**CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED**
**中國瑞風新能源控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 00527)**

# ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

## RESULTS

The board (the "Board") of directors (the "Directors") of China Ruifeng Renewable Energy Holdings Limited ("Ruifeng Renew" or the "Company") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 together with the comparative figures for the previous year as follows:

**Consolidated Statement of Profit or Loss**
*For the year ended 31 December 2016*

| | *Note* | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | *4* | **369,150** | 314,733 |
| Cost of sales | | **(224,313)** | (193,631) |
| **Gross profit** | | **144,837** | 121,102 |
| Other revenue and net income | *6* | **54,556** | 35,040 |
| Distribution costs | | **—** | (785) |
| Administrative expenses | | **(72,749)** | (80,211) |

**Consolidated Statement of Profit or Loss (con't)**
*For the year ended 31 December 2016*

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Profit from operations** | | **126,644** | 75,146 |
| Finance costs | *7(i)(a)* | **(118,143)** | (109,034) |
| Share of profits of associates | | **2,351** | 2 |
| Share of losses of a joint venture | | **(15)** | — |
| **Profit/(loss) before taxation** | *7* | **10,837** | (33,886) |
| Income tax | *8* | **(22,042)** | (12,060) |
| **Loss for the year from continuing operations** | | **(11,205)** | (45,946) |
| **Discontinued operation** | | | |
| Loss for the year from discontinued operation | *11* | — | (26,482) |
| **Loss for the year** | | **(11,205)** | (72,428) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(38,217)** | (84,449) |
| Non-controlling interests | | **27,012** | 12,021 |
| **Loss for the year** | | **(11,205)** | (72,428) |
| **Loss per share attributable to the owners of the Company during the year** | | | |
| **Basic and diluted** | *9* | | |
| — Continuing operations (RMB) | | **(0.022)** | (0.042) |
| — Discontinued operation (RMB) | | — | (0.019) |
| | | **(0.022)** | (0.061) |

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**
*For the year ended 31 December 2016*

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Loss for the year** | **(11,205)** | (72,428) |
| **Other comprehensive income for the year** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of operations outside the PRC | **9,300** | 1,238 |
| Other comprehensive income for the year (net of tax) | **9,300** | 1,238 |
| **Total comprehensive income for the year** | **(1,905)** | (71,190) |
| **Total comprehensive income attributable to:** | | |
| Equity shareholders of the Company | **(28,917)** | (83,211) |
| Non-controlling interests | **27,012** | 12,021 |
| **Total comprehensive income for the year** | **(1,905)** | (71,190) |

**Consolidated Statement of Financial Position**

*At 31 December 2016*

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,784,627** | 2,234,488 |
| Lease prepayments | | **10,803** | 16,769 |
| Interest in associates | *12* | **77,306** | 9,855 |
| Interest in a joint venture | | **8,594** | — |
| Available-for-sale investments | | **6,229** | 6,229 |
| | | **1,887,559** | 2,267,341 |
| **Current assets** | | | |
| Trading securities | | **7,806** | — |
| Trade and other receivables | *13* | **461,374** | 392,924 |
| Lease prepayments | | **398** | 507 |
| Cash and cash equivalents | | **266,841** | 143,747 |
| | | **736,419** | 537,178 |
| **Current liabilities** | | | |
| Trade and other payables | *14* | **112,165** | 96,873 |
| Borrowings | | **611,011** | 357,890 |
| Current taxation | | **6,886** | 4,592 |
| | | **730,062** | 459,355 |
| **Net current assets** | | **6,357** | 77,823 |
| **Total assets less current liabilities** | | **1,893,916** | 2,345,164 |
| **Non-current liabilities** | | | |
| Borrowings | | **942,678** | 1,591,189 |
| Deferred tax liabilities | | **34,763** | 41,944 |
| | | **977,441** | 1,633,133 |
| **Net assets** | | **916,475** | 712,031 |
| **Capital and reserves** | | | |
| Share capital | | **15,677** | 13,182 |
| Reserves | | **635,646** | 454,111 |
| Total equity attributable to equity shareholders of the Company | | **651,323** | 467,293 |
| Non-controlling interests | | **265,152** | 244,738 |
| **Total equity** | | **916,475** | 712,031 |

*Notes*

## 1. GENERAL INFORMATION

China Ruifeng Renewable Energy Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 June 2006.

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December 2016 but are extracted from those financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4. REVENUE

The principal activity of the Group is wind power generation during the year ended 31 December 2016. During the year ended 31 December 2015, the Group discontinued its power grid construction and consultation business upon disposal of Hebei Beichen Power Grid Construction Co., Ltd. ("Beichen Power Grid") in June 2015, which are further disclosed in note 11.

Revenue represents the sales value of electricity generated from the wind farm supplied to a power grid company (net of value added tax). The amount of each significant category of revenue is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Continuing operations** | | |
| Sales of electricity | **369,150** | 314,733 |
| **Discontinued operation** | | |
| Revenue from construction contracts and consultations | — | 40,881 |
| | **369,150** | 355,614 |

## 5. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments that one of the segments was disposed in June 2015. No operating segments have been aggregated to form the following reportable segments.

**Continuing operations:**

— Wind farm operations: this segment uses wind turbine blades to generate electricity in the People's Republic of China (the "PRC").

**Discontinued operation:**

— Construction contracts: this segment constructs power grid and wind farm and provide related consultation in the PRC.

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and a joint venture. Segment liabilities include trade and other payables and income tax payable attributable to the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reportable segment profit is "adjusted EBT" i.e. "adjusted earnings before taxes". To arrive at adjusted EBT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits of associates and share of losses of a joint venture, Directors' remuneration, auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBT, management is provided with segment information concerning revenue (including inter segment), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

*For the year ended 31 December 2016:*

| | **Wind farm operations** *RMB'000* | **Un-allocated** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| Reportable segment revenue | **369,150** | **—** | **369,150** |
| Reportable segment profit | **107,232** | **14,703** | **121,935** |
| Central administrative costs | **—** | **(53,304)** | **(53,304)** |
| Finance costs | **—** | **(57,794)** | **(57,794)** |
| Profit before taxation | | | **10,837** |
| Income tax | | | **(22,042)** |
| Loss for the year | | | **(11,205)** |

