UNITED PHOTOVOLTAICS

UNITED PHOTOVOLTAICS GROUP LIMITED

Hong Kong Stock Code: 00686

Inexhaustible Energy Unlimited Potential

Interim Report 2016

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li, Alan *(Chairman and CEO)*
Mr. Lu Zhenwei
Mr. Li Hong *(Chief Financial Officer)*
Ms. Qiu Ping, Maggie *(Company Secretary)*

Non-executive Directors

Academician Yao Jiannian
Mr. Tang Wenyong

Independent Non-executive Directors

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Ma Kwong Wing

BOARD COMMITTEES

Audit Committee

Mr. Kwan Kai Cheong *(chairman)*
Mr. Yen Yuen Ho, Tony
Mr. Tang Wenyong

Remuneration Committee

Mr. Kwan Kai Cheong *(chairman)*
Mr. Yen Yuen Ho, Tony
Mr. Tang Wenyong

Nomination Committee

Mr. Yen Yuen Ho, Tony *(chairman)*
Mr. Kwan Kai Cheong
Mr. Li, Alan

Risk Control Committee

Mr. Lu Zhenwei *(chairman)*
Mr. Li, Alan
Mr. Kwan Kai Cheong
Mr. Li Hong
Mr. Tang Wenyong

AUDITORS

PricewaterhouseCoopers

SOLICITORS

Bermuda

Conyers Dill & Pearman

Hong Kong

Reed Smith Richards Butler
Troutman Sanders

Mainland China

Grandall Law Firm

PRINCIPAL BANKERS

Bank of China (Hong Kong) Ltd.
China Development Bank Corporation
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Ping An Bank Co, Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Appleby Management (Bermuda) Ltd.

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1012, 10/F., West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

WEBSITE

www.unitedpvgroup.com

Management Discussion and Analysis

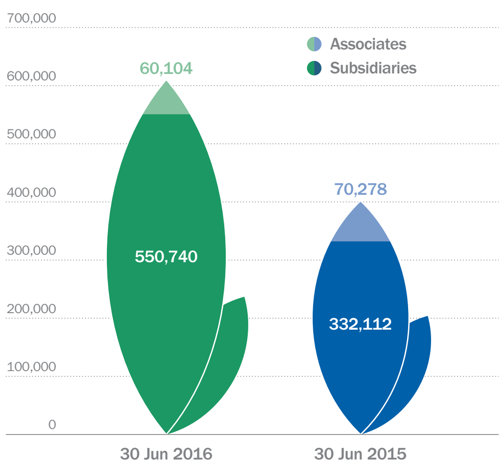
BUSINESS REVIEW

Electricity generation

During the six months ended 30 June 2016 (the "Period"), the Group continued to focus its resources on the expansion of solar power plants business.

As at 30 June 2016, there were 26 solar power plants beneficially owned by the Group and its associates (30 June 2015: 21). The aggregate installed capacity of these solar power plants has increased to 996MW, by 56.4% as compared to the corresponding period in 2015. All of these plants have achieved on-grid connection and have been generating electricity steadily. The details of the electricity generation of such solar power plants are set out as below. For accounting purpose, the volume of electricity generated by the solar power plants newly acquired during the Period was recorded only starting from their respective completion dates of acquisition.

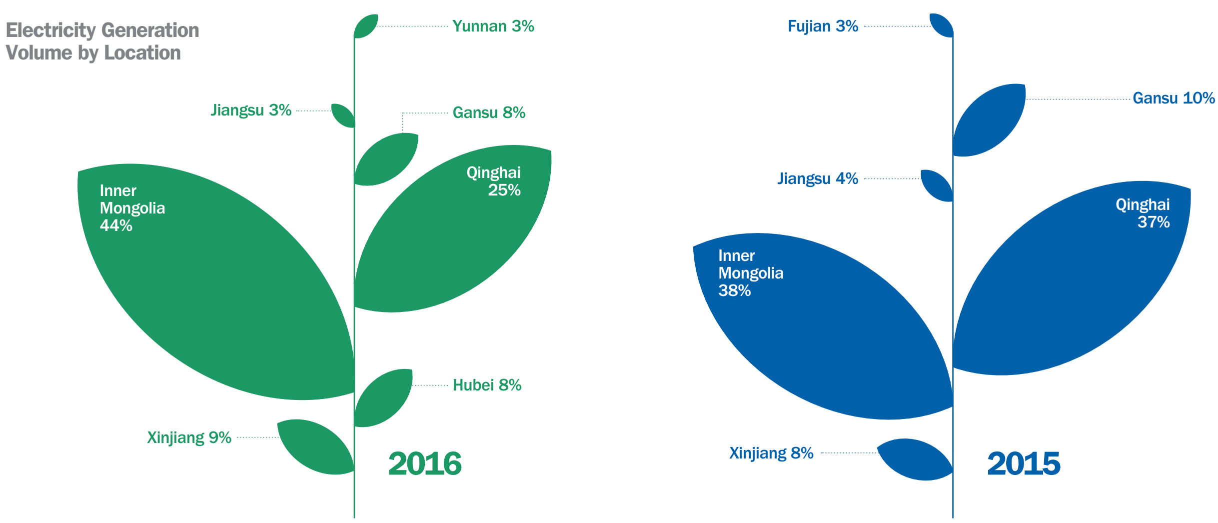
Electricity Generation Volume (MWh)



Location	For the six months ended 30 June 2016 Number of solar power plant	Aggregate installed capacity (MW)	Electricity generation (MWh)	2015 Number of solar power plant	Aggregate installed capacity (MW)	Electricity generation (MWh)
Subsidiaries:						
Inner Mongolia, PRC	6	270	222,810	3	130	107,168
Qinghai, PRC	4	200	154,473	4	200	150,054
Xinjiang, PRC	6	120	58,009	5	100	33,484
Gansu, PRC	1	100	47,108	1	100	39,587
Hubei, PRC	1	100	48,574	–	–	–
Shanxi, PRC	1	100	2,640	–	–	–
Yunnan, PRC	1	19.8	15,928	–	–	–
Guangdong, PRC	2	2.4	1,198	2	2.4	1,819
Sub-total	22	912.2	550,740	15	532.4	332,112
Associates:						
Inner Mongolia, PRC	2	60	44,220	2	60	45,060
Jiangsu, PRC	2	23.8	15,884	2	23.8	14,893
Fujian, PRC	–	–	–	2	20.8	10,325
Sub-total	4	83.8	60,104	6	104.6	70,278
Total	26	996	610,844	21	637	402,390

In terms of installed capacity, the large-scaled solar power plants owned by the Group and its associates are located in Inner Mongolia, Qinghai, Xinjiang, Gansu, Hubei and Shanxi, which together account for 95.4% of the total installed capacity. The other plants located in Jiangsu, Yunnan and Guangdong are mainly distributed roof-top power plants or combined with eco-agricultural infrastructure.

In respect of electricity generation volume, the solar power plants located in Inner Mongolia and Qinghai contributed approximately 43.7% and 25.3% of the total electricity generation for the Period respectively. The increase in electricity volume generated in Inner Mongolia was mainly due to the acquisition of 140MW solar power plants, completed in the second half of 2015. The electricity generation in Gansu has increased by 19% as compared to the corresponding period of 2015 due to power market transactions and the laying of additional electricity transmission lines. The Group actively carried out power market transactions primarily including inter-provincial solar power transmission, so as to reduce loss from curtailment and achieve steady increase in utilization hours. The electricity generation volume in other locations were generally stable during the Period.



The Group adopts acquisition strategy that creates value and improves overall efficiency of our solar asset portfolio. In locating prospective acquisition targets, the Group has been factoring the key factors into its decision-making, such as solar irradiation, land nature, local electricity demand and consumption, infrastructure for electricity transmission, feed-in-tariff criteria. With this prudence approach, the Group has carefully identified solar power plants located in the central, eastern and northern parts of the PRC and avoided increasing investment in regions suffered from severe curtailment. As demonstrated above, measures were taken to mitigate the risk and impact of curtailment for solar power plants facing curtailment issue.

The Group will continue its efforts to regularly update the shareholders and investors about the electricity generation of the solar power plants by disclosing its quarterly generation volume through timely announcements.

Capability of project development

During the Period, the Group has improved its capability in the development, construction and operation of self-developed solar power plants and has enhanced operational efficiency, thereby laying down a solid foundation for development of projects and smart plant operation in the future.

Our first 100MW Top Runner Project in Datong, Shanxi, the PRC has successfully achieved on-grid connection and electricity generation in June 2016 and this marked the Group's enhanced capability in self-developed project and in integration of advanced technologies. This project adopted high-efficient monocrystalline silicon modules, string inverters and multiple MPPT tracking system to optimize the performance of solar power plant. Wireless telecommunication technologies such as PLC and 4G LTE have been applied on the site to secure the hardware data analysis and avoid data-loss risk which is common in cables. Another outstanding feature of this project is the real-time and centralized monitoring of operation as enabled by the Global Smart PV Cloud Management Center, which connects our solar power plants within the portfolio of the Group. According to the electricity generation data, this is our "top runner" project as it recorded a highest daily generation volume of 633,600KWh and is one of the best performing solar power plants among the Top Runner Program Phase I.

