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 2017

RESULTS

The board (the "Board") of directors (the "Directors") of China Ruifeng Renewable Energy Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 together with the comparative figures for the previous year as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2017

	Note	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*4*	**389,996**	369,150
Cost of sales		**(213,133)**	(224,313)
Gross profit		**176,863**	144,837
Other revenue and net income	*6*	**55,371**	54,556
Administrative expenses		**(56,163)**	(72,749)

Consolidated Statement of Profit or Loss *(con't)*
For the year ended 31 December 2017

	Note	**2017** **RMB'000**	2016 *RMB'000*
Profit from operations		**176,071**	126,644
Finance costs	*7(i)(a)*	**(121,541)**	(118,143)
Share of profits less losses of associates		**2,554**	2,351
Share of losses of a joint venture		**(1,240)**	(15)
Profit before taxation	*7*	**55,844**	10,837
Income tax	*8*	**(31,719)**	(22,042)
Profit/(loss) for the year		**24,125**	(11,205)
Attributable to:			
Equity shareholders of the Company		**(7,090)**	(38,217)
Non-controlling interests		**31,215**	27,012
Profit/(loss) for the year		**24,125**	(11,205)
Loss per share attributable to the owners of the Company during the year			
Basic and diluted (RMB)	9	**(0.004)**	(0.022)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the year	**24,125**	(11,205)
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	**13,714**	9,300
Net movement in fair value change in respect of available-for-sale investments	**2,481**	—
Other comprehensive income for the year (net of tax)	**16,195**	9,300
Total comprehensive income for the year	**40,320**	(1,905)
Total comprehensive income attributable to:		
Equity shareholders of the Company	**8,384**	(28,917)
Non-controlling interests	**31,936**	27,012
Total comprehensive income for the year	**40,320**	(1,905)

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**1,638,513**	1,784,627
Lease prepayments		**10,405**	10,803
Interests in associates		**91,790**	77,306
Interest in a joint venture		**7,354**	8,594
Available-for-sale investments		**18,710**	6,229
		1,766,772	1,887,559
Current assets			
Trading securities		**1,012**	7,806
Trade and other receivables	*11*	**578,197**	461,374
Lease prepayments		**398**	398
Cash and cash equivalents		**104,495**	266,841
		684,102	736,419
Current liabilities			
Trade and other payables	*12*	**120,157**	112,165
Borrowings		**509,484**	611,011
Current taxation		**8,188**	6,886
		637,829	730,062
Net current assets		**46,273**	6,357
Total assets less current liabilities		**1,813,045**	1,893,916
Non-current liabilities			
Borrowings		**847,247**	942,678
Deferred tax liabilities		**32,033**	34,763
		879,280	977,441
Net assets		**933,765**	916,475
Capital and reserves			
Share capital		**15,677**	15,677
Reserves		**666,323**	635,646
Total equity attributable to equity shareholders of the Company		**682,000**	651,323
Non-controlling interests		**251,765**	265,152
Total equity		**933,765**	916,475

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 2017 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 of Hong Kong Limited ("Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. 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 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale or as trading securities; and

— derivative financial instruments.

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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

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

4. REVENUE

The principal activity of the Group is wind power generation.

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 revenue is as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of electricity	**389,996**	369,150

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 reportable segment. No operating segments have been aggregated to form the following reportable segment.

For the years ended 31 December 2017 and 2016, the Group has one segment of using wind turbine blades to generate electricity power in the People's Republic of China (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 reporting 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 less losses of associates, share of losses of a joint venture, directors' and 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, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segment 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 2017 and 2016 is set out below.

