PANDA GREEN ENERGY GROUP LIMITED

Stock Code: 00686.HK

熊猫绿能
Panda Green

TOGETHER WE BUILD **A GREEN WORLD**

ANNUAL REPORT 2017

BUILD A GREEN HOME,
AND LET PANDA SMILES
AROUND THE WORLD

CONTENTS

LETTER TO INVESTORS

Dear valuable investors,

Global energy industry experienced revolutionary changes in the year of 2017, at the same time, China continued its exploration of a new economic era.

The continuous technology advancements in energy industry has lowered the price for key inputs. Meanwhile, favorable policies and industry standards for new energy were adopted to further push for the development of clean energy. As for the bigger picture, China's economy has been growing stably, evidenced with the growth target of last year being successfully accomplished.

According to the National Development and Reform Commission, the 2017 total electricity consumption in China was 6.3 trillion kWh up by 6.6% comparing to 2016. The aggregate electricity output in 2017 rose by 6.5% while clean energy output experienced a 10% year-on-year climb. Hydropower, wind power and solar power generation up by 1.7%, 26.3% and 75.4% respectively over the same period of previous year. In 2017, China installed a total of 53GW of new solar capacity, with a year-on-year increase of 53.6%. The expansion was world-leading for the fifth consecutive year. The aggregate installed capacity reached 130GW, ranking the first the world for the third year in a row. The global solar market enjoyed strong growth with an additional installed capacity of 102GW, a year-on-year increase of over 37% with a cumulative solar capacity of 405GW.

Panda Green Energy Group Limited ("Panda Green" or the "Company", collectively with its subsidiaries, the "Group") and its associates/joint ventures adhered to the spirit of "integrated ingenuity and structural innovation", achieved an aggregate installed capacity of 2.09GW in 2017, representing a year-on-year increase of 61.6%. The annual electricity generation volume increased significantly to 2.115 million MWh, up 57% over the previous year, of which 42,938 MWh was generated by wind power. A significant increase in electricity generation drove up the electricity sales revenue, improving the Company's cash flow effectively. In addition, the social benefits of Panda Green also became increasingly prominent as power generation increased, contributing to combating climate change and promoting clean energy. On behalf of the Board, I hereby announced the annual performance of Panda Green for the year ended 31 December 2017: In 2017, the Group recognised revenue of RMB1,522 million, representing a year-on-year increase of 52.5%; EBITDA amounted to RMB1,198 million, a year-on-year increase of 41.2% and profit for the year amounted to RMB153 million.

During the year, Panda Green vigorously sought business opportunities along the "Belt and Road" (the "B&R") routes, focusing on clean energy construction and cooperation, including the promotion of launching Panda Power Plant, introduction of new business sectors (hydropower and wind power), project cooperation on new energy projects etc.. In September 2017, the Group was successfully included in Shenzhen-Hong Kong Stock Connect, mirroring its investment value with great attention and affirmation from the capital market.

LETTER TO INVESTORS

Global energy development is suffering from severe issues nowadays, namely drying out of natural resources, environmental pollution and global climate change etc.. It is impossible to overstate the importance of clean energy in tackling the above-mentioned challenges. As the largest developing country in the world, China is on track to lead in global sustainable development by aiming high in persuing green development. China is also the world's largest producer and consumer of renewable energy, and clean energy related products and technologies from China are thriving in countries along the "B&R" routes. With determination in promoting global ecological and sustainable development, Panda Green has been proactively expanding its clean energy business as one of the leading companies in China's clean energy industry, by deepening the collaboration for "B&R" projects, leveraging its exquisite O&M management and investment strategies.

LETTER TO INVESTORS

LAUNCHING THE WORLD'S FIRST PANDA POWER PLANT WITH WORLDWIDE ATTENTION

On 14 May 2017, during the "B&R" Forum for International Cooperation (the "B&R" Forum) held in Beijing, Panda Power Plant project was formally incorporated into the Action Plan on the Advancement of the "B&R" Initiative (《關於共同推進「一帶一路」建設的行動計劃》) by the Government of the People's Republic of China and the United Nations Development Programme ("UNDP"). On 29 June of the same year, the world's first Panda Power Plant located in Datong, Shanxi was connected to grid. With more than 30 technological innovations, of which eight innovations pioneered in the industry, Panda Power Plant drew worldwide attention and became the image of China's new energy industry. Overseas mainstream media including Reuters, BBC, CNN and Washington Post all scrambled to report, and Xinhua News Agency and CCTV paid multiple tours to Datong, Shanxi to interview on-site. In addition, subsequent to the 19th National Congress of the Communist Party of China, CCTV's special program "China On the Air" on the important event introduced Datong Panda Power Plant, and highlighted the project as "Fueling Splendid China"(充電美麗中國) and "The Showcase of China on Green Energy Transformation"(綠色轉型的中國名片). Looking forward, we target to build more Panda Power Plants in different patterns in China, while to invite delegations from countries along the "B&R" to pay on-site visit for selection of the most ideal models and bring in the creative eco-development project locally. With Panda Power Plant project sweeping across the globe, green concept will become well-accepted and result in the common use of clean energy, which will greatly lower the cost of energy use, economically or ecologically. The adorable image of Panda Power Plant, which represents both spiritual wealth and material wealth, drew extensive attention from the public, especially the younger generation, with its notion on sharing of clean energy.

INTRODUCING MORE STRATEGIC SHAREHOLDERS TO FURTHER OPTIMIZE SHAREHOLDER STRUCTURE

Following the completion of the strategic acquisition of shares by ORIX Corporation, a large international investment institution and Asia Climate Partners ("ACP") under Asian Development Bank on 20 March 2017, Panda Green entered into a strategic cooperation agreement with a subsidiary of China Huarong Asset Management Co., Limited ("China Huarong") on 28 August 2017. China Huarong will offer diversified and innovate financial services with its professional expertise in the financial markets to assist Panda Green in the development of global Panda Power Plant and new energy projects along the "B&R" routes. The joining of ORIX, ACP, China Huarong and other top financial institutions will enable Panda Green to achieve more steady growth.

DEVELOPING CLEAN ENERGY PROJECTS IN TIBET AND IMPLEMENTING COMPLEMENTARY STRATEGY ON CLEAN ENERGY

During the year, the Group invested in a holding company in Tibet Autonomous Region which owns development rights in hydropower, solar power and wind power with aggregate capacity of over 5GW. The Group holds 75% equity interest in that holding company, while the remaining equity interest is held by the People's Government of Tibet Autonomous Region. The hydropower projects are mainly located in quality drainage basin with abundant water resource. With the Central Tibet Grid Interconnection Project speeding up with a total investment of RMB16.2 billion, the reliability of the system power supply and clean energy delivery capacity will be effectively improved upon expected completion, which will enable extension of clean energy allocation to rest of China. Overall speaking, the development of hydropower in Tibet will, on the one hand, meet the local electricity demands and help to speed up Tibet's economic growth; on the other hand, realize power transmission from Tibet to Beijing and other countries along the "B&R" routes.

The development of large-scale hydropower in Tibet is one of the most momentous step in Panda Green's business development, delivering outstanding contribution in support of the "B&R" initiative. By the same token, Panda Green also leveraged the strategic partnership with the UNDP to launch the world's first innovative solution for clean energy, namely Panda Power Plant, in order to stick out the strategy of "leading B&R with Panda Power Plant"(一帶一路，熊貓先行) and insist on taking the lead in the output of clean and high-quality green power, thus to provide a solid foundation for the subsequent green construction along the "B&R" routes.

ACTIVELY RESPONDING TO CHINA'S APPEAL FOR BUILDING ECOLOGICAL GREEN ROAD ALONG THE "B&R" ROUTES

At the "B&R" Forum convened in Beijing on 14 May 2017, the green development was highlighted once again, appealing for green, low-carbon, recycling and sustainable development. Of 17 sustainable development goals proposed by the United Nations, goal 7 is "Affordable and Clean Energy", which ensures access to affordable, reliable and sustainable clean energy for all. This is in line with the concept of green development stated in the "B&R" initiative. In the light of the same advocate, Panda Green launched plans for building Panda Power Plants in countries along the "B&R" routes, which is another a representative example of practicing the concept of green development and promoting the sustainable development. Additionally, we further established collaborative partnerships with the Government of the Philippines, China Railway Construction Corporation Limited and the People's Government of Tibet Autonomous Region to accelerate green energy layout along the "B&R" routes during 2017.

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On 18 October 2017, the commemorative stamp of the 19th National Congress of the Communist Party of China (the "19th National Congress of CPC") was officially released, in which solar and wind power became the essential elements for the first time ever in history. According to the report of the 19th National Congress of CPC, China would speed up reform of the eco-civilization system by addressing the energy-saving and environmental protection industry and establishing a clean, low-carbon, safe and efficient energy system. As a matter of fact, with prominent growth in capacity, solar energy is with no doubt dominating and sustaining clean energy revolution, which is unstoppable as green concept is ingrained in every single one's mind.

DEVELOPING "PV +" PROJECTS TO CONSOLIDATE THE POSITION AS INDUSTRY LEADER

"Innovation is the primary driver of development and the strategic cornerstone of the modern economy. In addition to our continuous penetration in traditional photovoltaic power generation, we have been pioneering in innovative modalities such as "Photovoltaic + Agriculture" and "Photovoltaic + Fisheries" to capitalize on the synergies across fields and industries, with the unequivocal goal of reclaiming our clean globe.

On 18 October 2017, the Grape-Photovoltaics Integrated Project of the Group, located in Turpan, Xinjiang, completed grid connection and obtained approval during the national appraisal. On 21 August 2016, Panda Green entered into a partnership agreement with the government of Turpan City to jointly construct a demonstrative showcase of Grape-Photovoltaics Integrated base, combining grape cultivation and photovoltaics generation in an area of 100,000 acres. The current pilot project under the agreement completed in success with 200kW connected on-grid.

Over the years, Panda Green has continuously incorporated innovation, sustainability and inclusiveness into its business operations. We successfully completed demonstrations for cross-border integration, including the Global Smart PV Cloud Management Center in cooperation with Huawei and the mobile APP "iNEX" which promotes information sharing of power plant operations.

BEING ADMITTED TO SOUTHBOUND TRADING UNDER SHENZHEN-HONG KONG STOCK CONNECT AS ELIGIBLE STOCK AND SUBSTANTIATING CAPITAL MARKET INFLUENCE

On 4 September 2017, we were admitted as an eligible stock for Southbound Trading under Shenzhen-Hong Kong Stock Connect. Under the overwhelming trend of new energy revolution, clean energy-themed stocks with both promising investment value and uniqueness in clean-technologies are highly demanded by strategic investors. Subsequent to our successful admission as constituent stock by the Hang Seng Composite Index Series, the Hang Seng Global Composite Index and the MSCI Global Small Cap China Index, respectively, the admission to Southbound Trading under Shenzhen-Hong Kong Stock Connect as an eligible stock once again substantiates the investment value of Panda Green with amplifying attention, recognition and liquidity from the capital market.

LETTER TO INVESTORS

PROSPECTS

Under the global trend of green ecological transformation, the development of new energy is expected to continue to thrive in 2018, with the support of national policies and the concerted efforts of the stakeholders in the industry as well as attention of the public. In coherence with the "B&R" initiative, Panda Green will devote substantial efforts in every stride towards the grand objectives of our "Panda 100" project at a persistent and accelerated pace and contribute to the national and global climate management. What is to come is now just in front of our eyes, and we have the ambition to become the leader in the field of climate management. As a promising provider of emerging technology, energy blockchain empowers the previous seemingly impossible mission to bring the benefits of new energy to every member of the public and to accelerate the achievement of Goal No. 7 of the United Nations' Sustainable Development: ensuring access to affordable, reliable and sustainable clean energy for all. Rapid development of new energy has become and will continue to be the trend of our times!

Lastly, on behalf of the Board and the team of management of the Company, I would like to express my sincere gratitude to all shareholders, investors and friends from all circles in the society for their continuous support and trust to the Company and thank all employees in Panda Green for their hard work.

/Signature/Li, Alan
Chairman of the Board, Executive Director and
Chief Executive Officer
Li, Alan

28 March 2018

Global Clean Energy Project Distribution of Panda Green

Diversified project portfolio covering extensive areas around the world

Note: Installed capacity as at 31 December 2017

COMPANY PROFILE

Headquartered in Hong Kong, Panda Green Energy Group Limited ("Panda Green" or the "Company", together with its subsidiaries, the "Group") is a leading global supplier of ecological solutions. Listed on the Main Board of Hong Kong Stock Exchange, the Company is a constituent stock of Hang Seng Stock Connect Hong Kong Index (Shenzhen-Hong Kong Stock Connect), Hang Seng Composite Index Series, Hang Seng Global Composite Index and MSCI Global Small Cap China Index. New energy projects under the Group and its associates/joint ventures, scattered across the country and some overseas regions, with aggregate installed capacity of over 2GW and have generated 2.115 million MWh of green electricity for the entire 2017. The total electricity generation volume for 2017 can satisfy the electricity consumption of 1.18 million households for one year and is equivalent to the electricity consumption of 440,000 households in Hong Kong Island for almost three years. Panda Green, a platform that gathers global new energy resources, has attracted many large institutional investors from home and abroad. Its key shareholders include China Merchants New Energy Group Limited under China Merchants Group, China Huarong (one of the four major asset management companies in China), ORIX (an international large-scale group providing integrated financial services) and Asia Climate Partners (ACP) under Asian Development Bank.

At the "B&R" Forum for International Cooperation held in Beijing on 14 May 2017, Panda Power Plants were included in the project list for the Action Plan on the Advancement of the "B&R" Initiative by the Government of the People's Republic of China and the United Nations Development Programme (《中華人民共和國政府與聯合國開發計劃署關於共同推進「一帶一路」建設的行動計劃》, the "Action Plan"). According to the Action Plan, the Group is to build Panda Power Plants in countries along the "B&R" routes, such as the Philippines, Fiji and Thailand. The power plants are designed to provide such countries with an array of energy solutions in various aspects, including hydropower, wind power, solar power, biomass and energy storage. In addition, the United Nations has included Panda Power Plants into its scheme of "Youth Engagement and Innovation to Promote Sustainable Development"(可持續發展目標青年參與及創新計劃), planning to promote such plants across the globe. On 29 June 2017, the world's first Panda Power Plant located in Datong, Shanxi successfully connected to grid. In October 2017, the second Panda Power Plant commenced operation in Guigang, Guangxi. For the future, Panda Green wishes to leverage the "B&R" initiative to share its advanced production capacity with global partners, and export its advanced ecological concepts and lifestyle.

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
(Executive President and Company Secretary)
Mr. Jiang Wei *(Chief Operating Officer)*
Mr. Yu Qiuming

Non-executive Directors

Mr. Tang Wenyong
Mr. Li Hao

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

Nomination Committee

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

Risk Control Committee

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

Strategy Committee

Mr. Zou Yiqiao* *(chairman)*
Mr. Yu Qiuming *(executive chairman)*
Mr. Li, Alan
Mr. Lam Tsz Cheung, Anthony*

* Non-board member

AUDITORS

PricewaterhouseCoopers

SOLICITORS

Bermuda

Conyers Dill & Pearman

Hong Kong

Eversheds Sutherland
Reed Smith Richards Butler

Mainland China

Grandall Law Firm, Hangzhou Office

PRINCIPAL BANKERS

Bank of China (Hong Kong) Ltd.
China Construction Bank Corporation
China Development Bank Corporation
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
The Bank of East Asia Limited
The Export-Import Bank of China
Bangkok Bank Public Company Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Estera Management (Bermuda) Limited

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

http://www.pandagreen.com

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li, Alan, aged 50, was appointed as our Executive Director on 10 June 2013. Mr. Li is also the Chairman of the Board of Directors, the Chief Executive Officer, the chairman of the Nomination Committee and a member of each of the Risk Control Committee and the Strategy Committee of the Company. Mr. Li is primarily responsible for formulating our business strategy, overseeing acquisitions and development of renewable energy projects, and day to day operations. Mr. Li also serves as a director of China Solar Power Group Limited, an indirectly wholly-owned subsidiary of the Company. Mr. Li is also a director of China Merchants New Energy Group Limited and the chairman of the board of directors of Pairing Venture Limited. Prior to joining China Merchants New Energy Group Limited, Mr. Li served as an executive director of Linchest Technology Ltd. and Shun Tai Investment Limited and was mainly in charge of investment, mergers and acquisitions in China. In 2013, Mr. Li collaborated with several state-owned enterprises, such as GD Solar Co., Ltd. and State Grid Corporation of China, and established Photovoltaic Green-ecosystem Organization (the "PGO"), the first eco-system that integrates the entire value chain of the photovoltaic industry in China, which has significantly driven forward the development of the industry. The PGO has rapidly expanded the development and construction of large-scale solar power plants in China. Mr. Li possesses extensive experience in investments and the management of conglomerates. Mr. Li has a Master's degree in Business Administration from Murdoch University of Australia.

Mr. Lu Zhenwei, aged 47, was appointed as our Executive Director on 10 June 2013 and is the chairman of the Risk Control Committee of the Company. Mr. Lu also serves as a director of China Solar Power Group Limited, an indirectly wholly-owned subsidiary of the Company. Mr. Lu is also the chairman of the board of directors of each of China Merchants New Energy Group Limited and China Merchants Technology Holdings Company Limited, the senior general managing director of China Merchants Capital Investment Limited*（招商局資本投資有限責任公司）, the deputy general manager of China Merchants Innovation Investment Management Limited*（招商局創新投資管理有限責任公司）, the general manager of Shenzhen China Merchants Yinke Investment Management Ltd.*（深圳市招商局銀科投資管理有限公司）, and the executive director and chief financial officer of New Energy Exchange Limited. Mr. Lu previously served as a director of Beijing Huahuan Electronics Co., Ltd.*（北京華環電子股份有限公司）and China KZ High Technology Co., Ltd.*（中國科招高技術有限公司）. Mr. Lu also served as a director of Shenzhen CAU Technology Co., Ltd.*（深圳中國農大科技股份有限公司）from May 2003 to May 2008, the shares of which are listed on the Main Board of the Shenzhen Stock Exchange. Prior to joining China Merchants Group Limited, Mr. Lu served in a number of companies as a director, the general manager, the deputy general manager or the chief financial officer. Mr. Lu possesses profound understanding and unique insights in project financing and business operation and has more than ten years' experience in financial management, business management and project investment. Mr. Lu has a Bachelor's degree in Economics from Shanghai Maritime University and a Master's degree in Finance from Zhongnan University of Economics and Law.

Mr. Li Hong, aged 45, was appointed as our Executive Director on 28 August 2015, and is a member of the Risk Control Committee of the Company. Mr. Li joined us as the Financial Controller of the Company in February 2014 and was appointed as our Chief Financial Officer in April 2014. Mr. Li is primarily responsible for developing financial strategy and is the co-chairman of the Mainland China operations of the Group. Mr. Li also acts as the general manager of United Photovoltaics (Changzhou) Investment Co., Ltd.*（聯合光伏（常州）投資有限公司）, a major wholly-owned subsidiary of ours holding and managing investments in China, as well as acting as a director of several of our other subsidiaries. Prior to joining us, Mr. Li worked in the finance department of The Overseas Chinese Affairs Office of the State Council and was in charge of the financial departments with the China Travel Service (Holdings) Hong Kong Limited and its mainland subsidiaries. Mr. Li possesses over 15 years' experience in managing large state-owned enterprises, industrial enterprise, as well as the tourism and media industry. Mr. Li has a Bachelor's degree in Economics majoring in Monetary Banking from Central University of Finance and Economics, and a Master's degree in Business Administration from Murdoch University of Australia.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Qiu Ping, Maggie, aged 39, was appointed as our Non-executive Director on 10 June 2013, was re-designated as an Executive Director on 28 August 2015, and is also our Executive President and Company Secretary. Concurrently, Ms. Qiu serves as a director and the president of China Solar Power Group Limited, an indirectly wholly-owned subsidiary of the Company, where she has been responsible for overseeing its legal and compliance matters, corporate governance, and human resources for over ten years. Previously, Ms. Qiu was the company secretary and senior vice president of a company which was listed on The NASDAQ Stock Market. Prior to that, Ms. Qiu served as assistant to general manager for several prominent multinational companies and gained extensive experience in corporate governance, mergers and acquisitions and project management. Ms. Qiu has a Bachelor's degree in Economics and a Bachelor's degree in German Literature from Peking University and a Master's degree in European Culture and Economics from Ruhr University, Bochum, Germany as well as a Master's degree in Corporate and Financial Law from The University of Hong Kong.

Mr. Jiang Wei, aged 36, was appointed as our Executive Director on 20 March 2017. Mr. Jiang had been our Chief Legal Officer since 17 January 2014 and was re-designated as the Chief Operating Officer on 13 October 2016, and he is also the co-chairman of Mainland China operations of the Group. Concurrently, Mr. Jiang also acts as the legal representative and chairman of the board of directors of United Photovoltaics (Shenzhen) Limited*（聯合光伏（深圳）有限公司）, an indirectly wholly-owned subsidiary of the Company, as well as a director of several of our other subsidiaries. Mr. Jiang is primarily responsible for project acquisition and development and asset restructuring of the Group, and operations management affairs in various subsidiaries of the Company. Prior to joining us, Mr. Jiang served as the general counsel of a company which was listed on The NASDAQ Stock Market. Previously, he had been a practicing lawyer with Grandall Law Firm. Mr. Jiang has a Master's degree in Law from Queen Mary University of London.