The Top Runner Program of photovoltaic industry was implemented by the National Energy Administration ("NEA"), the Ministry of Industry and Information Technology and the Certification and Accreditation Administration of China and launched in 2015, which is designated to promote application of advanced technology in the development and operation of solar power projects and improve the technology and quality standard of the solar industry. The investors of Top Runner Projects are selected through tendering process pursuant to certain competition criteria, including but not limited to the investors' track record of operating solar power plants, investment capacity, management capability and technology level. In furtherance of its success in Top Runner Program Phase I in 2015, the Group is confident to win development right in more Top Runner Projects in 2016 and apply the advanced technology and high standards in our other developments.

The Group has developed the Global Smart PV Cloud Management Center with an aim to improve the overall operating efficiency. This cloud system carries the most advanced technologies on cloud computing, mega data processing and 4G communication technology. It provides a centralized platform to monitor the operation and maintenance of the solar assets located in different regions and connects each plant to the central management in the cloud and timely communication is available through 4G wireless portable devices. The cloud system enables a decision maker to effectively analyse available data collected from various plants, precisely diagnose the issues raised, and facilitates the process of detecting and solving the on-site technical problems.

Financing

The solar 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 Period, the Group has raised approximately RMB1.6 billion through various channels including bank borrowings, finance leasing and medium-term notes. With its accountable operational track record, the Group has secured long-term bank loans and finance leasing up to 14 years bearing floating interest for the investment of solar power plants. As the benchmark interest rate in China is experiencing the downward trend, the Group expects that the interest rate under its outstanding bank borrowings and finance leasing will be lowered accordingly. The Group established a medium-term note programme of HK$2 billion (approximately RMB1.7 billion) to issue the notes to professional investors. As at the latest practicable date, the Group had issued medium-term notes amounting to HK$130 million (approximately RMB109 million). Besides, the Group is pursuing opportunities in asset securitisation and issue of corporate bonds. The Group is also actively seeking re-financing opportunities that may provide the Group with appropriate capital structure to pursue further growth and development, while lowering the finance costs.

FINANCIAL REVIEW

Financial highlight of the Group for the Period was demonstrated as follows:

	Unaudited For the six months ended 30 June			
	2016	2015	**Change**	
	RMB'million	RMB'million	RMB'million	%
Sales of electricity and tariff adjustment				
– Subsidiaries	452	283	169	60
– Associates	70	71	(1)	(1)
EBITDA	376	212	164	77
Depreciation	(167)	(107)	(60)	56
Fair value changes	523	421	102	24
Finance costs	(493)	(269)	(224)	83
Others	19	(3)	22	733
Profit for the Period	258	254	4	1

General

The increase in the sales of electricity (including tariff adjustment) and EBITDA of the Group (excluding associates) was attributed to expansion in solar power plants, with aggregate installed capacity increased by 379.8MW, or around 71%, with corresponding increase in electricity generation volume by approximately 218,628 megawatt hours (MWh) or 66% as compared to corresponding period in 2015. The net profit kept stable during the Period, mainly due to the combining effect of the increase in fair value gains from certain derivative financial instruments and the increase in finance costs.

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

Segment information

During the Period, the Group retained one single reportable segment which was principally engaged in the development, investment, operation and management of solar power plants.

Revenue

The geographical breakdown of sales of electricity and tariff adjustment recognised during the Period was analysed as below:

	Unaudited For the six months ended 30 June 2016 RMB'000	2015 RMB'000
Subsidiaries:		
– Inner Mongolia	**182,572**	91,596
– Qinghai	**130,954**	128,251
– Xinjiang	**44,159**	28,212
– Gansu	**35,659**	33,835
– Hubei	**45,667**	–
– Shanxi	**–**	–
– Yunnan	**12,570**	–
– Guangdong	**851**	1,292
Revenue as shown on the consolidated statement of profit or loss	**452,432**	283,186
Associates:		
– Inner Mongolia	**37,182**	37,876
– Jiangsu	**32,718**	30,677
– Fujian	**–**	2,900
	69,900	71,453
Total	**522,332**	354,639

The increase in revenue was attributable to an increase in the electricity generation volume from subsidiaries by approximately 66% to 550,740MWh for the Period as compared to 332,112MWh in the corresponding period in 2015.

Other gains

During the Period, the Company received an interest of approximately RMB24 million in relation to an advance payment for a proposed acquisition of 930MW solar power plant projects in 2015. The advance payment was refunded and recovered in full in January 2016.

Employee benefits expenses

With the business expansion, the Group made substantial new hires of employees during the Period. The number of employees has increased by approximately 74% as compared to the corresponding period in 2015. Employee benefits expenses other than share-based payment expense amounted to approximately RMB45 million for the Period, representing an increase of 137% from approximately RMB19 million in corresponding period in 2015.

Outsourcing maintenance costs

During the Period, the Group has internalised certain operations and maintenance ("O&M") services and started to manage several solar power plants by itself. As a result, the outsourcing maintenance costs decreased accordingly.

Depreciation of property, plant and equipment

The depreciation of property, plant and equipment was provided based on the assessment of their respective useful lives. Power generating modules and equipment were the most significant components within the property, plant and equipment and their useful lives were assessed to be 25 years. The increase in depreciation was consistent with the increase in the aggregate installed capacity during the Period.

Fair value loss on call option issued relating to acquisition of an associate

The fair value loss recognised during the Period of approximately RMB9.7 million represented the remeasurement of the call option agreement entered into in 2015 in relation to the acquisition of an associate located in Inner Mongolia, the PRC. The amount recognised in 2015 represented the initial measurement of the call option.

Fair value gain on financial assets at fair value through profit or loss relating to guaranteed electricity output

During the Period, the Group has recognised a fair value gain of approximately RMB306 million in relation to the estimation of guaranteed electricity output, primarily for solar power plant in Gansu.

Fair value gain on unlisted investment

The Group ceased to have significant influence over the investee during the Period and re-classified the investment from associate to investment held for trading. The fair value was derived from the latest agreement between an independent investor and the existing shareholders of the investee.

Finance costs

The Group has obtained various long-term financings for its development and operation of the solar power plants business during 2015, namely bank and other borrowings of approximately RMB2 billion and convertible bonds of approximately RMB1.9 billion. During the Period, the Group has further obtained various financings for approximately RMB1.6 billion. Accordingly, the finance costs have increased by approximately 83% as compared to the corresponding period in 2015.

Although the overall finance costs have been increased, the effective rates for those bank and other borrowings have been decreasing, as a result of the drop in benchmark lending rate of the People's Bank of China.

Share of profits of associates

The improvement in share of results of associates was mainly due to exclusion of loss from an associate engaging solar cell business which has been disposed of in December 2015 and no longer applicable for the Period.

Trade, bills and tariff adjustment receivables

As of 30 June 2016, the amount mainly comprised trade and bills receivables and tariff adjustment receivables of approximately RMB69 million and RMB1,376 million respectively. In January 2016, a notice announcement ("Notice") in relation to the registration onto the sixth batch of Renewable Energy Tariff Subsidy Catalogue (the "6th Batch Catalogue") was jointly issued by Ministry of Finance, National Development and Reform Commission and NEA. Pursuant to the Notice, for the solar power plants which have achieved on-grid connection before 28 February 2015 and have not been registered in the previous catalogues are qualified for the registration. The Group had applied for the registration and it is expected the application results will be announced in the second half of 2016. Based on past experience, the management believes that the registration procedures and distribution of tariff adjustment to solar power operators are of administrative in nature and expects when the tariff adjustment receivables of the 6th batch of renewable energy subsidies are settled, the operating cash flow of the Group will be significantly improved.

Key performance indicators

The Group measures the delivery of its strategies and managing its business through regular measurement of several key performance indicators, particularly on the following ratios: EBITDA margin, current ratio and interest-bearing debts-to-assets 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 has improved its performance on its solar power plants business as the Group has internalised certain O&M services and started to manage some solar power plants by itself during the Period. The EBITDA margin has improved to 83% by 8% in 2016 as compared to the corresponding period in 2015.

Current ratio: Current ratio measures the Group's ability to meet short-term debt obligation and is calculated as current assets divided by current liabilities. As at 30 June 2016, certain bank and other borrowings will have their first principal repayment in the next twelve months, after enjoying two-year principal free repayment period. The current ratio has dropped from approximately 0.97 at 31 December 2015 to 0.83 at 30 June 2016. However, the Group has taken some plans and measures to ensure that sufficient working capital will be in place.

Interest-bearing debts-to-assets ratio: Interest-bearing debts-to-assets ratio is a measurement of the strength to obtain financing for the Group's assets. The ratio is calculated as the interest-bearing debts divided by the total assets. The ratio has slightly increased from approximately 60.6% at 31 December 2015 to approximately 67.7% at 30 June 2016.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

As at 30 June 2016, the Group recorded non-current assets of approximately RMB10,558 million, current assets of approximately RMB3,541 million, current liabilities of approximately RMB4,277 million and non-current liabilities of approximately RMB7,189 million. In order to finance the working capital of the Group, certain financing measures have been undertaken by the Directors as set out on pages 26 to 27 to this report.

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, fundings 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 convertible bonds or new shares. The management will continue its efforts in obtaining the most privileged rates and favourable terms to the Group for its financing.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts is calculated as total borrowings (including current and non-current bank and other borrowings, construction costs payables and convertible bonds as shown in the interim condensed consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the interim condensed consolidated statement of financial position plus net debts.

