熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED
熊 貓 綠 色 能 源 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board" or the "Directors") of Panda Green Energy Group 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 corresponding period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

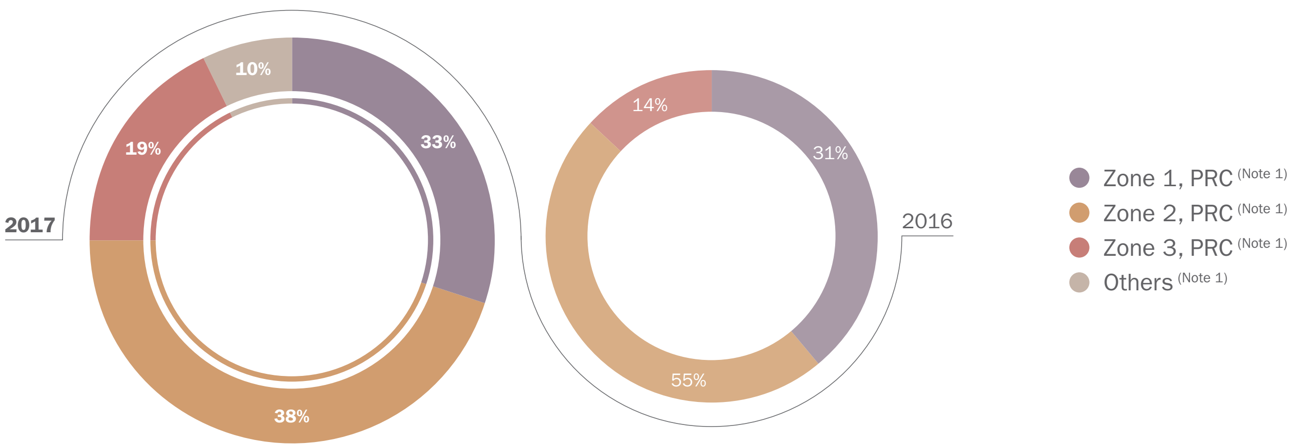
Diversification of investment locations and portfolios

The Group is a leading global eco-development solutions provider. During the year ended 31 December 2017 (the "Year"), the Group is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

Solar power plant projects

During the Year, the Group and its associates/joint venture focused its resources on managing its solar power business and has added solar power plants with a total installed capacity of 747.9 megawatt ("MW"). As at 31 December 2017, the Group and its associates/joint venture had 64 (2016: 31) solar power plants with aggregate installed capacity of approximately 2,039.3MW (2016: 1,291.4MW). These solar power plants are mainly (or approximately 96%) located in the People's Republic of China ("PRC"). During the Year, the Group has successfully completed its first overseas acquisition in the United Kingdom ("UK"), with an aggregate installed capacity of 82.4MW. These solar power plants in the UK were accredited under the renewables obligation scheme by the Office of Gas and Electricity Markets, a government regulator for the electricity and downstream natural gas markets in Great Britain. In addition, the Group has explored the investment opportunities in Tibet and acquired 5 solar power plants with aggregate installed capacity of 75MW. Among subsidiaries, the Group has well-diversified its solar power plants in 16 different regions during the Year (2016: 10). The following chart analyses the location of these solar power plants under the solar energy resource areas in the PRC, which is divided into 3 zones according to the annual equivalent utilisation hours. Zone 1 has the most annual equivalent utilisation hours while zone 3 has the least among 3 zones. It was noted that, in 2016, there were approximately 31% and 55% of the solar power plants located within zone 1 and 2 in the PRC, respectively; while in 2017, zone 1 and zone 2 accounted for 33% and 38% respectively to the total installed capacity. This shows our efforts in mitigating concentration risks by diversification of location selection.

Location of solar power plants by subsidiaries



Almost all the solar power plants owned and controlled by the Group and its associates/joint venture are ground-mounted, while a small portion of them are roof-top type. During the Year, the Group acquired one power plant in Hebei, PRC, which is facilitate the complementation of agriculture & solar power generation; and developed one power plant in Xinjiang, PRC, which promote the complementation of grape & solar power generation. While the agriculture & solar complementary project could foster the sustainable development of local agricultural production; the grape & solar complementary project with Xinjiang government could improve the grape growing environment.

Note 1 For the details of zone 1, zone 2 and zone 3 and others, please refer to Table 2 on page 4 of this announcement.

The Group strategically develops and acquires solar power plants to achieve predetermined minimal rate of return and selects its solar power plants based on a combination of considerations, including solar irradiation of the site, applicable feed-in tariffs, government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity. The Group will also continue to explore good opportunities for growth outside the PRC, such as the United States, Australia, Germany, Japan, Philippines, and those countries alongside with the Belt and Road.

Other renewable energy projects

During the Year, the Group seized a rare opportunity to invest in a holding company in Tibet Autonomous Region which owns development rights in hydropower with an expected capacity of over 5 gigawatt ("GW"). The Company indirectly holds 75% of the equity interest in the project company while the remaining 25% is held by the People's Government of Tibet Autonomous Region. The consideration was fully financed by equity fund raising. The Company will allocate sufficient resources to develop hydropower projects in stages over a long period of 5 to 10 years in cooperation with the local government to provide economic and environmental benefits to the local communities. This holding company is also negotiating an acquisition of a minor equity interest in a project company in the PRC which engages in wind power business.

Hydropower is a reliable source of renewable energy with a steady supply of power. Technology relating to the construction and operation of hydropower facility is mature and advanced in the PRC, which makes the development of hydropower facility more cost-effective and less risky.

Wind power is also a kind of reliable source of renewable energy. During the Year, the Group has acquired a project company which owns installed capacity of 96MW in wind power in Shanxi, PRC and the phase one with installed capacity of 48MW is grid-connected and the phase two with installed capacity of another 48MW is under construction.

In the short run, the Group will remain to be focusing on the development of solar power business, while diversifying its renewable energy portfolios in order to supplement the multi-type energy supply in the long run.

Electricity generation

As at 31 December 2017, the Group and its associates/joint venture had 65 on-grid solar and wind power plants (2016: 31). The aggregate installed capacity of these power plants has increased to 2,087.3MW, by approximately 62% as compared to last year (2016: 1,291.4MW). The total electricity generated by the power plants of the Group and its associates/joint venture during the Year has also increased from approximately 1,345,830 megawatt hours ("MWh") in 2016 to approximately 2,115,253 MWh in 2017, or approximately 57%. All these power plants are grid-connected and are generating electricity steadily.

Table 1 Power plants summary

	For the year ended 31 December					
	2017			2016		
	Number of power plant	**Aggregate installed capacity** *(MW)*	**Electricity generation** *(MWh)*	Number of power plant	Aggregate installed capacity *(MW)*	Electricity generation *(MWh)*
Subsidiaries	**53**	**1,733.5**	**1,900,797**	26	1,007.6	1,204,428
Associates/joint venture	**12**	**353.8**	**214,456**	5	283.8	141,402
Total	**65**	**2,087.3**	**2,115,253**	31	1,291.4	1,345,830

The details of the electricity generated from each resource zone for the Year are set out as below. For accounting purpose, the volume of electricity generated by the solar plants newly acquired during the Year was recorded only starting from their respective completion date of acquisitions.