*For the year ended 31 December 2015:*

| | Continuing operations | | | Discontinued operation | |
|---|---|---|---|---|---|
| | Wind farm operations *RMB'000* | Un-allocated *RMB'000* | Sub-total *RMB'000* | Construction contracts *RMB'000* | Total *RMB'000* |
| Reportable segment revenue | 314,733 | — | 314,733 | 40,881 | 355,614 |
| Reportable segment profit/ (loss) | 48,552 | 1,212 | 49,764 | (26,404) | 23,360 |
| Central administrative costs | — | (51,011) | (51,011) | — | (51,011) |
| Finance costs | — | (32,717) | (32,717) | — | (32,717) |
| Loss before taxation | | | | | (60,368) |
| Income tax | | | | | (12,060) |
| Loss for the year | | | | | (72,428) |

Other segment items included in the consolidated statement of profit or loss are as follows:

*For the year ended 31 December 2016:*

| | Wind farm operations *RMB'000* | Un-allocated *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Depreciation and amortisation for the year | **(161,469)** | **(988)** | **(162,457)** |
| Impairment losses on trade and other receivables | **(2,361)** | **—** | **(2,361)** |
| Impairment loss on goodwill | **—** | **(826)** | **(826)** |
| Interest income | **3,309** | **5,842** | **9,151** |
| Share of losses of a joint venture | **—** | **(15)** | **(15)** |
| Share of profits of associates | **(1)** | **2,352** | **2,351** |
| Additions to non-current segment assets during the year | **114,331** | **31** | **114,362** |

*As at 31 December 2016:*

| | Wind farm operations *RMB'000* | Un-allocated *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Assets | **2,409,806** | **128,272** | **2,538,078** |
| Associates | **599** | **76,707** | **77,306** |
| Joint venture | **—** | **8,594** | **8,594** |
| Reportable segment assets | **2,410,405** | **213,573** | **2,623,978** |
| Reportable segment liabilities | **(1,000,359)** | **(707,144)** | **(1,707,503)** |

*For the year ended 31 December 2015:*

| | Continuing operations | | | Discontinued operation | |
|---|---|---|---|---|---|
| | Wind farm operations | Un-allocated | Sub-total | Construction contracts | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Depreciation and amortisation for the year | (157,590) | (1,077) | (158,667) | (1,924) | (160,591) |
| Impairment losses on trade and other receivables | (9,000) | (6,307) | (15,307) | (13,439) | (28,746) |
| Reversal of impairment losses on trade and other receivables | — | — | — | 16,455 | 16,455 |
| Interest income | 2,886 | 1,417 | 4,303 | 18 | 4,321 |
| Share of profits of an associate | — | 2 | 2 | — | 2 |
| Additions to non-current segment assets during the year | 191,421 | 96 | 191,517 | — | 191,517 |
| *As at 31 December 2015:* | | | | | |
| Assets | 2,625,406 | 169,258 | 2,794,664 | — | 2,794,664 |
| Associate | — | 9,855 | 9,855 | — | 9,855 |
| Reportable segment assets | 2,625,406 | 179,113 | 2,804,519 | — | 2,804,519 |
| Reportable segment liabilities | (1,577,781) | (514,707) | (2,092,488) | — | (2,092,488) |

**(b) Geographic information**

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's major operations and markets are located in the PRC, no further geographic segment information is provided.

**(c) Information about a major customer**

For the year ended 31 December 2016, revenue of approximately RMB369,150,000 (2015: approximately RMB314,733,000) was made to a single customer attributable to the wind farm operations segment comprising approximately 100% (2015: approximately 89%) of the total revenue of the Group.

## 6. OTHER REVENUE AND NET INCOME

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Continuing operations** | | |
| Interest income on financial assets not at fair value through profit or loss | **9,151** | 4,303 |
| Government subsidy income related to value added tax refund | **26,867** | 27,354 |
| Gain on disposal of a subsidiary | **15,909** | 453 |
| Gain on disposal of property, plant and equipment | **1** | — |
| Net realised and unrealised gain on trading securities | **339** | — |
| Rental income from operating leases related to buildings | **2,126** | 2,806 |
| Others | **163** | 124 |
| | **54,556** | 35,040 |
| **Discontinued operation** | | |
| Interest income on financial assets not at fair value through profit or loss | — | 18 |
| | — | 18 |
| | **54,556** | 35,058 |

## 7. PROFIT/(LOSS) BEFORE TAXATION

(i) Profit/(loss) before taxation from continuing operations is arrived at after charging/(crediting):

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(a) Finance costs:** | | |
| Interest on bank loans and other loans | **87,646** | 100,705 |
| Interest expenses on bonds | **12,026** | 8,321 |
| Interest expenses on convertible notes | **18,462** | — |
| Finance charges on obligations under finance lease | **9** | 8 |
| Interest expenses on financial liabilities not at fair value through profit or loss | **118,143** | 109,034 |
| **(b) Staff costs (including directors' remuneration):** | | |
| Contributions to defined contribution retirement plans | **3,078** | 2,224 |
| Equity-settled share-based payment expenses to staff | **—** | 9,038 |
| Salaries, wages and other benefits | **31,833** | 31,670 |
| | **34,911** | 42,932 |
| **(c) Other items:** | | |
| Amortisation of lease prepayments | **438** | 667 |
| Impairment losses: | | |
| — trade and other receivables (included in administrative expenses) | **2,361** | 15,307 |
| — goodwill | **826** | — |
| Depreciation for property, plant and equipment | | |
| — owned assets | **161,930** | 157,916 |
| — assets held for own use under finance lease | **89** | 84 |
| Net foreign exchange losses | **23,416** | 14,844 |
| Auditors' remuneration | | |
| — audit services | **1,021** | 949 |
| Operating lease charges | | |
| — minimum lease payments in respect of property rentals | **3,094** | 1,469 |
| — minimum lease payments in respect of rental of motor vehicle | **185** | — |
| Gain on disposal of a subsidiary | **(15,909)** | — |
| (Gain)/loss on disposal of property, plant and equipment | **(1)** | 105 |

(ii) Profit/(loss) before taxation from discontinued operation is arrived at after charging/(crediting):

| | | 2016 | 2015 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **(a)** | **Finance costs:** | | |
| | Interest on bank loans | — | 7,370 |
| | Interest expenses on financial liabilities not at fair value through profit or loss | — | 7,370 |
| **(b)** | **Staff costs (including directors' remuneration):** | | |
| | Contributions to defined contribution retirement plans | — | 911 |
| | Salaries, wages and other benefits | — | 5,892 |
| | | — | 6,803 |
| **(c)** | **Other items:** | | |
| | Impairment losses on trade and other receivables | — | 13,439 |
| | Reversal of impairment losses on trade and other receivables | — | (16,455) |
| | Depreciation for property, plant and equipment | — | 1,924 |
| | Operating lease charges | | |
| | — minimum lease payments in respect of property rentals | — | 117 |

## 8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

| | 2016 | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Continuing operations** | | |
| **Current tax — PRC Enterprise Income Tax** | | |
| Provision for the year | **26,305** | 11,935 |
| Under-provision in respect of prior years | **1,015** | 3,745 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(5,278)** | (3,620) |
| | **22,042** | 12,060 |

During the year ended 31 December 2015, no income tax has been made for discontinued operation.