The gearing ratios at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Bank and other borrowings	**6,129,453**	5,009,599
Construction costs payables	**1,236,463**	1,442,416
Convertible bonds	**3,475,282**	2,910,959
	10,841,198	9,362,794
Less: cash and cash equivalents	**(889,148)**	(947,154)
Net debts	**9,952,050**	8,415,820
Total equity	**2,633,181**	2,229,954
Total capital	**12,585,231**	10,645,774
Gearing ratio	**79.08%**	79.05%

Except for the bank borrowings and convertible bonds with aggregate amounts of RMB685 million and RMB3,473 million respectively, which were carried at fixed rates, the remaining borrowings of the Group bore floating interest rates.

As at 30 June 2016, the maturity and currency profile for the Group's bank and other borrowings and convertible bonds is set out as follows:

	Within 1 year RMB'000	2nd year RMB'000	3-5 years RMB'000	6-10 years RMB'000	Over 10 years RMB'000	Total RMB'000
RMB	1,694,900	778,650	1,435,848	1,961,189	161,619	6,032,206
US$	1,009,533	815,275	654,842	–	–	2,479,650
HK$	–	935,456	157,423	–		1,092,879
	2,704,433	2,529,381	2,248,113	1,961,189	161,619	9,604,735

During the Period, the Group did not enter into any financial instruments for hedging purposes nor did the Group have any currency borrowing and other hedging instruments to hedge against foreign exchange risks.

As at 30 June 2016, the Group did not have any capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group has completed the following acquisitions:

Date	Location	Equity interest acquired	Number of power plant	Aggregate Installed capacity (MW)	Relationship
26 January 2016	Yunnan (Note)	55.6%	1	19.8	Subsidiary
13 April 2016	Xinjiang	100%	1	20	Subsidiary

Note:

This was a step-acquisition and the project company became a subsidiary from an associate of the Group accordingly.

Except for the aforementioned transactions, there was no other material acquisition or disposal of subsidiaries or associated companies completed during the Period.

CHARGE ON ASSETS

As at 30 June 2016, 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 and an associate of the Group.

Certain outstanding convertible bonds are secured by mortgages/charges over shares of certain subsidiaries, assets of certain subsidiaries, fee collection right in relation to the sales of electricity in certain subsidiaries and certain bank accounts.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 296 full-time employees (30 June 2015: 170), among which 35 were in Hong Kong and 261 were in the PRC. Employees were remunerated according to the nature of their positions, individual qualification, performance, working experience and market trends, with merit incorporated in the periodic 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 staff cost (including directors' emoluments) for the Period amounted to approximately RMB50 million.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates in Mainland China and Hong Kong. For the operations in Mainland China, the transactions are 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 Linked Exchange Rate System, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Period. However, management will monitor the Group's foreign currency exposure should the need arises.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no significant contingent liability.

RECENT DEVELOPMENT

On 14 July 2016, the Group completed the acquisition of 100% equity interest in a project company which owns a solar power plant with installed capacity of approximately 35MW located in Yunnan Province, the PRC, for a cash consideration of approximately RMB30.5 million.

On 5 August 2016, the Group completed the acquisition of 100% equity interest in a project company which owns a solar power plant with installed capacity of approximately 20MW located in Hebei Province, the PRC, for a consideration of approximately RMB69.7 million.

On 26 August 2016, the Company has completed the issue of convertible bonds to a subscriber in the principal amount of US$50 million.

OUTLOOK

Globally, climate change and the development of renewable energy have become a growing concern among various countries. On 22 April 2016, leaders and representatives from 175 countries around the world joined together at the United Nations headquarters in New York to sign the Paris Climate Agreement reached in France at the end of last year, sharing an objective of combating environmental pollution and curbing global warming. Governments of certain countries have also promulgated policies for stimulating photovoltaic industry, which is believed to become one of the core motivations to the global new energy industry.

As one of the main driving forces to the global photovoltaic industry, China has promulgated policies for stimulating the industry since the beginning of this year, such as, among other things, the Guiding Opinions on the Establishment of Renewable Energy Development and Utilization Objective Guidance System and Guidelines on Managing Protective Buyouts of Renewable Energy Power Generation, with a view to establishing a sound and balanced photovoltaic industry with strong growing drive through increasing electricity consumptions, improving utilization hours of new energy projects, broadening financing channels of the industry as well as standardizing rules for industrial development. The National Development and Reform Commission in PRC has increased the renewable energy surcharge from RMB0.015 per KWh to RMB0.019 per KWh since 1 January 2016, and new solar energy tariff is also put into effect since 1 July 2016. To address the curtailment issue in the wind and solar industry, Chinese government promulgated Notice of Administration on Full-amount Purchase of Electricity Generated by Wind and Solar Power in May 2016, regulating minimum annual utilization hours of electricity generation in certain curtailed regions to ensure the guaranteed dispatch of the renewable energy power. In view of abovementioned, the newly installed capacity of solar power in PRC has experienced a tremendous growth in the first half of 2016. According to the National Energy Administration ("NEA"), the national cumulative installed capacity of solar power has increased by 7.14GW in the first quarter of 2016, representing a record high, and the new installation capacity is expected to outmatch NEA's annual solar addition target of 18.1GW. Under the new norm of economy development, it is expected that the photovoltaic industry in China will continue to see an explosive growth in the future. The Group, as a company principally engaged in acquiring grid-connected solar power plants, therefore believes it will be more active on acquisitions in the second half of 2016.

Under the globalization of new energy development, the Group will actively develop offshore markets, and enhance its cooperation with overseas leading enterprises and quality institutions based on the Company's advanced management and operation model as the core support and integrating with its extensive domestic project acquisition and development experience, so as to acquire quality overseas solar power plant assets. Having performed research and analysis on different major solar markets all over the world, the Group has initially identified some developed countries in Europe and North America, as well as in Asia-Pacific as the point cuts to expand its overseas business. Currently, the Company maintains close cooperation with relevant financial institutions and business companies and owns abundant project pipelines.

Further, in respond to the call of "combat environmental deterioration with global efforts", the Company continuously integrated resources from different sectors to facilitate the landing and implementation of each project, creating a synergy among the industry. Initiatives have been taken by the Group to promote the use of green energy that will involve the construction of Panda Solar Power Plants with joint efforts from the United Nations and other leading enterprises of the solar energy industry in the PRC and United States. Under the Panda Solar Power Plants program, it is anticipated that the first Panda Solar Power Plant will be landed in the PRC and more Panda Solar Power Plants will be constructed in selected areas around the world with G20 members, aiming to provide green energy for sustainable development and combat climate changes.

The new norm of economy development and new changes of energy and power market has brought the Company with new challenges and opportunities. Going forward, the management of the Company will set out the strategic planning for the Group in a forward-looking manner so as to orderly implement strategies, and facilitate the project pipeline and reinforce the potential for future development of the Company. In addition, the Company will continuously comply with its professional and stringent standards for acquisition and construction in order to establish its own brand. Meanwhile, the Group will enhance the power generation by securing the operation efficiency of the solar power plants; whilst the Company will broaden financing channels and reduce finance cost by making good use of the capital operation platform of the listed company. In respect of management team building, the Company will also continue to improve its talent team building mechanism aiming to further facilitate its soft power.

With an aim to be the namecard of China's energy transition, the Group will continue to explore opportunities for business development and cooperation of high-quality projects in China and overseas.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Sales of electricity		119,960	77,576
Tariff adjustment		332,472	205,610
		452,432	283,186
Other income	4	27,075	250
Employee benefits expenses		(50,067)	(33,936)
Foreign exchange difference		419	9,787
Legal and professional fees		(3,128)	(3,878)
Outsourcing maintenance costs		(17,014)	(27,666)
Rent and rates		(4,442)	(2,239)
Travelling		(6,416)	(2,346)
Water and electricity		(3,121)	(573)
Other expenses		(19,352)	(10,227)
EBITDA		376,386	212,358
Acquisition costs arising from business combinations		(7)	(1,085)
Depreciation of property, plant and equipment		(166,544)	(107,048)
Bargain purchase arising from:			
(i) Business combinations; and	18	4,167	11,824
(ii) Acquisition of an associate		–	6,787
Fair value gains/(loss) on financial assets at fair value through profit or loss relating to:			
(i) Call option issued relating to the acquisition of an associate ("Call Option");		(9,708)	142,244
(ii) Guaranteed electricity output; and	11	305,680	212,809
(iii) Unlisted investment	11	106,709	–
Fair value gains/(losses) on financial liabilities at fair value through profit or loss relating to:			
(i) Contingent consideration payables; and		36,665	(57,637)
(ii) Put option issued relating to the acquisition of an associate ("Put Option")		21,262	(11,813)
Finance income	5	67,132	118,537
Finance costs	6	(493,234)	(269,462)
Share of profits/(losses) of associates		9,030	(3,161)
Profit before income tax		257,538	254,353
Income tax expenses	7	–	–
Profit for the period		257,538	254,353
Profit attributable to:			
– Shareholders of the Company		248,951	242,914
– Non-controlling interests		8,587	11,439
		257,538	254,353
Earnings per share attributable to shareholders of the Company			
– Basic (RMB cents)	9	5.22	5.60
– Diluted (RMB cents)	9	3.73	3.60