Table 2 Power plants information by resource zone

	As at 31 December 2017			For the year ended 31 December 2017		
Location	**Number of power plant Solar**	**Wind**	**Aggregate installed capacity** *(MW)*	**Electricity generation** *(MWh)*	**Revenue** *(RMB' million)*	**Average tariff per kWh (net of VAT)** *(RMB)*
Subsidiaries:						
(i) Zone 1						
Inner Mongolia, PRC	6	–	260.0	386,907	315	0.82
Ningxia, PRC *(Note 1)*	1	–	200.0	169,181	124	0.73
Gansu, PRC	1	–	100.0	81,369	59	0.73
Zone 1 sub-total	8	–	560.0	637,457	498	0.78
(ii) Zone 2						
Qinghai, PRC	4	–	200.0	321,409	262	0.81
Shanxi, PRC	4	–	170.0	217,228	168	0.77
Xinjiang, PRC	7	–	120.2	158,964	118	0.74
Inner Mongolia, PRC	1	–	60.0	100,293	82	0.82
Yunnan, PRC	2	–	54.8	77,574	52	0.67
Hebei, PRC	2	–	37.3	53,963	47	0.87
Zone 2 sub-total	20	–	642.3	929,431	729	0.78

Location	As at 31 December 2017 Number of power plant Solar	Wind	Aggregate installed capacity *(MW)*	For the year ended 31 December 2017 Electricity generation *(MWh)*	Revenue *(RMB' million)*	Average tariff per kWh (net of VAT) *(RMB)*
(iii) Zone 3						
Hubei, PRC	1	–	100.0	118,112	112	0.95
Shandong, PRC	1	–	40.0	56,517	54	0.95
Guangxi, PRC	1	–	60.0	23,098	19	0.83
Hunan, PRC	6	–	120.0	7,130	7	1.00
Guangdong, PRC	3	–	2.8	3,541	2	0.62
Zhejiang, PRC	1	–	3.0	3,028	1	0.40
Zone 3 sub-total	13	–	325.8	211,426	195	0.93
(iv) Others						
United Kingdom	6	–	82.4	73,388	72	0.98
Shanxi, PRC	–	1	48.0	42,938	22	0.53
Tibet, PRC	5	–	75.0	6,157	6	0.99
Others sub-total	11	1	205.4	122,483	100	0.82
Subsidiaries sub-total	**52**	**1**	**1,733.5**	**1,900,797**	**1,522**	**0.80**
Associates/joint venture:						
Ningxia, PRC *(Note 1)*	–	–	–	91,744	67	0.74
Inner Mongolia, PRC	4	–	160.0	91,300	78	0.85
Yunnan, PRC	2	–	60.0	–	–	–
Shanxi, PRC	1	–	50.0	–	–	–
Qinghai, PRC	2	–	50.0	–	–	–
Jiangsu, PRC	3	–	33.8	31,412	65	2.06
Associates/joint venture sub-total	**12**	**–**	**353.8**	**214,456**	**210**	**0.98**
Total	**64**	**1**	**2,087.3**	**2,115,253**	**1,732**	**0.82**

Note 1 The Group has acquired the remaining 50% equity interest in the project company in May 2017 and the project company became a wholly-owned subsidiary of the Company.

Project development and operation

Following the success in the development of “Top Runner” project, 100MW solar power plant in Datong, Shanxi, had been connected to grid in June 2016. During the Year, through cooperation with the United Nations Development Program, the Group started to construct 50MW Panda Power Plant in Datong, Shanxi and it has been successfully connected to grid in June 2017. It is designed and built as the image of the Chinese national treasure-the giant panda, of which the black part is made of mono-crystalline silicon solar cells, and the grayish white part is made of the thin film cells and N-type double-sided mono-crystalline silicon cells. The color contrast in these kinds of solar panels generates an obvious black and white effect. The whole power plant is presented as a vivid image of the giant panda from an aerial view. The Group has plans to carry out a “Panda 100 Program” to build Panda Power Plants along the “Belt and Road” countries and areas, and bring in the integrated multi-energy green ecological solutions in the coming 5 years.

Financing

The power plants business is capital intensive in nature. The Group has been rigorously exploring various financing channels to enhance its financing capability and reduce its finance cost. During the Year, the Group has raised approximately RMB13,780 million through various channels including new shares placing, issue of senior notes, medium-term notes, corporate bonds, bank borrowings and finance leasing.

During the Year, the Company has successfully placed new shares to certain international strategic investors like ORIX Asia Capital Limited, Asia Climate Partners and China Huarong Asset Management Co. Ltd. Total net proceeds from new shares placings were approximately HK$2,154 million (equivalent to RMB1,883 million). In addition, the Company has successfully issued a three-year US$350 million (approximately RMB2,304 million) senior notes for early redemption of certain convertible bonds, repayment of existing indebtedness and working capital purposes. These mark the affirmation from international capital market and confidence on the Company’s future development.

In the second quarter of 2017, the Group obtained a no objection letter granted by the Shanghai Stock Exchange for the listing and trading of the corporate bonds for not more than RMB1,000 million. In the fourth quarter of 2017, the Group further obtained approval from the China Securities Regulatory Commission for issuing another corporate bond of not more than RMB1,500 million. As at 31 December 2017, the Group has successfully issued such bonds with principal amounts of RMB1,800 million in aggregate.

FINANCIAL REVIEW

Revenue and EBITDA

The increase in revenue and EBITDA was attributed to: (i) expansion in aggregate capacity from 1,007.6MW to 1,733.5MW, or around 72% by way of acquisition and self-development projects; and (ii) effective monitoring and control in electricity generation which enabled most plants to have recorded an increase in their electricity generation. The average tariff per kilowatt hour ("kWh") (net of VAT) for the Year was approximately RMB0.80. Table 2 summarises the details of the breakdown of revenue generated by each resource zone.

Net profit

During the Year, the Group recorded a net profit of approximately RMB153 million, representing a decrease of approximately 60% as compared to the corresponding period in 2016. The significant drop in net profit was mainly due to (i) the fair value loss on financial instruments of approximately RMB290 million; and (ii) the increase in finance costs by approximately 28%, as compared to the corresponding period in 2016. The fair value loss on financial instruments was mainly attributable to the fair value loss recognized on the issue of shares and warrants of approximately RMB229 million, which represents the difference in fair value of the shares and warrants as at the date on which the commitment to issue shares and warrants arose and the date of issue of such shares and warrants. The Group did not record any fair value loss on derivative financial instruments in 2016. In addition, the Group raised approximately RMB12,000 million debt financing during the Year for its business development, early redemption of convertible bonds, repayment of existing indebtedness and working capital purposes, which resulted in the increase in finance cost by approximately 28% as compared to 2016.

The Directors do not recommend the payment of any dividend for the Year.

Bargain purchase

Bargain purchase, in the accounting sense, refers to the consideration price in an acquisition being lower than the fair value of the target acquired. The gain of approximately RMB598 million out of RMB956 million was derived from the acquisition of a Tibet project. The project possesses the development rights over 5GW hydropower capacity and 80MW solar power capacity in Tibet and Sichuan, among which an aggregate of 20MW solar power plants located in Tibet had been connected to the grid in Tibet in June 2017. The People's Government of Tibet Autonomous Region holds 25% of this project. The Group will allocate sufficient resources to develop the hydropower projects in stages that will meet the development costs over a long development period of 5 to 10 years in cooperation with the local government to provide economic and environment benefits to the local communities. Considering the PRC government's support of the development of the renewable energy in Tibet, including the construction of Central Tibet Grid Interconnection Project; the uniqueness of the resources; the expected decrease in construction costs; and the expected development growth in Tibet, enormous economic benefits are expected to flow into the project company upon the commencement of operation of these renewable energy projects. The remaining bargain purchase came from the acquisition of solar power plants in the PRC.

Expenses in relation to convertible bonds

Certain convertible bonds were redeemed/converted during the Year before maturity, and certain losses on redemption of RMB28 million were recorded. These costs will no longer be applicable going forward. As at 31 December 2017, the Company had outstanding convertible bonds with principal amount of approximately RMB941 million which will become due and be repayable in 2018.

Interests on bank and other borrowings

During the Year, the Group has raised debt financings in aggregate of approximately RMB11,894 million from the issue of senior notes, medium-term notes, corporate bonds, bank borrowings and finance leasing. Most of the proceeds raised were used to redeem convertible bonds and repay the indebtedness.