For the year ended 31 December 2017:

	Wind farm operations *RMB'000*	**Un-allocated** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue	**389,996**	**—**	**389,996**
Reportable segment profit	**136,087**	**23,077**	**159,164**
Central administrative costs	**—**	**(30,589)**	**(30,589)**
Central finance costs	**—**	**(72,731)**	**(72,731)**
Profit before taxation			**55,844**
Income tax			**(31,719)**
Profit for the year			**24,125**

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)
Central finance costs	—	(57,794)	(57,794)
Profit before taxation			10,837
Income tax			(22,042)
Loss for the year			(11,205)

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

For the year ended 31 December 2017:

	Wind farm operations *RMB'000*	**Un-allocated** *RMB'000*	**Total** *RMB'000*
Depreciation and amortisation for the year	**(157,412)**	**(873)**	**(158,285)**
Impairment losses on trade and other receivables	**(1,753)**	**(2,516)**	**(4,269)**
Interest income	**5,854**	**6,929**	**12,783**
Share of losses of a joint venture	**—**	**(1,240)**	**(1,240)**
Share of profits less losses of associates	**(297)**	**2,851**	**2,554**
Additions to non-current segment assets during the year	**11,782**	**146**	**11,928**

As at 31 December 2017:

Assets	**2,179,802**	**171,928**	**2,351,730**
Associates	**702**	**91,088**	**91,790**
Joint venture	**—**	**7,354**	**7,354**
Reportable segment assets	**2,180,504**	**270,370**	**2,450,874**
Reportable segment liabilities	**(962,466)**	**(554,643)**	**(1,517,109)**

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 less losses 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)

(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 2017, revenue of approximately RMB389,996,000 (2016: approximately RMB369,150,000) was made to a single customer attributable to the wind farm operation segment comprising approximately 100% (2016: approximately 100%) of the total revenue of the Group.

6. OTHER REVENUE AND NET INCOME

	2017	2016
	RMB'000	*RMB'000*
Interest income on financial assets not at fair value through profit or loss	**12,783**	9,151
Government subsidy income related to value added tax refund	**24,064**	26,867
Gain on bargain purchase for the acquisition of an associate	**1,719**	—
Gain on disposal of a subsidiary	**—**	15,909
Gain on disposal of property, plant and equipment	**20**	1
Net realised and unrealised (loss)/gain on trading securities	**(1,121)**	339
Net foreign exchange gains	**12,461**	—
Rental income from operating leases	**2,474**	2,126
Others	**2,971**	163
	55,371	54,556

7. PROFIT BEFORE TAXATION

(i) Profit before taxation is arrived at after charging/(crediting):

	2017	2016
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest expenses on bank loans and other loans	**68,764**	87,646
Interest expenses on bonds	**13,837**	12,026
Interest expenses on convertible notes	**38,931**	18,462
Finance charges on obligations under finance lease	**9**	9
Total interest expenses on financial liabilities not at fair value through profit or loss	**121,541**	118,143
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	**3,578**	3,078
Salaries, wages and other benefits	**35,830**	31,833
	39,408	34,911
(c) Other items:		
Amortisation of lease prepayments	**398**	438
Impairment losses:		
— trade and other receivables (included in administrative expenses)	**4,269**	2,361
— goodwill	**—**	826
Depreciation for property, plant and equipment		
— owned assets	**157,796**	161,930
— assets held for own use under finance lease	**91**	89
Net foreign exchange losses	**—**	23,416
Auditors' remuneration		
— audit services	**973**	1,021
Operating lease charges		
— minimum lease payments in respect of property rentals	**4,225**	3,094
— minimum lease payments in respect of rentals of motor vehicle	**2,182**	185
Gain on disposal of a subsidiary	**—**	(15,909)
Gain on disposal of property, plant and equipment	**(20)**	(1)

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

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

	2017	2016
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**34,359**	26,305
Under-provision in respect of prior years	**29**	1,015
Withholding tax		
Provision for the year	**4,298**	—
Deferred tax		
Origination and reversal of temporary differences	**(6,967)**	(5,278)
	31,719	22,042

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the year (2016: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB7,090,000 (2016: approximately RMB38,217,000).

The weighted average of approximately 1,799,141,000 ordinary shares (2016: approximately 1,713,936,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**1,799,141**	1,499,284
Effect of issue of shares upon open offer	**—**	214,652
Weighted average number of ordinary shares at 31 December	**1,799,141**	1,713,936

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2017 and 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.

10. DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2017 (2016: Nil).

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**192,796**	118,585
Less: allowance for doubtful debts	**(2,030)**	—
	190,766	118,585
Other receivables	**71,556**	84,172
Less: allowance for doubtful debts	**(8,239)**	(6,000)
	63,317	78,172
Loan receivables	**124,053**	86,979
Less: allowance for doubtful debts	**(9,000)**	(9,000)
	115,053	77,979
Amount due from an associate	**24,771**	23,023
Amount due from a former subsidiary	**32**	1,645
Amount due from non-controlling interest	**6,550**	5,020
Loans and receivables	**400,489**	304,424
Prepayments and deposits	**177,708**	156,950
	578,197	461,374

(a) Ageing analysis

Trade receivables are net of allowance for doubtful debts of approximately RMB2,030,000 (2016: Nil) with the following ageing analysis as of the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
Within three months	**100,698**	46,121
More than three months but within one year	**82,238**	70,434
More than one year	**7,830**	2,030
	190,766	118,585

Trade receivables are due within 90 days (2016: 90 days) from the date of billing.

12. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**25,980**	31,756
Other payables	**89,118**	80,224
Amounts due to directors	**507**	185
Amounts due to non-controlling interest	**4,552**	—
Financial liabilities measured at amortised cost	**120,157**	112,165

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

	2017	2016
	RMB'000	*RMB'000*
Within three months	**6,293**	20,896
More than three months but within one year	**14,375**	4,231
More than one year	**5,312**	6,629
	25,980	31,756

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

13. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Capital injection in subsidiaries		
— Contracted for	**927,820**	949,864
Capital injection in an associate		
— Contracted for	**39,977**	43,019
Acquisition of property, plant and equipment		
— Contracted for	**205,891**	196,381
	1,173,688	1,189,264

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**1,818**	2,315
After 1 year but within 5 years	**—**	1,642
	1,818	3,957

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 2017.

Operating results for the year ended 31 December 2017 were as follows:

	Year ended 31 December		Increase/	Approximate change in
	2017	2016	**(decrease)**	**percentage**
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**389,996**	369,150	20,846	6
Gross profit	**176,863**	144,837	32,026	22
Profit from operations	**176,071**	126,644	49,427	39
Profit before taxation	**55,844**	10,837	45,007	415
Profit/(loss) for the year	**24,125**	(11,205)	35,330	N/A
Attributable to:				
Equity shareholders of the Company	**(7,090)**	(38,217)	31,127	N/A
Non-controlling interests	**31,215**	27,012	4,203	16
Profit/(loss) for the year	**24,125**	(11,205)	35,330	N/A

		Year ended 31 December	
	Note	**2017**	2016
Net cash *(RMB'000)*	*1*	**(1,252,236)**	(1,286,848)
Net assets *(RMB'000)*	*2*	**933,765**	916,475
Liquidity ratio	*3*	**107%**	101%
Trade receivable turnover (number of days)	*4*	**145**	102
Trade payable turnover (number of days)	*5*	**49**	36
Earning interest multiple	*6*	**1.46**	1.09
Net debt to capital ratio	*7*	**134%**	140%

Notes:

1. Cash at bank and on hand – Borrowings

2. Total assets – Total liabilities

3. Current assets/Current liabilities x 100%

4. Average trade receivables/Revenue x 365 days

5. Average trade payables/Cost of sales x 365 days

6. Profit before interest and taxation/Finance cost

7. Net debt/Equity x 100%

Revenue

During the year ended 31 December 2017, 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, the PRC.

Revenue for the year ended 31 December 2017 was approximately RMB389,996,000, representing an increase of approximately 6% in comparing with that of 2016 of approximately RMB369,150,000. 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) which outweighed the decrease in revenue of approximately RMB22,148,000 for the year 2016 as contributed by Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd.) ("Langcheng") which was disposed of by the Group on 3 May 2016, and thus contributed nil revenue for the year ended 31 December 2017.