The notes on pages 24 to 43 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June 2016 RMB'000	 2015 RMB'000
Profit for the period		**257,538**	254,353
Other comprehensive income/(loss):			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of financial statements of subsidiaries and associates		**18,769**	(1,755)
Other comprehensive income/(loss) for the period, net of tax		**18,769**	(1,755)
Total comprehensive income for the period		**276,307**	252,598
Total comprehensive income for the period attributable to:			
– Shareholders of the Company		**267,720**	241,159
– Non-controlling interests		**8,587**	11,439
		276,307	252,598

The notes on pages 24 to 43 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Land use rights		**435**	440
Property, plant and equipment		**8,414,254**	7,419,750
Intangible assets		**918,097**	949,781
Investments in associates		**281,484**	305,040
Other receivables, deposits and prepayments	10	**832,607**	741,123
Financial assets at fair value through profit or loss	11	**111,182**	120,890
		10,558,059	9,537,024
Current assets			
Inventories		**1,314**	1,314
Amounts due from associates		**285,189**	279,277
Other receivables, deposits and prepayments	10	**471,101**	770,031
Financial assets at fair value through profit or loss	11	**429,380**	–
Trade, bills and tariff adjustment receivables	12	**1,445,469**	1,228,359
Restricted cash		**19,539**	206,150
Cash and cash equivalents		**889,148**	947,154
		3,541,140	3,432,285
Total assets		**14,099,199**	12,969,309
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	13	**393,086**	385,804
Reserves		**2,094,757**	1,739,519
		2,487,843	2,125,323
Non-controlling interests		**145,338**	104,631
Total equity		**2,633,181**	2,229,954

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	**4,434,553**	4,305,778
Convertible bonds	15	**2,465,749**	1,986,936
Contingent consideration payables	15	**–**	580,691
Cash-settled share-based payment		**–**	23,570
Deferred government grant		**2,210**	4,210
Deferred tax liabilities		**286,152**	281,532
		7,188,664	7,182,717
Current liabilities			
Trade payables		**–**	89,638
Other payables and accruals		**1,555,906**	1,792,566
Amounts due to associates		**17,015**	25,328
Bank and other borrowings	14	**1,694,900**	703,821
Convertible bonds	15	**1,009,533**	924,023
Other financial liability at fair value through profit or loss		**–**	21,262
		4,277,354	3,556,638
Total liabilities		**11,466,018**	10,739,355
Total equity and liabilities		**14,099,199**	12,969,309

The notes on pages 24 to 43 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Unaudited										
	Attributable to shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Shares held under equity incentive scheme ("EIS") RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	385,804	4,511,460	118,792	(53,890)	221,993	(157,561)	(6,664)	(2,894,611)	2,125,323	104,631	2,229,954
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	248,951	248,951	8,587	257,538
Other comprehensive income	–	–	–	–	–	18,769	–	–	18,769	–	18,769
Total comprehensive income for the period ended 30 June 2016	–	–	–	–	–	18,769	–	248,951	267,720	8,587	276,307
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	20,000	20,000
Issue of shares upon conversion of convertible bonds (Note 13)	7,282	67,089	–	(19,535)	(2,182)	–	–	–	52,654	–	52,654
Reclassification from contingent consideration payables to convertible bonds (Note 15)	–	–	–	–	36,726	–	–	–	36,726	–	36,726
Non-controlling interests arising from business combinations (Note 18)	–	–	–	–	–	–	–	–	–	12,120	12,120
Share-based payments	–	–	5,420	–	–	–	–	–	5,420	–	5,420
Total transactions with shareholders, recognised directly in equity	7,282	67,089	5,420	(19,535)	34,544	–	–	–	94,800	32,120	126,920
Balance at 30 June 2016	393,086	4,578,549	124,212	(73,425)	256,537	(138,792)	(6,664)	(2,645,660)	2,487,843	145,338	2,633,181

	Unaudited									
	Attributable to shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Shares held under EIS RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	354,915	4,235,731	99,754	(53,890)	108,313	(50,041)	(3,255,281)	1,439,501	44,249	1,483,750
Comprehensive income										
Profit for the period	–	–	–	–	–	–	242,914	242,914	11,439	254,353
Other comprehensive loss	–	–	–	–	–	(1,755)	–	(1,755)	–	(1,755)
Total comprehensive income for the period ended 30 June 2015	–	–	–	–	–	(1,755)	242,914	241,159	11,439	252,598
Issue of shares through placement	30,041	269,962	–	–	–	–	–	300,003	–	300,003
Issue of convertible bonds	–	–	–	–	113,680	–	–	113,680	–	113,680
Non-controlling interests arising from business combinations	–	–	–	–	–	–	–	–	73,317	73,317
Share-based payments	–	–	13,500	–	–	–	–	13,500	–	13,500
Total transactions with shareholders, recognised directly in equity	30,041	269,962	13,500	–	113,680	–	–	427,183	73,317	500,500
Balance at 30 June 2015	384,956	4,505,693	113,254	(53,890)	221,993	(51,796)	(3,012,367)	2,107,843	129,005	2,236,848

The notes on pages 24 to 43 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

		Unaudited	
		Six months ended 30 June	
	Note	**2016**	2015
		RMB'000	RMB'000
Net cash generated from operating activities	16	**2,669**	32,114
Cash flow from investing activities			
Acquisition of an associate		**–**	(3,747)
Acquisitions of subsidiaries, net of cash acquired	18	**(11,796)**	(144,746)
Amount due from associates		**(14,225)**	–
Capital contribution by non-controlling interests		**20,000**	–
Deposits paid for investments		**(115,000)**	(621,733)
Deposits refund for investments		**396,170**	–
Interest received		**4,062**	855
Prepayment for purchase of plant and equipment		**–**	(15,809)
Purchase of property, plant and equipment		**(808,687)**	(13,514)
Repayment of construction costs payable		**(539,580)**	(472,242)
Net cash used in investing activities		**(1,069,056)**	(1,270,936)
Cash flow from financing activities			
Interest paid		**(281,483)**	(100,300)
Decrease in pledged bank deposits		**–**	61,000
Decrease/(increase) in restricted cash		**186,440**	(330,000)
Decrease/(increase) in pledged guarantee deposits		**300**	(64,000)
Net proceeds from issuance of convertible bonds		**–**	1,288,430
Net proceeds from bank borrowings		**810,307**	480,000
Repayment of bank borrowings		**(465,318)**	(31,500)
Net proceeds from loans from leasing companies		**725,257**	590,371
Repayment of loans from leasing companies		**(15,653)**	(10,368)
Net proceeds from issue of medium-term notes		**32,322**	–
Net proceeds from placing of new shares		**–**	300,003
Repayment of loan from a third party		**–**	(10,000)
Net cash generated from financing activities		**992,172**	2,173,636
Net (decrease)/increase in cash and cash equivalents		**(74,215)**	934,814
Cash and cash equivalents at beginning of period		**947,154**	212,672
Effect of foreign exchange rate changes		**16,209**	(3,259)
Cash and cash equivalents at end of period		**889,148**	1,144,227

The notes on pages 24 to 43 form an integral part of this condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, 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.

This condensed consolidated interim financial information ("Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. This Financial Information has been approved for issue by the Board of Directors on 30 August 2016.

1.1 Key events

Acquisitions of subsidiaries

On 26 January 2016, the Group completed the acquisition of an additional equity interest in an associate which owns a 19.8MW solar power plant in Yunnan Province, the People's Republic of China (the "PRC") for a cash consideration of approximately RMB20 million (Note 18). The associate has since become a subsidiary of the Group.

On 13 April 2016, the Group completed the acquisition of another project company owning a 20MW solar power plant located in Xinjiang, the PRC, for a cash consideration of RMB40 million (Note 18).

Proposed acquisition of subsidiaries

On 22 April 2016, the Group entered into a sale and purchase agreement with an independent third party, to acquire 100% equity interest in a project company, for a cash consideration of approximately RMB30.5 million. This project company owns and operates a grid-connected solar power plant with installed capacity of approximately 35MW located in Yunnan Province, the PRC. As at 30 June 2016, refundable deposits of RMB30 million have been paid by the Group for the acquisition. The Group subsequently completed the acquisition on 14 July 2016 and assumed the Engineering, Procurement and Construction ("EPC") payable and other payables of approximately RMB284 million (Note 21).

On 25 April 2016, the Group entered into a sale and purchase agreement with an independent third party, whereby the Group has conditionally agreed to acquire 100% equity interest in a project company owning and operating two grid-connected solar power plants with an aggregate installed capacity of approximately 40MW located in Qinghai Province, the PRC. Upon completion of the acquisition, the Group would assume the EPC payable and other payables, together with the consideration payable totalling approximately RMB215 million.

1 GENERAL INFORMATION (continued)

1.1 Key events (continued)

Proposed acquisition of subsidiaries (continued)

On 25 April 2016, the Group entered into two sale and purchase agreements with an independent third party, whereby the Group has conditionally agreed to acquire 100% and 98.87% equity interest in two project companies owning and operating two grid-connected solar power plants with an aggregate installed capacity of approximately 10MW and 50MW respectively, which both located in Inner Mongolia, the PRC. Upon completion of the acquisitions, the Group would assume the EPC payable and other payables, together with the consideration payable totalling approximately RMB90 million and RMB490 million respectively.