Fair value (losses)/gain on financial assets at fair value through profit or loss

During the Year, the fair value losses on financial assets of approximately RMB61 million mainly arising from the fair value losses on the guaranteed electricity output and an unlisted investment. In addition, there was a net fair value gain on call options in relation to the acquisition of investments accounted for using equity method.

Fair value (loss)/gain on financial liabilities at fair value through profit or loss

During the Year, fair value loss on financial liabilities of approximately RMB229 million was recognised on issue of shares and warrants which represented the difference in the fair value as at the date on which the commitment to issue the shares and warrants arose and the fair value as at the date of issue such share and warrants. The gain in prior year represented the change in fair values in relation to contingent consideration payables and a put option. They were expired in 2016 and not applicable for the Year.

Share-based payment

A share-based payment in amount of RMB71 million was recognised as an expense and was related to the amortization of the fair value of share options granted under the Company's share option schemes. The increase was mainly attributable to the grant of 669 million share options during the Year.

Share of profits of investments accounted for using equity method

The increase in share of profits from investments accounted for using equity method was mainly attributable to (i) share of bargain purchase of approximately RMB72 million arising from business combination in the PRC; (ii) approximately 8% increase in electricity generation in two project companies located in Jiangsu province, where their feed-in-tariff was RMB2.41 per kWh; and (iii) a share of 4-months operating results during the Year from a project located in Ningxia, as compared to one month in corresponding period in 2016 because the project was acquired in December 2016. This project company became a wholly-owned subsidiary of the Company in May 2017 and ceased to be accounted for as its joint venture since then.

Income tax

Income tax mainly comprised the corporate income tax from certain project companies where the preferential tax concession rate of 7.5% or 12.5% applies. In addition, income tax also comprised a withholding tax arising from the dividend distribution from a subsidiary.

Trade, bills and tariff adjustment receivables

The trade and bills receivables will usually be settled within one month. For the tariff adjustment receivables in the PRC, during the Year, there was a delay in repayment in the 5th batch of the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue"); while the Group collected in aggregate RMB1,302 million for the 6th batch. For the tariff adjustment receivables in the UK (i.e. income relating to the renewable obligation certificate), usually they will be settled within 3 months as a result of the processing time required for applying for renewable obligation certificates.

Table 3 Breakdown of trade, bills and tariff adjustment receivables

	2017		2016	
	Installed capacity (MW)	***RMB' million***	Installed capacity (MW)	*RMB' million*
Trade and bills receivables		**76**		35
Tariff adjustment receivables				
– PRC				
– 5th batch	**100.0**	**60**	100.0	10
– 6th batch	**678.0**	**529**	630.0	1,071
– 7th batch	**267.2**	**564**	177.2	252
– 8th batch or after	**530.9**	**456**	100.4	50
– Tibet	**75.0**	**43**	–	–
– UK	**82.4**	**11**	–	–
Total	**1,733.5**	**1,739**	1,007.6	1,418

Intangible assets

Intangible assets comprised (i) development rights attached on the Tibet project in developing over 5GW hydropower and 60MW solar power plants of approximately RMB1,700 million; and (ii) concession rights for acquiring solar power plants from certain vendors of approximately RMB824 million. The development rights were acquired during the Year; while some of concession rights were expired and the corresponding value of approximately RMB32 million were impaired.

Convertible bonds

During the Year, the Company has negotiated with certain convertible bondholders for early redemption. Convertible bonds with principal amount of US$133 million and HK$1,065 million have been early redeemed. In addition, convertible bonds with principal amount of US$62 million and HK$90 million have been converted into the ordinary shares of the Company.

Bank and other borrowings

The Group is actively seeking opportunities to obtain financing/refinancing to lower the cost of funds and to improve the liquidity. During the Year, the Group has obtained approximately RMB7,159 million long-term borrowings, including the issue of US$350 million senior notes and RMB1,800 million corporate bonds which will mature in 2020.

Key performance indicators

The Group measures the delivery of its strategies and manages its business through regular measurement of several key performance indicators, particularly on the following ratios: EBITDA margin, funds from operations to debts ratio and debts to EBITDA ratio.

EBITDA margin: EBITDA margin is a measurement of the Group's operating profitability and is calculated as EBITDA divided by the revenue. The Group's EBITDA slightly decreased by 6% during the Year, from 85% to 79%. This was mainly due to (i) some compensation income received in 2016 relating to a terminated proposed transaction and construction which were not applicable for the Year; (ii) some maintenance costs charged in prior years and were reversed in 2016 after finalizing negotiations with vendors. Other than these impacts, the Group has maintained stable EBITDA margin at around 79% for both years.

Funds from operations to net debts ratio: Funds from operations to debts ratio is a measurement of the Group's ability to pay its debts using its operating income alone. This ratio is calculated as the EBITDA net of cash interest paid plus interest received divided by total borrowings (including current and non-current bank and other borrowings, construction costs payables and convertible bonds as shown in the consolidated statement of financial position). The ratio has slightly decreased for the Year from 3.2% to 2.6% mainly due to the transitional period for replacing convertible bonds by issuing US$ senior notes.

Debts to EBITDA ratio: Debts to EBITDA ratio is a measurement of the years the Group will take to pay for its debts assuming net debts and EBITDA are held constant. This ratio is calculated as the net debts divided by EBITDA. Net debts is calculated as total borrowings less cash deposits. The ratio has slightly increased during the Year at approximately 13.95 (2016: 12.75).

Debt to asset ratio: This ratio measures the extent of the Group's leverage and is calculated as total liabilities divided by total assets. This ratio has improved from 84.8% in 2016 to 77.5% in 2017 as a result of the effort of deleveraging through equity financing.

Net debt to equity ratio: This ratio indicates how much net debts the Group is using to finance its assets relative to the value of shareholders' equity. This ratio is calculated as net debts divided by total equity. This ratio has improved from 4.15x in 2016 to 2.6x in 2017.

Liquidity, financial resources, gearing ratio and capital structure

As at 31 December 2017, the Group recorded non-current assets of approximately RMB22,006 million, current assets of approximately RMB6,588 million, current liabilities of approximately RMB8,412 million and non-current liabilities of approximately RMB13,754 million.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2017. The directors are of the opinion that, taking into account the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2017:

(i) Subsequent to 31 December 2017, the Group successfully obtained long-term bank borrowings of approximately RMB1,746 million.

(ii) In December 2016, the Group obtained the official registration acceptance notification issued by the National Association of Financial Market Institutional Investors for the issuance of medium-term notes in the China Inter-Bank Bond Market up to a principal amount of RMB700 million in the PRC within two years from December 2016. The directors are confident that the Group could successfully issue the medium-term notes in the coming year as and when required.

(iii) In April and September 2017, the Group obtained the official registration acceptance notification from the China Securities Regulatory Commission for the listing and issuance of corporate bonds up to a principal amount of RMB1 billion and RMB1.5 billion, respectively in the PRC within two years from April and September 2017, respectively. During the year ended 31 December 2017, the Group successfully issued 3-year corporate bonds with aggregate principal amounts of RMB1.8 billion. The directors are confident that the Group could successfully issue the remaining corporate bonds with the principal amounts of RMB700 million in the coming two years as and when required.

(iv) China Merchants New Energy Group Limited ("CMNEG"), a shareholder of the Company and an indirect 79.36% owned subsidiary of China Merchants Group Limited, had issued a letter to the Group and agreed to provide financial support to the Group for a period up to 31 August 2019 to enable the Group to meet its liabilities and obligations (including capital expenditures and operating expenses) as and when they fall due and to carry on its business without a significant curtailment of operations.

(v) The Group is actively pursuing other sources of financing. During the year ended 31 December 2017, the Group successfully issued US$350 million long-term senior notes listed on the Singapore Exchange Securities Trading Limited. In March 2018, the Group has obtained an approval from the National Development and Reform Commission for the further issuance of overseas senior notes with an amount of not exceeding US$500 million. The directors are confident that the Group could successfully issue the long-term senior notes as and when required.