Mr. Yu Qiuming, aged 44, was appointed as our Executive Director on 12 September 2017 and is a member and the executive chairman of the Strategy Committee of the Company. Mr. Yu is also the chairman of board of each of Amani Gold Limited, a company listed on the Australia Securities Exchange, Xinjiang Coal Exchange Center Co., Ltd.*（新疆煤炭交易中心有限公司）, and Poly Jiangshan Resources Co., Ltd.*（保利江山資源有限公司）. Mr. Yu has extensive experience in investment, development and management in the fields of energy resources, mining, real estate and finance. Mr. Yu established the energy business segment under China Poly Group Corporation, namely Zhongmei Huali Energy Holdings Limited*（中煤華利能源控股有限公司）(formerly known as Poly Energy Holding Co., Ltd.), and he served as the president of this company from July 2006 to December 2009. Mr. Yu also led the development and construction of the copper and zinc mineral project located at Katelixi, Qiemo, Xinjiang, China. Mr. Yu received a Bachelor's degree in Resource and Environment Planning and Management from Nanjing University in China.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Tang Wenyong, aged 54, was appointed as our Non-executive Director of the Company on 24 December 2015 and is also a member of each of the Audit Committee, Remuneration Committee and Risk Control Committee of the Company. Mr. Tang is also a director of China Merchants New Energy Group Limited and a senior managing director of China Merchants Capital Management Co., Ltd.*（招商局資本管理有限責任公司）. Previously, Mr. Tang served as an officer of the research and development department of China Merchants Shekou Industrial Zone Holdings Co., Ltd*（招商局蛇口工業區控股股份有限公司）and the general manager of China Merchants Investment and Consultancy Management Co., Ltd.*（招商局投資顧問管理有限公司）. Mr. Tang also serves as a director of Jiangxi Selon Industrial Co., Ltd.*（江西世龍實業股份有限公司）whose shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange, and served as the chairman of the supervisory board of Shenzhen Jasic Technology Co., Ltd.*（深圳市佳士科技股份有限公司）, the shares of which are listed on the Growth Enterprise Market of the Shenzhen Stock Exchange, from 31 January 2013 to 27 January 2016. Mr. Tang has been engaged in equity investment for years, and accumulated extensive experience in investment and project management. Mr. Tang has a Bachelor's degree in Economic Geography from Peking University.

Mr. Li Hao, aged 36, was appointed as our Non-executive Director on 20 March 2017, and is a member of the Risk Control Committee of the Company. Mr. Li is currently the general manager of China Business Division, East Asia Business Headquarters at ORIX Corporation, a diversified financial services company and whose shares are listed on the Tokyo Stock Exchange (securities code: 8591) and on the New York Stock Exchange (trading symbol: IX). Mr. Li has been with ORIX Corporation since October 2007. He is also the director and president of ORIX Asia Capital Limited, a wholly-owned subsidiary of ORIX Corporation, since April 2013. Mr. Li graduated from the Graduate School of Finance, Accounting and Law at Waseda University in Japan in September 2011 with a Master's degree in business administration for finance. He has more than 10 years of experience in the fields of investment banking and finance.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Kai Cheong, aged 68, was appointed as our Independent Non-executive Director on 1 April 2011 and is also the chairman of the Audit Committee and a member of each of the Remuneration Committee, the Nomination Committee and the Risk Control Committee of the Company. Mr. Kwan is concurrently the president of Morrison & Company Limited, a business consultancy firm, and the chairman of the board of Utopa Limited, a commercial property operating company in China. Since 1 February 2007, Mr. Kwan has served as a non-executive director of China Properties Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He also serves as an independent non-executive director of Henderson Sunlight Asset Management Limited, the Manager of Sunlight Real Estate Investment Trust whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and each of HK Electric Investments Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments Limited), Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited (formerly known as "SPG Land (Holdings) Limited"), and CK Life Sciences Int'l., (Holdings) Inc., all of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Kwan was previously the president and chief operating officer for Merrill Lynch & Co., Inc. (Asia Pacific region), an independent non-executive director of Galaxy Resources Limited, a company listed on the Australian Securities Exchange, from 13 October 2010 to 30 June 2014, and an independent non-executive director of China Oceanwide Holdings Limited (formerly known as "Hutchison Harbour Ring Limited") from 27 September 2004 to 19 December 2014 as well as an independent non-executive director of Dynagreen Environmental Protection Group Co., Ltd. from 22 January 2014 to 26 February 2018, both of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Kwan obtained a Bachelor's degree in Accounting from the National University of Singapore in 1973, qualified as a chartered accountant in Australia in 1979 and has been a member of the Hong Kong Institute of Certified Public Accountants since 1982. Mr. Kwan completed Stanford's Executive Programme in 1992.

Mr. Yen Yuen Ho, Tony, aged 70, was appointed as our Independent Non-executive Director on 6 April 2011 and is also a member of each of the Audit Committee and the Nomination Committee, and the chairman of the Remuneration Committee of the Company. Mr. Yen is also an independent non-executive director of Jinchuan Group International Resources Co. Ltd and Alltronics Holdings Limited, both of whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and an independent director of China Minsheng Jiaye Investment Co., Ltd and Utopa Limited, and since January 2017 served as an independent non-executive director of WWPKG Holdings Company Limited, whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Yen also served as an independent non-executive director of Link Holdings Limited from 20 June 2014 to 16 October 2014, whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Yen was previously a senior civil servant; from April 1994 to March 2007 he was the law draftsman of the Department of Justice, where he was responsible for drafting Hong Kong legislation and a member of The Law Reform Commission of Hong Kong. Mr. Yen is an adjunct professor at the Hong Kong Shue Yan University and the Beijing Normal University, an honorary court member of the Hong Kong University of Science and Technology and an honorary fellow of the School of Education, The University of Hong Kong. He is the director of two secondary schools, the vice president of the Neighborhood Advice-Action Council and a member of Heep Hong Society's Executive Council. Mr. Yen is an honorary adviser to the Pok Oi Hospital and the Hong Kong Academy of Nursing, an honorary legal adviser to the Shanghai Fraternity Association and to the Friends of Scouting, Scout Association of Hong Kong. He also serves as a director of the Hong Kong Institute for Public Administration. From April 2009 to April 2015, Mr. Yen served as the vice chairman of the Lump Sum Grant Independent Complaints Handling Committee of the Social Welfare Department appointed by the Hong Kong SAR Government. He also served as a panel member of Review Board on School Complaints of the Education Bureau of HKSAR from January 2013 to January 2018. Mr. Yen is a solicitor in Australia, Hong Kong and the United Kingdom and a barrister of Australia.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi Dinghuan, aged 74, was appointed as our Independent Non-executive Director on 10 June 2013. Previously, Mr. Shi was a Counselor of the State Council of the PRC and the 7th and 8th chairman of the China Renewable Energy Society. He is concurrently the invited deputy chairman of the China Energy Research Society, the honorary chairman of the China Association of Productivity Promotion Centre, and the chairman of the World Green Design Organization. Mr. Shi had worked in the Nuclear Energy Technology Institute of Tsinghua University since November 1973. In October 1980, he joined the State Science and Technology Commission of PRC (the "SSTC"), the predecessor of the Ministry of Science and Technology (the "MOST"). He was appointed as the deputy division chief of the Forecasting Bureau of the SSTC, deputy director of the Industrial Technology Bureau of the SSTC, the director of the Department of Industrial Science and Technology of the SSTC, and later served as the deputy director-general of the High and New Technology Department and Industrial Department (directorate grade)（科學技術部高新技術發展及產業化司副司長（正司級））of the PRC. In June 1988, he also acted as the officer of the "Torch Programme（國家火炬計劃）" office of the SSTC. Mr. Shi took the office of the Secretary General of MOST in August 2001. Since June 2003, he has been a member of the Mid-and-Long Term (2006–2020) Project Planning Office for National Science and Technology Development（國家中長期(2006–2020)科學技術發展規劃領導小組）and the leader of the Strategic Research Group（戰略組組長）. In March 2004, Mr. Shi was appointed as a Counselor of the State Council of the PRC. Mr. Shi has taken part in the formulation of the seventh Five-Year-Plan of National Economy and the Mid-and-Long-Term Plan of Technology Development 1991-2000. Mr. Shi has also contributed to the formulation of technology programmes and the implementation of key technology projects in hi-tech areas for the eighth and ninth and tenth Five-Year-Plans. He has taken part in various hi-tech industrialisation programmes, such as High & New Technology Industries Development Zones（國家高新區）, Enterprise Incubation, Productivity Centers, and Technology and Innovation Engineering. Mr. Shi, from June 2012 until May 2014, was an independent non-executive director of Guodian Technology and Environment Group Corporation Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Shi graduated from the Engineering Physics Department, Tsinghua University in July 1967, majoring in Radiation Dosimetry and Protection.

Mr. Ma Kwong Wing, aged 72, was appointed as our Independent Non-executive Director on 1 September 2013. Previously, Mr. Ma worked for Hang Seng Bank Limited for over 30 years until his retirement in October 2005, during which he held several prominent positions, including being appointed as company secretary in 1988 and assistant general manager (while remaining as company secretary) in January 1993. On 17 February 2006, Mr. Ma was appointed as an independent non-executive director of Henderson Sunlight Asset Management Limited, the Manager of Sunlight Real Estate Investment Trust whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Ma is a fellow of The Hong Kong Institute of Directors, the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, an associate member of The Chartered Institute of Bankers and The Hong Kong Institute of Bankers. Since November 2014, Mr. Ma has been a fellow member of the Hong Kong Securities and Investment Institute.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

CHIEF FINANCIAL OFFICER

Mr. Li Hong
(Please refer to "Executive Directors – Mr. Li Hong")

CHIEF OPERATING OFFICER

Mr. Jiang Wei
(Please refer to "Executive Directors – Mr. Jiang Wei")

CHIEF HUMAN RESOURCES OFFICER

Mr. Jiang Chengyi, aged 62, was appointed as our Chief Human Resources Officer on 2 August 2017. Mr. Jiang is primarily responsible for our Group's human resource management, performance appraisal, regional companies' management and corporate administration affairs, and is the co-chairman of the Mainland China operations of the Group. Prior to joining us, Mr. Jiang had worked in several subsidiaries of China Merchants Group Limited ("China Merchants") for over 20 years as a member of the senior management of China Merchants, he possesses extensive experience in business management. He had played leadership and management roles in various business segments of China Merchants, including international tourism, logistics, warehouse, wharf and transportation and etc. He previously served as the general manager of China Merchants Godown, Wharf & Transportation Company Limited (the "CMGWT"), a director and the general manager of China Merchants Food Supply Chain Management Company Limited, vice chairman of the board of directors and vice general manager of China Merchants Hoi Tung Trading Company Limited. Mr. Jiang also served as the leader of the transformation work group formed by the Regional Development Department and Strategy and Development Department of China Merchants, China Merchants Shekou Industrial Zone Holdings Co., Ltd. and CMGWT. Mr. Jiang has a Bachelor's degree in mechanical engineering from Shanghai Jiao Tong University and a Master's degree in Business Administration from University of Science and Technology of China.

COMPANY SECRETARY

Ms. Qiu Ping, Maggie
(Please refer to "Executive Directors – Ms. Qiu Ping, Maggie")

* *For identification purpose only*

2017 HIGHLIGHTS

DECEMBER

Won the bid of 400MW wind and solar power project investment and development rights in Zhundong, Xinjiang

Entered into the New Material Technology Strategic Cooperation Agreement with AVIC BIAM New Material to jointly develop and research on the grapheme VCI anti-corrosion materials

Completed acquisition of 80MW solar power plant in Hunan Province

NOVEMBER

Announced to build a customized Sustainable Development Goals ("SDG") power plant and enter into Strategic cooperation agreement with WWF

Completed acquisition of 40MW solar power plant in Hunan Province

Successfully issued corporate bonds in an aggregate amount of RMB800 million

OCTOBER

The 0.2MW grape-photovoltaics integrated project under Panda Green located in Turpan, Xinjiang has successfully connected to grid and received national certificate

The world's second Panda Power Plant successfully landed in Guigang, Guangxi Province, with a total installed capacity of 60MW

Completed acquisition of a 50MW connected-to-grid solar power plant in Inner Mongolia, the PRC

Proposed a public issue of corporate bonds in an aggregate amount of not more than RMB1.5 billion with the approval of China Securities Regulatory Commission

2017 HIGHLIGHTS

SEPTEMBER

Being admitted to Southbound Trading under Shenzhen-Hong Kong Stock Connect as eligible stock

AUGUST

Signed a long-term strategic cooperation agreement with China Huarong, its strategic shareholder, to jointly develop global Panda Power Plants

Issue of corporate bonds in an aggregate amount of RMB800 million with a term of three years through private placement

AUGUST

The completion ceremony of the world's first Panda Power Plant was held at the Beijing office of United Nations and leaders of the United Nations Development Programme and National Energy Administration attended the event and gave speeches

JULY

Successfully issued corporate bonds in an aggregate amount of RMB200 million

2017 HIGHLIGHTS

JUNE

The world's first Panda Power Plant in Datong, Shanxi was officially connected to the grid and the installed capacity of the first phase was 50MW

MAY

Met President Rodrigo Duterte of the Philippines at the "B&R" Forum for International Cooperation, and signed a strategic cooperation agreement with Philippine President's Special Envoy to launch the Panda Power Plant of the United Nations in the Philippines

The Panda Power Plant project was officially incorporated into the Action Plan signed by the Chinese government and the United Nations at the "B&R" Forum for International Cooperation

MAY

Successfully changed the Group's name to "Panda Green Energy Group Limited" to better reflect corporate image and business upgrade

Entered into agreement regarding the acquisition of 75% equity interest of Tibet Zangneng Corporation, in order to jointly develop clean energy projects in large scale with the People's Government of Tibet Autonomous Region, most of which are hydropower plants

Entered into a strategic cooperation agreement with China Railway Construction Investment Group. The first clean energy project jointly invested by both parties will be launched in Sri Lanka, with capacity of 29.4MW

2017 HIGHLIGHTS

MARCH

International large institutions, namely ORIX Corporation ("ORIX") and Asia Climate Partners ("ACP") under Asian Development Bank made strategic capital injection, becoming the second and the third largest strategic shareholders of the Company respectively

Announced 2016 annual results and sales of electricity increased 58% to RMB998 million

FEBRUARY

Further issued the three-year US$100 million senior notes

Completed acquisition of a 17.29MW grid-connected solar power plant in Hebei, the PRC

JANUARY

Completed the first step of overseas expansion and successfully settled six solar power plants with a total capacity of 82.4MW in the UK

Successfully issued the three-year US$250 million senior notes and received oversubscription from a number of international super-large investors

Appointed Mr. Zou Yiqiao, former Director in International Cooperation Department of the National Energy Administration, as the Company's General Consultant for the national strategy of the "Belt and Road" and Chairman of Strategic Committee

2017 AWARDS

DECEMBER

At the "B&R" Initiatives International Energy Summit Forum & the 7th Global Top 500 New Energy Enterprises Summit, Panda Green won the "Steady Growth Enterprises" award, which fully demonstrated the Company's outstanding achievements in new energy technology innovation

DECEMBER

The Company won the "2017 B&R Outstanding Contribution Award for New Energy International Development" in recognition of the Company's excellent performance in vigorously promoting the construction of green ecological road in the countries along the "B&R" routes

SEPTEMBER

The Company won three awards of the first China Outstanding Communication Award, namely "China Outstanding Communication Strategy Award", "Integrated Communication Award" and "China Outstanding Communication Committee Award"

2017 AWARDS

AUGUST

The Company won the 2017 China "Belt and Road Outstanding Contribution Enterprises" at the "7th China Energy High-level Dialogue" Forum and Mr. Ji Xiaonan, the Chairman of the State-owned Assets Supervision and Administration Commission of the State Council, granted this award to Panda Green

APRIL

The Company won the "Annual Photovoltaic Brand No. 5" granted by www.NE21.com and China Brand Lab

JANUARY

With its outstanding performance in fulfilling its social responsibilities, the Company won the "the Best Corporate Social Responsibility Award in 2016" at the Hong Kong-Shenzhen Stock Connect New Opportunities Summit Forum & 2016 "Golden Hong Kong Stock" Award

Green Energy

Green future promoting low-carbon clean energy and responding to global climate change

1,175,000
Households' Electricity Consumption in a Year

99.2 Million
Trees Planted

700
Thousands Tons
Saved Standard Coal

The total electricity generation volume for 2017 is

2,115,253MWh

equivalent to:

1,815
Thousands Tons Reduced Emission of Carbon Dioxide

1,058 Tons
Reduced Emission of Soot

17,557 Tons
Reduced Emission of Sulfur Dioxide

16,287 Tons
Reduced Emission of Nitrogen Oxides

INVESTOR RELATIONS

Since its listing, The Company has attached great importance to investor relations management by following the principle of staying positive, open, transparent and efficient, to improve its professionalism and service. The Company is committed to helping investors to learn more about the Group's operations, financial position, management, vision, development strategy and industry conditions and helping stakeholders make informed investment decisions.

MULTI-CHANNEL-BACKED "TWO-WAY" COMMUNICATION

The Company stresses two-way communication with its stakeholders, centers on protecting the rights and interests of its investors, and pursues better communication with shareholders, investors and the media.

Our IR team, dedicated to developing a scientific and professional IR system, has established a specific procedure of information disclosure, under which, the team keeps close and smooth contact with our investors via an IR webpage, a WeChat public account and various communication platforms. Apart from further improving the database, our IR team properly arranges investor meetings and collects information, to ensure that it plays an effective role in the communication between the Company and its investors.

DIVERSIFIED ACTIVITIES TO ENHANCE COMMUNICATION WITH INVESTORS

Over the past year, we complied with information disclosure regulations by timely delivering our development strategies, latest developments and results and relevant national policies to the capital market, through analyst meetings, non-deal and reverse roadshows, large-scale investor briefings, company website and new media platforms. Investor inquiries were handled proactively, timely and properly, so as to enhance the communication between the management of the Company and its investors and enable them to have a more comprehensive understanding of the Company. Furthermore, suggestions and advice from investors were relayed to the Company in a timely fashion, to develop good communication between the two sides and optimize the management structure and policies of the Company.

In 2018, the Group will further intensify the communication with its investors and enhance their understanding and recognition of the Group, to seek more attention and support from them.

INVESTOR RELATIONS ACTIVITIES IN 2017

Large-scale investor forums and conferences

The Company proactively attended various large-scale investor forums and conferences to maintain close touch with the investors. In 2017, the Company attended 14 large-scale investor conferences in Hong Kong, Beijing, Shanghai, Shenzhen, Chengdu and other places, and met 300 analysts and fund managers.

Roadshows and reverse roadshows

The Company conducted in-depth exchange and discussion in specific aspects with investors/analysts in various flexible forms, such as one-on-one or one-to-many discussion as well as teleconference to ensure the timeliness and efficiency of communication, and met a total of 1,200 institutional buyers and sellers during the year.

LIST OF 2017 LARGE-SCALE INVESTOR FORUMS/CONFERENCES

Date	Event	Location
03.22	Morgan Stanley Investor Summit	Hong Kong
04.18	UBS Strategy Conference	Shanghai
04.22	Xueqiu Summit Forum（雪球高峰論壇）	Shenzhen
05.10	HSBC Reverse Roadshow	Shenzhen
05.12	Minsheng Securities Global Strategy Conference	Hong Kong
06.07	Changjiang Securities Strategy Conference	Kunming
06.20	Essence Securities Strategy Conference	Shenzhen
09.04	Non-deal Roadshow on Shenzhen-Hong Kong Stock Connect by Guotai Junan Securities	Shenzhen
09.08	Reverse Roadshow by BOCHK Asset Management	Shenzhen
10.11	Large-scale Investor Conference in Shanghai	Shanghai
10.16	Large-scale Investor Conference in Shenzhen	Shenzhen
10.27	Large-scale Investor Conference in Beijing	Beijing
11.02	Large-scale Investor Conference in Chengdu	Chengdu
11.08	Gelonghui: "Battles in HK Market 2017" Strategy Conference	Shenzhen
11.22	Guotai Junan Strategy Conference 2018	Shenzhen
11.28	Industrial Securities Strategy Conference 2018	Shanghai

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

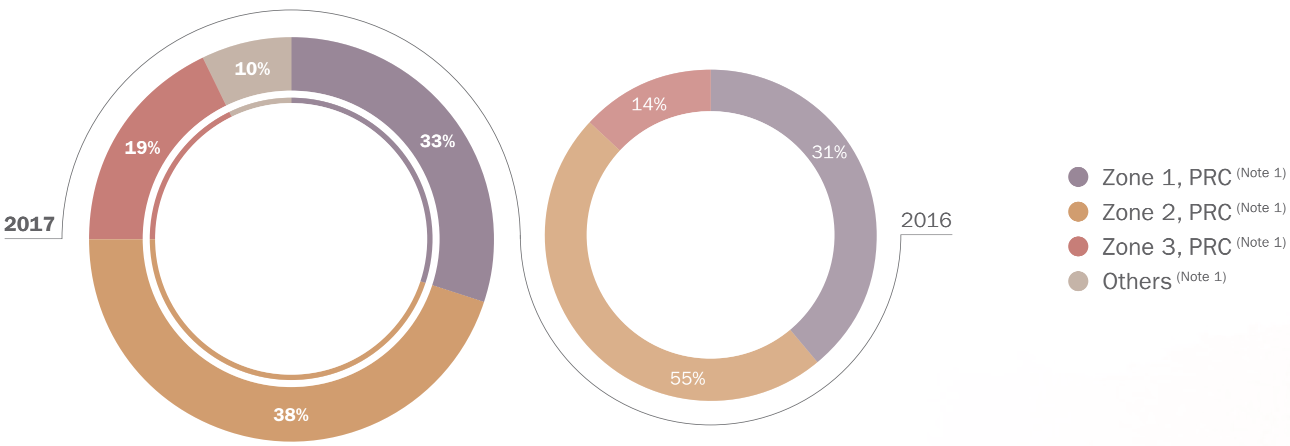
Diversification of investment locations and portfolios

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

Solar power plant projects

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

Location of solar power plants by subsidiaries



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

Note 1 For the details of zone 1, zone 2 and zone 3 and others, please refer to Table 2 on page 30 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Other renewable energy projects

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

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

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

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

Electricity generation

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

Table 1 Power plants summary

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Table 2 Power plants information by resource zone