2 BASIS OF PREPARATION

This Financial Information for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, derivatives portion of convertible bonds and other financial liability at fair value through profit or loss, which were carried at fair values.

2.1 Going-concern basis

As at 30 June 2016, the Group's current liabilities exceeded its current assets by approximately RMB736 million.

The Group entered into conditional sale and purchase agreements with independent third parties in relation to proposed acquisition of subsidiaries (Note 1.1). Should these proposed acquisition of subsidiaries be completed, the Group would assume the EPC payables and other payables, together with the consideration, totalling approximately RMB1.1 billion. In addition, subsequent to the date of the statement of financial position, the Group has completed an acquisition of a solar power plant with an aggregate installed capacity of approximately 20MW located in Hebei Province, the PRC for a consideration of approximately RMB69.7 million (Note 21).

In December 2013, as part of the Group's acquisition of a 50% equity interest in an associate, the Group granted a Put Option to the other shareholder of that associate, under which the other shareholder has a right to request the Group to acquire its remaining 50% equity interest in that associate for RMB225 million with an internal rate of return of 8% per annum, to be settled by way of cash or issuance of the Company's shares at the discretion of the other shareholder, for a three-year period up to December 2016.

2 BASIS OF PREPARATION (continued)

2.1 Going-concern basis (continued)

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 in 2017 and 2018. 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 30 June 2016. 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 30 June 2016.

(i) During the period, the Group had obtained additional banking facilities totalling RMB1.1 billion from two banks in the PRC. As at 30 June 2016, the Group had already drawn down a loan amount of RMB50 million.

(ii) In December 2015, China Merchants New Energy Group Limited ("CMNEG"), a shareholder of the Company and an indirect non-wholly owned subsidiary of China Merchants, issued a letter to the Group and agreed to provide financial support to the Group for a period up to 31 December 2017 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.

(iii) On 26 August 2016, the Company has completed the issue of convertible bonds to a subscriber in the principal amount of US$50 million (equivalent to approximately RMB326 million).

(iv) The Group is pursuing the opportunities to issue corporate bonds in China and overseas, and also in the process of negotiating long-term borrowings from banks or other financial institutions to refinance its existing financial obligations and settle its capital expenditures. In addition, should the proposed acquisitions be completed, the Group will 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 could obtain such long-term borrowings from banks and other financial institutions.

(v) The solar power plants currently held and planned to be acquired by the Group have already achieved on-grid connection. Those are expected to generate operating cash inflows to the Group. The Directors are confident that the tariff adjustment receivables for which the Group has registered the sixth batch of Renewable Energy Tariff Subsidy Catalogue application will be settled following the application results announcement in the second half of 2016.

2 BASIS OF PREPARATION (continued)

2.1 Going-concern basis (continued)

(vi) In May 2015, the Group established a medium-term note programme totaling HK$2 billion (equivalent to approximately RMB1.7 billion). As at the latest practicable date, the Group had issued medium-term notes amounting to HK$130 million (equivalent to approximately RMB109 million). Based on the past experience of the Group, the Directors are confident that the further notes could be issued.

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 30 June 2016. Accordingly, the Directors are satisfied that it is appropriate to prepare the Financial Information 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 (iv) to (vi) 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 needed, secure various sources of short-term or long-term financing as and when required, and to generate adequate operating cash inflows from its existing solar power plants and other plants to be acquired or constructed in the expected timeframe.

Should the Group be unable to continue as a going concern, adjustment 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 Financial Information.

2.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements. Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual earnings.

(a) New and amended standards adopted by the Group

Effective for accounting periods beginning on or after 1 January 2016.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment entities: Applying the consolidation exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 Amendment	Equity Method in Separate Financial Statements

These new/amended standards do not have a material impact on the Group's financial statements.

2 BASIS OF PREPARATION (continued)

2.2 Accounting policies (continued)

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

Effective for accounting periods beginning on 1 January 2019 and has not been early adopted by the Group:

HKFRS 16	Leases

2.3 Critical accounting estimates and assumptions

The preparation of this Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

2.4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and interest rate risk), credit risk and liquidity risk.

The Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015. There have been no changes in the risk management policies since year end. Compared to 31 December 2015, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2016.

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 retains one single reportable segment, which is principally engaged in the development, investment, operation and management of solar power plants.

For the six months ended 30 June 2016, the major operating entities of the Group are domiciled in the PRC and accordingly, all of the Group's revenue was derived in the PRC (2015: Same).

3 SEGMENT INFORMATION (continued)

The geographical analysis of the Group's non-current assets (excluding deposits for investments, pledged guarantee deposits relating to borrowings, value-added tax recoverable and financial assets at fair value through profit or loss) is as follows:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
The PRC	**9,672,141**	8,733,918
Hong Kong	**957**	435
	9,673,098	8,734,353

For the six months ended 30 June 2016, there were three customers (30 June 2015: three) which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
– Customer A	**143,733**	91,596
– Customer B	**130,954**	128,251
– Customer C	**45,667**	–
– Customer D	**–**	33,835

4 OTHER INCOME

Balance mainly represented the compensation interest income of approximately RMB24 million (30 June 2015: Nil) on an advance payment paid in respect of a proposed acquisition in 2015 ("Advance Payment").

5 FINANCE INCOME

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Imputed interest income on pledged guarantee deposits	**4,557**	507
Interest income on bank balances and deposits	**4,062**	855
Subsequent fair value gain on derivatives portion of convertible bonds	**58,513**	117,175
	67,132	118,537

6 FINANCE COSTS

	Unaudited For the six months ended 30 June 2016 RMB'000	2015 RMB'000
In relation to bank and other borrowings:		
– Amortisation of loan facilities fees	**34,615**	6,207
– Interest expenses	**141,926**	81,873
In relation to convertible bonds:		
– Amortisation of unrealised fair value loss of issue of convertible bonds	**33,254**	31,431
– Imputed interest expense on convertible bonds	**283,439**	99,325
– Day 1 fair value loss on issue of convertible bonds	**–**	50,626
	493,234	269,462

7 INCOME TAX EXPENSES

The Group's operations in the PRC were subject to the corporate income tax law of the PRC (the "PRC corporate income tax"). The standard PRC corporate income tax rate was 25%. During the period, 17 subsidiaries of the Group which are engaging in the development, investment, operation and management of solar power plants have obtained the relevant preferential tax concession; while 2 newly acquired subsidiaries during the period which are also engaging in the development, investment, operation and management of solar power plant are expected to obtain the preferential tax concession in the near future. They are/will be fully exempted from the PRC corporate income tax for the first three years after obtaining the concession, followed by a 50% tax exemption for the next three years.

The applicable tax rate during the period was 0% (30 June 2015: 0%).

8 DIVIDENDS

No dividend on ordinary shares has been paid or declared by the Company for the six months ended 30 June 2016 (30 June 2015: Nil).

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share was calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period:

	Unaudited For the six months ended 30 June	
	2016	2015
Profit attributable to the shareholders of the Company (RMB'000)	**248,951**	242,914
Weighted average number of ordinary shares in issue (thousand shares)	**4,771,452**	4,341,126
Basic earnings per share (RMB cents)	**5.22**	5.60

(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 six months ended 30 June 2016, the Company has four (30 June 2015: four) categories of dilutive potential ordinary shares: convertible bonds, contingent consideration payables, Put Option and share option (30 June 2015: convertible bonds, share option, EIS and Put Option).

The convertible bonds were assumed to have been converted into ordinary shares, and the net profit has been adjusted to eliminate the interest expense and fair value change less the tax effect. For the share option, 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 option. 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 option. The Put Option was assumed to have been exercised by the holder and to be settled by way of issue of the Company's shares. The net profit has been adjusted to eliminate the fair value change less the tax effect and to additionally share the results of an associate.

9 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

	Unaudited For the six months ended 30 June 2016	2015
Earnings (RMB'000)		
Profit attributable to the shareholders of the Company	**248,951**	242,914
Assumed exercise/conversion of Put Option, contingent consideration payable and a convertible bond (2015: certain convertible bonds and EIS)		
Adjustments for:		
Put Option		
– Fair value gain	**(21,262)**	–
– Additional share of result of an associate	**9,269**	–
Certain convertible bonds/contingent consideration payables		
– Imputed interest expenses	**35,164**	8,476
– Subsequent remeasurement gains	**(48,989)**	(88,898)
Adjusted profit attributable to shareholders of the Company used to determine the diluted earnings per share	**223,133**	162,492
Weighted average number of ordinary shares in issue (thousand shares)	**4,771,452**	4,341,126
Adjustments for:		
– Assumed conversion of certain convertible bonds/ contingent consideration payables	**1,022,062**	96,270
– Assumed exercise of EIS	**–**	75,827
– Assumed exercise of Put Option	**194,285**	–
Weighted average number of shares for the purpose of calculating diluted earnings per share	**5,987,799**	4,513,223
Diluted earnings per share attributable to the shareholders of the Company (RMB cents)	**3.73**	3.60

Certain convertible bonds were not assumed to be converted as they would have an anti-dilutive impact to the profit attributable to the shareholders of the Company per share, for the six months ended 30 June 2016 (30 June 2015: contingent consideration payable, certain convertible bonds, Put Option and share option).