(vi) The Group is also in the process of negotiating long-term borrowings from banks or other financial institutions to finance the settlement of its existing financial obligations and capital expenditures. In addition, should the proposed acquisitions be completed, the Group will try to negotiate long-term borrowings from banks or other financial institutions to finance the settlement of EPC payables and other payables of these newly acquired subsidiaries. Based on the past experience of the Group, the directors are confident that they will be able to obtain such long-term borrowings from banks and other financial institutions.

(vii) The solar power plants currently held and planned to be acquired by the Group have already achieved on-grid connection. They are expected to generate operating cash inflows to the Group. The directors are confident that all existing solar power plants currently held by the Group, if not registered in the previous Renewable Energy Tariff Subsidy Catalogue ("Catalogue"), are eligible for the registration onto the forthcoming batches of the Catalogue.

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2017.

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, funding for all its operations have been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in interest rates on each solar power project, appropriate funding policies will be applied including the use of bank and other borrowings, issue of senior notes, medium-term notes and corporate bonds, or placing of new shares. The management will continue its efforts in obtaining the most privileged rates and favourable terms available to the Group for its financing.

The Group monitors its capital structure based on the gearing ratio. This ratio is calculated as net debts divided by total capital. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts.

The capital structure (including its gearing ratio) as at 31 December 2017 and 2016 was as follows:

	2017	2016
	RMB' million	*RMB' million*
Bank and other borrowings	**18,206**	10,134
Construction costs payables	**1,264**	563
Convertible bonds	**981**	3,154
Total borrowings	**20,451**	13,851
Less: cash deposits	**(3,735)**	(3,038)
Net debts	**16,716**	10,813
Total equity	**6,428**	2,608
Total capital	**23,144**	13,421
Gearing ratio	**72.2%**	80.6%

The decrease in gearing ratio was mainly attributable to the effort in obtaining equity financing. During the Year, the Company has completed equity financing of approximately RMB1,887 million.

Except for the bank and other borrowings and convertible bonds with aggregate amounts of RMB7,211 million and RMB981 million respectively, which were carried at fixed rates, the remaining borrowings of the Group bore floating interest rates.

As at 31 December 2017, the cash and cash equivalents were denominated in the following currencies:

	RMB' million
RMB	665
US$	447
HK$	434
GBP	47
	1,593

As at 31 December 2017, the maturity and currency profile for the Group's bank and other borrowings and convertible bonds is set out as follows:

	Within 1 year	**2nd year**	**3-5 years**	**6-10 years**	**Over 10 years**	**Total**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*
RMB	4,292	1,150	4,714	3,126	499	13,781
US$	1,484	–	2,608	–	–	4,092
HK$	392	95	29	–	–	516
GBP	22	198	84	494	–	798
	6,190	1,443	7,435	3,620	499	19,187

During the Year, the Group's UK project company entered into floating-for-fixed interest rate swaps arrangement for its bank borrowings. Other than that, the Group did not have any financial instruments for hedging purposes.

As at 31 December 2017, the Group had capital commitment in respect of property, plant and equipment contracted amounted to approximately RMB91 million.

Material acquisitions and disposals of subsidiaries and associated companies

During the Year, the Group has completed several acquisitions of subsidiaries and associated companies. None of these acquisitions is individually material to the Group, except for a holding company in Tibet with development rights of hydropower over 5GW which was classified as a subsidiary and a holding company which owns 6 project companies with aggregate installed capacity of 270MW solar power plants which were classified as an investment accounted for using equity method. There was no material disposal of subsidiaries or associated companies during the Year.

Performance and future prospects for significant investments held

No individual project company holding operating power plants is significant to the Group. A project company will be considered material when its total assets and total revenue exceed 10% of the Group.

Material reliance on key customer

The key customers in the PRC for the sales of electricity business were subsidiaries of the State Grid Corporation of China ("State Grid") and Inner Mongolia Grid Limited ("Inner Mongolia Grid"), all of which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. As at 31 December 2017, the receivables from the subsidiaries of State Grid and Inner Mongolia Grid were approximately 80.8% and 18.5% of the total trade, bills and tariff adjustment receivables respectively.

There was only one customer for the sales of electricity in the UK. This customer has strong financial position based on its public available financial information and is one of group companies in a Norwegian government-owned power company which was affirmed a corporate credit rating of "A-/A-2" and "Baa1" from S&P and Moody, respectively.

Having considered the repayment track record, the risk of concentration of key customers in PRC and UK was considered minimal.

Charge on assets

As at 31 December 2017, certain bank and other borrowings of the Group were secured by the pledge over certain power generating modules and equipment, certain guarantee deposits, the fee collection right in relation to the sales of electricity in certain subsidiaries and mortgage over the shares of certain subsidiaries of the Group.

Except for one convertible bond with the principal amount of US$100 million which was secured by charges over the shares of two subsidiaries of the Company, there was no security on the remaining convertible bonds.

Employees and remuneration policies

As at 31 December 2017, the Group had 459 full-time employees (2016: 305). Employees were remunerated according to the nature of their positions, individual qualification, performance, working experience and market trends, with merit incorporated in the yearly remuneration review to reward and motivate individual performance. The Group offers competitive compensation and benefit packages to different levels of staff, including additional medical insurance, discretionary bonus, various training programmes, sponsorship for further study, as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total employee benefits cost (including share-based payment of RMB71 million) for the Year amounted to approximately RMB195 million.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Mainland China, Hong Kong and United Kingdom. For the operations in Mainland China, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. Since the exchange rate of US$ against HK$ is pegged to each other under the Linked Exchange Rate System, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. For the operations in the United Kingdom, the net cash inflows from operations are sufficient to cover its loans which are denominated in local currency, therefore, no exchange rate exposure is concerned. The Group did not resort to any currency hedging facility for the Year. However, the management will monitor the Group's foreign currency exposure should the need arises.

Contingent liabilities

As at 31 December 2017, the Group had no significant contingent liability.

OUTLOOK

In 2017, the global clean energy industry maintained its rapid growth, leading among other types of energy. Concerted efforts are made by all countries in the world to proactively implement the 2030 Agenda for Sustainable Development by the United Nations and the Paris Agreement in response to climate changes. It goes without saying that development of clean energy is not only the foundation for the improvement of the global energy management system, but also the only path to the new landscape of green and low-carbon development. By aiming high in pursuing green development and boosting energy-saving and environmental protection industries, China is undoubtedly leading the world's green revolution. According to the National Energy Administration ("NEA"), the newly added installed capacity of solar power for China was 53GW in 2017, and the aggregate installed capacity reached 130GW, ranking the first in the world for the third year in a row; wind power maintained stable growth with the newly added installed capacity of 15GW in the year and aggregate installed capacity amounted to 164GW; the newly added installed capacity of hydropower was 9GW in the year, and the aggregate installed capacity was 319.5GW.