Analysis of the Group's revenue for the year ended 31 December 2017 is set out below:

Revenue by business

	Year ended 31 December		**Increase/**	**Approximate change in**
	2017	2016	**(decrease)**	**percentage**
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Wind power generation	**389,996**	369,150	20,846	6

Cost of Sales

Cost of sales mainly included 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 2017 accounted for approximately RMB213,133,000 (2016: RMB224,313,000), which represented approximately 55% of the Group's revenue (2016: 61%). The decrease in the ratio was mainly due to less proportionate fixed overheads costs in respect of the increased production volume of Hongsong for the year ended 31 December 2017.

Gross Profit

Gross profit was approximately RMB176,863,000 for the year ended 31 December 2017 (2016: approximately RMB144,837,000) which was primarily derived from the operation of the Group's business of wind power generation. The gross profit margin for the year ended 31 December 2017 was approximately 45%, as compared to approximately 39% for the year ended 31 December 2016, representing an improvement of production efficiency as achieved by Hongsong.

Other Revenue and Net Income

Other revenue and net income for the year ended 31 December 2017 was mainly comprised of (i) tax refund from the PRC government (2017: approximately RMB24,064,000; 2016: approximately RMB26,867,000); (ii) interest income (2017: approximately RMB12,783,000; 2016: approximately RMB9,151,000); (iii) rental income from operating leases (2017: approximately RMB2,474,000; 2016: approximately RMB2,126,000); and net foreign exchange gains of approximately RMB12,461,000 (2016: Nil). Balance for the year ended 31 December 2016 also included the gain on the disposal of Langcheng amounting to approximately RMB15,909,000 while no such item was recorded for the year ended 31 December 2017.

Administrative Expenses

Administrative expenses mainly included 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 23% to approximately RMB56,163,000 for the year ended 31 December 2017 when compared with that of approximately RMB72,749,000 for the year ended 31 December 2016. The decrease was a combined effect of (i) the cost-tightening measures taken by the management of the Company during the year of 2017; and (ii) net foreign exchange losses of approximately RMB23,416,000 being recorded for the year of 2016 while net foreign exchange gains were recorded as "Other Revenue and Net Income" for the year of 2017. Net foreign exchange losses/gains were mainly derived from depreciation/appreciation of Renminbi ("RMB") against Hong Kong Dollar ("HKD") for the year 2016 and 2017.

Finance Costs

Finance costs mainly referred to the interest expenses and the bank charges of the Group's borrowings including bank loans obtained, bonds and convertible notes issued by the Group. It amounted to approximately RMB121,541,000 for the year of 2017, representing a slight increase as compared to approximately RMB118,143,000 for the year of 2016. This was the combined effect of (i) an increase in convertible notes interests as full-year interests were charged for the year of 2017 while only half-year interests were charged for the year of 2016; and (ii) a decrease in bank loan interests resulted from settlements of certain bank loans during the year of 2017.

Taxation

Taxation expenses increased to approximately RMB31,719,000 for the year ended 31 December 2017 (2016: approximately RMB22,042,000). Such increase was mainly derived from the increase in taxable income of Hongsong.

Profit/(loss) for the Year

Profit for the year ended 31 December 2017 was approximately RMB24,125,000 (2016: loss for the year of approximately RMB11,205,000). The improvement in the result was mainly due to the increase in electricity sales by Hongsong together with a decrease in cost of sales and administrative expenses.

Loss attributable to equity shareholders was approximately RMB7,090,000 (2016: approximately RMB38,217,000).

Net Current Assets

Net current assets of the Group as at 31 December 2017 increased to approximately RMB46,273,000 when compared with that of approximately RMB6,357,000 as at 31 December 2016. The increase was mainly due to the decrease in current liabilities as a result of bank loans settlements during the year ended 31 December 2017.

Liquidity and Financing

The cash and bank balances as at 31 December 2017 and 31 December 2016 amounted to approximately RMB104,495,000 (mainly denominated in RMB, United States dollar ("USD") and HKD, which was comprised of approximately RMB101,463,000, USD158,000 and HKD2,406,000), and approximately RMB266,841,000, respectively.