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The decrease was mainly due to the full recovery of the Advance Payment of approximately RMB424 million paid in 2015.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Call Option	111,182	120,890
Guaranteed electricity output (Note (a))	305,680	–
Unlisted investment (Note (b))	123,700	–
	540,562	120,890
Less: Amount classified as non-current	(111,182)	(120,890)
Current portion	429,380	–

Note:

(a) According to certain sale and purchase agreements entered into between the Group and the vendors in respect of acquisition of subsidiaries, the vendors undertook to guarantee certain level of electricity output generated by the underlying solar power plants for a period of time and the shortfall would be payable by the vendors. The Directors determined the fair value after considering the contractual terms, the actual shortfall in electricity generated and the outcome of recent negotiation with the relevant vendors.

(b) The Group ceased to have significant influence over the investee during the period and re-classified the investment from associate to investment held for trading. The fair value was derived from the latest agreement between an independent investor and the existing shareholders of the investee. The fair value gain recognised during the period was approximately RMB107 million.

12 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

As at 30 June 2016, trade receivables of approximately RMB34 million represented receivables from sales of electricity and are usually settled within one month. Tariff adjustment receivables represented (i) the central government subsidies on renewable energy projects to be received from the State Grid Corporation of China based on the respective electricity sale and purchase agreements for each of the Group's solar plants and prevailing nationwide government policies, of which approximately RMB5 million, RMB339 million, RMB652 million and RMB367 million arising from electricity generated in 2013, 2014, 2015 and the six months ended 30 June 2016, respectively; and (ii) the provincial government subsidies on a renewable energy project, of which approximately RMB5 million and RMB8 million arising from electricity generated in 2015 and the six months ended 30 June 2016, respectively. As at 30 June 2016, the Group had bills receivables of approximately RMB35 million.

As at 30 June 2016, the trade and tariff adjustment receivables were not yet due for payment (31 December 2015: Same).

13 SHARE CAPITAL

	Number of shares (thousands)	RMB'000
Ordinary shares of HK$0.10 each		
Authorised:		
As at 1 January 2016 and 30 June 2016	20,000,000	1,637,168
Issued and fully paid:		
As at 1 January 2016	4,751,266	385,804
Issue of shares upon conversion of convertible bonds (Note)	88,044	7,282
As at 30 June 2016	4,839,310	393,086

Note:

During the period, the Company issued and allotted 88,044,000 shares (including 40,020,000 shares in relation to EIS) upon conversion of certain Series B convertible bonds. The conversion price was HK$1.00 per share.

14 BANK AND OTHER BORROWINGS

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Non-current	**4,434,553**	4,305,778
Current	**1,694,900**	703,821
	6,129,453	5,009,599

14 BANK AND OTHER BORROWINGS (continued)

Movements in bank and other borrowings is analysed as follows:

	RMB'000
As at 1 January 2016	5,009,599
Amortisation of loan facilities fees	34,615
Net proceeds from bank borrowings	810,307
Repayment of bank borrowings	(465,318)
Net proceeds from loans from leasing companies	725,257
Repayment of loans from leasing companies	(15,653)
Net proceeds from issue of medium-term notes	32,322
Unamortised interest cost on pledged deposits	(1,654)
Exchange realignment	(22)
As at 30 June 2016	6,129,453

15 CONVERTIBLE BONDS AND CONTINGENT CONSIDERATION PAYABLES

The Series B convertible bonds were released from the escrow account during the period upon the fulfilment of the profit guarantee of China Solar Power Group Limited. Accordingly, the contingent consideration payables have been reclassified to convertible bonds.

16 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash generated from operations

	Unaudited For the six months ended 30 June 2016 RMB'000	2015 RMB'000
Operating activities:		
Profit before income tax	**257,538**	254,353
Adjustments for:		
Deferred government grant	**(2,000)**	(250)
Amortisation of land use rights	**5**	6
Bargain purchase arising from:		
(i) Business combinations; and	**(4,167)**	(11,824)
(ii) Acquisition of an associate	**–**	(6,787)
Deprecation of property, plant and equipment	**166,544**	107,048
Fair value (gains)/loss on financial assets at fair value through profit or loss relating to:		
(i) Call Option;	**9,708**	(142,244)
(ii) Guaranteed electricity output; and	**(305,680)**	(212,809)
(iii) Unlisted investment	**(106,709)**	–
Fair value (gains)/losses on financial liabilities at fair value through profit or loss relating to:		
(i) Contingent consideration payables; and	**(36,665)**	57,637
(ii) Put Option	**(21,262)**	11,813
Finance income	**(67,132)**	(118,537)
Finance costs	**493,234**	269,462
Share-based payment expenses	**5,420**	17,131
Share of (profits)/losses of associates	**(9,030)**	3,161
Operating profit before working capital changes	**379,804**	228,160
Changes in working capital		
Trade, bills and tariff adjustment receivables	**(243,946)**	(215,060)
Other receivables, deposits and prepayments	**(4,882)**	(46,722)
Amounts due to associates	**–**	15,000
Trade payables	**(89,638)**	–
Other payables and accruals	**(38,669)**	50,736
Net cash generated from operations	**2,669**	32,114

17 COMMITMENTS

As at 30 June 2016, the Group did not have any capital commitment in respect of property, plant and equipment (31 December 2015: RMB690 million).

18 BUSINESS COMBINATIONS

The Group is principally engaged in the development, investment, operation and management of solar power plants. It is the Group's strategy to identify suitable investment opportunity to acquire solar power plants with good prospects and potential for stable returns. During the period, the Group has acquired two solar power plants.

Yongsheng Huiguang

As at 31 December 2015, the Group owned 19.1% equity interest in Yongsheng Huiguang Photovoltaics Power Co., Ltd. ("Yongsheng Huiguang") which treated as an associate to the Group. On 26 January 2016, the Group further completed the acquisition of the 36.5% equity interest in Yongsheng Huiguang for a cash consideration of approximately RMB20.1 million from an independent third party. As a result, the Group owns 55.6% equity interest in Yongsheng Huiguang which became a subsidiary of the Group. The principal activities of Yongsheng Huiguang are the development and operation of a solar power plant located in Yunnan Province, the PRC, with an aggregate installed capacity of approximately 19.8MW.

Wujiaqu

On 13 April 2016, the Group completed the acquisition of a 100% equity interest in Wujiaqu Lishang Photovoltaics Power Co., Ltd. ("Wujiaqu") for a cash consideration of RMB40 million from an affiliate of a substantial shareholder of the Company. The principal activities of Wujiaqu are the development and operation of a solar power plant located in Xinjiang, the PRC, with an aggregate installed capacity of approximately 20MW.

18 BUSINESS COMBINATIONS (continued)

The following table summarises the consideration paid, the provisional fair value of identifiable assets acquired, liabilities assumed and the non-controlling interest as at the acquisition date:

	Yongsheng Huiguang RMB'000	Wujiaqu RMB'000	Total RMB'000
Consideration:			
Cash consideration	20,100	40,000	60,100
Redesignation of concession rights previously recognised			
– Intangible assets	–	31,684	31,684
– Deferred tax liabilities	–	(6,495)	(6,495)
Fair value of previously held interest	15,595	–	15,595
Total consideration	35,695	65,189	100,884
Recognised amounts of identifiable assets acquired, liabilities assumed and non-controlling interests			
Property, plant and equipment	175,527	176,833	352,360
Value-added tax recoverable	18,993	19,995	38,988
Trade and other receivables and prepayments (Note (b))	1,460	14,012	15,472
Cash and cash equivalents	8,175	129	8,304
Trade and other payables	(147,661)	(139,177)	(286,838)
Deferred tax liabilities	(4,512)	(6,603)	(11,115)
Total identifiable net assets	51,982	65,189	117,171
Non-controlling interests	(12,120)	–	(12,120)
Bargain purchase recognised in interim condensed consolidated statement of profit or loss	(4,167)	–	(4,167)
	35,695	65,189	100,884
Acquisition costs recognised in interim condensed consolidated statement of profit or loss	–	7	7
Net cash outflow arising from the acquisitions			
Cash consideration	(20,100)	(40,000)	(60,100)
Less: Deposit for investments paid in prior year	–	40,000	40,000
Cash and cash equivalents acquired	8,175	129	8,304
	(11,925)	129	(11,796)

18 BUSINESS COMBINATIONS (continued)

Notes:

(a) Revenue and profit contribution

The sales of electricity and tariff adjustment included in the interim condensed consolidated statement of profit or loss since acquisition date contributed by Yongsheng Huiquang and Wujiaqu were approximately RMB12.6 million and RMB5.3 million respectively. Yongsheng Huiquang and Wujiaqu also contributed profit of RMB3.9 million and RMB3.2 million respectively over the same period. Had the consolidation taken place at 1 January 2016, the interim condensed consolidated statement of profit or loss would show pro-forma revenue of RMB452 million and profits attributable to shareholders of the Company of RMB249 million.

(b) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were approximately RMB15,472,000, which included trade receivables with fair values of approximately RMB1,405,000 for Wujiaqu. The gross contractual amount of these trade receivables due in aggregate was approximately RMB1,405,000, of which no balance was expected to be uncollectible.

(c) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of approximately RMB11,115,000 have been provided for in relation to these fair value adjustments.