Location	Number of power plant – Solar (As at 31 December 2017)	Number of power plant – Wind (As at 31 December 2017)	Aggregate installed capacity (MW) (As at 31 December 2017)	Electricity generation (MWh) (For the year ended 31 December 2017)	Revenue (RMB' million) (For the year ended 31 December 2017)	Average tariff per kWh (net of VAT) (RMB) (For the year ended 31 December 2017)
Subsidiaries:						
(i) Zone 1						
Inner Mongolia, PRC	6	–	260.0	386,907	315	0.82
Ningxia, PRC (Note 1)	1	–	200.0	169,181	124	0.73
Gansu, PRC	1	–	100.0	81,369	59	0.73
Zone 1 sub-total	8	–	560.0	637,457	498	0.78
(ii) Zone 2						
Qinghai, PRC	4	–	200.0	321,409	262	0.81
Shanxi, PRC	4	–	170.0	217,228	168	0.77
Xinjiang, PRC	7	–	120.2	158,964	118	0.74
Inner Mongolia, PRC	1	–	60.0	100,293	82	0.82
Yunnan, PRC	2	–	54.8	77,574	52	0.67
Hebei, PRC	2	–	37.3	53,963	47	0.87
Zone 2 sub-total	20	–	642.3	929,431	729	0.78
(iii) Zone 3						
Hubei, PRC	1	–	100.0	118,112	112	0.95
Shandong, PRC	1	–	40.0	56,517	54	0.95
Guangxi, PRC	1	–	60.0	23,098	19	0.83
Hunan, PRC	6	–	120.0	7,130	7	1.00
Guangdong, PRC	3	–	2.8	3,541	2	0.62
Zhejiang, PRC	1	–	3.0	3,028	1	0.40
Zone 3 sub-total	13	–	325.8	211,426	195	0.93
(iv) Others						
United Kingdom	6	–	82.4	73,388	72	0.98
Shanxi, PRC	–	1	48.0	42,938	22	0.53
Tibet, PRC	5	–	75.0	6,157	6	0.99
Others sub-total	11	1	205.4	122,483	100	0.82
Subsidiaries sub-total	**52**	**1**	**1,733.5**	**1,900,797**	**1,522**	**0.80**
Associates/joint venture:						
Ningxia, PRC (Note 1)	–	–	–	91,744	67	0.74
Inner Mongolia, PRC	4	–	160.0	91,300	78	0.85
Yunnan, PRC	2	–	60.0	–	–	–
Shanxi, PRC	1	–	50.0	–	–	–
Qinghai, PRC	2	–	50.0	–	–	–
Jiangsu, PRC	3	–	33.8	31,412	65	2.06
Associates/joint venture sub-total	**12**	**–**	**353.8**	**214,456**	**210**	**0.98**
Total	**64**	**1**	**2,087.3**	**2,115,253**	**1,732**	**0.82**

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

Project development and operation

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

Financing

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

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

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

FINANCIAL REVIEW

Revenue and EBITDA

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

MANAGEMENT DISCUSSION AND ANALYSIS

Net profit

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

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

Bargain purchase

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

Expenses in relation to convertible bonds

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

Interests on bank and other borrowings

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

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

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

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

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

Share-based payment

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

Share of profits of investments accounted for using equity method

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

Income tax

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

Trade, bills and tariff adjustment receivables

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

MANAGEMENT DISCUSSION AND ANALYSIS

Table 3 Breakdown of trade, bills and tariff adjustment receivables

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

Intangible assets

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

Convertible bonds

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

Bank and other borrowings

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

Key performance indicators

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

Liquidity, financial resources, gearing ratio and capital structure

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Material acquisitions and disposals of subsidiaries and associated companies

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

Performance and future prospects for significant investments held

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

Material reliance on key customer

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

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

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

Charge on assets

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

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

Employees and remuneration policies

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

Exposure to fluctuations in exchange rates and related hedges

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

Contingent liabilities

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

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

Creating value from ESG

The world is seeking for more and more clean energy. The very existence of the Group is to offer clean and affordable energy to China and the rest of the World, especially those countries along the "Belt and Road" routes.

As we continue to grow, we believe that our efforts in improving environmental, social and governance ("ESG") performance could earn something more than just compliance. Gradually but surely, we are able to create substantial value to our business by embedding sustainability into our strategic and operational decision-making process. Led by CEO, the Group's ESG functions are managed by responsible departments, then further cascading down to respective divisions which are responsible for day-to-day management and operations. Responsible department heads are charged with the tasks of identifying, assessing and managing current and potential ESG risks and opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to meeting the disclosure requirements of the ESG Reporting Guide set out in Appendix 27 to the Listing Rules, the Group will adopt the latest GRI Standards, and deepen its ESG performance alignment with the United Nation's Sustainable Development Goals (SDGs), catering for the rising expectations from our stakeholders including institutional investors. Detailed ESG performances will be published in our third ESG Report which can be found on the websites of the Stock Exchange and the Group in June 2018.

Environmental Compliance

Our Group is principally engaged in the investment, development, operation and management of renewable energy projects and our main resources consumed is purchased electricity. During the year under review, we continued to strengthen our efforts on attaining more ISO 14001 environmental management certificates for our solar farms, adopting more resources conservation initiatives and managing wastewater. We also endeavored to continuously identify, assess and control existing and potential environmental risks, and monitor all relevant environmental performances.

As we're developing our business in China and other markets along the "Belt and Road" route, we are required to comply with numerous environmental regulations. We seeks to ensure compliance with these requirements through various measures such as internal control and approval procedures, trainings and oversight of various business units with the designated resources at different levels of the Group. While these measures require considerable internal resources and result in additional operational cost, the Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements. Failure of which may adversely affect the Group's reputation, operations and financial performance.

In 2017, we are not aware of any material non-compliance of laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste. Embracing the more stringent national environmental laws and regulations in China and overseas, we will continue to keep abreast of the latest regulatory developments, ensuring that the Group is able to fully grasp such implications.

Stakeholders Engagement

We strive to continually maintain close relationship with our stakeholders and respond to their key topics and concerns through a wide array of platforms including ESG reporting. Our key stakeholder groups include, employees, suppliers, customers, local communities, shareholders, governments, and non-governmental organisations, national and international trade associations. The Group aims to broaden its dialogues with key stakeholder groups through established engagement approach such as interactive activities, meetings and publications.

i. Suppliers

Being a part and the co-founder of the Photovoltaic Green-ecosystem Organisation (PGO), the Group is able to communicate with suppliers effectively, sharing industry best practices. We also held supplier self-assessment sessions on a quarterly basis, aiming to promote better communication with our suppliers and facilitate capacity building. Our procurement department has formulated a grading system for our suppliers to encourage the alignment with our goals in environmental protection, waste recovery, social responsibility.

ii. Employees

Talent is the locomotive of our growth. Fostering a culture that encourages innovation through collaboration, we promote an open communication environment where employees can directly raise any concerns with their supervisor and to ensure that there is an established grievance mechanism for reporting any employment issues.

We value diversity, providing equality of opportunity and recruiting and operating a merit promotion system. On an on-going basis, we engage our employees in a wide variety of activities including excellent staff awards, various team-building activities, performance appraisals, and community services, etc.

We are committed to providing a safe workplace for all employees by gradually attaining OHSAS 18001 occupational health and safety management system certification for our major solar farms. Strictly complying with applicable labour laws in our locations of operation, the Group was not aware of any non-compliance relating to labour practices and work safety that have a significant impact to the Group during the year.

iii. Community

The Group is committed to giving back to the communities where we have operations, striving to create shared value. By engaging regularly with the local communities, we have been implementing win-win initiatives such as Grape-Photovoltaics Integrated Project, not only offering clean energy, but also contributing to the local farmers by broadening the variety of grape types. Subsequent to the year end, we launched a pilot project in Shenzhen to enable the local community to select clean energy by leveraging on block chain technology. The initiative aims to create bigger impact in the community to combat climate change by choosing to consume clean and affordable energy.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group operates mainly in Hong Kong, Mainland China and United Kingdom. The development and operation of our renewable energy power plants located in China and United Kingdom are regulated by the local laws and regulations on renewable energy and provision of electricity as well as various policies and industry guidance catalog issued by the governmental authorities. There was no incident of noncompliance with relevant laws and regulations that had or would have a significant impact on the Company during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

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

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

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

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

REPORT OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

We are committed to maintaining a high standard of corporate governance to protect the interests of the Company and our Shareholders as a whole. We believe that rigorous standards of corporate governance enhance the sustainability of the Company. To this end, we have maintained a framework of corporate governance policies and practices to apply the principles of good corporate governance in our daily operation. This framework is built upon principles of accountability and integrity.

We have applied the principles and code provisions of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2017, except for code provision A.2.1 relating to the role of chairman and chief executive. Details of such deviation and explanation are set out on the section headed "Chairman and Chief Executive Officer" below.

During the year ended 31 December 2017, we had made further progress on our corporate governance practices including:

- expanded compliance manual by updating our anti-corruption and anti-bribery policy to raise the awareness of employees of the Company and its subsidiaries (the "Group") about anti-corruption and anti-bribery laws in order to prevent inadvertent violations and to ensure that the Group's business and the behavior of those working for the Group is conducted in a lawful and socially responsible manner;

- implemented specific internal anti-corruption and anti-bribery codes of conduct and procedures directive to provide guidance to employees and to further effectuate compliance with the anti-corruption and anti-bribery policy;

- issued internal guidance for valuation in corporate transactions of the Group to guide the project teams in conducting valuation work of proposed target asset(s)/company(ies) with standards in line with those as required by the guidance note on directors' duties in the context of valuations in corporate transactions published by the Securities and Futures Commission in May 2017;

- achieved annual inspection of ISO9001, ISO14001 and OHSAS18001 certification which optimized our organization structure, enhanced long-term environmental management and improved health and safety performance to keep in line with international standard;

- published our second Environmental, Social and Governance Report, which was awarded the "ESG Report of the Year" by BDO Limited in February 2018, in accordance with the Core option of the Global Reporting Initiative (the "GRI") G4 Sustainability Reporting Guidelines and the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange;

- provided internal corporate governance training to employees in relation to business ethics for listed companies to increase awareness the importance of effective internal control;

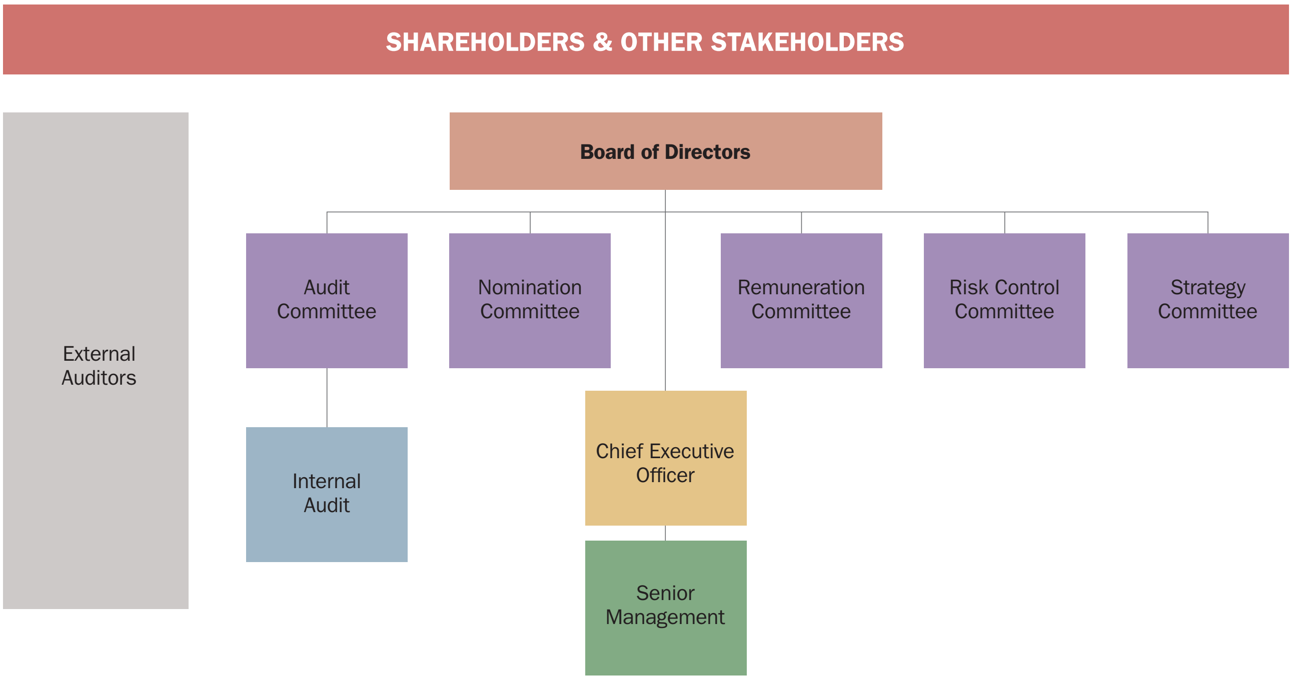
- continuously issued internal guidance for investment in overseas solar power market comprising analysis on foreign investment control, introduction of local regulatory framework and corporate maintenance requirements in order to assist in the feasibility studies for overseas investments; and

- continuously provided professional trainings on the Listing Rules and the Securities and Futures Ordinance to the Directors and employees.

CORPORATE GOVERNANCE STRUCTURE

Our Board is collectively responsible for performing the corporate governance duties. It is responsible for developing, reviewing and monitoring the policies and practices on corporate governance of the Company. In our corporate governance framework, other key participants, including Shareholders, senior management and other stakeholders, have a role to contribute and interact in the process of decision making and they set us in motion of continuing improvement in our corporate governance practices.

The diagram below shows our current corporate governance structure and the relationship between key participants:

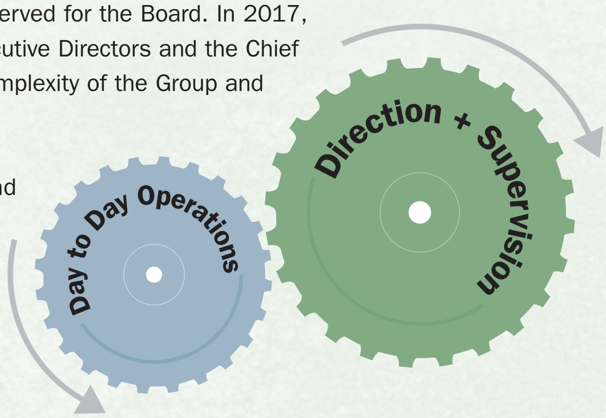


BOARD OF DIRECTORS

Overall Responsibility and Delegation

Members of our Board are individually and collectively accountable for promoting the success of the Company and achieving sustainable development of the Company. Our Board provides leadership and supervision of the Company, overseeing businesses and evaluating the performance of the Group. It focuses on formulating the overall strategies and policies with particular attention paid to the growth and financial performance of the Group, and make decisions on significant acquisitions and other specified matters reserved for the Board. In 2017, the Board reviewed and revised its delegation of authority to the executive Directors and the Chief Executive Officer to ensure it remains appropriate to the size and complexity of the Group and aligned with the Group's strategic objectives.

The implementation of the Group's strategies and policies and the day-to-day operations of the Group are performed by the executive Directors, chief executive and senior management under the regular monitoring and supervision of our Board and its committees. These arrangements will be reviewed periodically to ensure that they remain appropriate to our needs.



REPORT OF CORPORATE GOVERNANCE

All Directors have separate access to the management and are provided with full and timely information about the conduct of the business and operation of the Group. A monthly report containing significant events and latest development of the Group was provided to all Directors. Upon request by the Board, independent professional advice will be available to the Directors to facilitate the decision-making process. Appropriate directors' and officers' liability insurance has been arranged for the Directors.

Our Board has also delegated certain functions to the Audit Committee, Remuneration Committee, Nomination Committee and Risk Control Committee, further details of which are set out in this report.

Key matters reserved for the Board

Strategy & operation	Monitoring of financial performance	Organisation & succession planning	Governance & risk management
• approve the strategic plan and annual operation and investment plans of the Group • approve major investments and transactions • approve issue of Shares and other securities within the authority given by Shareholders • approve other material corporate activities	• approve and monitor the annual budget and annual financial plan • approve the selection and appointment of the external auditors • review and approve the annual and interim financial results and approve their publication	• decide the group organisation • consider the appointment of Directors • approve the remuneration policy and incentive schemes • approve the appointment or removal of Chief Executive Officer • review and monitor the training and continuous professional development of Directors and senior management	• develope the corporate governance structure and policy • approve and review the terms of reference of board committees • establish and maintain risk management and internal control systems, review and monitor policies and practices on compliance with legal and regulatory requirements • establish and review shareholders' communication policy • review the Company's compliance with the CG Code and relevant disclosure in this report of corporate governance • develop, review and monitor the code of conduct and compliance manual for Directors and employees

Composition of our Board

Our Board currently comprises twelve Directors, namely six executive Directors, two non-executive Directors, and four independent non-executive Directors. The Directors who served the Board during the year ended 31 December 2017 and changes in Directors up to the date of this report are as follows:

Name of Directors	Changes in Director up to the date of this report
Executive Directors	
Mr. Li, Alan *(Chairman and CEO)*	
Mr. Lu Zhenwei	
Mr. Li Hong	
Ms. Qiu Ping, Maggie	
Mr. Jiang Wei	*appointed as a Director by the Board with effect from 20 March 2017 as an addition to the Board*
Mr. Yu Qiuming	*appointed as a Director by the Board with effect from 12 September 2017 as an addition to the Board*
Non-executive Directors	
Academician Yao Jiannian	*resigned as a Director with effect from 18 October 2017*
Mr. Tang Wenyong	
Mr. Li Hao	*appointed as a Director by the Board with effect from 20 March 2017 as an addition to the Board*
Independent non-executive Directors	
Mr. Kwan Kai Cheong	
Mr. Yen Yuen Ho, Tony	
Mr. Shi Dinghuan	
Mr. Ma Kwong Wing	

Directors' biographical details are set out in the "Biographies of Directors and Senior Management" section of this report on page 12 to 17. Our Board believes that its composition is well balanced with each Director having sound knowledge, skills, diversity of perspectives, and experience and/or expertise relevant to the business of the Group.

To the best knowledge of our Board, there is no financial, business, family or other material/relevant relationship among its members. Updated list of Directors and their role and function has been maintained on our website and that of the Stock Exchange. The names and identification of the Directors are disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

REPORT OF CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

Mr. Li, Alan, an executive Director, is the CEO and the Chairman of the Board. Code A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Board is of the view that the current structure enables the Company to achieve its overall business goals more effectively and efficiently as the Company is in a rapid development phase for the time being. Our Board also 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) enables the Board as a whole to effectively exercise its non-bias judgement.

Independent Non-executive Directors

Our Board has four independent non-executive Directors, representing one-third of the Board, and two of whom possess professional qualifications in accounting and related financial management expertise. We are in compliance with Rule 3.10(1) and (2) of the Listing Rules throughout the entire year. Following the appointment of Mr. Yu Qiuming as an executive Director on 12 September 2017 which enlarged the size of the Board, the number of independent non-executive Directors of the Company fell below one-third of the members of the Board as required under Rule 3.10A of the Listing Rules. On 18 October 2017, Academician Yao Jiannian resigned from his position as a non-executive Director due to his need to devote more time on his other commitments thereby reducing the size of the Board. Then, the number of independent non-executive Directors fulfilled the requirement under Rule 3.10A of the Listing Rules. With such a weight of the independent non-executive Director, there is a strong independent element on our Board, which can effectively exercise independent judgement. The independent non-executive Directors contribute by ensuring due governance process, reviewing and providing independent advices to the management performance. They also bring in objective and impartial considerations for connected transactions and other issues of the Group.

We have received from each independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. We are of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Appointment and Re-election of Directors

We follow a formal and considered procedure for the appointment of new directors. The Nomination Committee identifies suitably qualified individuals for directorship to complement the Company's corporate strategy and makes recommendations to the Board on proposed appointments. A new Director may be appointed by the Shareholders at general meeting or by the Board on the recommendation of the Nomination Committee, either to fill a casual vacancy on the Board, or as an addition to the Board. Any Director appointed by the Board shall hold office until the next following general meeting, if appointed to fill a casual vacancy or next following annual general meeting, if appointed as an addition to the Board in accordance with the Bye-laws, but shall then be eligible for re-election.

Every Director is appointed for a specific term and should be subject to retirement by rotation at least once every three years. In accordance with our Bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company and every Director shall be subject to retirement by rotation at least once every three years. Each Director has entered into a service contract or a letter of appointment with the Company. All the non-executive Directors (including the independent non-executive Directors) are appointed for a specific term of one year subject to the retirement and re-appointment provisions of our Bye-laws.

In the annual general meeting held on 26 May 2017, Mr. Li, Alan, Mr. Lu Zhenwei, Mr. Jiang Wei, Mr. Li Hao, Mr. Yen Yuen Ho, Tony and Mr. Ma Kwong Wing had retired from office and been re-elected as Directors.

REPORT OF CORPORATE GOVERNANCE

Directors' Induction and Continuous Professional Development

Upon each appointment, an induction briefing and a Directors' induction handbook were given to each of the newly appointed Directors. Such briefing and handbook primarily introduce the laws, rules and regulations to which the Directors should observe and adhere during their tenure, as well as the Company's policies, codes, compliance manual, and the business, operations and development of the Group. The new Directors, who are Mr. Li Hao and Mr. Jiang Wei appointed on 20 March 2017 and Mr. Yu Qiuming appointed on 12 September 2017, had all received an induction briefing and been given an updated Directors' induction handbook.

During the year ended 31 December 2017, we have arranged trainings which were presented by professional firms to the Directors. The Directors also recognise the importance of keeping abreast of the business activities and development of the Company, and developing and refreshing their knowledge and skills and thus continuously attend seminars and/or briefings to refresh their knowledge. In addition, a number of reading materials in relation to the amendments or revision of applicable laws, rules, regulations, standards and policies of the countries and regions in which the Group operates, such as guidelines, newsletters, reports, consultation papers, interpretations issued by regulatory bodies or professional firms, are also circulated to all Directors from time to time.