Total borrowings of the Group as at 31 December 2017 amounted to approximately RMB1,356,731,000, representing a decrease by approximately RMB196,958,000 when compared with approximately RMB1,553,689,000 as at 31 December 2016. The decrease in the total borrowings was mainly resulted from the repayments of borrowings during the year ended 31 December 2017.

The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations and by other financing. The Group's gearing ratio decreased to approximately 62% as at 31 December 2017 from approximately 65% as at 31 December 2016. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the year ended 31 December 2017, 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 RMB1,356,731,000 as at 31 December 2017. Among the interest bearing borrowings of the Group, approximately RMB308,849,000 were fixed rate loans, while RMB1,047,882,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2017 and up to the date of this announcement, 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 2017, the Company issued additional non-listing corporate bonds (the "Bonds") to potential investors in an aggregate principal amount of HKD18,500,000 at par value with maturity period ranging from 1 to 7 years, and bearing fixed interest rate at 6% to 7% per annum.

The Company intends to use the net proceeds from the Bonds issued in the year of 2017 for general working capital of the Group. As at 31 December 2017 and 31 December 2016, principal amount of approximately HKD173,736,000 and HKD155,236,000 of the Bonds had been issued, respectively.

Extension 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 works; (ii) approximately 40% of the net proceeds was used in repaying the outstanding loan borrowings of the Group; and (iii) approximately 10% of the net proceeds was used in general working capital.

On 12 December 2017, the Company and all the holders of the Convertible Notes entered into a deed of amendment (the "Amendment Deed") to extend the maturity date of the Convertible Notes from 15 December 2017 to 15 June 2019. Save for the extension of the maturity date, all other terms and conditions of the Convertible Notes remained unchanged. The Amendment Deed has become unconditional on 15 December 2017 upon approval being received from the Stock Exchange.

Further details are set out in the announcements of the Company dated 26 May 2016, 15 June 2016, 12 December 2017 and 19 December 2017, respectively.

Capital Raising

During the year ended 31 December 2017, save as disclosed in this announcement, the Group did not have any capital raising activity.

Material Acquisition and Disposal

Acquisition of 20% equity interest in in Candice Group Limited ("Candice Group")

On 28 September 2017, (i) On Win Corporation Limited ("On Win"), a wholly-owned subsidiary of the Company, as the Purchaser entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Huajun Logistics Co. Limited ("Huajun Logistics") and Gather Take Development Limited ("Gather Take") (collectively as the Vendors), pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the sale shares (representing 23% equity interests in Candice Group) for the sale consideration of HKD9,461,970 upon the terms and conditions set out in the Sale and Purchase Agreement; and (ii) On Win, Mr. Ng Yuk Ping ("Mr. Ng") and Evergrace Fund Limited ("Evergrace Fund"), as the Subscribers, entered into a subscription agreement (the "Subscription Agreement") with Candice Group, pursuant to which Candice Group conditionally agreed to allot and issue to the Subscribers, and the Subscribers conditionally agreed to subscribe for, a total of 40,000 subscription shares at the subscription price of HKD411.39 each upon the terms and conditions set out in the Subscription Agreement. Upon completion of the transactions, the Company would indirectly own 20% equity interest in Candice Group. Transaction was completed on 31 October 2017.

Please refer to the announcements of the Company dated 28 September 2017 and 31 October 2017 for further details.

Financial Guarantee to Langcheng

On 3 May 2016, Hongsong entered into a capital increase agreement (the "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, pursuant to which Mr. Wang and Zhuoneng 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 (the "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 (the "Sale Equity Interest") 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. The consideration was ultimately fixed at RMB108,900,000 upon mutually agreed by the involved parties.

Prior to the execution of the Equity Transfer Agreement, Hongsong had (i) provided a guarantee (the "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 (the "Tianxin's Loan") from Tianxin International Company Limited ("Tianxin").