(d) Bargain purchase on business combinations

The Group recognised bargain purchase of approximately RMB4,167,000 in the interim condensed consolidated statement of profit or loss as a result of acquisition of Yongsheng Huiguang. The main reason giving rise to the bargain purchase was the fact that the discounted cash flow over the expected useful lives of the solar power plants of 25 years exceeded the total consideration paid.

(e) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of acquirees' identifiable net assets.

19 RELATED-PARTY TRANSACTIONS

(a) Significant related party transactions

Other than those balances and transactions disclosed elsewhere in this Financial Information, no significant related party transactions between the Group and its related parties were occurred during the period (30 June 2015: Nil).

19 RELATED-PARTY TRANSACTIONS (continued)

(b) Key management compensation

	Unaudited For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	**5,470**	2,781
Share-based payment	**1,369**	2,162
	6,839	4,943

20 FAIR VALUE MEASUREMENT

(a) Financial assets and financial liabilities measured at fair value

The levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

All financial assets and liabilities which were carried at fair value as at 30 June 2016 were categorised as level 3.

There were no transfers of financial assets between level 1, level 2 and level 3 fair value hierarchy classifications during the period.

20 FAIR VALUE MEASUREMENT (continued)

(a) Financial assets and financial liabilities measured at fair value (continued)

The following table presents the changes in level 3 instruments for the period ended 30 June 2016.

	Financial assets at fair value through profit or loss			Financial liabilities at fair value through profit or loss		
	Call Option RMB'000	Guaranteed electricity output RMB'000	Unlisted investment RMB'000	Contingent consideration payables RMB'000	Put Option RMB'000	Derivatives portion of convertible bonds RMB'000
Opening balance at 1 January 2016	120,890	–	–	(580,691)	(21,262)	(108,527)
Fair value gains/(loss) recognised in the interim condensed consolidated statement of profit or loss	(9,708)	305,680	106,709	36,665	21,262	58,513
Transfer to convertible bonds	–	–	–	524,809	–	–
Transfer from investments in associates	–	–	16,991	–	–	–
Exchange difference	–	–	–	19,217	–	1,553
Closing balance at 30 June 2016	111,182	305,680	123,700	–	–	(48,461)
Total gains/(loss) for the period included in the interim condensed consolidated statement of profit or loss for assets and liabilities held at the end of the reporting period	(9,708)	305,680	106,709	36,665	21,262	58,513
Change in unrealised gains/(loss) for the period included in the interim condensed consolidated statement of profit or loss for assets and liabilities held at the end of the reporting period	(9,708)	305,680	106,709	36,665	21,262	58,513

20 FAIR VALUE MEASUREMENT (continued)

(b) Sensitivity analysis of observable and unobservable inputs

As described, the fair values of financial assets and liabilities that are classified in level 3 of the fair value hierarchy are determined using valuation techniques that make use of significant inputs that are not based on observable market data. These fair values could be sensitive to changes in the assumptions used to derive the inputs. Volatility is the main significant unobservable input. The table below illustrates the sensitivity of the significant inputs when they are changed to reasonably possible alternative inputs:

Description	Fair value at 30 June 2016 RMB'000	Fair value at 31 December 2015 RMB'000	Valuation techniques	Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss 30 June 2016 RMB'000	Favourable/(unfavourable) changes in profit or loss 31 December 2015 RMB'000
Financial assets at fair value through profit or loss							
– Call Option	111,182	120,890	Income approach	Volatility	+5%	9,998	11,162
					–5%	(10,126)	(11,325)
– Unlisted Investment	123,700	–	Market approach	Multiple	+5%	6,185	–
					–5%	(6,185)	–
Financial liabilities at fair value through profit or loss							
– Derivatives portion of convertible bonds	(48,461)	(108,527)	Market approach	Volatility	+5%	(13,713)	(22,496)
					–5%	13,062	23,527
				Share price	+HK$0.10	(27,886)	(42,455)
					–HK$0.10	21,568	35,774

Except for the liability component of the convertible bonds which were carried at amortised cost, the carrying amounts of all financial assets and financial liabilities of the Group approximated their fair values as at 30 June 2016 (31 December 2015: Same).

	Unaudited 30 June 2016 Carrying value RMB'000	Unaudited 30 June 2016 Fair value RMB'000	Audited 31 December 2015 Carrying value RMB'000	Audited 31 December 2015 Fair value RMB'000
Financial liabilities				
Convertible bonds carried at amortised cost	**3,426,821**	3,603,501	**2,802,432**	3,053,378

20 FAIR VALUE MEASUREMENT (continued)

(b) Sensitivity analysis of observable and unobservable inputs (continued)

The fair values of the liability portion of the convertible bonds carried at amortised cost were within level 3 of the fair value hierarchy and were determined by discounted cash flow using the inputs including contractual cash flows over the remaining contractual terms of the convertible bonds and discount rate that reflects the credit risk of the Company.

21 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

On 14 July 2016, the Group completed the acquisition of 100% equity interest in a project company which owns a solar power plant with installed capacity of approximately 35MW located in Yunnan Province, the PRC for a cash consideration of approximately RMB30.5 million.

On 5 August 2016, the Group completed the acquisition of 100% equity interest in a project company which owns a solar power plant with installed capacity of approximately 20MW located in Hebei Province, the PRC for a consideration of approximately RMB69.7 million.

On 26 August 2016, the Company has completed the issue of convertible bonds to a subscriber in the principal amount of US$50 million (equivalent to approximately RMB326 million).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 June 2016, the interests of the directors of the Company (the "**Directors**"), the chief executive and their associates in the ordinary shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), were as follows:

Long positions in ordinary shares of HK$0.10 each in the Company (the "Shares")

	Number of Shares			Percentage of issued share capital of the Company as of 30 June 2016
Name of Directors	Personal interests	Corporate interests	Other interests	
Mr. Li, Alan	6,003,000	159,404,314 (note 1)	4,002,000 (note 2)	3.50%
Mr. Li Hong	70,000	–	4,002,000 (note 3)	0.08%
Ms. Qiu Ping, Maggie	2,401,200	–	1,600,800 (note 4)	0.08%

Notes:

1. Among the 159,404,314 Shares, 141,230,827 Shares are held by Magicgrand Group Limited, which is incorporated in the British Virgin Islands and beneficially wholly-owned by Mr. Li, Alan. The other 18,173,487 Shares are beneficially owned by Pairing Venture Limited, which is incorporated in the British Virgin Islands and directly wholly-owned by Mr. Li, Alan.

2. By undertaking to work for China Solar Power Group Limited ("**CSPG**"), a wholly-owned subsidiary of the Company, for a period of three years and subject to performance review, Mr. Li, Alan is entitled to receive, from a trustee company, 4,002,000 Shares.

3. By undertaking to work for CSPG for a period of three years and subject to performance review, Mr. Li Hong is entitled to receive, from a trustee company, 4,002,000 Shares.

4. By undertaking to work for CSPG for a period of three years and subject to performance review, Ms. Qiu Ping, Maggie is entitled to receive, from a trustee company, 1,600,800 Shares.

Other than disclosed above and save for the share options as set out under the section headed "Share Option Scheme" below, none of the Directors or the chief executive or their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as of 30 June 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the sections headed "Directors' and chief executive's interests in Shares, underlying Shares and debentures" above and "Share option scheme" below, at no time during the six-month period ended 30 June 2016 was the Company, its holding company, any of its subsidiaries or any of subsidiaries of its holding company, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Period.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 19 June 2012, the shareholders of the Company (the "**Shareholder(s)**") approved the adoption of a share option scheme (the "**Option Scheme**").

On 8 January 2015, 64,500,000 share options to subscribe for 64,500,000 Shares were granted under the Option Scheme. On 28 January 2016, 36,568,319 share options to subscribe for 36,568,319 Shares were granted under the Option Scheme. Details of the share options granted under the Option Scheme to Directors and employees of the Group and movement in such holding during the Period are as follows:

Directors	Date of grant	Exercise price (HK$/Share)	Closing price before the date of grant (HK$/Share)	Outstanding at 1 January 2016	Changes during the period: Granted	Exercised	Lapsed	Outstanding at 30 June 2016	Exercise period (note)
Mr. Li, Alan	8 January 2015	1	1	6,000,000	–	–	–	6,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	3,000,000	–	–	3,000,000	28 January 2017 to 27 January 2021
Mr. Lu Zhenwei	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	3,000,000	–	–	3,000,000	28 January 2017 to 27 January 2021
Mr. Li Hong	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	3,000,000	–	–	3,000,000	28 January 2017 to 27 January 2021

Directors	Date of grant	Exercise price (HK$/Share)	Closing price before the date of grant (HK$/Share)	Outstanding at 1 January 2016	Changes during the period Granted	Exercised	Lapsed	Outstanding at 30 June 2016	Exercise period (note)
Ms. Qiu Ping, Maggie	8 January 2015	1	1	3,000,000	–	–	–	3,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	3,000,000	–	–	3,000,000	28 January 2017 to 27 January 2021
Academician Yao Jiannian	8 January 2015	1	1	3,000,000	–	–	–	3,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	1,000,000	–	–	1,000,000	28 January 2017 to 27 January 2021
Mr. Tang Wenyong	28 January 2016	0.564	0.54	–	1,000,000	–	–	1,000,000	28 January 2017 to 27 January 2021
Mr. Kwan Kai Cheong	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	1,000,000	–	–	1,000,000	28 January 2017 to 27 January 2021
Mr. Yen Yuen Ho, Tony	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	1,000,000	–	–	1,000,000	28 January 2017 to 27 January 2021
Mr. Shi Dinghuan	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	1,000,000	–	–	1,000,000	28 January 2017 to 27 January 2021
Mr. Ma Kwong Wing	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	1,000,000	–	–	1,000,000	28 January 2017 to 27 January 2021
Other officers and employees	8 January 2015	1	1	27,800,000	–	–	(1,700,000)	26,100,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	–	18,568,319	–	(878,000)	17,690,319	28 January 2017 to 27 January 2021
Total				51,800,000	36,568,319	–	(2,578,000)	85,790,319	

Note:

All share options granted by the Company shall vest in three tranches within a period of 3 years in proportions of 30%, 30% and 40% of the share options granted, i.e. 30% of the share options granted shall vest on the 1st anniversary of the grant, another 30% shall vest on the 2nd anniversary of the grant, and the remaining 40% shall vest on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.