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share from continuing operations is based on the loss attributable to ordinary equity shareholders of the Company from continuing operations of approximately RMB38,217,000 (2015: approximately RMB57,967,000).

The calculation of basic loss per share from discontinued operation is based on the loss attributable to ordinary equity shareholders of the Company from discontinued operation of RMBnil (2015: approximately RMB26,482,000)

The weighted average of approximately 1,713,936,000 ordinary shares (2015: approximately 1,374,686,000 ordinary shares) in issue during the year, calculated as follows:

#### *(i) Weighted average number of ordinary shares*

| | **2016** | 2015 |
|---|---|---|
| | ***'000*** | *'000* |
| Issued ordinary shares at 1 January | **1,499,284** | 1,249,404 |
| Effect of issue of shares upon placing | — | 125,282 |
| Effect of issue of shares upon open offer | **214,652** | — |
| Weighted average number of ordinary shares at 31 December | **1,713,936** | 1,374,686 |

### (b) Diluted loss per share

Diluted losses per share for the year ended 31 December 2016 is not presented because (i) the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options are higher than the average market prices of the Company's shares during the year; and (ii) the impact of the convertible notes outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

For the year ended 31 December 2015, the computation of diluted loss per shares does not assume the exercise of the Company's outstanding share options as the exercise price of those share options are higher than the average market prices of the Company's shares during the year.

## 10. DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2016 (2015: RMBnil).

## 11. DISCONTINUED OPERATION

On 30 June 2015, the Group disposed its entire equity interest in Beichen Power Grid. The results of the power grid construction and consultation business carried out by the Group up to the date of disposal is presented in the consolidated financial statements of the Group as discontinued operation.

| | Note | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **Revenue** | *4* | — | 40,881 |
| Cost of sales | | — | (55,027) |
| **Gross loss** | | — | (14,146) |
| Other revenue and net income | *6* | — | 18 |
| Distribution costs | | — | (279) |
| Administrative expenses | | — | (5,158) |
| **Loss from operations** | | — | (19,565) |
| Finance costs | *7(ii)(a)* | — | (7,370) |
| **Loss before taxation** | *7(ii)* | — | (26,935) |
| Income tax | *8* | — | — |
| | | — | (26,935) |
| Gain on disposal of a subsidiary | | — | 453 |
| **Loss for the year from discontinued operation** | | — | (26,482) |

## 12. INTEREST IN ASSOCIATES

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Cost of unlisted investment in associates | **74,953** | 9,853 |
| Share of post-acquisition profit | **2,353** | 2 |
| | **77,306** | 9,855 |

## 13. TRADE AND OTHER RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **118,585** | 87,599 |
| Other receivables | **84,172** | 81,858 |
| *Less:* allowance for doubtful debts | **(6,000)** | (6,307) |
| | **78,172** | 75,551 |
| Loan receivables | **86,979** | 90,603 |
| *Less:* allowance for doubtful debts | **(9,000)** | (9,000) |
| | **77,979** | 81,603 |
| Amount due from an associate | **23,023** | — |
| Amount due from former subsidiaries | **1,645** | 5,946 |
| Amount due from non-controlling interest | **5,020** | 1,720 |
| Loans and receivables | **304,424** | 252,419 |
| Prepayments and deposits | **156,950** | 140,505 |
| | **461,374** | 392,924 |

### (a) Ageing analysis

Trade receivables are net of allowance for doubtful debts of RMBnil (2015: RMBnil) with the following ageing analysis as of the end of the reporting period:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within three months | **46,121** | 56,550 |
| More than three months but within one year | **70,434** | 30,178 |
| More than one year | **2,030** | 871 |
| At 31 December | **118,585** | 87,599 |

Trade receivables are due within 5-90 days from the date of billing.

## 14. TRADE AND OTHER PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **31,756** | 11,924 |
| Other payables | **80,224** | 84,947 |
| Amounts due to directors | **185** | 2 |
| Financial liabilities measured at amortised cost | **112,165** | 96,873 |

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within three months | **20,896** | 6,635 |
| More than three months but within one year | **4,231** | 137 |
| More than one year | **6,629** | 5,152 |
| | **31,756** | 11,924 |

All of the trade and other payables (including amounts due to directors and a joint venture) are expected to be settled or recognised as income within one year, except for the non-current portion of other payables.

## 15. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### (a) Acquisition of interest in Beijing Yin Feng Hui Li Investment Limited ("Beijing Yinfeng")

On 23 November 2015, Zhuhai Dong Fang Renewable Energy Limited ("Zhuhai Dong Fang"), a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Beijing Tai Run Ze International Investment Limited(北京泰潤澤國際投資有限公司)and Mr. Cao Yang(曹洋) to acquire 99% and 1% of the equity interest of Beijing Yinfeng, an investment holding company of which have 99.58% equity interest in Baotou City Yinfeng Huili New Energy Investment Limited(包頭市銀風滙利新能源投資有限公司), at a cash consideration of RMB9,990,000 and RMB10,000, respectively. The acquisition was completed in March 2016.