Looking back upon 2017, it is noticeable that China took a clear stand towards clean energy development by constantly including green guideline into national strategy, for example "defending the blue sky" mentioned in the Report on the Work of the Government at the beginning of 2017, and "Speeding up reform of the eco-civilization system, and building a beautiful China" mentioned in the report made at the 19th National Congress of CPC. In the past year, energy reform driven by clean energy development was further intensified, achieving demonstrable results. Local and national governments released several policies and guiding opinions to push for clean energy development. In terms of installation planning, the NEA published the "Guiding Opinions on the Implementation of the 13th Five-Year Plan of Renewable Energy Development (《關於可再生能源"十三五規劃實施的指導意見"》)" in July 2017, announcing the construction scale planning for the coming four years at one go. The above-mentioned Guiding Opinions provided instructive guidance of estimated market scale to allow domestic solar power market to grow in an orderly manner. Meanwhile, numerous measures were taken in order to boost the use of clean energy, including expediting the building of more reliable, accessible and robust power transmission and distribution system, setting up consumption monitoring and warning mechanism, enhancing trans-regional electricity distribution and heat supply with clean energy. It is noteworthy that, thanks to several innovative and flexible trading mechanisms, cross-provincial and trans-regional electricity market trading volume was driven up in 2017, among which clean energy transmission reached 587 billion KWh, accounting for 54.5% of the aggregate electricity transmission. In addition, the "Notification of the Certification of Green Certificates for Renewable Energy and the System of Voluntary Subscription Trading (《關於試行可再生能源綠色電力證書核發及自願認購交易制度的通知》)" was jointly released by the National Development and Reform Commission, the Ministry of Finance and NEA in the beginning of 2017, in order to encourage green energy consumption, and further improve the subsidy mechanism for solar power and wind power generation. To conclude, China is hailing a new economic era which is lower carbon by taking ecological civilization construction as one of its top priorities.

2018 marks the first year to implement the spirit of the 19th National Congress of CPC, the 40th anniversary of the reform and opening up, and the key year of the "13th Five-Year" Plan of Renewable Energy Development. Looking forward, it is of no doubt that the promotion of energy production and consumption revolution and establishment of a clean, low-carbon, secure and efficient energy system are the focuses of next few years.

Tapping the inclusive growth opportunity, the Group will continue to carry out business development strategy driven by innovation, sustainability and integration. As for existing projects, the Group will strengthen the operation maintenance and management and continuously optimize the regional assets allocation. Meanwhile, the Group will also develop innovative photovoltaics ("PV") projects after sufficient assessment of the features in different regions to seek an optimal combination, including complementation projects of fishery and PV, agriculture and PV, grape planting and PV etc. In addition, the Group will vigorously explore overseas market with successful balance of efficiency and quality, taking investment environment, regional capacity and power grid conditions in overseas regions into full consideration. To expand our overseas business, the Group will also deepen the strategic cooperation with United Nations Development Program, carry out "Panda 100 Program" in regions along the "B & R" routes, and disseminate green concept all over the world with original and striking "Panda +" design proposals in combination with local cultural tradition, such as "Panda + Maple leaf" design for Canada and "Panda + Rugby" design for Fiji. Last but not least, the Group will enhance collaboration with its strategic shareholders and welcome the joining of more domestic and foreign large-scale organizations to jointly explore overseas market, maintaining China's leading position in the global renewable energy industry. Green concept is becoming ingrained in most people's mind, closely guiding every step of the national strategy regarding sustainable economic development. We believe that, with clean energy industrialization technologies experiencing updated iteration and boasting scale effect nowadays, the "green, clean and affordable" energy is within grasp in near future, which is the ultimate mission and vision of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017** *RMB'million*	2016 *RMB'million*
Sales of electricity		**419**	261
Tariff adjustment		**1,103**	737
Revenue	*3*	**1,522**	998
Other income	*4*	**15**	65
Employee benefits expenses (excluding share-based payment expenses)		**(124)**	(89)
Land use tax		**(19)**	(14)
Legal and professional fees		**(26)**	(14)
Maintenance costs		**(93)**	(38)
Other expenses		**(77)**	(60)
EBITDA#		**1,198**	848
Acquisition costs arising from business combinations		**(26)**	(15)
Depreciation		**(459)**	(301)
Bargain purchase arising from:			
(i) Business combinations; and	*16*	**956**	91
(ii) Acquisition of investments accounted for using equity method		**15**	112
Fair value (losses)/gains on financial assets at fair value through profit or loss	*5*	**(61)**	563
Fair value (loss)/gains on financial liabilities at fair value through profit or loss	*6*	**(229)**	58
Finance income		**53**	9
Finance costs:	*7*		
(i) in relation to bank and other borrowings; and		**(874)**	(426)
(ii) in relation to convertible bonds:			
– Redeemed/converted during the year		**(261)**	(179)
– Outstanding at end of the year		**(140)**	(393)
Impairment charge on concession rights		**(32)**	–
Share-based payment expenses		**(71)**	(7)
Share of profits of investments accounted for using equity method		**105**	23
Profit before income tax		**174**	383
Income tax expense	*8*	**(21)**	(1)
Profit for the year		**153**	382

	Notes	2017 RMB'million	2016 RMB'million (Restated)
Profit attributable to:			
– Shareholders of the Company		**153**	367
– Non-controlling interests		**–**	15
		153	382
Earnings per share attributable to shareholders of the Company	*10*		
– Basic *(RMB cents)*		**1.91**	7.63
– Diluted *(RMB cents)*		**1.59**	6.56

EBITDA represents earnings before finance income, finance costs, tax, fair value adjustments, non-cash items, non-recurring items, bargain purchase and acquisition costs arising from business combinations, bargain purchase arising from acquisition of investment accounting for using equity method, share-based payment expenses and share of profits of investments accounted for using equity method. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards, but is widely used by management for monitoring business performance of a company from operational perspective. It may not be comparable to similar measures presented by the other companies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	RMB'million	*RMB'million*
Profit for the year	**153**	382
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
– Cash flow hedge, net of tax	**(13)**	–
– Currencies translation differences	**205**	(169)
Total other comprehensive income/(loss) for the year, net of tax	**192**	(169)
Total comprehensive income for the year	**345**	213
Total comprehensive income for the year attributable to		
– Shareholders of the Company	**345**	198
– Non-controlling interests	**–**	15
	345	213

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'million	2016 RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment		**15,567**	9,176
Intangible assets		**2,524**	917
Investments accounted for using equity method		**801**	515
Financial assets at fair value through profit or loss		**132**	252
Other receivables, deposits and prepayments	*12*	**2,050**	771
Pledged deposits		**903**	1,014
Deferred tax assets		**29**	–
Total non-current assets		**22,006**	12,645
Current assets			
Financial assets at fair value through profit or loss		**231**	340
Trade, bills and tariff adjustment receivables	*11*	**1,739**	1,418
Other receivables, deposits and prepayments	*12*	**1,786**	754
Pledged deposits		**1,229**	987
Restricted cash		**10**	41
Cash and cash equivalents		**1,593**	996
Total current assets		**6,588**	4,536
Total assets		**28,594**	17,181
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		**803**	402
Reserves		**5,073**	2,092
		5,876	2,494
Non-controlling interests		**552**	114
Total equity		**6,428**	2,608

	Notes	**2017** **RMB'million**	2016 RMB'million
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*13*	**12,997**	5,982
Convertible bonds	*14*	**–**	3,154
Contingent consideration payables		**16**	–
Deferred government grant		**7**	2
Deferred tax liabilities		**722**	305
Other derivative financial instruments		**12**	–
Total non-current liabilities		**13,754**	9,443
Current liabilities			
Other payables and accruals	*15*	**2,205**	978
Bank and other borrowings	*13*	**5,209**	4,152
Convertible bonds	*14*	**981**	–
Contingent consideration payables		**16**	–
Other derivative financial instruments		**1**	–
Total current liabilities		**8,412**	5,130
Total liabilities		**22,166**	14,573
Total equity and liabilities		**28,594**	17,181

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Panda Green Energy Group Limited (formerly known as United Photovoltaics Group Limited) (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business in Hong Kong is Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets/liabilities at fair value through profit or loss, contingent consideration payables and other derivative financial instruments, which were carried at fair values.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1.1 Going concern

As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately RMB1,824 million. As at 31 December 2017. the Group had total bank and other borrowings of RMB18,206 million, of which approximately RMB5,209 million are scheduled to be repayable within the coming twelve months from 31 December 2017. As at the same date, the Group also had convertible bonds, included in current liabilities of approximately RMB981 million.