A summary of principal terms of the Option Scheme is set out below:

On 19 June 2012, the Company adopted the Option Scheme at the annual general meeting, under which the Board of Directors may, at their discretion, invite full-time employees and directors of the Group, advisors or consultants to the Group, providers of goods and/or services or customers of the Group, shareholders of any member of the Group or any other person who, as determined by the Board of Directors, has contributed to the Group, to subscribe for Shares of the Company at any time during ten years from the date of adoption.

By reason of voluntary resignation or by termination of employment in accordance with the provisions of employment contract, other than on redundancy, or because the relevant employing company ceases to be a member of the Group, all share options granted to the relevant person, to the extent of those not already exercised, shall lapse and the date of the lapse shall be determined by the Directors.

The total number of Shares which may be issued upon exercise of all share options to be granted under the Option Scheme and any other share option schemes must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Option Scheme unless the Company obtains a fresh approval from the Shareholders. Notwithstanding the foregoing, the maximum number of Shares in respect of which share options may be granted under the Option Scheme together with any share options outstanding and yet to be exercised under the Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the share options granted to each participant (including exercised, cancelled and outstanding share options) in any twelve-month period shall not exceed 1% of the total number of Shares in issue.

Share options granted under the Option Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The subscription price for the Shares under the Option Scheme shall be a price determined by the Board of Directors and notified to an eligible participant and shall be no less than the higher of:

(i) the closing price of the Share as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

The recognition of compensation cost of share options is based on their fair values of the share options on grant date. The fair values of share options measured at the date of grants were determined by using binomial model. The significant assumptions used in the model to derive the fair value were as follows:

Date of grant	8 January 2015	28 January 2016
Risk free rate	1.257%	1.295%
Volatility	45%	45%
Dividend yield	0%	0%
Expected option life (year)	5	5
Fair value (HK$' million)	22.5	7.1

After vesting, when the share options are forfeited prior to the expiry date, the amount previously recognised in the "Share-based payment reserve" will be transferred to the "Accumulated losses" within the consolidated statement of changes in equity.

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO show that the following Shareholders (other than those disclosed in the section headed "*Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures*") had notified the Company or the Stock Exchange of relevant interests and short positions in the Shares or underlying Shares.

Long position in the Shares

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company as of 30 June 2016
China Merchants Group Limited* (招商局集團有限公司) ("**China Merchants**") (note 1)	Interest in controlled corporation	683,055,686 (note 2)	1,543,622,303 (note 3)	46.01%
Snow Hill Developments Limited ("**Snow Hill**") (note 2)	Beneficial owner	103,111,436	–	23.21%
	Interest in controlled corporation	579,944,250 (note 4)	440,036,000	
China Merchants New Energy Group Limited ("**CMNEG**") (note 4)	Beneficial owner	579,944,250	440,036,000	21.08%
China Merchants Fund Management Limited* (招商基金管理有限公司) ("**CM Fund**") (note 5)	Beneficial owner	–	547,731,493	11.32%
Shenzhen China Merchants Yinke Investment Management Limited* (深圳市招商局銀科投資管理有限公司) ("**CM Yinke**") (note 6)	Beneficial owner	–	555,854,810	11.49%
New Energy Exchange Limited ("**NEX**") (note 7)	Beneficial owner	201,926,000	33,293,000	6.13%
	Interest in controlled corporation	61,627,621	–	
Zhongli New Energy (Hong Kong) Investment Limited (note 8)	Beneficial owner	299,922,000	79,948,000	7.85%
Fosun International Limited (note 9)	Interest in controlled corporation	70,924,000	290,860,132	7.48%
China Huarong Asset Management Co., Ltd. (note 10)	Interest in controlled corporation	–	631,376,578	13.05%
Huaqing Solar Power Limited* (華青光伏有限公司) (note 11)	Beneficial owner	–	486,564,540	10.05%
COAMI ABS No. 1 Limited (note 12)	Beneficial owner	–	380,728,155	7.87%

Notes:

1. China Merchants and together with other parties acting in concert with CMNEG under Section 317 of the SFO are interested in 24.44% Shares, and a total interest in 57.02% Shares and underlying Shares based on 4,839,310,325 Shares in issue and subject to the terms of the convertible bonds.

2. These 683,055,686 Shares are beneficially held by Snow Hill, which is an indirect wholly-owned subsidiary of China Merchants.

3. These represent the conversion shares of certain convertible bonds held by CM Fund, CM Yinke, Snow Hill and CMNEG, each a controlled corporation of China Merchants.

4. These 579,944,250 Shares are held by CMNEG, which is owned as to 79.36% by Snow Hill and as to 20.64% by Magicgrand Group Limited ("**Magicgrand**"). Magicgrand is beneficially wholly owned by Mr. Li, Alan, an executive Director and chief executive officer of the Company.

5. CM Fund is owned as to 55% by China Merchants Bank Co., Ltd. and as to 45% by China Merchants Securities Co., Limited, and China Merchants holds 50.86% interest in China Merchants Securities Co., Limited. Accordingly each of its shareholders and China Merchants is deemed to have interest in those 547,731,493 Shares.

6. CM Yinke is indirectly owned as to 52% by China Merchants.

7. NEX is a party acting in concert with CMNEG according to Section 317 of the SFO.

8. Zhongli New Energy (Hong Kong) Investment Limited is directly and wholly owned by Zhongli Talesun Solar Co., Ltd., which was directly owned as to 74.81% by Zhongli Science and Technology Group Co., Ltd. and it was directly owned as to 46.8% by Mr. Wang Baixing. Accordingly, Mr. Wang Baixing was deemed to have interest in those 299,922,000 Shares and 79,948,000 underlying shares.

9. Fosun International Limited is indirectly owned as to 79.53% by Fosun International Holdings Limited, which is indirectly owned as to 58% by Mr. Guo Guangchang. Accordingly, Mr. Guo Guangchang is deemed to have interest in those 70,924,000 Shares and 290,860,132 underlying Shares.

10. These Shares are held by Driven Innovation Limited, which is an indirect wholly-owned subsidiary of China Huarong Asset Management Co., Ltd.

11. Huaqing Solar Power Limited is indirectly wholly owned by Qingdao City Construction Investment (Group) Co., Ltd.

12. Walkers Fiduciary Limited acts as the fund manager of COAMI ABS No. 1 Limited and is deemed to have interest in those 380,728,155 underlying Shares.

13. Further to the Shareholders as set out in the above table, as at 30 June 2016, each of China Green Holdings Limited (a wholly-owned subsidiary of NEX), Sino Arena Investments Limited, Magicgrand and Pairing Venture Limited, being parties acting in concert with CMNEG according to Section 317 of the SFO, was holding 2,205,621 Shares, 76,653,860 Shares, 141,230,827 Shares and 18,173,487 Shares respectively.

Save as disclosed above, the Directors are not aware of any person (not being a Director) who, as at 30 June 2016, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group) was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the Period, 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:

Mr. Li, Alan, an executive Director, is the CEO and the Chairman of the Board. Code A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by the Directors on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all the Directors, the Company confirmed that all the Directors have complied with the requirements set out in the Model Code and the Company's relevant policies throughout the Period.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company during the Period are set out below:

Name of the Directors	Details of changes
Mr. Kwan Kai Cheong	Appointed as chairman of the board of Utopa Limited, a commercial property operating company in China, with effect from 1 February 2016
Mr. Yen Yuen Ho, Tony	Appointed as an independent non-executive director of Alltronics Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange, with effect from 12 August 2016
Mr. Ma Kwong Wing	Ceased to act as the Honorary Secretary of The Hong Kong Heart Foundation Limited and Institute for Heart Health Promotion Limited, both being charitable guarantee companies exempted from tax under Section 88 of the Hong Kong Inland Revenue Ordinance, with effect from 20 January 2016

AUDIT COMMITTEE'S REVIEW

The financial statements of the Group for the six-month period ended 30 June 2016 have been reviewed by the Company's audit committee comprising 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.

INTERIM DIVIDEND

As no interim dividend for the six months ended 30 June 2016 has been declared by the Board, the register of members of the Company will not be closed for that purpose.

APPRECIATION

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

For and on behalf of
United Photovoltaics Group Limited
Li, Alan
Chairman of the Board

Hong Kong, 30 August 2016

* *For identification purpose only*