We have maintained record of the continuous professional development participated by the Directors. A summary of the Directors' participation in the continuous professional development during the year ended 31 December 2017 and up to the date of this report is as below:

	Attending briefings/ seminars	Reading materials/ regulatory updates/ monthly reports
Executive Directors		
Mr. Li, Alan	✓	✓
Mr. Lu Zhenwei	✓	✓
Mr. Li Hong	✓	✓
Ms. Qiu Ping, Maggie	✓	✓
Mr. Jiang Wei *(appointed with effect from 20 March 2017)*	✓	✓
Mr. Yu Qiuming *(appointed with effect from 12 September 2017)*	✓	✓
Non-executive Directors		
Academician Yao Jiannian *(resigned with effect from 18 October 2017)*	✓	✓
Mr. Tang Wenyong	✓	✓
Mr. Li Hao *(appointed with effect from 20 March 2017)*	✓	✓
Independent non-executive Directors		
Mr. Kwan Kai Cheong	✓	✓
Mr. Yen Yuen Ho, Tony	✓	✓
Mr. Shi Dinghuan	✓	✓
Mr. Ma Kwong Wing	✓	✓

REPORT OF CORPORATE GOVERNANCE

BOARD PROCESS

Key Features of Board Process

Formal notice with sufficient time

- 14 days' notice of regular board meeting or reasonable notice in timely manner with agenda

Adequate information

- board papers with reliable information accessible to all Directors are provided in advance
- sufficient materials to enable the Board to make informed decisions

Support & advice

- proper briefing on issues arising at meeting
- prompt and full response to queries raised
- access to the management
- independent professional advice in appropriate circumstances at the Company's expenses

Active participation and contribution

- meet at least 4 times a year and meet when required
- promote a culture of openness and debate
- encourage all Directors with different views to voice their concerns, if any
- allow sufficient time for discussion and ensure Board decisions fairly reflect Board consensus

Proper records

- record in sufficient details on the matters considered and decisions reached
- record any concerns raised

Other Key Features of Board Process

- The Chairman held a meeting with the non-executive Directors without the presence of executive Directors.
- Transactions where Directors are considered having a conflict of interest or material interests shall be dealt with in a physical meeting with present of independent non-executive Directors who have no material interests.
- Directors having conflict of interests or material interests shall disclose his/her interests in accordance with the Bye-laws before the meeting and shall abstain from voting on the resolution(s) approving such transactions and shall not be counted in the quorum.

BOARD COMMITTEES

Our Board has established its Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee on 14 March 2000, 28 September 2005, 23 March 2012, 23 July 2013 and 20 March 2017 respectively. Details of authority, role and responsibilities of each committee are set out in written terms of reference which are available on the Company's website under the Investor Relations section and the Stock Exchange's website. The Audit Committee, Remuneration Committee, Nomination Committee and Risk Control Committee reviewed its terms of reference at least once a year to ensure they remain in line with the requirements of the Listing Rules. Amendments to the terms of reference shall be submitted to the Board for approval and adoption.

The Company Secretary acted as the secretary of the Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee. An agenda accompanying board committee papers are sent to the committee members at least three days prior to the meeting. Sufficient resources are made available to the committee members when required. The secretary prepares full minutes of the committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members of respective committee for comment and approval after each meeting and the final version of the minutes are sent to the committee members for their records within a reasonable time after the meeting. The chairman of the respective committee summarises the activities of that committee and highlights issues arising and reports to the Board after each committee meeting.

Audit Committee

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

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

REPORT OF CORPORATE GOVERNANCE

The Audit Committee held two meetings (with the auditors of the Company) to deal with the following matters during the year 2017:

SUMMARY OF WORK DONE DURING THE YEAR IN 2017

- reviewed and discussed with the external auditors of the Company about the audited annual results of the Group for the year ended 31 December 2016 as well as the financial and accounting policy and practices of the Group;
- reviewed and discussed the structure and composition of finance and internal audit staff of the Group;
- reviewed and discussed with general manager of internal audit department about the internal audit work of the Group;
- reviewed and considered the independence, re-appointment and remuneration of external auditors;
- reviewed and discussed with the external auditors of the Company about their annual audit service plan in relation to the results of the Group for the financial year ended 31 December 2017; and
- reviewed and discussed with the external auditors of the Company about the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017.

Auditor's Remuneration

The external auditors perform independent review or audit of the financial statements prepared by the management. PricewaterhouseCoopers has been re-appointed as the independent auditor of the Company by Shareholders at the annual general meeting (the "AGM") held on 26 May 2017. During the year ended 31 December 2017, the remuneration paid or payable to PricewaterhouseCoopers (including its affiliated firms) for services rendered is summarised as below:

	2017 **RMB' million**	2016 RMB' million
Statutory audit	**4**	3
Non-audit services	**–**	–
Total	**4**	3

The responsibilities of the independent auditor with respect to the consolidated financial statements for the year ended 31 December 2017 are set out in the section "Independent Auditor's Report" on pages 85 to 95.

Remuneration Committee

Remuneration Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Tang Wenyong. Mr. Yen Yuen Ho, Tony is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration by reference to corporate goals and objectives resolved by the Board from time to time, approving the terms of executive Directors' service contracts and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee held one meeting and passed four written resolutions to deal with the following matters during the year 2017:

SUMMARY OF WORK DONE DURING THE YEAR IN 2017

- made recommendations on the directors' fee of a newly appointed executive Director and a newly appointed non-executive Director in March 2017;
- reviewed and discussed the remuneration policy of the Group and the remuneration packages of Directors and members of senior management in March 2017;
- made recommendations on grant of share options to Directors and employees of the Group in May 2017;
- made recommendations on the director's fee of a newly appointed executive Director and grant of share options to that executive Director and other management of the Group in September 2017; and
- made recommendations on establishment of an incentive scheme of the management of the Group in November 2017.

Remuneration payable to senior management other than the Directors for the year ended 31 December 2017

Since all of the five highest paid individuals of the Company are acting as executive Directors as well, further particulars regarding the emoluments of the members of the senior management, Directors and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9(b) and 9(c) to the financial statements.

REPORT OF CORPORATE GOVERNANCE

Nomination Committee

The Nomination Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one executive Director, namely Mr. Li, Alan. Mr. Li, Alan is the chairman of the Nomination Committee.

The Nomination Committee is authorised to formulate nomination policy for the Board's consideration and implement the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship and senior management. The Board diversity policy which has been adopted in 2013 outlines the Company's commitment to ensure the Board has a balance of skills, experience and diversity of perspectives which are appropriate to the requirements of the Company's business. It also sets out that all Board members will be appointed based on a merit basis with due consideration to the Board diversity. While selecting candidates for directorship, the committee has taken into account of a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience and qualification, skills and knowledge.

In reviewing the Board composition, the Nomination Committee shall give adequate consideration to the Board diversity policy. The committee believes that the current composition of the Board is balanced and diversified with the high-calibre members from different cultural backgrounds and possessing professional expertise of various industries, which indicates that the diversity policy has been well implemented.

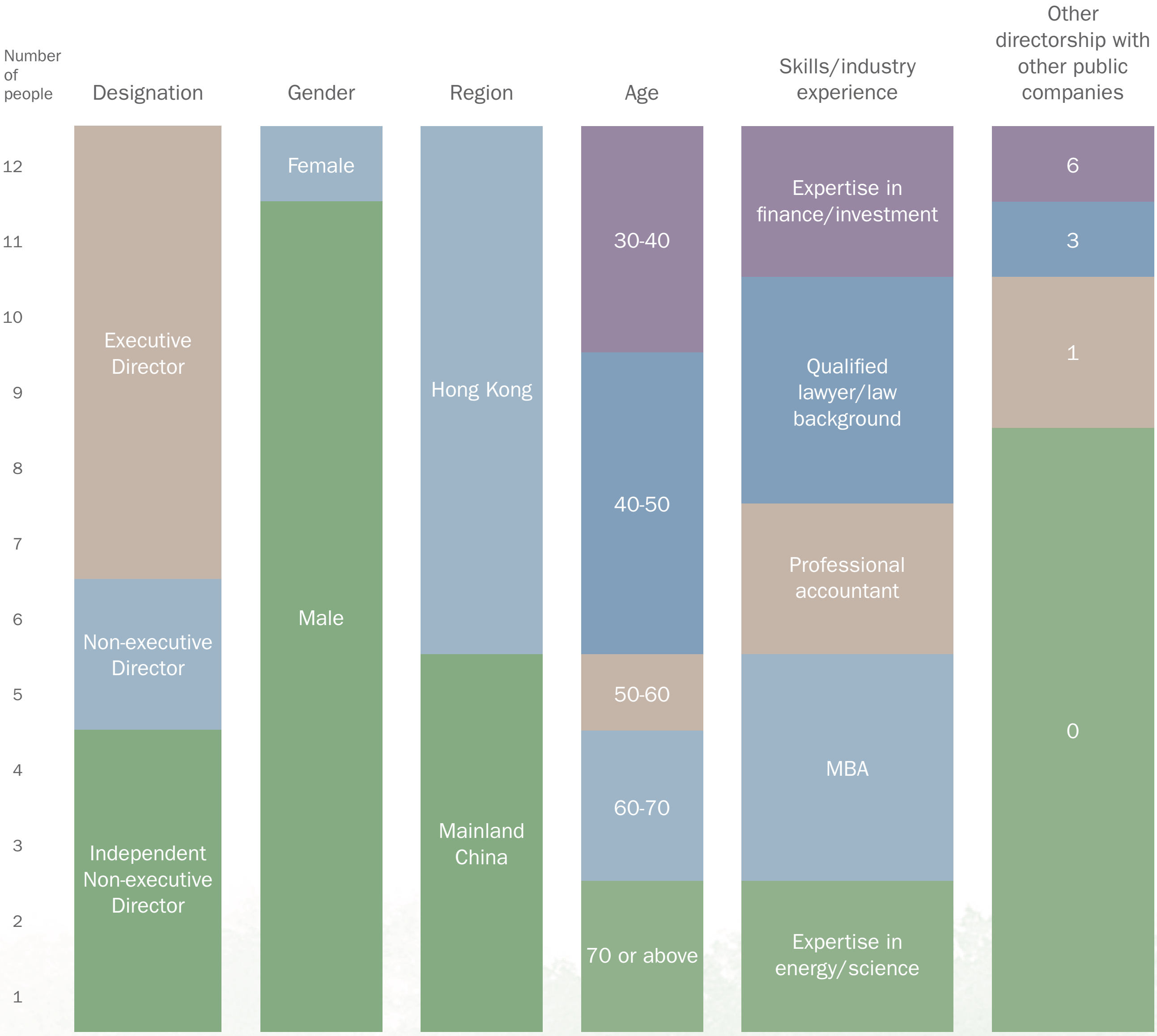
The main responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and select, or make recommendations to the Board on the selection of individuals nominated for directorships and senior management, the appointment or reappointment of Directors and succession planning for Directors. The committee is also responsible for assessing the independence of independent non-executive Directors.

The Nomination Committee held one meeting and passed three written resolutions to deal with the following matters during the year 2017:

SUMMARY OF WORK DONE DURING THE YEAR IN 2017

- made recommendations on nomination of candidates for the positions of executive Director and non-executive Director; made recommendations on nomination of members of Strategy Committee in March 2017;
- reviewed the structure, size, composition and diversity of the Board and the Board Diversity Policy of the Company in March 2017;
- discussed and made recommendations on re-election of retiring Directors in the AGM for the year 2017 in March 2017;
- assessed the independence of the independent non-executive Directors in March 2017;
- made recommendations on changes in composition of Board Committees in April 2017; and
- made recommendations on nomination of one candidate for the position of executive Director, member and executive chairman of Strategy Committee of the Company in September 2017.

An analysis of the current Board composition:



Details of the directorship in other listed companies are set out in the "Biographies of Directors and Senior Management" section of this annual report.

REPORT OF CORPORATE GOVERNANCE

Risk Control Committee

The Risk Control Committee currently consists of six members, including one independent non-executive Director, namely Mr. Kwan Kai Cheong, two non-executive Director, namely Mr. Tang Wenyong and Mr. Li Hao, and three executive Directors, namely Mr. Li, Alan, Mr. Lu Zhenwei and Mr. Li Hong. Mr. Lu Zhenwei is the chairman of the Risk Control Committee.

The aim of the Risk Control Committee is to strengthen the risk analysis, judgement, and decision making of the Board. The main responsibilities of the Risk Control Committee are to assist the Board in evaluating and deciding the risk level and risk appetite of the Group in achieving its strategic and business objectives, in identifying, mitigating and control of risks associated with significant investments, material operation and financial matters and other major activities of the Group, and in making recommendations on improvement of the risk management and internal control systems of the Company.

During the year ended 31 December 2017, the Risk Control Committee held nine meetings to review and conduct risk assessment on acquisition transactions and made recommendation to the Board for consideration or otherwise make suggestions to the management. Transactions reviewed by the Risk Control Committee during the year ended 31 December 2017 and have already been disclosed include:–

- acquisition of the entire equity interest in a project company which beneficially owns and will own several hydropower projects, solar power projects and wind power projects in Tibet and Sichuan, the PRC, which was completed on 11 August 2017;

- acquisition of the entire equity interest in a project company which owns and operates a grid-connected solar power plant project with an installed capacity of approximately 50MW located in Inner Mongolia, the PRC, which was completed on 12 October 2017; and

- establishment of a partnership which will mainly be engaged in investment in renewable energy industry by entering into a partnership agreement with Ping An Securities Co., Ltd.*（平安證券股份有限公司）and Wan Xiang Trust Limited*（萬向信託有限公司）, both as limited partners, and China Zheyin Synergy Capital Management Company Limited*（浙銀協同資本管理有限公司）, as general partner, on 12 December 2017.

The Risk Control Committee also reviewed some other transactions involving acquisition of certain solar power plants, which are still in negotiation with the relevant parties.

REPORT OF CORPORATE GOVERNANCE

The attendance records of each Director at Board meetings, committee meetings and general meetings of the Company in 2017 are set out below:

	Attendance Record of Directors and Committee Members in 2017						
	Board meetings	General meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Risk Control Committee meetings	Strategy Committee meetings
Number of meetings	14	6	2	1	1	9	1
Executive Directors							
Mr. Li, Alan	13/14	1/6	–	–	1/1	9/9	1/1
Mr. Lu Zhenwei	9/14	4/6	–	–	–	5/9	–
Mr. Li Hong	12/14	6/6	–	–	–	7/9	–
Ms. Qiu Ping, Maggie	13/14	6/6	–	–	–	–	–
Mr. Jiang Wei (note 1)	12/12	5/6	–	–	–	–	–
Mr. Yu Qiuming (note 2)	4/4	1/1	–	–	–	–	1/1
Non-executive Directors	–						
Academician Yao Jiannian (note 3)	4/11	–	–	–	–	–	–
Mr. Tang Wenyong	13/14	4/6	2/2	1/1	–	9/9	–
Mr. Li Hao (note 1 & note 4)	12/12	2/6	–	–	–	8/9	–
Independent non-executive Directors							
Mr. Kwan Kai Cheong	13/14	6/6	2/2	1/1	1/1	7/9	–
Mr. Yen Yuen Ho, Tony	13/14	5/6	2/2	1/1	1/1	–	–
Mr. Shi Dinghuan	6/14	–	–	–	–	–	–
Mr. Ma Kwong Wing	13/14	4/6	–	–	–	–	–

Notes:

1. Mr. Jiang Wei and Mr. Li Hao were appointed as Directors of the Company with effect from 20 March 2017.
2. Mr. Yu Qiuming was appointed as a Director of the Company with effect from 12 September 2017.
3. Academician Yao Jiannian resigned as a Director with effect from 18 October 2017.
4. Mr. Li Hao authorised others to attend 7 Board meetings and 5 Risk Control Committee meetings.

Strategy Committee

The Strategy Committee has been newly established with effect from 20 March 2017. The Strategy Committee currently consists of four members, including two executive Directors, namely Mr. Li, Alan and Mr. Yu Qiuming, and Mr. Zou Yiqiao and Mr. Lam Tsz Cheung (alias Anthony Lam). Mr. Zou Yiqiao is the chairman of the Strategy Committee and Mr. Yu Qiuming is the executive chairman of the Strategy Committee.

The aim of the Strategy Committee is to further facilitate and guide the research and implementation of the business development and the strategic planning of the Group, as well as to enhance the decision-making procedures of the major matters of the Company and strengthen the corporate governance structure of the Company. The main responsibilities of the Strategy Committee are to assist the Board in formulating and evaluating the development strategy and implementation plan of the Group in achieving its medium-term and long-term strategic goals and make recommendations to the Board in relation to major corporate actions and investments of the Group.

The Strategy Committee held a meeting to discuss our Group's long term development strategy's conjunction with the national initiatives of "One Belt, One Road". Besides that, Mr. Zou Yiqiao, the chairman of the Strategy Committee made speech and training to the whole Group with the topic of national energy strategy and international energy cooperation.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Our Board is accountable to the Shareholders and responsible for the preparation of the financial statements of the Group. We recognise the importance of integrity of financial information and endeavour to present to our Shareholders a balanced, clear and understandable assessment of the performance, position and prospects of the Group. Our Board also acknowledges its responsibility for preparing the financial statements that give a true and fair view of the Group's affairs and of its results and cash flows. Our Board receives from the management such explanation and information as necessary to enable it to assess the financial information and position of the Group.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS"). The accounting policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements in conformity with HKFRS requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note 4 to the financial statements.

As set out in the Note 2.1.1 of the consolidated financial statements, the Group's current liabilities exceeded its current assets by 1,824 million as at 31 December 2017. In addition, as described in Note 2.1.1, the Group also made certain contractual and other arrangement which need substantial amount of funds in the foreseeable future to finance capital expenditures. These conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the conditions described above and in the Independent Auditor's Report, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern for the foreseeable future.

The Board is of the view that the Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of this report after having taken into account the Group's projected cash flows, current financial resources and capital expenditure requirements, and the measures implemented as disclosed in Note 2.1.1 to financial statements. Accordingly, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is overall responsible for evaluating and determining the nature and extent of risks that the Group is willing to take in achieving its strategic objectives, and establishing and maintaining sound and effective risk management and internal control systems. On an on-going basis, our Board performs supervision and annual inspection on the effectiveness of the internal control system and risk management.

Through the Audit Committee, our Board has conducted a review of the effectiveness of the internal control system of the Group on an annual basis and reviewed the works done by the Internal Audit Department which has a primary role in assessing and evaluating the effectiveness of the internal control system and acts independently and reports to the Board and the Audit Committee. The Audit Committee considers that the existing internal control system is effective and adequate.

Our Board has also delegated the management and the implementation of risk control procedures to the Risk Control Committee. During the year ended 31 December 2017, the Risk Control Committee continuingly assessed, monitored and controlled the risks that may be incurred in acquisition activities by reviewing financial, legal and technical due diligence reports in respect of the projects.

Dealing with risk is an integral part of how it protects and creates value. Our business is principally engaged in development, investment, operation and management of renewable energy plants. Understanding emerging risks in the energy industry and establishing effective mitigation measures shows our commitment to a sustainable business. We have identified a number of risks associated with our business, which include:

Weather and climate risk – renewable energy plants depend on the amount and intensity of natural resources, which is affected by weather and climate conditions. Adverse meteorological conditions can have a material impact on the plant's output and could result in production of electricity below expected output, which in turn could adversely affect our profitability.

Our response – We select renewable energy plant projects based on criteria such as geographical and meteorological conditions of the site as part of our main inspections. During the development and maintenance of our renewable energy plants, we cooperated with the leading suppliers in the PRC to create and develop equipment which can be adapted to different latitude, topography and climatic conditions. At the same time, we built up a professional team in respect of operation and maintenance of our existing renewable energy plants with strict operation and maintenance policy and risk prevention measures.

Policy risk – The Group's results of operations could be affected by government subsidies and incentives for renewable energy which depend, to a large extent, on political and policy developments relating to environmental concerns in the PRC and overseas markets in which our Group operate.

Our response – The Company selects renewable energy plant projects with applicable feed-in tariff and government subsidies, and strong demand and consumption for electricity in the locality. Also, the Company selects those plants which had been registered onto the Renewable Energy Tariff Subsidy Catalogues or had submitted the application regarding registration onto such catalogues in the PRC or similar regime in overseas markets. In the meantime, our operation and maintenance team pays close attention to the changes of local and national energy policies, gets timely feedback and takes related responses. The Company also proactively communicates with the local governments, grid companies and electricity consumption enterprises to provide more electricity transmission programmes.

REPORT OF CORPORATE GOVERNANCE

Development and construction risk – When the Company develops and constructs renewable energy plants, it must first obtain the relevant local grid company's consent to connect our renewable energy plants to the local grid and appropriate government approvals and registrations. Obtaining such consent for on-grid connection and government approvals and registrations may depend on a number of factors, including but not limited to the availability and the reliability of existing grids, the progress of construction and the quality of these grid connection facilities, efficiency of the administrative bodies and the regulatory framework. Failure or delay in obtaining such consent, approvals or registrations may hinder or prevent the development of its renewable energy projects as planned. Besides that, the construction quality is also an important factor to affect the power generation efficiency of renewable energy plants.

Our response – The Company employs a strict and systematic approach to evaluate potential development projects. The Company maintains an updated list of qualified and reliable suppliers and third-party contractors with a proven track record to provide EPC services, through a bidding process or through our affiliates or other cooperative arrangements, to ensure the qualities of their services. Throughout the development process, the procurement and construction department organizes and collects bids, communicates with bidders and coordinates with our development teams to meet all local technical and legal requirements for on-grid connection and the construction of our projects. In the meanwhile, we also build up on site management team to inspect the construction quality and make sure the construction quality meets the Company's standard and requirement. The Company will assess location of development sites and secure site control for project development. We believe that its methodical approach to potential development of renewable energy projects, together with its deep industry knowledge, strong and long-standing relationship with other stakeholders will lend it an advantage in development of renewable energy projects.

Operation and maintenance risk – A majority of the Company's existing renewable energy plants are scattered across different regions in the PRC. The area in which the Company's plants are located is large and the number of devices is huge. The ongoing operation of its facilities involves risks that include the breakdown or failure of equipment or processes or performance below expected levels of output or efficiency due to, among other things, wear and tear, latent defects, design error, operator's error or force majeure events. Any curtailment of electricity we produce in the PRC could also have an adverse impact on its results of operations.