As at 31 December 2017, the Group paid RMB1,166 million as deposits for proposed acquisitions of solar power plants with an aggregate installed capacity of 745MW pursuant to the terms of the conditional sale and purchase agreements and framework agreement. Should these potential acquisitions be completed, the Group would have to contribute additional capital to finance the settlement of its Engineering, Procurement and Construction ("EPC") payables and other payables of these solar power plants.

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. During the year ended 31 December 2017, the Group entered into EPC contract with a contractor with a capital expenditure amounting to RMB91 million for its self-constructed solar power plant in Xinjiang, the People's Republic of China (the "PRC") with an installed capacity of 100MW.

In June 2013, the Group acquired certain concession rights to develop and operate various solar power plant projects. The Group intends to exercise these concession rights and acquire the relevant solar power plant projects from the respective vendors before these rights expire. The Group would require additional financing for these future acquisitions and the required amount is yet to be determined, as it is subject to the negotiation of the final consideration with the relevant vendors, as well as the negotiation of the amount of liabilities of the acquirees to be assumed by the Group upon completion of the acquisitions.

The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations and capital expenditures under various contractual and other arrangements. All the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2017. The directors are of the opinion that, taking into account the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2017:

(i) Subsequent to 31 December 2017, the Group successfully obtained long-term bank borrowings of approximately RMB1,746 million.

(ii) In December 2016, the Group obtained the official registration acceptance notification issued by the National Association of Financial Market Institutional Investors for the issuance of medium-term notes in the China Inter-Bank Bond Market up to a principal amount of RMB700 million in the PRC within two years from December 2016. The directors are confident that the Group could successfully issue the medium-term notes in the coming year as and when required.

(iii) In April and September 2017, the Group obtained the official registration acceptance notification from the China Securities Regulatory Commission for the listing and issuance of corporate bonds up to a principal amount of RMB1 billion and RMB1.5 billion, respectively in the PRC within two years from April and September 2017, respectively. During the year ended 31 December 2017, the Group successfully issued 3-year corporate bonds with aggregate principal amounts of RMB1.8 billion. The directors are confident that the Group could successfully issue the remaining corporate bonds with the principal amounts of RMB700 million in the coming two years as and when required.

(iv) China Merchants New Energy Group Limited ("CMNEG"), a shareholder of the Company and an indirect 79.36% owned subsidiary of China Merchants Group Limited, had issued a letter to the Group and agreed to provide financial support to the Group for a period up to 31 August 2019 to enable the Group to meet its liabilities and obligations (including capital expenditures and operating expenses) as and when they fall due and to carry on its business without a significant curtailment of operations.

(v) The Group is actively pursuing other sources of financing. During the year ended 31 December 2017, the Group successfully issued US$350 million long-term senior notes listed on the Singapore Exchange Securities Trading Limited. In March 2018, the Group has obtained an approval from the National Development and Reform Commission for the further issuance of overseas senior notes with an amount of not exceeding US$500 million. The directors are confident that the Group could successfully issue the long-term senior notes as and when required.

(vi) The Group is also in the process of negotiating long-term borrowings from banks or other financial institutions to finance the settlement of its existing financial obligations and capital expenditures. In addition, should the proposed acquisitions be completed, the Group will try to negotiate long-term borrowings from banks or other financial institutions to finance the settlement of EPC payables and other payables of these newly acquired subsidiaries. Based on the past experience of the Group, the directors are confident that they will be able to obtain such long-term borrowings from banks and other financial institutions.

(vii) The solar power plants currently held and planned to be acquired by the Group have already achieved on-grid connection. They are expected to generate operating cash inflows to the Group. The directors are confident that all existing solar power plants currently held by the Group, if not registered in the previous Renewable Energy Tariff Subsidy Catalogue ("Catalogue"), are eligible for the registration onto the forthcoming batches of the Catalogue.

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2017. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether management of the Group can achieve the plans and measures described in (ii) to (vii) above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to obtain the financial support from CMNEG as and when needed, successfully issue medium-term notes, long-term corporate bonds in the PRC and seniors notes, secure various sources of short-term or long-term financing as and when required, and to generate adequate operating cash inflows in the expected timeframe from its existing renewable energy projects to be acquired or constructed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017.

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses

Those standards, amendments and interpretations which were effective for the financial year beginning on 1 January 2017 do not have a material effect on the Group's financial statements.

(b) New standards, amendments to standards and interpretation that have been issued but were not yet effective

The following new/revised standards, amendments and interpretations have been issued but were not yet effective for the financial year beginning on 1 January 2017 and have not been adopted early by the Group:

Effective for accounting periods beginning on or after 1 January 2018

HKFRS 1 Amendment	First time adoption of HKFRS
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKAS 28 Amendment	Investments in Associates and Joint ventures
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Effective for accounting periods beginning on or after 1 January 2019

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Effective for accounting periods beginning on or after a date to be determined

HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group has commenced a preliminary assessment of the impact of adopting the above new standards.

HKFRS 9	Financial Instruments	No material impact is expected.
HKFRS 15	Revenue from Contracts with Customers	No material impact is expected.
HKFRS 16	Leases	As at 31 December 2017, the Group had non-cancellable lease commitments of approximately RMB320 million. Majority of these commitments will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. Right-of-use assets will be amortised on a straight line basis during the lease terms while the lease liabilities will be measured at amortised cost subsequent to the adoption of this standard.

There are no other standards that are not yet effective and that would be expected to have a material impact to the Group in the current or future reporting periods and on foreseeable transactions.

The Group does not intend to early adopt these standards before their respective effective dates.

3 SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The Group is pursuing expansion and involvement in clean energy technologies, including solar, wind power and hydropower. During the year, the Group has one reportable segment which is solar energy segment (2016: one). No material revenue, EBITDA, segment profit nor total assets had been attributed by the hydropower and wind segment as it is still under development stage and therefore CODM does not regard these segments as reportable segments. Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the CODM.

The Group's revenue from external customers by geographical areas is as follows:

	2017	2016
	RMB'million	*RMB'million*
The PRC	**1,451**	998
The United Kingdom ("UK")	**71**	–
	1,522	998

The Group's non-current assets other than financial instruments and deferred tax assets by geographical area is as follows:

	2017	2016
	RMB'million	*RMB'million*
The PRC	**18,509**	10,619
UK	**556**	–
Others	**13**	1
	19,078	10,620

For the year ended 31 December 2017, there were three customers (2016: two) which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from each of these customers was as follows:

	2017	2016
	RMB'million	*RMB'million*
– Customer A	**315**	283
– Customer B	**262**	268
– Customer C	**190**	–

4 OTHER INCOME

	2017	2016
	RMB'million	*RMB'million*
Government grant	**12**	5
Others	**3**	2
Compensation income	**–**	45
Consultancy fee income	**–**	13
	15	65

5 FAIR VALUE (LOSSES)/GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB'million	*RMB'million*
Call options in relation to acquisition of investments accounted for using equity method	**4**	131
Guaranteed electricity output	**(49)**	220
Unlisted investment	**(13)**	212
Previously held interest in an investment accounted for using equity method	**(3)**	–
	(61)	563

6 FAIR VALUE (LOSS)/GAINS ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB'million	*RMB'million*
Issue of shares and warrants	**(229)**	–
Contingent consideration payables	**–**	37
Put option issued in relation to acquisition of investments accounted for using equity method	**–**	21
	(229)	58

7 FINANCE COSTS

	2017	2016
	RMB'million	*RMB'million*
In relation to bank and other borrowings:		
– Interest expenses	**751**	326
– Loan facilities fees	**123**	100
	874	426
In relation to convertible bonds *(Note 14)*:		
(i) Redeemed/converted during the year:		
– Interest accretion	**182**	180
– Subsequent re-measurement losses/(gains) on derivative portion	**51**	(1)
– Gain on early redemption	**28**	–
	261	179
(ii) Outstanding at end of the year:		
– Interest accretion	**143**	460
– Subsequent re-measurement gains on derivative portion	**(3)**	(67)
	140	393
	1,275	998

8 INCOME TAX EXPENSE

The Group's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. Certain subsidiaries of renewable energy projects are entitled to preferential tax concession. Income tax on profits assessable outside the PRC has been provided at rates prevailing in the respective jurisdictions.