Identifiable assets acquired and liabilities assumed:

| | *RMB'000* |
|---|---|
| Property, plant and equipment | 76 |
| Trade and other receivables | 19,133 |
| Cash and cash equivalents | 4,735 |
| Trade and other payables | (14,673) |
| Net asset acquired | 9,271 |
| Cash consideration | 10,000 |
| *Add:* non-controlling interest | 97 |
| Net asset acquired | (9,271) |
| Goodwill arising on acquisition | 826 |
| Net cash outflow for acquisitions: | |
| Cash consideration | 10,000 |
| Cash and cash equivalents acquired | (4,735) |
| | 5,265 |

**(b) Disposal of subsidiaries**

On 3 May 2016, the Group disposed its entire interest in Hexigten Qi Langcheng Ruifeng Electric Development Co. Ltd. ("Langcheng"). Details of the subsidiary disposed of during the year ended 31 December 2016 are set as below:

| | *RMB'000* |
|---|---|
| Property, plant and equipment | 402,255 |
| Lease prepayment | 5,637 |
| Trade and other receivables | 235,319 |
| Cash and cash equivalents | 81,630 |
| Trade and other payables | (188,248) |
| Borrowings | (430,900) |
| Deferred tax liabilities | (7,808) |
| Non-controlling interest | (4,894) |
| Gain on disposal of a subsidiary | 15,909 |
| **Total consideration received** | 108,900 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration | 108,900 |
| Cash and cash equivalents disposed of | (81,630) |
| | 27,270 |

The consideration of RMB108,900,000 was satisfied by cash.

On 30 June 2015, the Group disposed its entired interest in Beichen Power Grid. Details of the subsidiary disposed of during the year ended 31 December 2015 are set out below:

| | *RMB'000* |
|---|---|
| Property, plant and equipment | 17,838 |
| Trade and other receivables | 397,948 |
| Pledge bank deposits | 8,079 |
| Cash and cash equivalents | 10,455 |
| Trade and other payables | (184,389) |
| Borrowings | (156,600) |
| Current taxation | (6,775) |
| Deferred tax liabilities | (9) |
| Gain on disposal of a subsidiary | 453 |
| **Total consideration received** | 87,000 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration | 87,000 |
| Cash and cash equivalents disposed of | (10,455) |
| | 76,545 |

The consideration of RMB87,000,000 was satisfied by cash.

## 16. COMMITMENTS

### (a) Capital commitments outstanding at 31 December 2016 not provided for in the financial statements are as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Capital injection in subsidiaries | | |
| — Contracted for | **949,864** | 387,562 |
| Capital injection in an associate | | |
| — Contracted for | **43,019** | 102,588 |
| Acquisition of a subsidiary | | |
| — Contracted for | **—** | 10,000 |
| Acquisition of property, plant and equipment | | |
| — Contracted for | **196,381** | 243,417 |
| | **1,189,264** | 743,567 |

**(b) At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:**

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **2,315** | 2,584 |
| After 1 year but within 5 years | **1,642** | 3,632 |
| | **3,957** | 6,216 |

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The Group is currently and principally engaged in wind farm operations during the year ended 31 December 2016 after the disposal of the business of construction and consultation of power grid and transformer project in 2015.

Operating results for the year ended 31 December 2016 were as follows:

| | **Year ended 31 December** | | **Increase/ (decrease)** | **Approximate change in percentage** |
|---|---|---|---|---|
| | **2016** | 2015 | | |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *%* |
| **Continuing operations** | | | | |
| Revenue | **369,150** | 314,733 | 54,417 | 17 |
| Gross profit | **144,837** | 121,102 | 23,735 | 20 |
| Profit from operations | **126,644** | 75,146 | 51,498 | 69 |
| Profit/(loss) before taxation | **10,837** | (33,886) | 44,723 | N/A |
| Loss for the year | **(11,205)** | (45,946) | 34,741 | 76 |
| **Discontinued operation** | | | | |
| Loss for the year | **—** | (26,482) | 26,482 | 100 |
| Attributable to: | | | | |
| Equity shareholders of the Company | **(38,217)** | (84,449) | 46,232 | 55 |
| Non-controlling interests | **27,012** | 12,021 | 14,991 | 125 |
| Loss for the year | **(11,205)** | (72,428) | 61,223 | 85 |

| | | Year ended 31 December | |
|---|---|---|---|
| | *Note* | **2016** | 2015 |
| Net cash *(RMB'000)* | *1* | **(1,286,848)** | (1,805,332) |
| Net assets *(RMB'000)* | *2* | **916,475** | 712,031 |
| Liquidity ratio | *3* | **101%** | 117% |
| Trade receivable turnover (number of days) | *4* | **102** | 121 |
| Trade payable turnover (number of days) | *5* | **36** | 75 |
| Earning interest multiple | *6* | **1.09** | 0.48 |
| Net debt to capital ratio | *7* | **140%** | 254% |

*Notes:*

1. Cash at bank and on hand – Borrowings

2. Total assets – Total liabilities

3. Current assets/Current liabilities x 100%

4. Trade receivables/Revenue x 365 days

5. Trade payables/Cost of sales x 365 days

6. Profit/(loss) before interest and taxation/Finance cost

7. Net debt/Equity x 100%

**Revenue**

During the year ended 31 December 2016, the Group's revenue was mainly derived from the business of wind power generation. The Group's operating bases for the business of wind power generation are mainly located in Chengde City of Hebei Province and Inner Mongolia.

Revenue from continuing operations for the year ended 31 December 2016 was approximately RMB369,150,000, representing an increase of approximately 17% in comparing with that of 2015 of approximately RMB314,733,000. The increase was mainly due to the increase in electricity sales of Hebei Hongsong Wind Power Co., Ltd ("Hongsong", an indirect non-wholly owned subsidiary of the Company) and the revenue generated by Langcheng since its operation in late 2015.

Analysis of the Group's revenue from its continuing operations for the year ended 31 December 2016 is set out below:

**Revenue by business**

| | Year ended 31 December | | Increase/ | Approximate change in |
|---|---|---|---|---|
| | **2016** | 2015 | **(decrease)** | **percentage** |
| | ***RMB million*** | *RMB million* | *RMB million* | *(%)* |
| *Continuing operations* | | | | |
| Wind power generation | **369.15** | 314.73 | 54.42 | 17 |
| *Discontinued operation* | | | | |
| Power grid constructions and consultations | — | 40.88 | (40.88) | (100) |
| Total | **369.15** | 355.61 | 13.54 | 4 |

**Cost of Sales**

Cost of sales from the continuing operations mainly includes the cost of raw materials, staff costs, depreciation, repair and maintenance cost, water, electricity, gas and other ancillary materials. Cost of sales for the year ended 31 December 2016 accounted for approximately RMB224,313,000 (2015: RMB193,631,000), which represented approximately 61% of the Group's revenue, and is fairly comparable to approximately 62% for the year ended 31 December 2015.

