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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01165)**

## UPDATE ON PROFIT WARNING

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

Reference is made to the profit warning announcement of the Company dated 6 January 2017 (the “**Announcement**”). Capitalised terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

As disclosed in the Announcement, the Group expected to record a loss of approximately RMB923 million for the Year 2016. Since the date of the Announcement, the Board has further reviewed the unaudited management accounts of the Group for the 12 months ended 31 December 2016, including the figures for November and December 2016. The Board wishes to update the shareholders and potential investors of the Company that based on the latest assessment by the Board of the Company with reference to the information currently available, it is expected that the loss for the Year 2016 will increase to approximately RMB2,400 million, as compared to a profit of approximately RMB58 million for the Year 2015, and is mainly attributable to the following reasons:

- (a) the recognition of an impairment loss of approximately RMB259 million on the Group’s investment in Suniva Inc. and a provision of approximately RMB228 million in relation to certain potential financial liabilities of Suniva Inc. for the Year 2016. The average selling price of solar modules has been dropping significantly since July 2016 globally. In particular the solar product market in the United States (the “**US**”), where Suniva Inc. principally operates its business in, has been severely impacted due to the continuous import of solar modules (which are not subject to the anti-dumping and countervailing duties imposed by the US government) from other photovoltaic manufacturers in southeast Asia at a decreasing cost. The selling price of solar modules of Suniva Inc. in the US has thus been further lowered. As a result, Suniva has been operating at a loss. In addition, as the Company has provided corporate guarantees in respect of certain borrowings and loans granted

to Suniva Inc. in the amount of approximately RMB228 million, the Company may be exposed to payment obligations in the event Suniva Inc. is unable to pay off such borrowings and loans. After recent discussion and further assessment by the management with reference to the latest information currently available, the Board therefore intends to recognise an impairment of approximately RMB259 million for its investment in Suniva Inc. and a provision of approximately RMB228 million in relation to its potential financial liabilities for the Year 2016. Such impairment and provision are subject to confirmation and audit, while there was no such impairment or provision in the Year 2015;

- (b) the recognition of an impairment loss of approximately RMB222 million in relation to the Group's investment in certain solar power plants, construction of which have not been completed. Due to unexpected delays in the construction of certain solar power plants, the relevant construction permits have expired and the construction of those solar power plants have ceased. As a result, on-grid connection of those power plants could not be materialised. After recent discussion and preliminary assessment by the management, the Group intends to recognise an impairment loss of approximately RMB222 million in respect of its investment in those solar power plants. Such impairment is subject to confirmation and audit, while there was no such impairment in the Year 2015;
- (c) the recognition of impairment losses of approximately RMB143 million on the goodwill and intangible assets in relation to the S.A.G Interests (as defined below) and approximately RMB19 million on the interests in the associates held by the S.A.G Interests. The Group completed the acquisition of (i) all tangible and intangible assets, mobile goods and rights pertaining to the businesses of S.A.G. Solarstrom AG i.l. ("**S.A.G.**"), S.A.G. Solarstrom Vertriebsgesellschaft mbH i.l. and S.A.G. Technik GmbH i.l.; (ii) 17 entities in which S.A.G. has a direct interest and (iii) one entity in which S.A.G. Solarstrom Vertriebsgesellschaft mbH has a direct interest (collectively the "**S.A.G. Interests**"). Due to changes in the market conditions subsequent to initial recognition, it is expected that the S.A.G. Interests will no longer bear any benefit of synergies, revenue growth, future market development and assembled workforce in the foreseeable future. The Group also recorded a loss for the S.A.G. Interests in the Year 2016. After recent discussion and preliminary assessment by the management with reference to the latest information currently available, the Group intends to recognise the impairment loss on the goodwill and intangible assets in relation to the S.A.G. Interests in plant operation and services during the Year 2016, while there was no such impairment in the Year 2015;
- (d) significant increases in costs or losses (as the case may be) in respect of the following items previously disclosed in the Announcement:
  - (i) the increase in finance cost of the Group in relation to the loans and financing obtained by the Group as disclosed in point (ii) of the Announcement which has increased from approximately 35% to 47% for the Year 2016 as compared to the Year 2015. The interest expenses capable of being capitalised became less than expected in the Year 2016 as the loans balance increased due to cessation of construction of the solar power plants as mentioned in (b) above. The finance cost of the Group is expected to accumulatively increase approximately 47% or RMB332 million for the Year 2016 as compared to the Year 2015;

- (ii) the loss recorded for Lattice Power Corporation as disclosed in point (iv) of the Announcement which has increased from approximately RMB135 million to RMB187 million. Further, after recent discussion and further assessment by the management based on the latest information currently available, the Group intends to recognise an additional impairment loss on the goodwill, intangible assets, property, plant and equipment and the change in fair value in derivative financial liabilities in relation to its investment in Lattice Power Corporation and the net total amount of such impairment loss increased from approximately RMB200 million to RMB550 million, while there was no such impairment in the Year 2015; and
- (iii) loss from bad debts of the Group as mentioned in (vi) of the Announcement which has increased from approximately RMB160 million to RMB484 million due to further necessary adjustments by the management after reviewing the latest information currently available, while the loss for the Year 2015 was RMB40 million.

The Company is still in the process of finalising the annual results of the Group for the Year 2016. Therefore, the information contained in this announcement is only based on the latest assessment by the Board with reference to the information currently available (including the unaudited management accounts of the Group for the 12 months ended 31 December 2016), and is subject to finalisation and confirmation by the Company's auditors and approval by the Board. Shareholders and potential investors of the Company are advised to peruse with care the annual results announcement of the Company for the Year 2016, which is expected to be released in late March 2017.

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

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

Hong Kong, 23 March 2017

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