9 DIVIDEND

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

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit attributable to shareholders of the Company *(RMB'million)*	**153**	367
Weighted average number of ordinary shares in issue *(million shares)*	**7,990**	4,808
Basic earnings per share *(RMB cents)*	**1.91**	7.63

(b) Diluted

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2017, the Group has three (2016: four) categories of dilutive potential ordinary shares: convertible bonds, share options and warrants (2016: convertible bonds, share options, put option and contingent consideration payables).

The convertible bonds were assumed to have been converted into ordinary shares, and the net profit has been adjusted to eliminate the interest accretion, fair value change and gain/loss on early redemption less the tax effect.

For the share options and warrants, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options/warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options/warrants.

	2017	2016
Earnings *(RMB'million)*		
Profit attributable to shareholders of the Company	**153**	367
Assumed conversion of certain convertible bonds (2016: certain convertible bonds, contingent consideration payables and put option)		
Adjustments for:		
Certain convertible bonds		
– Interest accretion	**20**	68
– Subsequent remeasurement gains	**(22)**	(3)
– Gain on early redemption	**(15)**	–
Contingent consideration payables		
– Fair value gain	**–**	(37)
Put option		
– Fair value gain	**–**	(21)
– Additional share of results of an investment accounted for using equity method	**–**	18
Adjusted profit attributable to shareholders of the Company used to determine the diluted earnings per share	**136**	392
Weighted average number of ordinary shares in issue *(million shares)*	**7,990**	4,808
Adjustments for:		
– Assumed conversion of certain convertible bonds	**249**	986
– Assumed exercise of share options	**13**	–
– Assumed exercise of warrants	**277**	–
– Assumed exercise of a put option	**–**	184
Weighted average number of ordinary shares used to determine the diluted earnings per share	**8,529**	5,978
Diluted earnings per share attributable to the shareholders of the Company *(RMB cents)*	**1.59**	6.56

Certain convertible bonds and share options were not assumed to be converted/exercised as they would have an anti-dilutive impact to the profit attributable to the shareholders of the Company per share, for the year ended 31 December 2017 (2016: Same).

11 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

	2017	2016
	RMB'million	*RMB'million*
Trade receivables	**55**	26
Tariff adjustment receivables	**1,663**	1,383
Trade and tariff adjustment receivables	**1,718**	1,409
Bills receivables	**21**	9
Trade, bills and tariff adjustment receivables	**1,739**	1,418

As at 31 December 2017, trade receivables of approximately RMB55 million represented receivables from sales of electricity and are usually settled within one month (2016: RMB26 million).

Tariff adjustment receivables mainly represented (i) the central government subsidies on renewable energy projects to be received from the State Grid Corporation of China and Inner Mongolia Power Co. Ltd based on the respective electricity sale and purchase agreements for each of the Group's solar and wind plants and prevailing nationwide government policies.

The ageing analysis by invoice date of trade and tariff adjustment receivables was as follows:

	2017	2016
	RMB'million	*RMB'million*
Current	**1,512**	1,409
1 – 30 days	**41**	–
31 – 60 days	**56**	–
61 – 90 days	**11**	–
91 – 180 days	**36**	–
181 – 365 days	**62**	–
	1,718	1,409

As at 31 December 2017, trade and tariff adjustment receivables of RMB206 million were past due but not impaired (2016: No trade and tariff adjustment receivables were past due but not impaired).

The maximum exposure to credit risk at the reporting date was the carrying value of each of the receivable mentioned above. The Group did not hold any collateral as security.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	RMB'million	*RMB'million*
Non-current		
Deposits for investments *(Note (a))*	**1,166**	293
Value-added tax recoverable	**698**	466
Prepayment of property, plant and equipment	**145**	9
Others	**41**	3
	2,050	771
Current		
Amounts due from associates	**501**	–
Amount due from joint ventures	**–**	20
Amount due from a related company *(Note (b))*	**20**	20
Value-added tax recoverable	**543**	384
Other receivables, deposits and prepayments	**722**	330
	1,786	754
Total	**3,836**	1,525

Note

(a) During the year, the Group entered into several conditional sale and purchase agreements and framework agreement with independent third parties in relation to proposed acquisition of project companies which own solar power plants. Up to 31 December 2017, the Group has already paid RMB1,166 million as refundable deposits for investment (2016: RMB293 million).

(b) As at 31 December 2017, the amount due from a related company was unsecured, interest-free and repayable on demand (2016: Same).

13 BANK AND OTHER BORROWINGS

	2017			2016		
	Current portion	**Non-current portion**	**Total**	Current portion	Non-current portion	Total
	RMB'million	***RMB'million***	***RMB'million***	*RMB'million*	*RMB'million*	*RMB'million*
Bank borrowings	**4,946**	**5,810**	**10,756**	3,133	4,691	7,824
Loans from leasing companies	**257**	**3,226**	**3,483**	899	1,285	2,184
Senior notes	**–**	**2,287**	**2,287**	–	–	–
Corporate bonds	**–**	**1,800**	**1,800**	–	–	–
Medium-term notes	**126**	**124**	**250**	70	100	170
Loans from third parties	**–**	**20**	**20**	101	–	101
	5,329	**13,267**	**18,596**	4,203	6,076	10,279
Unamortised loan facilities fees	**(120)**	**(270)**	**(390)**	(51)	(94)	(145)
	5,209	**12,997**	**18,206**	4,152	5,982	10,134

14 CONVERTIBLE BONDS

Summarised below is the movement of each portion under liabilities component during the year:

	Financial liabilities at amortised cost – debt portion	**Financial liabilities at fair value through profit or loss – derivative portion**	**Total**
	RMB'million	*RMB'million*	*RMB'million*
As at 1 January 2016	2,803	108	2,911
Fair value of convertible bonds issued	255	42	297
Reclassified from contingent consideration payables	488	–	488
Interest accretion	640	–	640
Subsequent fair value remeasurement recognised	–	(68)	(68)
Interests settlement	(185)	–	(185)
Conversion to ordinary shares of the Company	(30)	–	(30)
Redemption upon maturity	(1,064)	–	(1,064)
Exchange difference	161	4	165

	Financial liabilities at amortised cost – debt portion	Financial liabilities at fair value through profit or loss – derivative portion	Total
	RMB'million	*RMB'million*	*RMB'million*
As at 31 December 2016 and 1 January 2017	**3,068**	**86**	**3,154**
Interest accretion	**325**	**–**	**325**
Subsequent fair value remeasurement recognised	**–**	**48**	**48**
Losses/(gains) on early redemption	**152**	**(124)**	**28**
Interests settlement	**(176)**	**–**	**(176)**
Conversion to ordinary shares of the Company	**(430)**	**–**	**(430)**
Early redemption	**(1,855)**	**–**	**(1,855)**
Exchange difference	**(110)**	**(3)**	**(113)**
As at 31 December 2017	**974**	**7**	**981**

The liability component of convertible bonds was analysed as follows:

	2017	2016
	RMB'million	*RMB'million*
Non-current liabilities	**–**	3,154
Current liabilities	**981**	–
	981	3,154

15 OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'million	*RMB'million*
Construction costs payable	**1,264**	563
Consideration payable in relation to acquisition	**347**	49
Value-added tax payables	**234**	198
Other payables and accruals	**360**	168
	2,205	978

16 BUSINESS COMBINATION

It is the Group's strategy to identify suitable investment opportunity to acquire renewable energy projects with good prospects and potential for stable returns. During the year ended 31 December 2017, the Group has completed the acquisition/acquisition of additional equity interest of several solar, hydro and wind power plants in the PRC and the UK. Details of each business combination is as follows:

(i) Tibet Zangneng Projects

During the year ended 31 December 2017, the Group completed the acquisition of 100% equity interest in China New Energy Holdings (Hong Kong) Limited, which indirectly held a 75% equity interest in a project company in Tibet, the PRC, from an independent third party. The consideration comprised cash consideration of HK$290 million (approximately RMB249 million) and the allotment and issue of approximately 560 million new ordinary shares of the Company.