**Gross Profit**

Gross profit from the continuing operations was approximately RMB144,837,000 (2015: approximately RMB121,102,000) which was primarily derived from the operation of the Group's business of wind power generation. The gross profit margin of approximately 39% is fairly comparable to approximately 38% for the year ended 31 December 2015.

**Other Revenue and Net Income**

Other revenue and net income from the continuing operations mainly comprised of (i) the gain on disposal of Langcheng (2016: approximately RMB15,909,000; 2015: RMBnil); (ii) tax refund from the PRC government (2016: approximately RMB26,867,000; 2015: approximately RMB27,354,000), (iii) interest income (2016: approximately RMB9,151,000; 2015: approximately RMB4,303,000) and (iv) rental income from operating leases (2016: approximately RMB2,126,000; 2015: approximately RMB2,806,000). The significant increase in other revenue and net income was mainly resulted as the gain on disposal of Langcheng recognised during the year.

**Administrative Expenses**

Administrative expenses from the continuing operations mainly include wages, salaries and welfare expenses, professional fees, rental expenses, entertainment expenses, travelling expenses, office expenses, other taxation expenses, exchange losses and allowance of doubtful debts for trade and other receivables. It decreased by approximately 9% to approximately RMB72,749,000 for the year ended 31 December 2016 when compared with that of approximately RMB80,211,000 for the year ended 31 December 2015 mainly because of decrease in allowance of doubtful debts for trade and other receivables.

**Finance Costs**

Finance costs from the continuing operations mainly refer to the interest expenses and the bank charges on bank and other borrowings obtained by the Group. It amounted to approximately RMB118,143,000 for the year ended 31 December 2016 when compared with that of approximately RMB109,034,000 in the corresponding year of 2015.

**Taxation**

Taxation expenses from the continuing operations increased to approximately RMB22,042,000 for the year ended 31 December 2016 (2015: approximately RMB12,060,000). Such increase was mainly derived from the increase in taxable income of Hongsong.

**Loss for the Year**

Loss for the year ended 31 December 2016 from the continuing operations was approximately RMB11,205,000 (2015: approximately RMB45,946,000). The significant improvement in the result was mainly due to the increase in electricity sales of Hongsong and decrease in administrative expenses.

Loss attributable to equity shareholders was approximately RMB38,217,000 (2015: approximately RMB84,449,000).

**Net Current Assets**

Net current assets of the Group as at 31 December 2016 decreased to approximately RMB6,357,000 when compared with that of approximately RMB77,823,000 as at 31 December 2015.

### Liquidity and Financing

The cash and bank balances as at 31 December 2016 and 31 December 2015 amounted to approximately RMB266,841,000 (mainly denominated in Renminbi ("RMB"), United States dollar ("USD") and Hong Kong dollar ("HKD"), which is comprised of approximately RMB204,544,000, USD7,000 and HKD69,508,000), and approximately RMB143,747,000, respectively.

Total borrowings of the Group as at 31 December 2016 amounted to approximately RMB1,553,689,000, representing a decreased by approximately RMB395,390,000 when compared with approximately RMB1,949,079,000 as at 31 December 2015. The decreased in the total borrowings is mainly resulted from the repayment of borrowings and disposal of Langcheng during year.

The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations and by other equity financing. The Group's gearing ratio decreased to approximately 65% as at 31 December 2016 from approximately 75% as at 31 December 2015. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the year ended 31 December 2016, all of the Group's borrowings were settled in RMB, USD and HKD and all of the Group's income was denominated in RMB. Interest bearing borrowings were approximately RMB1,553,689,000 as at 31 December 2016. Among the interest bearing borrowings of the Group, approximately RMB307,550,000 were fixed rate loans, while RMB1,246,139,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2016 and up to the date of this report, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuations and interest rate fluctuations in individual transactions.

### Issuing of Corporate Bonds

During the year ended 31 December 2016, the Company issued corporate bonds to potential investors in an aggregate principal amount of HKD11,000,000 at par value with maturity date of 3 years and 7 years at the interest rate of 6% and 7% per annum, respectively (the "Bonds").

The Company intends to use the net proceeds from the Bonds issued for (i) settling any liabilities arising from previous acquisitions of business by the Group; and (ii) general working capital of the Group. As at 31 December 2016 and 31 December 2015, principal amount of approximately HKD155,236,000 and approximately HKD144,236,000 of the Bonds had been issued, respectively.

### Open Offer

On 28 January 2016, the Company proposed to raise not less than approximately HKD224,893,000 before expenses by issuing not less than 299,856,800 shares of the Company (the "Offer Share(s)") and not more than approximately HKD243,631,000 before expenses by issuing not more than 324,840,800 shares of the Company at the subscription price of HKD0.75 per Offer Share on the basis of one Offer Share for every five shares of the Company in issue as at the record date (the "Open Offer"). An underwriting agreement was entered into between the Company and Zhongtai International Securities Limited (the "Underwriter") on 28 January 2016, pursuant to which the Underwriter has conditionally undertaken to underwrite the Offer Shares on a fully underwritten basis.

On 14 April 2016, 299,856,800 Offer Shares had been issued and net proceeds of approximately HKD219,500,000 was raised. The Company intended to use the net proceeds from the Open Offer as to (i) approximately 45% for the consideration of the possible acquisition of 75% indirect equity interest in Suzlon Energy (Tianjin) Limited (subject to the definitive agreement to be entered) (the "Possible Acquisition") and other possible acquisition(s) of the Group; (ii) approximately 45% for financing the Group's wind farm development and operation business; and (iii) approximately 10% for the Group's general working capital.

As at 31 December 2016, (i) approximately 45% of the net proceeds was used in settling deposit payment related to the Possible Acquisition and other acquisitions; (ii) approximately 45% was used to finance the Group's wind farm development and operation business; and (iii) approximately 9% was used as general working capital of the Group.

Further details of the Open Offer are set out in the announcements of the Company dated 28 January 2016, 9 March 2016 and 13 April 2016, respectively, and the prospectus of the Company dated 17 March 2016.

**Issue of Convertible Notes**

On 26 May 2016, the Company entered into a placing agreement (the "Placing Agreement") with Get Nice Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure the placee(s) on a best effort basis during the placing period to subscribe for the convertible notes to be issued by the Company of up to an aggregate principal amount of HKD171,600,000 due 2017, with the conversion rights to convert the outstanding principal amount of the convertible notes into ordinary shares of the Company at an initial conversion price of HKD0.65 per conversion share (the "Convertible Notes"). Assuming full conversion of the Convertible Notes, a total of 264,000,000 shares of the Company (the "Conversion Shares") would be allotted and issued, representing (i) approximately 14.67% of the issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 12.80% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes.