Our response – The Group has built up and maintained professional operation and maintenance team to provide preventive and corrective operating and maintenance service on site. At the same time, the Company regularly maintain its renewable energy plants with an intention to maximize the utilization rate, rate of power generation and system life of its renewable energy plants. The Company utilizes customized software "Global Smart PV Cloud Management" to enable remote and centralized management of most of our renewable energy plants, and employs mobile applications and devices to constantly and closely monitor and manage the performance and security of its renewable energy plants on a real-time basis and to ascertain the cause of any operational problems very shortly after it arises for efficient remedial or mitigation actions. The Company engages ground contractors who are on call to promptly remedy any issues that may arise. The development of transmission infrastructure and our participation in more power market transactions, including inter-provincial renewable energy transmission, help to mitigate loss from any curtailment.

Competition risk – The Company faces competition from local and international developers of renewable energy plants, many of whom are integrated with upstream manufacturers. We also face competition in circumstances where large local and multinational corporations operating in the PRC establish their own distributed renewable energy projects.

Our response – The Company has an established track record in acquiring, developing and operating a high quality and well diversified portfolio of renewable energy plants across the PRC. Our leading market position and extensive experience in the PRC renewable energy industry give us the opportunity to participate in solar energy policy discussions and enable us to have significant influence in the development of renewable energy industry related policies and standards. In 2013, Mr. Li, Alan, our Chairman and Chief Executive Officer, collaborated with state-owned enterprises to establish the Photovoltaic Green Ecosystem Organization, which was the first organization in the PRC that sought to connect and encourage collaboration among the numerous photovoltaic companies distributed across the value chain of the PRC renewable energy industry, and is believed to have significantly expanded the development and construction of utility-scale renewable energy plants in the PRC. The Company believes that its significant scale and leading position in the PRC renewable energy industry provide us with economies of scale, a broad base of operational experience and resources, bargaining power with EPC contractors and suppliers, and significant industry and regulatory relationships, which will continue to provide the Company with attractive renewable energy plant acquisition and development opportunities.

Finance risk – Renewable energy business requires intensive capital investments. Significant amount of capital is required to meet our capital requirements and fund our operations, including payments to suppliers for products, equipment and components and to contractors for design, engineering, procurement and construction services. Our ability to meet the payment obligations of our outstanding debt depends on our ability to generate significant cash flow in the future and obtaining external financing. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other conditions that are beyond our control.

Our response – Our leading position in the PRC renewable energy industry, the support from the Shareholders and the strong relationships with our lending banks provide us with access to a variety of tailored financing solutions, including onshore solutions, such as financial lease and project finance, and offshore solutions, such as equity financing, through new shares allotments, and debt financing, through issue of medium term notes, and the offering of US-dollar senior notes. The Company plans to actively reduce its financing costs and further diversify its channels of financing. The Company believes its stable cash flow profile, the long-term nature of its operation of renewable energy plants and its ability to raise equity and debt capital to finance growth, provide it with flexibility to optimize our capital structure.

DIRECTORS' SECURITIES TRANSACTIONS

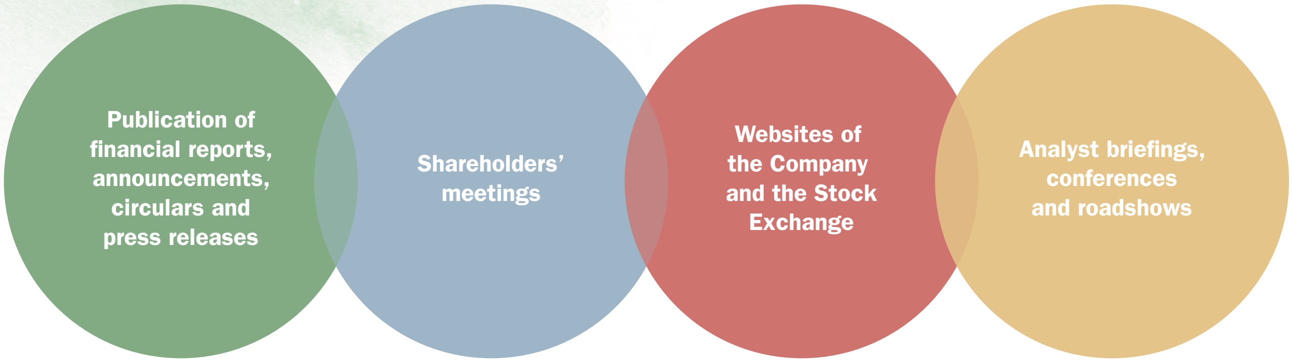
The Company has adopted a code for securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to each Director, all of them have confirmed that they have complied with the required standard set out in the Model Code and our own code throughout the year ended 31 December 2017.

REPORT OF CORPORATE GOVERNANCE

COMPANY SECRETARY

Ms. Qiu, Ping Maggie, re-designated as an executive Director from a non-executive Director on 28 August 2015, was appointed as the company secretary of the Company on 10 August 2013. Ms. Qiu has day-to-day knowledge of the Company's business. Ms. Qiu reports to the Chairman and CEO. The biographical details of Ms. Qiu are set out under the section headed "Biographies of directors and senior management" section of this annual report. During the year ended 31 December 2017, Ms. Qiu has taken more than 15 hours of relevant professional training according to Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION



The Company adopted a shareholders communication policy on 26 March 2013, which stipulates the objectives of the Company in communicating with its Shareholders, both individual and institutional, and, where appropriate, the investment community at large. The Company aims to provide its Shareholders timely and clear information, and allow the Shareholders to engage actively with the Company in exercising their rights.

Information is communicated to the Shareholders mainly through general meetings, our website (www.pandagreen.com) and corporate communications including interim and annual reports, notices, announcements and circulars which are available on our website and that of the Stock Exchange and hard copies of reports and circulars that are despatched to the Shareholders.

Corporate strategies and latest business development of the Group are also communicated with investors and analysts through various investor relations activities such as analyst briefings, conferences and roadshows. Details of investor events are disclosed in the "Investor Relations" section under this report.

The Board is dedicated to maintaining an on-going dialogue with the Shareholders. Shareholders are encouraged to participate in general meetings or appoint proxies to attend and vote at general meetings for and on behalf of them if they are unable to attend in person. Directors will make an effort to attend and the external auditors will also be available at the annual general meeting to address Shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval, members of the independent Board committee will also make an effort to attend to address Shareholders' queries. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at general meetings are taken by poll.

The important dates for corporate events of the Company are set out in the IR Calendar under the Investor Relations section of the Company's website.

REPORT OF CORPORATE GOVERNANCE

Shareholders' rights

Calling and putting forward proposals at a general meeting of the Company

Pursuant to Bye-law 58 of the Bye-laws, Shareholders holding at the date of deposit of requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting ("SGM") to be called by the Board for the transaction of any business specified in such requisition. Such written requisition must be duly signed by the Shareholders concerned and to be verified by the Company's share registrar. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

To request to convene an SGM, the requisitionists shall deposit their requisition in writing, together with the proposals to be considered at such meeting, at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary. The requisition will be verified with the Company's share registrars. If it is in order, the Company Secretary will pass the requisition to the Board for consideration and an SGM will be convened by sufficient notice to all the registered Shareholders in accordance with the requirements under the Bye-laws. On the contrary, if the requisition is invalid, no SGM will be convened and the requisitionists will be advised of this outcome.

To put forward proposals at a Shareholders' meeting of the Company, a Shareholder should lodge a written request setting out the proposals duly signed by the Shareholder concerned at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Chairman and the Company Secretary. The request will be verified by the Company's share registrars. If it is in order, the Company Secretary will pass the request to the Board for consideration. The Board will decide whether it is valid and appropriate to put such proposals at a Shareholders' meeting.

Proposing a candidate for election as a Director at a general meeting

Pursuant to Bye-law 85 of the Bye-laws, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (as defined in the Bye-laws) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

REPORT OF CORPORATE GOVERNANCE

Accordingly, to nominate a person for election as a Director, a Shareholder shall lodge a written notice duly signed by the Shareholder concerned at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Company Secretary. In order for the Company to inform all Shareholders of that proposal, the written notice must include the following information: (i) the full name of the person proposed for election as a Director; (ii) his/her biographical details as required under Rule 13.51(2) of the Listing Rules; and (iii) the candidate's written confirmation on his/her willingness to be elected as a Director and written consent to the publication of his/her personal data as required by the Listing Rules. The notice will be verified by the Company's share registrars. If it is in order, the Company Secretary will pass the notice to the Company's Nomination Committee for examination. The Nomination Committee will assess the suitability of the candidate proposed by the Shareholder and make recommendations to the Board on the selection of individuals nominated for directorship if it thinks fit and appropriate. If such notice is received by the Company after publication of the notice of the Shareholders' meeting concerned, the Company will publish an announcement or issue a supplementary circular setting out the particulars of the proposed Director and may need to adjourn the Shareholders' meeting as and when required by the Bye-laws.

We have posted on our Company's website the procedures for Shareholders to convene and put forward proposals at general meetings including proposing a person for election as a Director, and to vote by poll at general meetings.

Enquiries

Shareholders may directly enquire about their shareholdings to the Company's share registrar. To the extent the requisite information of the Company is publicly available, Shareholders and the investment community who have enquiries in respect of the Company may write to the Company Secretary by post to Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong or by email to csd@pandagreen.com.

Our Board has reviewed corporate governance practices of the Company during the year ended 31 December 2017 and this corporate governance report. It will continue to review, monitor and improve the policies and practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

* For identification purpose only

DIRECTORS' REPORT

Our Board is pleased to present their report together with the audited consolidated financial statements of Panda Green Energy Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017, being the year under review.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and operates its businesses through its subsidiaries. The Group is principally engaged in development, investment, operation and management of renewable energy power plants.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2017, and discussion of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 are provided in the "Management Discussion and Analysis". A discussion on the Group's likely future business development are provided in the "Letter to Investors". Our risk management system and description of the principal risks and uncertainties the Company may be facing are provided in the "Report of Corporate Governance" of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the "Five-year Financial Summary" of this annual report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the sections headed "Management Discussion and Analysis" of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for each of the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 183 of this annual report. This summary does not form part of the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company and its movements during the year ended 31 December 2017 are set out in note 24 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Company during the year ended 31 December 2017 are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or Companies Act 1981 of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

As of 31 December 2017, the Company had no reserve (31 December 2016: nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of RMB7,201 million as at 31 December 2017 (31 December 2016: RMB4,602 million) may be distributed in the form of fully paid bonus shares.

DONATION

During the year under review, the Group had made donations of approximately RMB3,000,000 (2016: RMB800,000).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 21% and 100% respectively (2016: approximately 28% and 100% respectively) of the Group's total revenue for the year under review. Besides, the total amount of purchases attributable to the 5 largest suppliers of items which are not of capital nature was less than 30% of the total purchases of the Group.

None of the Directors or any of their close associate(s) or any substantial shareholder (which to the best knowledge of the Directors owns more than 5% of the number of issued shares of the Company) of the Company had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report are as follows:

Executive Directors

Mr. Li Alan *(Chairman and CEO)*
Mr. Lu Zhenwei
Mr. Li Hong
Ms. Qiu Ping, Maggie
Mr. Jiang Wei *(appointed with effect from 20 March 2017)*
Mr. Yu Qiuming *(appointed with effect from 12 September 2017)*

Non-executive Directors

Academician Yao Jiannian *(resigned with effect from 18 October 2017)*
Mr. Tang Wenyong
Mr. Li Hao *(appointed with effect from 20 March 2017)*

Independent non-executive Directors

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

In accordance with Section 83(2) of the bye-laws of the Company (the "Bye-laws"), Mr. Yu Qiuming, being a Director appointed by the Board on 12 September 2017, shall hold office until the forthcoming annual general meeting (the "AGM") and shall be eligible for re-election at the AGM. In accordance with Section 84 of the Bye-laws, one-third of the Directors shall retire from office by rotation and be eligible for re-election at the AGM.

None of the Directors proposed for re-election at the AGM has entered into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has assessed their independence and considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 17 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions are set out in the section headed "Connected Transactions" below.

Save as disclosed, no contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, its holding company, or any subsidiary of its holding company was a party and in which a Director or the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests of the Directors and the chief executive in the 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, were as follows:

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

	Number of shares			
Name of Director	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Percentage of total number of issued shares
Mr. Li, Alan	10,905,000	510,859,422 (note 1)	–	5.48%
Mr. Li Hong	3,371,200	–	1,600,800 (note 2)	0.05%
Ms. Qiu Ping, Maggie	4,902,000	–	–	0.05%
Mr. Jiang Wei	780,240	–	640,320 (note 3)	0.01%

(b) Long positions in warrants

	Number of underlying shares			
Name of Director	**Personal interests (held as beneficial owner)**	**Corporate interests (interests of controlled corporation)**	**Other interests**	**Percentage of total number of issued shares**
Mr. Li, Alan	–	168,553,178 (note 4)	–	1.77%

Notes:

1. Among the 510,859,422 shares, 492,685,935 shares were held by Magicgrand Group Limited ("Magicgrand") while the other 18,173,487 shares were held by Pairing Venture Limited, both of which are companies beneficially wholly-owned by Mr. Li, Alan.

2. Mr. Li Hong is entitled to receive from a trustee company 1,600,800 shares, subject to performance review, by undertaking to work for China Solar Power Group Limited ("CSPG"), a wholly-owned subsidiary of the Company, for a period of three years.

3. Mr. Jiang Wei is entitled to receive from a trustee company 640,320 shares, subject to performance review, by undertaking to work for CSPG for a period of three years.

4. These unlisted warrants were held by Magicgrand. The warrants entitle the holder to subscribe in cash for 168,553,178 shares at the initial subscription price of HK$0.646 during the 3-year subscription period commencing from 20 March 2017.

(c) Long positions in underlying shares – share options

During the year ended 31 December 2017, certain Directors and chief executive of the Company have interest in share options to subscribe for shares of the Company. For details of such interests and a summary of the share option scheme of the Company, please refer to the section headed "Share Option Scheme" in this report.

Save as disclosed above and in the section headed "Share Option Scheme", as at 31 December 2017, none of the Directors or the chief executive had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of 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.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Under the Bye-laws, every Director is entitled to be indemnified out of the assets and profits of the Company against all actions and losses which he/she may incur or sustain or in or about the execution/discharge of the duties of his/her office or otherwise in relation thereto, to the extent as permitted by law.

Furthermore, during the year, the Company has taken out and maintained appropriate director's and officers' liability insurance to protect the current Directors of the Group and the Directors of the Group who resigned during the year against potential costs and liabilities arising from claims brought against them. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 December 2017 for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 year under review was the Company, its holding company, any of its subsidiaries, or any of the 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 year under review.

EQUITY-LINKED AGREEMENTS

On 12 May 2017, Panda Green Power Group Limited ("PGPG"), a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement ("Tibet Acquisition Agreement") as purchaser with Asia Pacific Energy and Infrastructure Investment Group Limited ("APEI") as seller, in relation to the sale and purchase of the 100% equity interest in the China New Energy Holdings (Hong Kong) Limited for the consideration of HK$1,200,000,000, which will be satisfied by payment in cash of HK$600,000,000 and the allotment and issue of 559,701,493 consideration Shares to APEI (or its nominee) by the Company at the issue price of HK$1.072 per Share. Details of this transaction were disclosed in the announcements of the Company dated 12 May 2017 and 11 August 2017 and the circular of the Company dated 16 June 2017.

Save for the Tibet Acquisition Agreement described above, the sections headed "Share Option Scheme" and "Equity Incentive Scheme" described below, and the issue and/or movement of equity/convertible securities as described in the section headed "Fundraising Activities Through Issue of Equity/Convertible Securities" and set out in note 24 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year under review, or subsisted at the end of the year under review.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 19 June 2012, the Shareholders approved the adoption of a share option scheme (the "Option Scheme"). On 8 January 2015, a total of 64,500,000 share options to subscribe for 64,500,000 shares were granted under the Option Scheme. On 28 January 2016, a total of 36,568,319 share options to subscribe for 36,568,319 shares were granted under the Option Scheme.

As the original scheme limit of the Option Scheme were almost fully utilised, on 26 May 2017, the scheme limit of the Option Scheme was refreshed by the Shareholders at the annual general meeting. After the refreshment, a total of 589,250,000 share options to subscribe for 589,250,000 shares were granted on 16 June 2017, and 80,000,000 share options to subscribe for 80,000,000 shares were granted on 12 September 2017. 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 under review are as follows:

					Changes during the period				
Directors	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2017	Granted	Exercised	Lapsed	Outstanding at 31 December 2017	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	–	(900,000)	–	2,100,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	–	80,000,000	–	–	80,000,000	16 June 2018 to 15 June 2022
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
	16 June 2017	1.076	1	–	5,000,000	–	–	5,000,000	16 June 2018 to 15 June 2022
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	–	(900,000)	–	2,100,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	–	80,000,000	–	–	80,000,000	16 June 2018 to 15 June 2022
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	–	(900,000)	–	2,100,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	–	80,000,000	–	–	80,000,000	16 June 2018 to 15 June 2022

DIRECTORS' REPORT

Directors	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2017	Changes during the period: Granted	Changes during the period: Exercised	Changes during the period: Lapsed	Outstanding at 31 December 2017	Exercise period (Note)
Mr. Jiang Wei	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	–	(300,000)	–	700,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	–	80,000,000	–	–	80,000,000	16 June 2018 to 15 June 2022
Mr. Yu Qiuming	12 September 2017	1.132	1.13	0	70,000,000	–	–	70,000,000	12 September 2018 to 11 September 2022
Academician Yao Jiannian(Resigned on 18 October 2017)	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	–	(300,000)	–	700,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	–	3,000,000	–	–	3,000,000	16 June 2018 to 15 June 2022
Mr. Tang Wenyong	28 January 2016	0.564	0.54	1,000,000	–	–	–	1,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	–	3,000,000	–	–	3,000,000	16 June 2018 to 15 June 2022
Mr. Li Hao	16 June 2017	1.076	1	–	3,000,000	–	(3,000,000)	–	–
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
	16 June 2017	1.076	1	–	3,000,000	–	–	3,000,000	16 June 2018 to 15 June 2022
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
	16 June 2017	1.076	1	–	3,000,000	–	–	3,000,000	16 June 2018 to 15 June 2022

Directors	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2017	Changes during the period: Granted	Exercised	Lapsed	Outstanding at 31 December 2017	Exercise period (Note)
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
	16 June 2017	1.076	1	–	3,000,000	–	–	3,000,000	16 June 2018 to 15 June 2022
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
	16 June 2017	1.076	1	–	3,000,000	–	–	3,000,000	16 June 2018 to 15 June 2022
Other officers and employees	8 January 2015	1	1	23,700,000	–	–	(2,600,000)	21,100,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	15,650,319	–	(2,577,000)	(1,890,000)	11,183,319	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	–	243,250,000	–	(2,000,000)	241,250,000	16 June 2018 to 15 June 2022
	12 September 2017	1.132	1.13	–	10,000,000	–	–	10,000,000	12 September 2018 to 11 September 2022
Total			**–**	**84,350,319**	**669,250,000**	**(5,877,000)**	**(9,490,000)**	**738,233,319**	

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 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 at any time during ten years from the date of grant.

The purpose of the Option Scheme is to attract, retain and motivate talented participants to strive for future development and expansion of the Group.

DIRECTORS' REPORT

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 and notified to an eligible participant and shall be no less than the higher of:

(i) the closing price of the shares 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.

As at 31 December 2017, 157,544,932 share options to subscribe for a total of 157,544,932 Shares, representing approximately 1.65% of the Company's total number of issued Shares as at the date of this report were available for issue under the Option Scheme.

EQUITY INCENTIVE SCHEME

Prior to the acquisition of CSPG by the Group in 2013, an equity incentive scheme (the "EIS") was adopted by CSPG to the effect that 25,000,000 ordinary shares of the CSPG with a par value of US$0.01 each were issued to a trustee company (the "Trustee").

As part of the acquisition of CSPG, 20,010,000 Shares, Series A convertible bonds with a principal amount of HK$40,020,000 and Series B convertible bonds with a principal amount of HK$40,020,000 was issued to the Trustee in exchange for the CSPG shares held by the Trustee. All Series A convertible bonds and Series B convertible bonds held by the Trustee had been converted into the Shares before the year under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholders (other than those disclosed in the section headed "Directors' and Chief Executives' interests in Shares, Underlying Shares and Debentures") had notified the Company/the Stock Exchange of interests or short positions in the shares and/or underlying shares of the Company.

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued Shares (Note 1)
China Merchants Group Limited* (招商局集團有限公司) ("China Merchants")	Interest in controlled corporation	1,088,394,523 (note 2)	249,807,467 (note 3)	26.63%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,031,435,360 (note 4)	168,553,178 (note 4)	
China Merchants New Energy Group Limited ("CMNEG")	Beneficial owner	579,944,250	–	26.05%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,539,885,633 (note 5)	362,948,274 (note 5)	
New Energy Exchange Limited ("NEX")	Beneficial owner	274,055,449	–	26.05%
	Interest in controlled corporation	186,627,621	–	
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,659,146,813 (note 6)	362,948,274 (note 6)	
China Huarong Asset Management Co., Ltd.	Interest in controlled corporation	2,110,257,846 (note 7)	–	22.14%
ORIX Corporation	Interest in controlled corporation	1,074,138,234 (note 8)	–	15.34%
	Others	–	387,810,759 (note 8)	
He Bing	Beneficial owner	559,701,493	–	5.87%

DIRECTORS' REPORT

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued Shares (Note 1)
Fortune Finance Limited	Person having a security interest in shares	299,922,000	205,038,034	5.30%
Qingdao City Construction Investment (Group) Co., Ltd.	Interest in controlled corporation	–	486,564,540 (note 9)	5.11%

Notes:

1. These percentages are calculated based on 9,529,811,467 shares in issue as at 31 December 2017.

2. These shares were directly and indirectly held by Snow Hill Developments Limited ("Snow Hill"), which is an indirect wholly-owned subsidiary of China Merchants.

3. Among these 249,807,467 underlying shares, 55,412,371 underlying shares were held by China Merchant Fund Management Limited* （招商基金管理有限公司） ("CM Fund"), which is owned as to 45% by China Merchants, and 194,395,096 underlying shares were held by Snow Hill.