As agreed, Hongsong assisted Mr. Wang to proceed with the necessary registration procedures for transfer of the Sale Equity Interest. Upon completion of the registration procedures, Mr. Wang pledged the Sale Equity Interest to Tianxin as a security (the "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) 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 has been discharged. Unless otherwise agreed by the parties, Mr. Wang should not transfer any of his equity interest in Langcheng to other party before (i) Hongsong's Guarantee has been discharged and (ii) full repayment of Tianxin's Loan. In the event that Hongsong obtains early discharge of Hongsong's Guarantee but has yet to fully repay Tianxin's Loan, Hongsong should (i) give its 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 and would be revisited by the parties when necessary. Mr. Wang undertook to use his best efforts to negotiate with the PRC Bank or by any other way, to discharge the Hongsong's Guarantee as soon as possible.

With the efforts made by all involved parties, on 28 December 2017, the Hongsong's Guarantee has been discharged from the PRC Bank and the Group has fully repaid Tianxin's Loan. The Counter-guarantee provided by Mr. Wang has also been released by Hongsong accordingly.

Please refer to the announcements of the Company dated on 3 May 2016, 30 November 2016, 31 May 2017, 31 August 2017 and 29 December 2017 for further details of the aforesaid transactions.

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 2017, no legal binding contract or approved document has been entered between the parties.

Pledge of Assets

As at 31 December 2017, the Group has pledged certain of its property, plant and equipment and certain of its leasehold land included in lease prepayments with an aggregated carrying value of approximately RMB1,035,187,000 (31 December 2016: approximately RMB1,035,576,000), and trade and other receivables with a carrying value of approximately RMB200,986,000 (31 December 2016: approximately RMB127,555,000) as security for the borrowings obtained by the Group. As at 31 December 2017 and 31 December 2016, the issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

As at 31 December 2017 and 31 December 2016, the Group had no material contingent liabilities.

Employees

As at 31 December 2017, the Group had approximately 140 full-time employees (2016: approximately 140 employees) in Hong Kong and the PRC in respect of the Group's operations. For the year ended 31 December 2017, the relevant staff costs (including directors' remuneration) were approximately RMB39,408,000 (2016: approximately RMB34,911,000). The Group's remuneration and bonus packages were given based on performance of employees in accordance with the general standards of the Group's salary policies.

Under the ordinary resolution passed at the annual general meeting on 1 June 2015, the Board adopted a new share option scheme and simultaneously terminated the share option scheme which was adopted by the Company on 17 May 2006. During the year ended 31 December 2017, no share options were granted.

BUSINESS OVERVIEW

Wind farm operations

For the year ended 31 December 2017, the revenue from the wind farm operations amounted to approximately RMB389,996,000 (2016: approximately RMB369,150,000), representing an increase of approximately 6% from that of 2016. The segment profit from the wind farm operations were approximately RMB136,087,000 (2016: approximately RMB107,232,000), representing an increase of approximately 27% from that of 2016.

Hongsong's wind farm projects

The construction of the Phase 9 Project – The Yuanhui Project of Hongsong had been completed in 2013. Hongsong currently has an installable capacity of 398.4 megawatt ("MW"), and its wind farm operation made a steady and stable progress in 2017 which made significant contribution to the Group's revenue from wind farm operations for the year ended 31 December 2017.

Baotou Yinfeng's wind farm projects

Baotou City Yinfeng Huili New Energy Investment Limited ("Baotou Yinfeng") is a subsidiary of the Company 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 future revenue from the operation of wind farms in the future.

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 gigawatt ("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 250 GW 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 20 GW 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 support 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 continue to develop 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 Reporting Period, 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviations 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 2017 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 ended 31 December 2017, there has been no chairman of the Board (the "Chairman") in the Company.

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 2017.

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 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") 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. The annual results of the Company for the year ended 31 December 2017 and this announcement has been reviewed by the Audit Committee before being presented to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement has complied with the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, 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 significant event after the year ended 31 December 2017 to the date of this announcement.

PUBLICATION OF 2017 ANNUAL REPORT

The 2017 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 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Zhixiang (Chief Executive Officer), 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*