On 15 June 2016, the Convertible Notes in the aggregate principal amount of HKD171,600,000 were issued by the Company in accordance with the terms of the Placing Agreement. The net proceeds from the issue of Convertible Notes, after deducting the Placing Agent's commission and other related expenses payable by the Company, amounted to approximately HKD167,900,000.

The Company intended to apply the net proceeds from the issue of Convertible Notes as to (i) approximately 50% for the consideration of the Possible Acquisition, other possible acquisition(s) and investments of the Group, and to finance the Group's wind farm development and operation business; (ii) approximately 40% for the repayment of the outstanding loan borrowings of the Group; and (iii) approximately 10% as the Group's general working capital.

As at 31 December 2016, (i) approximately 50% of the net proceeds was used in settlement for investment of the Group and to finance the Group's wind farm development, including the prepayment and deposit for construction work; and (ii) approximately 24% of the net proceeds was used in repaying the outstanding loan borrowings of the Group.

Further details of the Convertible Notes are set out in the announcements of the Company dated 26 May 2016 and 15 June 2016, respectively.

**Material Acquisitions and Disposal of Subsidiary and Associated Companies**

*(a) Acquisition of interest in Shenzhen Qianhai Jiefeng Financing and Leasing Limited ("Qianhai Jiefeng")*

Upon completion of the acquisition of the entire issued share capital of World Business Limited ("World Business") (which in turn held 25% of the registered capital of Qianhai Jiefeng at the material time) as disclosed in the announcement of the Company dated 17 August 2015, World Business and Qianhai Jiefeng has become a wholly-owned subsidiary and an associate of the Company, respectively. Further to the aforesaid acquisition, on 25 November 2015, World Business and Shenzhen Meixiang Logistics Limited*(深圳美祥物流有限公司)("Shenzhen Meixiang") entered into an equity transfer agreement whereby Shenzhen Meixiang agreed to sell, and World Business agreed to purchase from Shenzhen Meixiang, 24% equity interest in Qianhai Jiefeng for a consideration of RMB800,000 (the "JF Equity Transfer Agreement").

As at the date of the JF Equity Transfer Agreement, (i) Qianhai Jiefeng had a registered capital of USD35,000,000 (equivalent to approximately RMB219,628,500), out of which USD14,909,852.56 (equivalent to approximately RMB93,561,000) was paid up, representing approximately 42.60% of its registered capital; and (ii) World Business and Shenzhen Meixiang contributed USD1,342,440.50 (equivalent to approximately RMB8,424,000) and USD13,567,412.06 (equivalent to approximately RMB85,137,000), respectively, to the registered capital of Qianhai Jiefeng.

Subsequent to the acquisition of 24% equity interest in Qianhai Jiefeng, World Business contributed an additional USD6,815,843.62 (equivalent to approximately RMB44,727,000) and USD3,000,000 (equivalent to approximately RMB19,773,000) on 29 February 2016 and 30 June 2016, respectively, to the registered capital of Qianhai Jiefeng. Subsequent to the said capital contributions and as at 31 December 2016, Qianhai Jiefeng had a paid-up capital of USD24,725,696.18 (equivalent to approximately RMB161,593,000), representing approximately 70.64% of its registered capital. World Business and Shenzhen Meixiang contributed USD11,158,284.12 (equivalent to approximately RMB72,924,000) and USD13,567,412.06 (equivalent to approximately RMB88,669,000), representing 31.88% and 38.76% of the registered capital of Qianhai Jiefeng, respectively.

World Business and Shenzhen Meixiang are required to pay up the remaining registered capital of Qianhai Jiefeng USD10,274,303.82 (equivalent to approximately RMB68,312,000) prior to 31 December 2018 (which may be extended to a later date as approved by the competent governmental authority(ies)) in proportion to their equity holdings, that is, in the amounts of approximately USD5,991,715.88 (equivalent to approximately RMB39,838,000) and USD4,282,587.94 (equivalent to approximately RMB28,474,000), respectively.

Further details are set out in the announcements of the Company dated 17 August 2015 and 28 June 2016, respectively.

*(b) Acquisition of interest in Beijing Yin Feng Hui Li investment Limited ("Beijing Yinfeng")*

On 23 November 2015, Zhuhai Dong Fang Renewable Energy Limited ("Zhuhai Dong Fang", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Beijing Tai Run Ze International Investment Limited*（北京泰潤澤國際投資有限公司）and Mr. Cao Yang*（曹洋）to acquire 99% and 1% of the equity interest of Beijing Yinfeng at a cash consideration of RMB9,990,000 and RMB10,000, respectively. Cash consideration for the acquisition has been fully settled and upon completion of the acquisition in March 2016, Beijing Yinfeng became a wholly-owned subsidiary of the Company.

*(c) Disposal of interest in Langcheng*

On 3 May 2016, Hongsong, an indirect non-wholly-owned subsidiary of the Company, entered into a capital increase agreement with Inner Mongolia Zhuoneng Investment Co. Ltd.*（內蒙古卓能投資有限公司）("Zhuoneng") and Mr. Wang Yongquan*（王永全）("Mr. Wang"), each of whom is an independent third party to the Group, and Langcheng (an indirect non-wholly-owned subsidiary of the Company), pursuant to which Mr. Wang and Zhouneng conditionally agreed to increase the registered capital of Langcheng by RMB83,600,000 and RMB4,400,000, respectively, by way of cash (the "Capital Increase").

Upon completion of the Capital Increase, the registered capital of Langcheng was increased from RMB92,000,000 to RMB180,000,000, and the equity interest of Hongsong in Langcheng was diluted from 95% to 48.56%. On the even date, Hongsong entered into an equity transfer agreement with Zhuoneng, Langcheng and Mr. Wang, pursuant to which Hongsong conditionally agreed to dispose of and Mr. Wang conditionally agreed to acquire the entire equity interest owned by Hongsong in Langcheng at a consideration of RMB110,000,000 (the "LC Disposal"). Upon completion of the LC Disposal, Mr. Wang held 95% equity interest of Langcheng and Langcheng ceased to be a subsidiary of the Company. As such, the financial results of Langcheng would not be consolidated into the Group.