4. These shares and unlisted warrants were held by a group of Shareholders acting in concert, including CMNEG and Snow Hill, pursuant to an agreement under Section 317 of the SFO. China Merchants was taken to be interested in 1,031,435,360 shares and 168,553,178 warrants.

5. These shares and unlisted warrants were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO. CMNEG was taken to be interested in 1,539,885,633 shares and 362,948,274 warrants.

6. These shares and unlisted warrants were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO. NEX was taken to be interested in 1,659,146,813 shares and 362,948,274 warrants.

7. Among these 2,110,257,846 shares, 646,153,846 shares were held by Power Revenue Limited, 894,104,000 shares were held by New Modern Management Limited, and 570,000,000 shares were held by Future Galaxy Asia Limited, each of which is owned as to 51% by Huarong Overseas Chinese Asset Management Co., Ltd.*（華融華僑資產管理股份有限公司）, which is indirectly wholly owned by China Huarong Asset Management Co., Ltd. Mr. Sun Siu Kit, who indirectly holds 40% interest in Huarong Overseas Chinese Asset Management Co., Ltd. through his wholly-owned subsidiaries, namely Hong Kong Kam Fung Group Company Limited and Guang Dong Jinfeng Group Co., Ltd.*(廣東錦峰集團有限公司), was also taken to be interested in these 2,110,257,846 shares.

8. These 1,074,138,234 shares and 387,810,759 underlying shares were held by ORIX Asia Capital Limited, which is a wholly-owned subsidiary of ORIX Corporation.

9. These underlying shares were held by Huaqing Solar Power Limited, which is indirectly wholly owned by Qingdao City Construction Investment (Group) Co., Ltd.

10. Further to the Shareholders as set out in the above table, as at 31 December 2017, each of China Green Holdings Limited (a wholly-owned subsidiary of NEX), Sino Arena Investments Limited, Magicgrand and Pairing Venture Limited, was holding 2,205,621 shares, 59,892,868 shares, 492,685,935 shares and 18,173,487 shares respectively, being parties acting in concert with CMNEG, Snow Hill and NEX pursuant to an agreement under Section 317 of the SFO.

Save as disclosed above, the Directors are not aware of any person (not being a Director) who, as at 31 December 2017, 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.

CONNECTED TRANSACTIONS

The following are summaries of connected transactions which were disclosed in the Company's announcements and/or circulars during the year under review:

(1) Shares Subscription

On 20 March 2017, completion took place regarding the issue of (i) 756,793,945 Shares at HK$0.5814 per Share and (ii) 362,948,274 warrants at the issue price of HK$0.000775 per warrant, each of which will entitle the warrant holder(s) to subscribe in cash for one Share at the subscription price of HK$0.646 (subject to adjustment) during a period of 3 years after issue of warrants under the specific mandate (the "CM Subscription") pursuant to the subscription agreement dated 20 September 2016 (as amended by a supplemental agreement dated 21 December 2016) entered into by the Company and CMNEG.

CMNEG is a connected person of the Company and accordingly, the CM Subscription constituted a connected transaction of the Company under the Listing Rules.

Mr. Lu Zhenwei, Mr. Li, Alan and Mr. Tang Wenyong are also the directors of CMNEG. Details of the CM Subscription were disclosed in the Company's announcements dated 21 September 2016, 28 November 2016, 21 December 2016 and 20 March 2017, and the circular of the Company dated 10 November 2016.

(2) Amendment of terms of convertible bonds

On 23 October 2017, the Company entered into an amendment deed with CM Fund in relation to the amendments (the "Amendments") to the terms of outstanding 7.5% secured three-year convertible bonds issued by the Company on 20 April 2015, pursuant to which, the Company shall have the right to redeem the convertible bonds up to a principal amount of HK$384,803,198.80 prior to its maturity date, i.e. 20 April 2018.

As CM Fund is an associate of CMNEG, which is a non-wholly owned subsidiary of China Merchants, a substantial shareholder of the Company, the Amendments constituted a connected transaction of the Company under the Listing Rules. Details were disclosed in the Company's announcement dated 23 October 2017 and the circular dated 20 November 2017. The transaction was approved by the independent Shareholders at the special general meeting held on 8 December 2017.

CONTINUING CONNECTED TRANSACTIONS

A summary of continuing connected transactions which took place during the year under review is as below:

A. Provision of solar electricity by the Group to CMLH and its affiliates

On 16 December 2014, China Merchants Zhangzhou Development Zone Silk Road Ark Carbon Asset Management Co., Ltd. (formerly known as China Merchants Zhangzhou Development Zone Trendar Solar Tech Limited*（招商局漳州開發區創達太陽能科技有限公司）("ZZCAM"), a subsidiary of the Company, and China Merchants Logistics Holdings Limited*（招商局物流集團有限公司）("CMLH") entered into a rooftop solar power plants framework agreement (the "Rooftop Solar Power Plants Framework Agreement") pursuant to which, among others, CMLH agreed to lease to the Group certain rooftops of five of warehouses, distribution centres and other logistics network buildings being built or to be built by CMLH.

DIRECTORS' REPORT

On 30 November 2016, pursuant to the Rooftop Solar Power Plants Framework Agreement, the Group entered into the following power purchase agreements with the designated subsidiaries of CMLH for the sale of electricity generated by the rooftop solar power plants installed by the Group on the rooftop leased for a term of 20 years:

(a) power purchase agreement entered into between Kunming Bangye New Energy Power Company Limited*（昆明邦業新能源發電有 限公司）, an indirect subsidiary of the Company and China Merchants Logistics Group Yunnan Co., Ltd.*（招商局物流集團雲南有限公司）, a subsidiary of CMLH, for the sale of electricity generated by a 2.4MW rooftop power plant located in Kunming, the PRC;

(b) power purchase agreement entered into between Ningbo Bonded Area Zhaolian Lvbang New Energy Company Limited*（寧波保税區招聯綠邦新能源有限公司）, an indirect subsidiary of the Company and China Merchants Logistics Group Ningbo Co., Ltd.*（招商局物流集團寧波有限公司）, a subsidiary of CMLH, for the sale of electricity generated a 3MW rooftop power plant located in Ningbo, the PRC; and

(c) power purchase agreement entered into between Nanchang Lvbang New Energy Company Limited*（南昌市綠邦新能源有限公司）, an indirect subsidiary of the Company and China Merchants Logistics Group Nanchang Co., Ltd.*（招商局物流集團南昌有限公司）, a subsidiary of CMLH, for the sale of electricity generated a 2MW rooftop power plant located in Nanchang, the PRC.

On 12 July 2017, pursuant to the Rooftop Solar Power Plants Framework Agreement, the Group entered into the other two power purchase agreements with the designated subsidiaries of CMLH for the sale of electricity generated by the rooftop solar power plants installed by the Group on the rooftop leased for a term of 20 years:

(d) power purchase agreement entered into between Qingdao Lvbang New Energy Company Limited*（青島綠邦新能源有限公司）, an indirect subsidiary of the Group and China Merchants Logistics Group Qingdao Co., Ltd.*（招商局物流集團青島有限公司）, a subsidiary of CMLH, for the sale of electricity generated from a 4.1MW rooftop solar power plant located in Qingdao, the PRC; and

(e) power purchase agreement entered into between Hefei Bangye New Energy Power Company Limited*（合肥邦業新能源發電有限公司）, an indirect subsidiary of the Group and China Merchants Logistics Group Anhui Co., Ltd.*（招商局物流集團安徽有限公司）, a subsidiary of CMLH, for the sale of electricity generated from a 2.4MW rooftop solar power plant located in Hefei, the PRC.

((a) – (e) together, the "Power Purchase Agreements")

Term **–** 20 years.

Pricing **–** Having negotiated on an arm's length basis according to the principles of fairness and reasonableness between CMLH and the Group, electricity will be supplied at a unit price which shall be calculated based on the government prescribed price (exclusive of tax) with a discount rate of 14% per kWh having considered the nature of the long term electricity supply agreement, the projected consumption of electricity generated by the rooftop solar power plants installed at the leased rooftops from subsidiaries of CMLH with favourable lease terms to the Group and comparable prices offered to independent consumers by other electricity suppliers with a discount at the range of 15% to 10%. The government prescribed price on the supply of electricity is determined by the price bureau of the relevant provincial governments, which is subject to adjustment from time to time.

CMLH is a subsidiary of China Merchants, and a fellow subsidiary of CMNEG, which is (together with its parties acting in concert) a substantial shareholder of the Company. Therefore, CMLH and its subsidiaries are associates of CMNEG, hence, connected persons of the Company. Accordingly, the above transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

B. Leasing of office premises

On 8 November 2017, Shanxi Aite Technology Wind Power Limited*（山西艾特科創風電有限責任公司）, United Photovoltaics (Shenzhen) Limited and Zhongli Talesun Gonghe New Energy Limited*（中利騰暉共和新能源有限公司）, all being subsidiaries of the Company, entered into three lease agreements with China Merchants Landmark (Shenzhen) Co., Ltd.*（深圳市招商創業有限公司）("CMCY"), a company established under the laws of the PRC with limited liability and a subsidiary of China Merchants respectively for the lease of certain office premises in Shekou, Shenzhen, the PRC, for a period of three years from 1 November 2017 to 31 October 2020 (the "Leases").

Term – 3 years.

Pricing – Having negotiated on an arm's length basis according to the principles of fairness and reasonableness, the rental and other terms of each of the Leases were determined with reference to the prevailing market rental of similar premises in the proximity, the terms on which other premises in the same building were leased by CMCY to its independent third parties, and the historical rental prices under the lease agreements entered into by subsidiaries of the Company and CMCY in 2014 (which had constituted fully exempt continuing connected transactions of the Company).

CMCY is a subsidiary of China Merchants, and a fellow subsidiary of CMNEG, which is (together with its parties acting in concert) a substantial shareholder of the Company. Therefore, CMCY is an associate of CMNEG, hence, a connected person of the Company. Accordingly, the above transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

The following table sets out the actual transaction amount for the year ended 31 December 2017, the proposed annual caps for the year ended 31 December 2017 and the year ending 31 December 2018 in respect of the above continuing connected transactions:

Continuing Connected Transactions	Major type of products/services	Transaction amount for the year ended 31 December 2017	Annual cap for the year ended 31 December 2017	Annual cap for the year ending 31 December 2018
A Sale of electricity by the Group to the designated subsidiaries of CMLH under all the Power Purchase Agreements	Solar electricity	0	HK$5 million	HK$9 million
B Leasing of office premises under all the CMCY Agreements	Office leasing	RMB2.15 million	RMB2.2 million	RMB3.3 million

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions and confirmed that the connected transactions and continuing connected transactions for the year ended 31 December 2017 were entered into: (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant written agreements governing them on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2017 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The company's auditor has issued the unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save for the transactions disclosed above, all applicable percentage ratios of the annual caps of the other continuing connected transactions which took place during the year ended 31 December 2017 are lower than 5% and the annual caps are all less than HK$3 million, and are therefore fully exempted from independent shareholders' approval, annual review and all disclosure requirements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no Director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which the Directors were appointed as Directors to represent the interest of the Company and/or the Group.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2017, the Company has applied the principles and complied with all the code provisions of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the following deviation.

Mr. Li, Alan, an executive Director, is the CEO and the Chairman of the Board. Code provision 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. Our 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) and satisfactory diversification level of the Board will enable it as a whole to effectively exercise its non-bias judgement.

Additional information on the Company's corporate governance practice is set out in the Report of the Corporate Governance accompanying this annual report.

EMOLUMENT POLICY

The Group remunerates its employees, including the Directors, based on their performance, experience, qualifications, competence and prevailing market comparables. Remuneration packages generally comprises salary, incentive scheme, contribution to pension schemes and bonuses relating to the individual's performance and his/her contribution to the Group's business. The remuneration policy of the Directors is reviewed by the Company's Remuneration Committee.

The Company has adopted the Option Scheme as an incentive to directors, consultants and eligible employees. CSPG, a wholly-owned subsidiary of the Company, has the EIS in place to reward the directors, employees and consultants of CSPG and its subsidiaries with shares of the Company. Details of the Option Scheme and EIS are set out under the section headed "Share Option Scheme" and "Equity Incentive Scheme" in this report.

The remuneration policy of the Directors is reviewed by the Company's Remuneration Committee. The determination of emolument of the Directors had taken into consideration their expertise, job specifications and prevailing market comparables.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient amount of public float of its issued share capital in the Hong Kong stock market throughout the financial year ended 31 December 2017 and has continued to maintain a sufficient amount of public float as required under the Listing Rules as at the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

DIRECTORS' REPORT

FUNDRAISING ACTIVITIES THROUGH ISSUE OF EQUITY/CONVERTIBLE SECURITIES

The Company has conducted fundraising activities through issue of equity shares and warrants during the year under review. In order to maintain financial flexibility for the Group to manage its business expansion and to raise additional equity capital for the business development and future investment opportunities, the general mandate was approved and granted to the Directors by the Shareholders at the annual general meeting held on 26 May 2017 (the "General Mandate") to issue not more than 1,643,589,865 Shares.

Since the date of that annual general meeting, no share was issued under the General Mandate, and the Directors are authorised to issue up to 1,643,589,865 Shares as at the date of this annual report.

A summary of the fundraising activities conducted during the year ended 31 December 2017 are set out below:

Date of issue	Transaction	Issue price per Share	Market price per Share as at the date the principal terms of issue were fixed	Net proceeds	Net price per Share	Intended use of proceeds	Actual use of proceeds as at date of this report
20 March 2017	issue of a total of 2,232,978,962 new Shares and a total of 871,075,858 warrants under specific mandate	HK$0.5814	HK$ 0.72	approximately HK$1,266,000,000	HK$0.5638	to finance the redemption of the outstanding convertible bonds and development of the future business of the Company	20% used for payment relating to redemption of convertible bonds, 80% used in connection with development/acquisition of solar power plants in the PRC
12 April 2017	issue of a total of 270,000,000 new Shares under general mandate	HK$0.83	HK$0.92	approximately HK$223,900,000	HK$0.8293	for general working capital purposes, including funding business development	100% used for the acquisition of the solar power plants in the PRC
22 June 2017	issue of a total of 700,000,000 new Shares under specific mandate	HK$0.95	HK$ 1.08	approximately HK$664,500,000	HK$0.949	for general working capital purposes, including funding business development	90% used for a joint venture to acquire solar power plants in the PRC, and 10% used for payment of interests of convertible bonds and bank loans

Save as disclosed above, the Company has not conducted any other fund raising activities through equity/convertible securities during the year ended 31 December 2017.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the interim report of the Company for the six months ended 30 June 2017 are set out below:

Name of the Directors	Details of changes
Mr. Yu Qiuming	Appointed as an executive Director, member and executive chairman of Strategy Committee of the Company, with effect from 12 September 2017.
Academician Yao Jiannian	Resigned as a non-executive Director of the Company, with effect from 18 October 2017.
Mr. Yen Yuen Ho, Tony	Ceased to act as a panel member of Review Board on School Complaints of the Education Bureau of Hong Kong SAR Government, with effect from January 2018.
Mr. Kwan Kai Cheong	Ceased to act as an independent non-executive director of Dynagreen Environmental Protection Group Co., Ltd., with effect from 26 February 2018.

AUDIT COMMITTEE

The Board has established its Audit Committee since 14 March 2000. Currently it consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Tang Wenyong. The Audit Committee is chaired by Mr. Kwan Kai Cheong who is an independent non-executive Director having the relevant professional qualification and expertise in financial reporting matters.

The consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Company's Audit Committee.

DIRECTORS' REPORT

AUDITORS

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at such meeting.

The directors' report was approved by the Board on 28 March 2018 and signed by the chairman of the same board meeting.

On behalf of the Board

/Signature/
Li, Alan
Chairman and CEO

Hong Kong, 28 March 2018

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of Panda Green Energy Group Limited (formerly known as United Photovoltaics Group Limited)
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Panda Green Energy Group Limited (formerly known as United Photovoltaics Group Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 96 to 182, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Business combinations
- Impairment assessment of intangible assets
- Valuation of call options
- Valuation of unlisted investment
- Classification of investments

Key Audit Matter	How our audit addressed the Key Audit Matter
Business combinations	
Refer to note 4(a) (critical accounting estimates and assumptions) and note 32 of the consolidated financial statements. During the year ended 31 December 2017, the Group completed several acquisitions. Management assessed the nature of the acquisitions by assessing if there are economic resources and business processes associated with them. Management determined whether the assets acquired and liabilities assumed under respective acquisitions constituted a business and therefore the transactions were accounted for as business combinations.	We discussed and inquired management on their basis in determining the nature of the transactions to assess the economic resources or business processes associated with the acquisitions and thus management's assessment of the acquisitions being accounted for as business combinations. We considered the competency, capability and objectivity of the independent external valuer by considering its qualification, relevant experience and relationship with the Group.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for business combinations requires the Group to allocate the purchase price to the assets acquired, liabilities assumed, and identified intangible assets based on their estimated fair values at the date of acquisition. Independent external valuations have been obtained by the Group to support the fair values of the assets acquired, liabilities assumed and identified intangible assets. In aggregate, identified intangible assets and bargain purchase recognised in the consolidated financial statements as at and for the year ended 31 December 2017 amounted to RMB1,700 million and RMB956 million. The fair values of the assets acquired, liabilities assumed and identified intangible assets were determined by using the discounted cash flow ("DCF") approach and various key assumptions and estimates including: – insolation/utilisation hours, electricity price growth rate, operating expenses for maintaining the power plants and construction cost of the projects; and – discount rate. We focused on this area because the carrying values of the identifiable intangible assets and the bargain purchase amount are significant to the consolidated financial statements and the valuation methodology and key assumptions require the use of significant judgements and estimates. These estimations are also subject to uncertainties.	We involved our internal valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates applied. Our procedures in relation to management's key assumptions and estimates applied included: – assessed the appropriateness of the insolation/utilisation hours, electricity price growth rate, operating expenses for maintaining the power plants and construction costs by reference to the industry data obtained for the renewable energy industry in the People's Republic of China ("PRC") and the historical operating data of the Group as well as those of the acquirees; – evaluated the appropriateness of the discount rate by considering each individual project's risk profile; and – evaluated the management sensitivity analysis on the key assumptions and estimates applied within the DCF. Based on the procedures described above, we considered the methodology used and key assumptions and estimates applied in the valuation of the Group's business combinations are supportable.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets	
Refer to note 4(b) (critical accounting estimates and assumptions) and note 17 of the consolidated financial statements. As at 31 December 2017, the Group had intangible assets of RMB2,524 million, comprising concession rights and development rights of RMB824 million and RMB1,700 million, respectively. The Group has concession rights to acquire solar power plant projects from certain vendors for development and operation of solar power plant projects ("Concession Rights"); and development rights to develop and operate hydropower projects ("Development Rights") in the PRC. Management tests for impairment of the Concession Rights and Development Rights annually or when there are impairment indicators. During the year ended 31 December 2017, the Group recognised impairment loss of intangible assets of RMB32 million. Independent external valuations are obtained to support management's estimates on the recoverable amounts of the intangible assets. The estimated recoverable amounts of Concession Rights and Development Rights are determined based on fair value less costs of disposal using the DCF approach and various key assumptions and estimates including: – the Group's ability to exercise these Concession Rights to acquire the relevant solar power plant projects from the vendors before they expire; – the Group's ability to utilise these Development Rights to develop the relevant solar power and hydropower plant projects; – insolation/utilisation hours, electricity price growth rate, operating expenses for maintaining the power plants and construction costs of the projects; and – discount rates used for individual projects for Concession Rights and Development Rights.	We inquired of management on the market intelligence of the development and changes of renewable energy industry policies in the PRC and made reference to industry and analyst research reports in considering if there are impairment indicators. We considered the competency, capability and objectivity of the independent external valuer by considering its qualification, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates applied. Our procedures in relation to management's key assumptions and estimates applied included: – obtained the Group's acquisition plan and inquired of management about the status of negotiation with the potential vendors and their plans and measures to finance the exercise of these Concession Rights before they expire, with reference to the correspondence between the Group and the respective potential vendors provided by management and the Group's historical experience in project financing; – obtained the Group's development plan and inquired of management about the status of the construction of the hydropower plant projects and their plans to be executed within the expected timetable; – assessed the appropriateness of the insolation/utilisation hours, electricity price growth rate, operating expenses for maintaining the power plants and construction costs by reference to the industry data obtained for the renewable energy industry in the PRC and the historical operating data of the Group; and

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area because the carrying values of the intangible assets are significant to the consolidated financial statements and the impairment assessment requires the use of significant judgements and estimates to determine the recoverable amounts. These estimations are also subject to uncertainties.	– evaluated whether the discount rates used for individual projects for Concession Rights and Development Rights are within reasonable ranges by considering each individual project's risk profile, the probability of successfully securing the Group's acquisition and development plan on Concession Rights and the completion of the hydropower plant projects of Development Rights through industry data obtained and historical achievement of the Group's prior acquisition plans. Based on the procedures described above, we considered the methodology used and key assumptions and estimates applied in the impairment assessment of intangible assets are supportable.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of call options	
Refer to note 4(d) (critical accounting estimates and assumptions) and note 20 of the consolidated financial statements. The call options in relation to the acquisition of additional equity interest in associates were recognised at fair value on initial recognition and requires subsequent re-measurement at fair value at each period end. Independent external valuation was obtained to support the fair value of the call options to be RMB132 million as at 31 December 2017. Related net fair value gain recognised in the consolidated statement of profit or loss during the year then ended amounted to RMB4 million. The fair value of the call options was determined by using binomial model, and key assumptions and estimates included: – underlying project values attached to the call options; and – the Group's ability to exercise the call options. We focused on this area because the carrying values of the call options are significant to the consolidated financial statements and the valuation methodology require the use of significant judgements and estimates. These estimations are also subject to uncertainties.	We considered the competency, capability and objectivity of the independent external valuer by considering its qualification, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates applied. Our procedures in relation to management's key assumptions and estimates applied included: – obtained the financial information and cash flow projections of the underlying solar power plants operation and assessed whether the underlying project values attached to the call options are within a reasonable range; and – obtained the Group's acquisition plan and inquired of management about their plans and measures to finance the acquisition upon exercise of the call options before they expire, with reference to the Group's historical experience in project financing. Based on the procedures described above, we considered the methodology used and key assumptions and estimates applied in the valuation of the Group's call options are supportable.

