

As at 31 December 2011, the Group factored bills receivable of approximately RMB205.9 million (31 December 2010: RMB29.5 million) to banks with full recourse. The corresponding bank loans of approximately RMB205.9 million (31 December 2010: RMB29.5 million) will be matured by the end of June 2012 (31 December 2010: February 2011) and are classified as current liability.

Save as disclosed above, as at 31 December 2011 and 31 December 2010, no other assets of the Group was under charge 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 payables and borrowings are denominated in currencies other than RMB, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy but the Directors monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile by way of 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

Save for the Group Reorganization for the purpose of listing of the Shares on the Main Board of the Hong Kong Stock Exchange, there were no significant investment in, and no acquisition or disposal of subsidiaries and associated companies by the Group during the Year.

Human resources

As at 31 December 2011, the Group had 1,107 employees (31 December 2010: 482). The remuneration packages of the existing employee 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 a final dividend for the Year.

Use of net proceeds from the listing

The Shares were listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2011 with net proceeds from the Global Offering of approximately HK$416.4 million (after deducting underwriting commissions and related expenses).

The use of the net proceeds from the Global Offering as at 31 December 2011 was as follows:

Use	**Percentage of net proceeds**	**Amount of net proceeds** *(in HK$ million)*	**Amount utilised** *(in HK$ million)*	**Amount remaining** *(in HK$ million)*
Expansion of solar cell production capacity	45%	187.4	93.7	93.7
Expansion of silicon wafer production capacity	45%	187.4	46.9	140.5
Expansion of solar module production capacity	8%	33.3	27.0	6.3
Working capital	2%	8.3	8.3	-
	100%	416.4	175.9	240.5

The Directors intend to apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 30 June 2011.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Shares were listed on the Main Board of the Hong Kong Stock Exchange on 13 July 2011, The Company has complied with the relevant code provisions set out in the Corporate Governance Code during the period from 13 July 2011 to 31 December 2011.

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 standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period from 13 July 2011 to 31 December 2011.

REVIEW OF ANNUAL FINANCIAL INFORMATION

The audit committee of the Company has reviewed and agreed with management 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 audit committee of the Company 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 has made appropriate disclosure thereof.

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 period from 13 July 2011 to 31 December 2011.

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 period from 13 July 2011 to 31 December 2011.

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.sf-pv.com). The annual report for the year ended 31 December 2011 will be dispatched to the Shareholders and made available on the same websites in due course.

CLOSURE OF REGISTER OF MEMBERS

The closure of register of members for the purpose of attendance at the forthcoming annual general meeting will be announced later.

DEFINITIONS

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

"Board"	Board of directors of the Company
"Company", "we" or "us"	Shunfeng Photovoltaic International Limited
"Corporate Governance Code"	the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Global Offering"	the global offering of 390,000,000 Shares by the Company by way of Hong Kong public offering and international offering
"Group"	the Company and its subsidiaries
"HKD", "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
"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
"PRC" or "China"	the People's Republic of China
"PV"	Photovoltaic

"RMB"	Renminbi, the lawful currency of the PRC
"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
"Year"	twelve months ended 31 December 2011

By order of the Board of
Shunfeng Photovoltaic International Limited
Tang Guoqiang
Chairman

Jiangsu, the PRC, 28 March 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Tang Guoqiang, Mr. Lu Jianqing, Mr. Qian Kaiming and Mr. Shi Jianmin; and the independent non-executive Directors of the Company are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Ge Ming.