On 30 November 2016, Hongsong and Mr. Wang entered into a supplemental agreement to the Equity Transfer Agreement, pursuant to which, the parties agreed to (i) extend the long stop date of the Equity Transfer Agreement from 30 November 2016 to 31 May 2017; and (ii) make further arrangement in respect of the Disposal Pledge.

Prior to the execution of the Equity Transfer Agreement, Hongsong had (i) provided a guarantee ("Hongsong's Guarantee") for Langcheng's loan from a PRC bank (the "PRC Bank") of RMB360,000,000 for the project(s) undertaken by Langcheng; and (ii) pledged the Sale Equity Interest for a loan of RMB110,000,000 borrowed by it from Tianxin ("Tianxin's Loan").

After communication with Tianxin, it is agreed that Hongsong should assist Mr. Wang to proceed with the necessary registration procedures for transfer of the Sale Equity Interest. Upon completion of the registration procedures, Mr. Wang should pledge the Sale Equity Interest to Tianxin as a security ("Wang's Guarantee") for Tianxin's Loan until such loan (including accrued interest thereof) being fully repaid by Hongsong.

Mr. Wang had also pledged his 46.44% equity interest in Langcheng (which was derived from his capital injection of RMB83,600,000 in Langcheng pursuant to the Capital Increase Agreement dated 3 May 2016) on 30 November 2016 to Hongsong as a counter-guarantee (the "Counter-guarantee") for Hongsong's Guarantee until such guarantee being discharged. As there was a difference of RMB250,000,000 between Hongsong's Guarantee of RMB360,000,000 and Wang's Guarantee of RMB110,000,000, Mr. Wang agreed to pay a guarantee fee to Hongsong at 0.1% per annum of the guarantee difference of RMB250,000,000 until Hongsong's Guarantee being discharged. The guarantee fee was determined after arm's length negotiation between the parties. Unless otherwised agreed by the parties, Mr. Wang should not transfer any of his equity interest in Langcheng to other party before (i) Hongsong's Guarantee being discharged and (ii) full repayment of Tianxin's Loan. In the event that Hongsong obtains early discharge of Hongsong's Guarantee but is yet to fully repay Tianxin's Loan, Hongsong should (i) consent to the release of Wang's Guarantee; or (ii) pay a guarantee fee to Mr. Wang at 0.1% per annum of the Wang's Guarantee of RMB110,000,000. The guarantee fee is determined after arm's length negotiation between the parties. Mr. Wang undertook to use his best effort to negotiate with the PRC Bank or by any other way, to discharge of Hongsong's Guarantee as soon as possible.

As Hongsong's Guarantee has not yet been discharged, the parties agreed to extend the long stop date under the Equity Transfer Agreement from 30 November 2016 to 31 May 2017.

Please refer to the announcements of the Company dated 3 May 2016 and 30 November 2016 for further details of the aforesaid disposal.

Apart from the transactions disclosed above and as set out in this announcement, there were no other material acquisition and disposal of subsidiaries and associated companies by the Group from 1 January 2016 to the date of this announcement.

**Business Cooperation**

On 25 July 2014, the Company entered into a non-legally binding cooperation agreement with China Create Financial Holding Group Co., Ltd. ("China Create") which shall remain in effect for 5 years in respect of development financing, aiming at integrating China Create's advantage in financing and the Group's advantage to build a comprehensive and in depth strategic comparative relationship.

The scope of the cooperation includes the following:

(i) Development, construction and operation of new-energy projects in China, the United States, Europe and Asia-Pacific region;

(ii) Acquisition and reorganisation of technologies, businesses and assets in relation to the business of new-energy; and

(iii) Cooperation in respect of financing consultation and financial products.

According to the business development planning and investment needs of the Company, from 2014 to 2019, the investment amount of parties in various financial products shall be RMB10 billion, subject to contracts or approved documents to be entered into between parties.

The Company has agreed that, with the same conditions offered, it shall give priority in using financial products and services of China Create, and that each investment, fund, guarantee or loan obtained by the Company from China Create shall be used for the purpose as designated under relevant contract or approved documents.

Details of the cooperation agreement are set out in the announcement of the Company dated 25 July 2014.

Up to the year ended 31 December 2016, no legal binding contract or approved document has been entered between the parties.

**Pledge of Assets**

As at 31 December 2016, the Group has pledged certain property, plant and equipment and certain leasehold land including in lease prepayments with a carrying value of approximately RMB1,035,576,000 (31 December 2015: approximately RMB1,128,327,000), and trade and other receivables with a carrying value of approximately RMB127,555,000 (31 December 2015: approximately RMB95,995,000) as security for the borrowings obtained by the Group. As at 31 December 2016 and 31 December 2015, the issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

**Contingent Liabilities**

As at 31 December 2016 and 31 December 2015, the Group had no material contingent liabilities.

**BUSINESS REVIEW**

**Wind farm operations**

For the year ended 31 December 2016, the revenue from the wind farm operations amounted to approximately RMB369,150,000 (2015: approximately RMB314,733,000), representing an increase of approximately 17% from that of 2015. The segment profit from the wind farm operations were approximately RMB107,232,000 (2015: approximately RMB48,552,000), representing an increase of approximately 121% from that of 2015.

***Hongsong's wind farm projects***

The construction of the Phase 9 Project – The Yuanhui Project of Hongsong had been completed in December 2013. Hongsong currently has an installable capacity of 398.4 megawatt ("MW"), and its wind farm operation made steady progress in 2016 which made significant contribution to the Group's revenue from wind farm operations for the year.

***Baotou Yinfeng's wind farm projects***

Baotou City Yinfeng Huili New Energy Investment Limited ("Baotou Yinfeng") is a subsidiary of the Company being acquired during the year, which possesses a wind farm in Baotou City of Inner Mongolia with the 49.8MW of the Phase 1 Project. In October 2015, Baotou Yinfeng received the relevant project approval from Baotou City's NDRC for its Phase 1 Project. Baotou Yinfeng Phase 1 Project is currently under construction and is expected to contribute to the Group's revenue from the operation of wind farms afterwards.