Key Audit Matter

Valuation of unlisted investment

Refer to note 4(d) (critical accounting estimates and assumptions) and note 20 of the consolidated financial statements.

Unlisted investment is principally engaged in provision of solar energy related products and solutions; development, investment, operation, management of solar power plants; consultation service of renewable energy; and information technology development and technical support service. Unlisted investment was recognised at fair value through profit or loss on initial recognition and requires subsequent re-measurement at fair value at each period end. Independent external valuation was obtained to support the fair value of the unlisted investment to be RMB216 million as at 31 December 2017. Related fair value loss recognised in the consolidated statement of profit or loss during the year then ended amounted to RMB13 million.

The fair value of the unlisted investment was determined by using the DCF approach and various key assumptions and estimates including:

- business plan of the investee;
- discount rate;
- revenue growth rate; and
- gross profit margin.

We focused on this area because the carrying value of the investment is significant to the consolidated financial statements and the valuation methodology require the use of significant judgements and estimates. These estimations are also subject to uncertainties.

How our audit addressed the Key Audit Matter

We considered the competency, capability and objectivity of the independent external valuer by considering its qualification, relevant experience and relationship with the Group.

We involved our internal valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates applied. Our procedures in relation to management's key assumptions and estimates applied included:

- obtained and assessed the business plan of the investee that supports the cash flow projections used in DCF through inquiry of management and obtaining supporting documents including agreements and contracts to corroborate our understanding of the status of each on-going project of the investee;
- evaluated the appropriateness of the discount rate by considering the investee's weighted average cost of capital and the risk profile of the investee; and
- assessed the appropriateness of the revenue growth rate and gross profit margin based on industry data obtained from the renewable energy industry in the PRC and historical experience of the investee.

Based on the procedures described above, we considered the methodology used and key assumptions and estimates applied in the valuation of the Group's unlisted investment are supportable.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification of investments	
Refer to note 4(e) (critical accounting estimates and assumptions), and notes 19 and 32 of the consolidated financial statements. During the year ended 31 December 2017, the Group made significant amounts of investments or acquisitions under different arrangements with the amount of net assets acquired or invested of approximately RMB3,443 million. We focused on this area due to the magnitude of the investments and the fact that significant judgements were made by management in determining the appropriate classification for certain investments that involved complex terms and arrangements.	We read the contracts and agreements in relation to those significant investments made in the current year and discussed with management to obtain an understanding on the details of such investments, including relevant activities of the investee companies and how decisions about those activities are made, how the Group and other investors participate in the decisions, the rights and power of the Group and other investors on the investee companies, other arrangements or transactions among the Group, other investors and the investee companies and respective returns from the investments. We also discussed with management and obtained management assessment to understand their critical judgements and the classification that they had applied. We also corroborated the critical underlying evidences, based on which the management made the assessments and applied critical judgements. We also assessed the terms and conditions of selected significant investments, including evaluation of indication or evidence of power found in the detailed arrangement of these investments, in order to assess whether appropriate classification had been adopted by management in relation to those investments based on the consideration of the totality of facts, which we found no material exceptions.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Chung Kit Yi, Kitty.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 RMB'million	2016 RMB'million
Sales of electricity		**419**	261
Tariff adjustment		**1,103**	737
Revenue	5	**1,522**	998
Other income	8	**15**	65
Employee benefits expenses (excluding share-based payment expenses)	9(a)	**(124)**	(89)
Land use tax		**(19)**	(14)
Legal and professional fees		**(26)**	(14)
Maintenance costs		**(93)**	(38)
Other expenses	10	**(77)**	(60)
EBITDA#		**1,198**	848
Acquisition costs arising from business combinations		**(26)**	(15)
Depreciation	16	**(459)**	(301)
Bargain purchase arising from:			
(i) Business combinations; and	32	**956**	91
(ii) Acquisition of investments accounted for using equity method	19	**15**	112
Fair value (losses)/gains on financial assets at fair value through profit or loss	6	**(61)**	563
Fair value (loss)/gains on financial liabilities at fair value through profit or loss	7	**(229)**	58
Finance income	11	**53**	9
Finance costs:	12		
(i) in relation to bank and other borrowings; and		**(874)**	(426)
(ii) in relation to convertible bonds:			
– Redeemed/converted during the year		**(261)**	(179)
– Outstanding at end of the year		**(140)**	(393)
Impairment charge on concession rights	17	**(32)**	–
Share-based payment expenses	9(a)	**(71)**	(7)
Share of profits of investments accounted for using equity method	19	**105**	23
Profit before income tax		**174**	383
Income tax expense	13	**(21)**	(1)
Profit for the year		**153**	382
Profit attributable to:			
– Shareholders of the Company		**153**	367
– Non-controlling interests		**–**	15
		153	382
Earnings per share attributable to shareholders of the Company	15		
– Basic (RMB cents)		**1.91**	7.63
– Diluted (RMB cents)		**1.59**	6.56

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

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

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

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'million	2016 RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment	16	15,567	9,176
Intangible assets	17	2,524	917
Investments accounted for using equity method	19	801	515
Financial assets at fair value through profit or loss	20	132	252
Other receivables, deposits and prepayments	22	2,050	771
Pledged deposits	23	903	1,014
Deferred tax assets	28	29	–
Total non-current assets		22,006	12,645
Current assets			
Financial assets at fair value through profit or loss	20	231	340
Trade, bills and tariff adjustment receivables	21	1,739	1,418
Other receivables, deposits and prepayments	22	1,786	754
Pledged deposits	23	1,229	987
Restricted cash	23	10	41
Cash and cash equivalents	23	1,593	996
Total current assets		6,588	4,536
Total assets		28,594	17,181
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	24	803	402
Reserves		5,073	2,092
		5,876	2,494
Non-controlling interests		552	114
Total equity		6,428	2,608

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'million	2016 RMB'million
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	25	12,997	5,982
Convertible bonds	26	–	3,154
Contingent consideration payables	27	16	–
Deferred government grant		7	2
Deferred tax liabilities	28	722	305
Other derivative financial instruments	30	12	–
Total non-current liabilities		13,754	9,443
Current liabilities			
Other payables and accruals	29	2,205	978
Bank and other borrowings	25	5,209	4,152
Convertible bonds	26	981	–
Contingent consideration payables	27	16	–
Other derivative financial instruments	30	1	–
Total current liabilities		8,412	5,130
Total liabilities		22,166	14,573
Total equity and liabilities		28,594	17,181

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

These consolidated financial statements on pages 96 to 182 have been approved for issue by the Board of Directors on 28 March 2018 and were signed on its behalf.

Mr. Li, Alan
Director

Mr. Li Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to the shareholders of the Company												
	Share capital RMB'million	Share premium RMB'million	Share-based payment reserve RMB'million	Share held under equity incentive scheme ("EIS") RMB'million	Convertible bonds equity reserve RMB'million	Warrant reserve RMB'million	Translation reserve RMB'million	Other reserves RMB'million	Statutory reserve RMB'million	Accumulated losses RMB'million	Total RMB'million	Non-controlling interests RMB'million	Total equity RMB'million
Balance at 1 January 2016	386	4,511	119	(54)	222	–	(158)	(7)	51	(2,945)	2,125	105	2,230
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	–	367	367	15	382
Other comprehensive loss	–	–	–	–	–	–	(169)	–	–	–	(169)	–	(169)
Total comprehensive (loss)/income	–	–	–	–	–	–	(169)	–	–	367	198	15	213
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	–	34	34
Issue of shares through placement	9	44	–	–	–	–	–	–	–	–	53	–	53
Issue of shares on conversion of convertible bonds	7	44	24	(19)	(2)	–	–	–	–	–	54	–	54
Reclassification from contingent consideration payables to convertible bonds	–	–	–	–	37	–	–	–	–	–	37	–	37
Share-based payment	–	–	7	–	–	–	–	–	–	–	7	–	7
Transaction with a non-controlling interest	–	3	–	–	–	–	–	17	–	–	20	(40)	(20)
Transfer to statutory reserves	–	–	–	–	–	–	–	–	38	(38)	–	–	–
Total transactions with owners in their capacity as owners	16	91	31	(19)	35	–	–	17	38	(38)	171	(6)	165
Balance at 31 December 2016	402	4,602	150	(73)	257	–	(327)	10	89	(2,616)	2,494	114	2,608
Balance at 1 January 2017	402	4,602	150	(73)	257	–	(327)	10	89	(2,616)	2,494	114	2,608
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	–	153	153	–	153
Other comprehensive income/(loss)	–	–	–	–	–	–	205	(13)	–	–	192	–	192
Total comprehensive income/(loss)	–	–	–	–	–	–	205	(13)	–	153	345	–	345
Non-controlling interests arising from business combination (Note 32)	–	–	–	–	–	–	–	–	–	–	–	437	437
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1	1
Issue of shares through placement and warrant subscription (Note 24(a))	280	1,779	–	–	–	53	–	–	–	–	2,112	–	2,112
Issue of consideration shares in relation to acquisition of subsidiaries (Note 24(b))	48	453	–	–	–	–	–	–	–	–	501	–	501
Issue of shares upon exercise of share options (Note 24(c))	1	3	(1)	–	–	–	–	–	–	–	3	–	3
Issue of shares upon conversion of convertible bonds and related interest settlement (Note 24)	72	364	–	–	(20)	–	–	3	–	20	439	–	439
Redemption of convertible bonds (Note 26)	–	–	–	–	(114)	–	–	–	–	25	(89)	–	(89)
Share-based payment (Note 24(c))	–	–	71	–	–	–	–	–	–	–	71	–	71
Transfer to statutory reserves	–	–	–	–	–	–	–	–	43	(43)	–	–	–
Total transactions with owners in their capacity as owners	401	2,599	70	–	(134)	53	–	3	43	2	3,037	438	3,475
Balance at 31 December 2017	803	7,201	220	(73)	123	53	(122)	–	132	(2,461)	5,876	552	6,428

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'million	2016 RMB'million
Cash flows from operating activities			
Cash generated from operations	31(a)	892	327
Income tax paid		(22)	–
Net cash inflow from operating activities		870	327
Cash flow from investing activities			
Acquisition of investments accounted for using equity method	19	(500)	(108)
Acquisitions of subsidiaries, net of cash acquired	32	(383)	(152)
Capital contribution to investments accounted for using equity method	19	(120)	–
Reduction in paid in share capital for investments accounted for using equity method		87	–
Deposits paid for investments		(1,051)	(187)
Dividend received from an investment accounted for using equity method		19	–
Amounts due from investments accounted for using equity method		(388)	(9)
Interests received		46	5
Proceeds from government grant		17	3
Settlement of consideration payment for acquisition of subsidiaries		(10)	–
Capital expenditure		(1,829)	(2,060)
Acquisition of additional interest in subsidiaries		–	(20)
Refund of advance payment with related interest		–	448
Net cash outflow from investing activities		(4,112)	(2,080)
Cash flow from financing activities			
Capital contribution by non-controlling interests		1	–
Interests paid on bank and other borrowings		(643)	(326)
Interests paid on convertible bonds		(170)	(185)
Increase in pledged deposits		(59)	(1,851)
Decrease in restricted cash		31	165
Proceeds from issue of convertible bonds	26	–	297
Redemption of convertible bonds		(1,944)	(1,064)
Proceeds from bank borrowings		5,980	5,276
Repayment of bank borrowings		(4,347)	(1,091)
Proceeds from loans from leasing companies		1,732	1,048
Repayment of loans from leasing companies		(2,533)	(638)
Proceeds from medium-term notes		157	96
Repayment of loans from medium-term notes		(69)	–
Proceeds from senior notes		2,304	–
Proceeds from corporate bonds		1,721	–
Proceeds from placing of new shares and issue of warrants		1,913	53
Transaction cost for placing of new shares and issue of warrants		(30)	–
Proceeds from exercise of share options		3	–
Proceeds from loans from a third party		–	45
Repayment of loans from third parties		(101)	–
Net cash inflow from financing activities	31(b)	3,946	1,825
Net increase in cash and cash equivalents		704	72
Cash and cash equivalents at beginning of year		996	947
Effect of foreign exchange rate changes		(107)	(23)
Cash and cash equivalents at end of year	23	1,593	996

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Going concern

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

As at 31 December 2017, the Group paid RMB1,166 million as deposits for proposed acquisitions of solar power plants with an aggregate installed capacity of 745MW pursuant to the terms of the conditional sale and purchase agreements and framework agreement (Note 22(a)). Should these potential acquisitions be completed, the Group would have to contribute additional capital to finance the settlement of its Engineering, Procurement and Construction ("EPC") payables and other payables of these solar power plants.

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. During the year ended 31 December 2017, the Group entered into EPC contract with a contractor with a capital expenditure amounting to RMB91 million for its self-constructed solar power plant in Xinjiang, the People's Republic of China (the "PRC") with an installed capacity of 100MW (Note 33 (a)).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

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

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

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

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

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

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

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

Effective for accounting periods beginning on or after 1 January 2018

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

Effective for accounting periods beginning on or after 1 January 2019

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

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

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

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

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

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combination*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combination (Continued)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Separate financial statements

Investments in subsidiaries and associates are accounted for at cost less impairment. Cost includes direct attributable costs of investment. Cost also includes capital contribution relating to EIS for investments in subsidiaries. The results of subsidiaries and associates are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries and associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits of investments accounted for using equity method" in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is HK$ and the consolidated financial statements are presented in RMB which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss within "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expense for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 Land use rights

Land use rights are located in the PRC and they are classified as operating leases. All land use rights are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is provided to write off cost of land use rights on a straight-line basis over the respective lease period.

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over the unexpired periods of the leases or their expected useful lives of 3 years, whichever is shorter
Power generating modules and equipment	25 – 30 years
Plant and machinery	5 years
Furniture, fixtures and office equipment	3 – 5 years
Motor vehicles	5 years

Construction in-progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

2.9 Intangible assets

Intangible assets comprise (i) concession rights which represent rights to develop, acquire and operate certain solar power plants; and (ii) development rights which represent the rights to develop certain solar power and hydropower plants. Concession rights and development rights acquired in a business combination are initially recognised at fair value. The concession rights and development rights will be redesignated to property, plant and equipment when the relevant power plants are developed, acquired or operated by the Group. Concession rights and development rights are subsequently carried at cost less accumulated impairment losses, if any.

2.10 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment, or more frequently if events on changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities

2.11.1 *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The Group's financial liabilities are classified as financial liability at fair value through profit or loss or financial liabilities at amortised cost. The classification depends on the purpose for which the financial assets and financial liabilities are acquired. Management determines the classification of its financial assets and financial liabilities at initial recognition.

(a) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial assets and financial liabilities held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Balances in this category are classified as current if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

2.11.2 *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities (Continued)

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in the consolidated statement of profit or loss in the period in which they arise.

Dividends on financial assets at fair value through profit or loss are recognised in the consolidated statement of profit or loss when the Group's right to receive payments is established.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

2.14 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flow of assets and liabilities and for highly probable forecast transactions.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Derivatives and hedging activities (Continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to the consolidated statement of profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of profit or loss with finance cost.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the consolidated statement of profit or loss.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for electricity sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (generally over 6 months for renewable power projects) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

2.20 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in convertible bonds equity reserves. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method.

The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Compound financial instruments issued by the Group also comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued may vary.

The liability component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of all derivatives. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. Derivatives are carried at fair value subsequently, with changes in fair value presented to the consolidated statement of profit or loss in the period in which they arise.

Liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

When the Group extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued.

Once the allocation of the consideration is made, any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows:

(a) The amount of gain or loss relating to the liability component is recognised in profit or loss; and
(b) The amount of consideration relating to the equity component is recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(a) Pension obligations

Employees of the Group in Hong Kong are required to participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Employees of the Group in the PRC are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in the PRC contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

(b) Employee leaves entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of statement of financial position. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options, shares and convertible bonds) of the Group. The fair value of the employee services received in exchange for the grant of the options, shares and convertible bonds is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of electricity

Revenue arising from the sale of electricity is recognised in the accounting period when electricity is generated and transmitted.

(b) Tariff adjustment

Tariff adjustment represents subsidy received and receivable from the government authorities in respect of the Group's renewable energy projects. Tariff adjustment is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Dividend income

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight– line basis over the expected lives of the related assets.

2.28 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or the Group's parent.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Related party transactions (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a) above.

(vii) a person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the Group or is a member of the key management personnel of the Group (or of a parent of the Group).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.29 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee issued at the time of issuance is determined by reference to fees charged in an arm's length transactions for a similar services. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. Any increase in the liability relating to guarantees is reported in the consolidated statement of profit or loss.

Where guarantees in relation to loans of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors of the Company.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC, Hong Kong and the United Kingdom ("UK").

The functional currency of the Hong Kong reporting entities is HK$ and the transactions are mostly denominated in HK$ and United States dollar ("US$"). For transactions or balances denominated in US$ are reasonably stable with the Hong Kong dollars under the Linked Exchange Rate System, the directors are of the opinion that the Company does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. Accordingly, no sensitivity analysis is performed.

The functional currency of the PRC reporting entities is RMB and the transactions are mostly denominated in RMB and HK$, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The functional currency of the UK reporting entities is British Pound ("GBP") and the transaction is mostly denominated in GBP, the net cash inflows from operations are sufficient to cover its finance costs, which are denominated in local currency.

The Group is exposed to foreign exchange risk primarily through financing, capital expenditure and expenses transactions that are denominated in a currency other than RMB, which is the functional currency of the major subsidiaries of the Group. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contract to hedge against foreign exchange risk as management considers its exposure is not significant.

At 31 December 2017, if HK$ had strengthened/weakened by 5% (2016: 5%) against RMB with all other variables held constant, profit for the year would have been approximately RMB2 million higher/lower (2016: RMB0.2 million higher/lower).

At 31 December 2017, if HK$ had strengthened/weakened by 5% (2016: 5%) against GBP with all other variables held constant, profit for the year would have been approximately RMB9 million lower/higher (2016: Nil).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which mainly bear floating interest rates.

The Group monitors closely its interest rate exposure by maintaining an appropriate mix of fixed and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

Interest rate swap contract has been entered into with certain banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain GBP denominated bank borrowings which bear floating interest rates with an aggregate principal amount of GBP69 million at 31 December 2017.

The sensitivity analysis for changes in interest rate on interest rate swap is not disclosed as the effect on the consolidated statement of comprehensive income is considered not significant.

At 31 December 2017, if interest rates on bank and other borrowings had been 50 basis points (2016: 50 basis points) higher/lower with all other variables held constant, profit for the year would have been approximately RMB57 million lower/higher (2016: RMB34 million lower/higher) mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade and other receivables, deposits for investments; and deposits with banks and financial institutions.

As at 31 December 2017, the Group has concentration of credit risk as 59% (2016: 60%) of its trade and tariff adjustment receivables were due from four largest customers (2016: two), which were mainly state-owned enterprises. Considering the track record of regular repayment of trade receivables and based on the Group's experience with respect to the collection of tariff adjustment receivables, which is well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant.

The Group has policies that limit the amount of credit exposure to any financial institutions. Substantially all the deposits in banks are held in reputable financial institutions located in Hong Kong, the PRC and the UK, which management believes are of high credit quality and management does not expect any losses arising from non-performance by these counterparties.

In addition, credit risk may also arise from deposits and other receivables. Management performs regular assessment on the credit risk associated with these amounts based on the counterparties' collection history, financial position, proposed project investment status and other relevant factors. In this connection, management believes that there is no material credit risk inherent in the Group's outstanding deposits and other receivables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's business. Currently, the Group finances its working capital requirements through funds generated from operations, issue of new shares, senior notes, medium term notes and corporate bonds, and obtaining bank and other borrowings.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'million	Between 1 year to 2 years RMB'million	Between 2 to 5 years RMB'million	Over 5 years RMB'million	Total RMB'million
At 31 December 2017					
Other payables and accruals	**1,963**	**–**	**–**	**–**	**1,963**
Bank and other borrowings and corresponding interests	**6,271**	**2,275**	**8,629**	**4,789**	**21,964**
Convertible bonds and corresponding interests	**1,116**	**–**	**–**	**–**	**1,116**
Other derivative financial instruments	**4**	**4**	**6**	**1**	**15**
Contingent consideration payables	**16**	**5**	**17**	**–**	**38**
	9,370	**2,284**	**8,652**	**4,790**	**25,096**
At 31 December 2016					
Other payables and accruals	779	–	–	–	779
Bank and other borrowings and corresponding interests	4,685	1,959	2,691	2,709	12,044
Convertible bonds and corresponding interests	175	3,548	398	–	4,121
	5,639	5,507	3,089	2,709	16,944

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may obtain bank and other borrowings, issue of senior notes, medium-term notes and corporate bonds or placing of new shares.

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 payable and convertible bonds as shown in the consolidated statement of financial position) less cash deposits (including cash and cash equivalents, pledged deposits and restricted cash as shown in the consolidated statement of financial position). Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debts.

The gearing ratios at 31 December 2017 and 2016 were as follows:

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

3.3 Fair value estimation

The table below analyses financial instruments carried at fair values, by valuation method. The different levels 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).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following tables present the fair value hierarchy of the Group's financial assets and liabilities that were measured at fair value at 31 December 2017 and 2016.