The project company mainly indirectly owns:

- Development rights in hydropower projects with an aggregate installed capacity of approximately 5.2GW in Tibet and Sichuan; and

- 110MW in solar power projects in Tibet in which 20MW have connected to grid in June 2017 and remaining 90MW (30MW are beyond the scope and not considered by the valuer in the valuation report) are development rights.

(ii) Other PRC Projects

During the year ended 31 December 2017, all PRC Projects were acquired from independent third parties and have achieved on-grid connection. The table below summarised the details of the projects acquired.

				Power plants acquired			
Name of the company	**Month of acquisition in 2017**	**Equity interest acquired**	**Cash consideration**	**Type**	**Location**	**Number of plants**	**Installed capacity**
			RMB'million				MW
Tangshan Zhaoxin *(Note (a))*	February	100%	40	Solar	Hebei	1	17.3
Tibet Zhongzi *(Note (b))*	May	50%	108	Solar	Ningxia	1	200.0
Aite Kechuang Wind	August	100%	12	Wind	Shanxi	1	48.0
Aike Solar	August	100%	1	Solar	Shanxi	2	20.0
Guigang Green Ark *(Note (a))*	August	100%	11	Solar	Guangxi	1	60.0
Guorun Chayouqianqi	October	100%	196	Solar	Inner Mongolia	1	50.0
Hanshou Haohui	November	100%	5	Solar	Hunan	2	40.0
Changshu Hongfeng *(Note (a))*	December	100%	–	Solar	Hunan	4	80.0
Qushui Maochang	December	100%	–	Solar	Tibet	1	25.0
Linzhou Zangdian	December	100%	50	Solar	Tibet	2	30.0
			423			16	570.3

Note

(a) These acquisitions were part of the solar power energy initiative in relation to the concession rights acquired in CSPG in June 2013, an amount of approximately RMB54 million has been redesignated from intangible assets as part of investment cost, and an amount of approximately RMB11 million has been recognised as deferred tax liabilities arising from fair value changes.

(b) The Group completed the step-acquisition in Tibet Zhongzi from 50% to 100%. Since then, Tibet Zhongzi ceased to be a joint venture and became a wholly-owned subsidiary of the Company.

(c) A contingent consideration of a project company of RMB13 million will be paid in cash if the final approved feed-in-tariff is RMB0.75 per kWh.

(iii) UK Projects

In January 2017, the Group completed the acquisition of a 100% equity interest in Notus Investments 2 S.á.r.l., which owns 6 solar power plants in the UK with an installed capacity of 82.4MW, for a cash consideration of approximately RMB243 million from a third party. A contingent consideration will be paid in cash as earn-out payment for 5 years commencing from 1 October 2016 based on the volume of electricity output. The fair value of performance-based contingent considerations is calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of the acquired businesses.

This acquisition was part of the solar power energy initiative in relation to the concession rights acquired in China Solar Power Group Limited ("CSPG") in June 2013, an amount of approximately RMB7 million has been redesignated from intangible assets as part of investment cost, and an amount of approximately RMB1 million has been recognised as deferred tax liabilities arising from fair value changes.

Certain business combinations are individually immaterial but are material collectively to the Group, the aggregate financial information as at acquisition date is presented as follows:

	Tibet Zangneng Projects *RMB'million*	**Other PRC Projects** *RMB'million*	**UK Projects** *RMB'million*	**Total** *RMB'million*
Consideration:				
– Equity	501	–	–	501
– Cash	249	423	243	915
Contingent consideration payable	–	13	18	31
Redesignation of concession rights previously recognised				
– Intangible assets	–	54	7	61
– Deferred tax liabilities	–	(11)	(1)	(12)
Fair value of previously held interest	–	232	–	232
Early exercise of call option	–	124	–	124
Total consideration	750	835	267	1,852

	Tibet Zangneng Projects *RMB'million*	Other PRC Projects *RMB'million*	UK Projects *RMB'million*	Total *RMB'million*
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests				
Property, plant and equipment	605	4,583	947	6,135
Intangible assets	1,700	–	–	1,700
Value-added tax recoverable	21	437	–	458
Trade and other receivables and prepayments	13	647	13	673
Cash and cash equivalents	146	34	32	212
Other payables and accruals	(116)	(2,099)	(23)	(2,238)
Bank and other borrowings	(369)	(2,277)	(641)	(3,287)
Deferred tax assets	25	–	4	29
Deferred tax liabilities	(240)	(132)	(65)	(437)
Total identifiable net assets	1,785	1,193	267	3,245
Non-controlling interests	(437)	–	–	(437)
Bargain purchase recognised in the consolidated statement of profit or loss	(598)	(358)	–	(956)
	750	835	267	1,852

17 COMPARATIVE FIGURE

During the year ended 31 December 2017, the Group revised its presentation and measurement of EBITDA and excluded the share-based payment expenses. The prior year comparative figures have been reclassified to conform to current years presentation.

AUDIT OPINION

The auditor of the Group will issue an opinion with material uncertainty related to going concern on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACT OF THE AUDITOR'S REPORT**" below.

EXTRACT OF THE AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2.1.1 to the consolidated financial statements, which states that the Group's current liabilities exceeded its current assets by RMB1,824 million as at 31 December 2017, and that the Group has certain financial obligations and capital expenditures under various contractual and other arrangements. These matters, along with other matters as described in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has maintained a framework of corporate governance policies and practices to apply the principles of good governance in our daily operation. Throughout the year ended 31 December 2017, the Company has applied the principles and complied with all the code provisions of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the following deviation.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li, Alan, an executive Director, is the chief executive officer of the Company and the chairman of the Board. The Board is of the view that the current structure will enable the Company to achieve its overall business goals more effectively and efficiently as the Company is in a rapid development phase for the time being. The Board believes that the balance of power and authority between chairman and chief executive will not be impaired by the present arrangement and the significant weight of the non-executive directors (including the independent ones) will enable the Board as a whole to effectively exercise its non-bias judgement.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

Audit Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Tang Wenyong. The Audit Committee is chaired by Mr. Kwan Kai Cheong who possesses relevant professional qualification and expertise in financial reporting matters.

The Audit Committee acts as an important link between the Board and the Company's auditors. It is responsible for making recommendations to the Board on the appointment and re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor. It is empowered to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, financial reporting system, internal control procedures and compliance issues.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the annual report and annual results for the year ended 31 December 2017 before the results were submitted to the Board for approval.

PUBLICATION OF RESULTS ANNOUNCEMENT, ANNUAL REPORT AND ESG REPORT

This announcement is required to be published on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and at the website of the Company at http://www.pandagreen.com. The annual report containing all the information required under Appendix 16 to the Listing Rules and the Group's ESG Report will be published on the Stock Exchange's website in due course.

APPRECIATION

The Board would like to take this opportunity to thank every stakeholder of the Group for their contributions to the Group during the Year.

For and on behalf of
Panda Green Energy Group Limited
Li, Alan
Chairman of the Board

Hong Kong, 28 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Li, Alan (Chairman and Chief Executive Officer), Mr. Lu Zhenwei, Mr. Li Hong, Ms. Qiu Ping, Maggie, Mr. Jiang Wei and Mr. Yu Qiuming; the non-executive directors of the Company are Mr. Tang Wenyong and Mr. Li Hao; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing.

* *for identification purpose only*