## FUTURE PROSPECTS

To promote the development of wind power, the PRC government has introduced a number of policies. At the beginning of 2016, the National Energy Administration sought ideas for the "13th Five-year Development Plan of Renewable Energy (Consultation Paper) (《可再生能源「十三五」發展規劃(徵求意見稿)》)" and made the following guidance: non-fossil energy will account for 15% of total energy consumption by 2020 and will reach 20% by 2030, and new investments will amount to RMB2.3 trillion during the 13th Five-year Plan. Among them, it aims for hydropower development and utilisation of 380 GW, solar power generation of 160 GW, and wind power of 250 GW by the end of 2020. According to the planning objectives, it will achieve wind power development and utilisation of 250GW by the end of 2020. Therefore, the compound annual growth rate of wind power installed capacity will reach 10% to 20% per annum in the next five years, with the average newly installed capacity of more than 20GW each year. In accordance with the "Strategic Action Plan for Energy Development (2014-2020) (《能源發展戰略行動計劃(2014-2020年)》)", the weight of the non-fossil energy will reach 15% of non-renewable energy consumption by 2020. In order to achieve this goal, the National Energy Administration issued the "Guidance on the Establishment of Renewable Energy Development and Utilisation Objective Guidance System (《關於建立可再生能源開發利用目標引導制度的指導意見》)" on 3 March 2016, which clearly indicates that, except specialised non-fossil energy production enterprises, the proportion of power generation with non-hydropower renewable energy should reach more than 9% of the total electricity generation of the power generation enterprises by 2020, and formulated the weight target of renewable energy in the total energy consumption and the weight indicators of non-hydro renewable energy in the total electricity consumption for each of provinces and cities. There still is a gap between the weight of power generation with non-hydro renewable energy in total power generation and the minimum target for 2020 in vast majority of China's provinces and cities, especially in the central and eastern regions. The development of wind power plants has become an important option in the case of a saturated development of renewable energy in the western region leading to a growing development in the eastern and southern regions.

The adverse effects such as air pollution and global warming resulted from traditional coal-fired power generation have led to high degree of support and attention from the public for the development of renewable energy. As a renewable energy which has the highest level of commercialisation, there is no doubt that the wind power industry will gain further acclamation.

The PRC Government has provided supports to the development of wind power industry in various aspects, and with initial success as exemplified in the increasing shares of wind power in total energy consumption in different regions. The development of wind power has great significance in adjusting the country's energy structure. Given the serious problem of smog in the PRC, the development of clean energy has become an inevitable trend, in which wind power will serve as one of the most critical segments in the development of clean energy.

Looking ahead, the Group's wind farm operation business will experience rapid development. With the advantage of a secured development environment in general and the increased level of attention to wind power by the public, the Company is expected to have a bright development prospect.

In respect of the business growth of the Group in 2017, the Group will continue to focus its resources on the development and operation of wind farms and is determined to become one of the pillars of the renewable energy industry in northern China. The Group will speed up the development of renewable energy business by way of cooperative development and acquisitions. The Group will continue to identify and acquire mature power plants with promising development prospects, in order to strengthen the existing wind farm operation and maintenance business in northern China and gradually extend the business to the surrounding areas as well as enhance the interaction between other businesses, such as the possible acquisition of wind turbine manufacturing. The Group will consider other possible opportunities of mergers and acquisitions.

In the meantime, the Group will also expand to the business of security trading in small scale, by setting up joint venture investment with other investor specialised in the industry, with an aim to leverage on the advantage of the shareholding companies' capabilities and expands the Group's income stream.

In the long-run, the Group will focus its effort on the development and optimisation of existing renewable energy resources. Paralleled to the expansion of wind farm's operational scale and the enhancement of efficiency, the Group will integrate the advantages of all cooperating parties and its own in order to explore more development opportunities and further consolidate the Group's position in the industry of renewable energy. During the course of business integration and resources integration, possible synergistic opportunities among different business segments will be explored for their expansions and growth in revenues and profits. The Group is committed to becoming a renewable energy supplier and integrated service provider with relatively strong competitiveness, establishing a stable and comprehensive foundation for the long term growth of the Group, creating more value for the society, and seeking higher returns for the Company's Shareholders and investors.

## CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance in order to raise the quality of management and protect the interests of shareholders of the Company as a whole. To honor these commitments, the Group believes that good corporate governance reflects that a responsible enterprise must be credit worthy and transparent and abide by a high level of code of practice.

### Corporate Governance Code

For the year ended 31 December 2016, the Company has adopted and complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules, except for the deviation from Code Provisions as described below:

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Qu Weidong (an independent non-executive Director) and Ms. Hu Xiaolin (an independent non-executive Director) did not attend the general meeting held during the year ended 31 December 2016 because they were out of town for other businesses.

Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year, the positions of the Chairman and the Chief Executive Officer were held by the same individuals. Mr. Zhang Zhixiang acted as the Chief Executive Officer of the Company, and is responsible for all day-to-day corporate management matters. The Board does not have the intention to fill the position of the Chairman at present and believes that the absence of the Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of the Chairman. Appointment will be made to fill the post to comply with code provision A.2.1 of the Code if necessary.

**Model Code for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had complied with the practice as contained in the Model Code and the aforesaid code of conduct adopted by the Company for the year ended 31 December 2016.

Senior management and those staff who are more likely to be in possession of unpublished price-sensitive information, inside information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company. No incident of non-compliance of the Model Code by relevant senior management members was noted by the Company during the year ended 31 December 2016.

**Audit Committee**

The audit committee of the Company comprises three independent non-executive Directors, namely, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, and Ms. Wong Wai Ling is the chairman of the audit committee of the Company. The annual results of the Company for the year ended 31 December 2016 and this announcement has been reviewed by the audit committee of the Company before being presented to the Board for approval.

## SCOPE OF WORK OF AUDITORS

The figures in this preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2016. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB on this preliminary announcement.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## IMPORTANT EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD

There is no important event affecting the Group which has occurred since the end of the Reporting Period.

## PUBLICATION OF 2016 ANNUAL REPORT

The 2016 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at http://www.c-ruifeng.com and the "HKExnews" website of the Stock Exchange at http://www.hkexnews.hk in due course.

By Order of the Board
**China Ruifeng Renewable Energy Holdings Limited**
**Zhang Zhixiang**
*Executive Director and Chief Executive Officer*

Hong Kong, 28 March 2017

*As at the date of this announcement, the executive Directors are Mr. Zhang Zhixiang, Mr. Ning Zhongzhi, Mr. Li Tian Hai and Mr. Peng Ziwei; and the independent non-executive Directors are Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin.*

* *For identification purpose only*