	Level 1 RMB'million	Level 2 RMB'million	Level 3 RMB'million	Total RMB'million
At 31 December 2017				
Assets				
Financial assets at fair value through profit and loss				
– Call options issued relating to the acquisition of investments accounted for using equity method (Note 20)	–	–	132	132
– Guaranteed electricity output (Note 20)	–	–	15	15
– Unlisted investment (Note 20)	–	–	216	216
Liabilities				
Contingent consideration payables (Note 27)	–	–	(32)	(32)
Financial liabilities at fair value through profit and loss				
– Derivative portion of convertible bonds (Note 26)	–	–	(7)	(7)
– Other derivative financial instruments (Note 30)	–	(13)	–	(13)

	Level 1 RMB'million	Level 2 RMB'million	Level 3 RMB'million	Total RMB'million
At 31 December 2016				
Assets				
Financial assets at fair value through profit and loss				
– Call options issued relating to the acquisition of investments accounted for using equity method	–	–	252	252
– Guaranteed electricity output	–	–	111	111
– Unlisted investment	–	–	229	229
Liabilities				
Financial liabilities at fair value through profit and loss				
– Derivative portion of convertible bonds	–	–	(86)	(86)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Guaranteed electricity output was estimated based on the shortfall of electricity pursuant to sale and purchase agreements mutually agreed between the relevant parties.

- Unlisted investment is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate, revenue, gross profit margin and expected free cash flows of the investee.

- Contingent consideration payables for acquisitions measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgement on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the then prevailing incremental cost of borrowings of the Group at time of acquisitions.

- The fair value of interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves.

- See relevant disclosures on fair value determination of call options (Note 19) and derivative portion of the convertible bonds (Note 26).

There were no significant transfers of financial assets or liabilities between level 1, level 2 and level 3 fair value hierarchy classifications.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2017.

	Financial assets at fair value through profit or loss			Financial liabilities at fair value through profit or loss	
	Call options RMB'million	Guaranteed electricity output RMB'million	Unlisted investment RMB'million	Derivative portion of convertible bonds RMB'million	Contingent consideration payables RMB'million
Opening balance	252	111	229	(86)	–
Acquisition of subsidiaries (Note 32)	–	–	–	–	(31)
Initial recognition	63	–	–	–	–
Fair value gains/(losses), net recognised in the consolidated statement of profit or loss	(59)	(49)	(13)	(48)	–
Gains on early redemption of convertible bonds recognised in the consolidated statement of profit or loss	–	–	–	124	–
Early exercise of call option (Note 19(b))	(124)	–	–	–	–
Settlements	–	(47)	–	–	–
Exchange difference	–	–	–	3	(1)
Closing balance	132	15	216	(7)	(32)
Total gains/(losses) for the year included in the consolidated statement of profit or loss for assets held/liabilities assumed at the end of the year	4	(49)	(13)	76	–
Change in unrealised gains/(losses) for the year included in the consolidated statement of profit or loss at the end of the year	4	(49)	(13)	(48)	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2016.

	Financial assets at fair value through profit or loss			Financial liabilities at fair value through profit or loss		
	Call options RMB'million	Guaranteed electricity output RMB'million	Unlisted investment RMB'million	Derivative portion of convertible bonds RMB'million	Put option RMB'million	Contingent consideration payables RMB'million
Opening balance	121	–	–	(108)	(21)	(581)
Issuance of convertible bonds	–	–	–	(42)	–	
Initial recognition	159	–	–	–	–	–
Reclassified from investments in associates	–	–	17	–	–	–
Reclassified to convertible bonds and convertible bonds equity reserve	–	–	–	–	–	525
Fair value gains/(losses) recognised in the consolidated statement of profit or loss	(28)	220	212	68	21	37
Settlements	–	(122)	–	–	–	–
Value-added tax	–	13	–	–	–	–
Exchange difference	–	–	–	(4)	–	19
Closing balance	252	111	229	(86)	–	–
Total gains for the year included in the consolidated statement of profit or loss for assets held/liabilities assumed at the end of the year	131	220	212	68	21	37
Change in unrealised gains for the year included in the consolidated statement of profit or loss at the end of the year	131	111	212	68	21	37

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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 31 December		Valuation techniques	Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss	
	2017	2016				2017	2016
	RMB'million	RMB'million				RMB'million	RMB'million
Financial assets at fair value through profit or loss							
– Call options	132	252	Binomial model	Volatility	+5%	7	12
					–5%	(7)	(12)
– Unlisted investment	216	229	Discount cash flow method	Discount rate	+0.5%	(6)	(4)
					–0.5%	6	4
				Revenue	+5%	8	7
					–5%	(8)	(7)
Financial liabilities at fair value through profit or loss							
– Derivative portion of convertible bonds	(7)	(86)	Binomial model	Volatility	+5%	(4)	(16)
					–5%	3	15
				Share price	+HK$0.10	(5)	(68)
					–HK$0.10	3	48

Except for the liability component of the convertible bonds which are carried at amortised cost, the carrying amounts of all financial assets and financial liabilities of the Group approximated their fair values as at 31 December 2017 (2016: same).

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
	RMB'million	RMB'million	RMB'million	RMB'million
Financial Liabilities				
Convertible bonds carried at amortised cost	974	1,051	3,068	3,568

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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Business combinations

Accounting for acquisitions require the Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken processes to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill, bargain purchase and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement.

The Group obtained control in certain renewal energy companies which are in development stage and yet to generate outputs during the year. Judgement is required in determining whether the acquired set of activities and assets constitute "Business" under HKFRS 3. The significant judgements include whether the inputs and processes acquired, combined with the inputs and processes of a market participant, are capable of being conducted and managed to produce resulting outputs and capability to obtain access to customers that will purchase the outputs.

Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated statement of financial position of the Group.

(b) Impairment of property, plant and equipment, intangible assets and investments accounted for using equity method

Assets that have an indefinite useful life are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(c) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Fair value of other financial instruments

The fair values of financial assets and liabilities at fair value through profit or loss were determined by using various valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including the discount rates, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumption used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation.

(e) Classification of investments

The Group made certain significant amounts of investments that involved particular terms and arrangements, and in different forms of financial instruments, and the amounts of net assets acquired or invested amounted to approximately RMB3,443 million during the year. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies and its decisions making process on those activities that involving the Group, if any and its other investors, the rights and power of the Group and other investors on the investee companies, any other arrangements or transactions among the Group, its other investors and/or the investee companies, and the Group's returns from the investments.

Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated statement of financial position of the Group.

5 SEGMENT INFORMATION

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

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

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

	2017	2016
	RMB'million	RMB'million
The PRC	**1,451**	998
UK	**71**	–
	1,522	998

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

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

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

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

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

	2017 RMB'million	2016 RMB'million
Call options in relation to acquisition of investments accounted for using equity method (Note 19)	4	131
Guaranteed electricity output (Note 20)	(49)	220
Unlisted investment (Note 20)	(13)	212
Previously held interest in an investment accounted for using equity method (Note 32(d))	(3)	–
	(61)	563

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

	2017 RMB'million	2016 RMB'million
Issue of shares and warrants (Note 24(a)(i))	(229)	–
Contingent consideration payables	–	37
Put option issued in relation to acquisition of investments accounted for using equity method	–	21
	(229)	58

8 OTHER INCOME

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

9 EMPLOYEE BENEFITS EXPENSES

(a) Employee benefits expenses (including Directors' emoluments)

	2017 RMB'million	2016 RMB'million
Salaries, wages and bonuses	115	83
Contributions to retirement contribution plan	9	6
	124	89
Share-based payment expenses (Note 24(c))	71	7
	195	96

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, five (2016: three) were directors of the Company, whose emoluments are included in the disclosure set out in Note 9(c) below. No individual except director fell within the five highest paid employees (2016: two). The emolument of the highest paid individual except directors is as follows:

	2017 RMB'million	2016 RMB'million
Salaries and bonuses	–	2.19
Retirement benefit scheme contributions	–	0.02
Share-based payment expenses	–	0.30
	–	2.51

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HK$1,000,001 – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	–	1
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	–	–

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments

The emoluments paid or payable to each director were as follows:

For the year ended 31 December 2017

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking					Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	
	Fees RMB'million	Salaries RMB'million	Discretionary bonuses RMB'million	Retirement benefit scheme contributions RMB'million	Share-based payment expenses RMB'million	RMB'million	Total RMB'million
Executive directors:							
Mr. Li, Alan (i)	0.17	2.57	–	0.02	9.55	–	12.31
Mr. Lu Zhenwei (ii)	–	–	–	–	0.82	–	0.82
Ms. Qiu Ping, Maggie	0.17	1.54	1.46	0.02	9.42	–	12.61
Mr. Li Hong	0.17	1.54	0.60	0.02	9.31	–	11.64
Mr. Jiang Wei (iii)	0.13	0.57	–	0.01	9.20	–	9.91
Mr. Yu Qiuming (iv)	0.05	–	–	–	4.91	–	4.96
Non-executive directors:							
Academician Yao Jiannian (v)	0.14	–	–	–	0.53	–	0.67
Mr. Tang Wenyong (ii)	–	–	–	–	0.40	–	0.40
Mr. Li Hao (ii) (iii)	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Kwan Kai Cheong	0.17	–	–	–	0.48	–	0.65
Mr. Yen Yuen Ho, Tony	0.17	–	–	–	0.48	–	0.65
Mr. Shi Dinghuan	0.17	–	–	–	0.48	–	0.65
Mr. Ma Kwong Wing	0.17	–	–	–	0.48	–	0.65
Total	1.51	6.22	2.06	0.07	46.06	–	55.92

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments (Continued)

For the year ended 31 December 2016

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking						
	Fees RMB'million	Salaries RMB'million	Discretionary bonuses RMB'million	Retirement benefit scheme contributions RMB'million	Share-based payment expenses RMB'million	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking RMB'million	Total RMB'million
Executive directors:							
Mr. Li, Alan (i)	0.17	2.49	–	0.02	0.83	–	3.51
Mr. Lu Zhenwei (ii)	–	–	–	–	0.46	–	0.46
Ms. Qiu Ping, Maggie	0.17	1.48	1.35	0.02	0.55	–	3.57
Mr. Li Hong	0.17	1.48	1.27	0.02	0.41	–	3.35
Non-executive directors:							
Academician Yao Jiannian	0.17	–	–	–	0.37	–	0.54
Mr. Tang Wenyong (ii)	–	–	–	–	0.09	–	0.09
Independent non-executive directors:							
Mr. Kwan Kai Cheong	0.17	–	–	–	0.28	–	0.45
Mr. Yen Yuen Ho, Tony	0.17	–	–	–	0.28	–	0.45
Mr. Shi Dinghuan	0.17	–	–	–	0.28	–	0.45
Mr. Ma Kwong Wing	0.17	–	–	–	0.28	–	0.45
Total	1.36	5.45	2.62	0.06	3.83	–	13.32

Notes:

(i) Acting as the Chief Executive Officer of the Group (2016: Same).

(ii) Agreed to waive their entitlement to director's fee for the year ended 31 December 2017 (2016: Same)

(iii) Appointed on 20 March 2017

(iv) Appointed on 12 September 2017

(v) Resigned on 18 October 2017

(vi) None of the directors received remunerations in respect of accepting office as directors (2016: Same).

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(d) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2016: Nil).

(e) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2016: Nil).

(f) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2016: Nil).

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2016: Nil).

(h) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company or an entity connected to a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

10 OTHER EXPENSES

	2017 RMB'million	2016 RMB'million
Auditor's remuneration	4	3
Foreign exchange difference	(5)	(1)
Operating lease rental	16	9
Business hospitality	22	16
Water and electricity	7	7
Insurance	5	3
Stamp duties	4	4
Others	24	19
	77	60

11 FINANCE INCOME

	2017 RMB'million	2016 RMB'million
Interest income on bank balances and deposits	46	5
Amortisation of imputed interest income on pledged deposit	7	4
	53	9

12 FINANCE COSTS

	2017 RMB'million	2016 RMB'million
In relation to bank and other borrowings:		
– Interest expenses	**751**	326
– Loan facilities fees	**123**	100
	874	426
In relation to convertible bonds (Note 26):		
(i) Redeemed/converted during the year:		
– Interest accretion	**182**	180
– Subsequent re-measurement losses/(gains) on derivative portion	**51**	(1)
– Losses on early redemption	**28**	–
	261	179
(ii) Outstanding at end of the year:		
– Interest accretion	**143**	460
– Subsequent re-measurement gains on derivative portion	**(3)**	(67)
	140	393
	1,275	998

13 INCOME TAX EXPENSE

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

The income tax expense in the consolidated statement of profit or loss represented:

	2017 RMB'million	2016 RMB'million
Current income tax	**23**	1
Deferred income tax (Note 28)	**(8)**	–
Withholding tax	**6**	–
	21	1

13 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC corporate income tax rate as follows:

	2017 RMB'million	2016 RMB'million
Profit before income tax	**174**	383
Less: Share of profits of investments accounted for using equity method	**(105)**	(23)
	69	360
Calculated at a tax rate of 25% (2016: 25%)	**17**	90
Effect of different tax rates of subsidiaries operating in other jurisdictions	**72**	51
PRC tax concession	**(95)**	(103)
Expenses not deductible for tax purposes	**181**	175
Income not subject to tax	**(173)**	(225)
Tax loss for which no deferred income tax amount was recognised	**13**	16
Utilisation of previously unrecognised tax loss	**–**	(3)
Withholding tax	**6**	–
Income tax expense	**21**	1

14 DIVIDEND

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

15 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2017, the Group has three (2016: four) categories of dilutive potential ordinary shares: convertible bonds (Note 26), share options (Note 24(c)) and warrants (Note 24(a)(i)) (2016: convertible bonds, share options, put option and contingent consideration payables).

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

NOTES TO THE FINANCIAL STATEMENTS

15 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'million	Leasehold improvements RMB'million	Power generating modules and equipment RMB'million	Plant and machinery RMB'million	Furniture, fixtures and office equipment RMB'million	Motor vehicles RMB'million	Construction in-progress RMB'million	Total RMB'million
At 1 January 2016								
Cost	27	1	7,715	6	21	5	66	7,841
Accumulated depreciation	(9)	–	(403)	(2)	(5)	(2)	–	(421)
Net book amount	18	1	7,312	4	16	3	66	7,420
Year ended 31 December 2016								
Opening net book amount	18	1	7,312	4	16	3	66	7,420
Acquisition of subsidiaries	–	–	1,232	–	–	1	–	1,233
Additions	–	–	14	1	3	5	801	824
Depreciation charge	(1)	–	(290)	(1)	(7)	(2)	–	(301)
Transfer	–	–	830	–	–	–	(830)	–
Closing net book amount	17	1	9,098	4	12	7	37	9,176
At 31 December 2016 and 1 January 2017								
Cost	27	1	9,791	7	24	11	37	9,898
Accumulated depreciation	(10)	–	(693)	(3)	(12)	(4)	–	(722)
Net book amount	17	1	9,098	4	12	7	37	9,176
Year ended 31 December 2017								
Opening net book amount	17	1	9,098	4	12	7	37	9,176
Acquisition of subsidiaries (Note 32)	82	3	5,587	1	1	2	459	6,135
Additions	2	6	46	2	8	4	632	700
Depreciation charge	(3)	(2)	(442)	(1)	(8)	(3)	–	(459)
Transfer	10	–	487	–	4	–	(501)	–
Exchange difference	–	–	15	–	–	–	–	15
Closing net book amount	108	8	14,791	6	17	10	627	15,567
At 31 December 2017								
Cost	121	10	15,926	10	37	16	627	16,747
Accumulated depreciation	(13)	(2)	(1,135)	(4)	(20)	(6)	–	(1,180)
Net book amount	108	8	14,791	6	17	10	627	15,567

Note:

As at 31 December 2017, power generating modules and equipment with carrying values of RMB6,885 million (2016: RMB5,190 million) were pledged as security for the Group's bank borrowings of RMB5,418 million (2016: RMB3,849 million) and RMB4,854 million (2016: RMB3,184 million) were pledged as security for the Group's loans from leasing companies of RMB3,063 million (2016: RMB2,184 million) (Note 25(a)).

17 INTANGIBLE ASSETS

	Concession rights RMB'million	Development rights RMB'million	Total RMB'million
At 1 January 2016			
Cost	1,603	–	1,603
Accumulated impairment	(653)	–	(653)
Net book amount	950	–	950
Year ended 31 December 2016			
Opening net book amount	950	–	950
Redesignation in relation to acquisition of subsidiaries	(33)	–	(33)
Closing net book amount	917	–	917
At 31 December 2016			
Cost	1,570	–	1,570
Accumulated impairment	(653)	–	(653)
Net book amount	917	–	917
Year ended 31 December 2017			
Opening net book amount	**917**	**–**	**917**
Acquisition of subsidiaries (Note 32)	**–**	**1,700**	**1,700**
Redesignation in relation to acquisition of subsidiaries (Note 32)	**(61)**	**–**	**(61)**
Impairment	**(32)**	**–**	**(32)**
	824	**1,700**	**2,524**
At 31 December 2017			
Cost	**1,509**	**1,700**	**3,209**
Accumulated impairment	**(685)**	**–**	**(685)**
Net book amount	**824**	**1,700**	**2,524**

17 INTANGIBLE ASSETS (Continued)

(i) Concession rights

In June 2013, the Group acquired concession rights from various vendors to develop and operate various solar power plant projects. The Group has been in discussions with respective vendors and intends to exercise these concession rights and will acquire more solar power plants before their expiry.

For the purpose of annual impairment test, management prepared its post-tax cash flow projection covering a period of the useful lives of solar power plants to determine the recoverable amount, which has been determined based on fair value less costs of disposal, as at 31 December 2017. The fair value measurement was categorised under level 3 fair value hierarchy. Certain concession rights were expired during the year and the corresponding amount of approximately RMB32 million was impaired (2016: Nil).

The key assumptions used for the post-tax cash flow projections, which are based on past experience of the Group and external sources of market information, are as follows:

	2017	2016
Capacity (Note (a))	1.3GW	1.7GW
Insolation hours	1,261 to 1,606MWh/MWp	1,000 to 1,646MWh/MWp
Degradation factor	0.5% per annum	0.5% per annum
Electricity tariff	RMB0.541 to RMB0.987/kWh	RMB0.64 to RMB0.968/kWh
Discount rate	8.5% to 11.5%	8.5% to 11.5%
Construction costs per watt (Note (b))		
– Rooftop projects	RMB7.5 to RMB8.5	RMB8 to RMB9.2
– Ground projects	RMB6.5 to RMB10.4	RMB6.9 to RMB10.5
Operating expenses per watt	RMB0.13 with annual growth rate of 2%	RMB0.13 with annual growth rate of 2%

Notes:

(a) Drop in capacity was mainly due to the acquisition of certain solar power plants during the year in relation to the concession rights previously held by the Group.

(b) Except certain projects for which the acquisition price will be based on an internal rate of return calculation.

The table below illustrates the sensitivity of the significant inputs when they are changed to reasonable possible alternative inputs:

	Range of inputs	Unfavourable changes in profit or loss 2017 RMB'million	2016 RMB'million
Insolation hours	–5%	(278)	(45)
Discount rate	+0.5%	(205)	(62)
Construction costs per watt	+5%	(199)	–

17 INTANGIBLE ASSETS (Continued)

(ii) Development rights

During the year ended 31 December 2017, the Group recognised development rights of approximately RMB1,700 million in relation to hydropower projects with an expected capacity of approximately 5.2GW in Tibet and Sichuan Province, the PRC, and 60MW solar power projects in Tibet through acquisition of subsidiaries (Note 32(i)).

Management has performed annual impairment assessment on the development rights by preparing a post-tax cash flow projection covering a period of the useful lives of the hydropower and solar power plants. The discounted cash flows were determined based on fair value less costs of disposal.

The key assumptions used for the post-tax cash flow projections as at 31 December 2017 are as follows:

	Hydropower	**Solar power**
Capacity	5,230.1MW	90MW*
Utilisation hours/insolation hours	4,300 to 4,700MWh/MWp	1,900MWh/MWp
Degradation factor	0% per annum	0.5% per annum
Feed-in tariff	RMB0.22 to RMB0.44/kWh with growth rate of 5% every 3 years	RMB1.05/kWh
Discount rate	10.5% to 11.5%	8.5%
Construction costs per watt	RMB11.0 to RMB13.0	RMB12.0 to RMB12.6
Operating expenses per watt	RMB0.18 with annual growth rate of 2%	RMB0.13 with annual growth rate of 2%

* 30MW are beyond the scope and not considered by the valuer in the valuation report.

Based on the above impairment assessment, and because there were no significant changes to the development plans since the acquisition date, no impairment was considered necessary for development rights as at 31 December 2017.

The table below illustrates the sensitivity of the significant inputs when they are changed to reasonable possible alternative inputs:

	Ranges of inputs	**Unfavourable changes in profit or loss 2017 RMB'million**
Utilisation hours/insolation hours	–5%	**(876)**
Discount rate	+0.5%	**(843)**
Construction costs per watt	+5%	**(418)**

NOTES TO THE FINANCIAL STATEMENTS

18 SUBSIDIARIES

(a) Particulars of the principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2017 are as follows:

Name of company	Place of incorporation/ business	Issued share capital/ registered capital	% of equity attributable to the Group 2017	2016	Principal activities
China Solar Power Group Limited ("CSPG")	British Virgin Islands ("BVI")/Hong Kong	Authorised, issued and fully paid: US$5,750,000	100%	100%	Investment holding
China Technology New Energy Ltd	BVI/Hong Kong	Issued and fully paid: US$1	100%	100%	Possession of exclusive rights in developing rooftop solar plants
Datong Panda Solar Power Co., Ltd.	The PRC	Registered and paid up: RMB200,000,000	100%	100%	Operation and management of a solar power plant
Datong United Photovoltaics New Energy Company Limited	The PRC	Registered and paid up: RMB200,000,000	100%	100%	Operation and management of a solar power plant
Egmanton Solar Park Limited	UK	Registered: Unlimited Paid up: GBP11	100%	–	Operation and management of a solar power plant
Filt Solar Park Limited	UK	Registered: Unlimited Paid up: GBP1,100	100%	–	Operation and management of a solar power plant
Gaultney Solar Park Limited	UK	Registered: Unlimited Paid up: GBP10,000	100%	–	Operation and management of a solar power plant
Gedulah Solar Limited	UK	Registered: Unlimited Paid up: Nil	100%	–	Operation and management of a solar power plant
Guigang Green Ark New Energy Co., Ltd. ("Guigang Green Ark")	The PRC	Registered and paid up: RMB10,000,000	100%	–	Operation and management of a solar power plant

18 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2017 are as follows: (Continued)

Name of company	Place of incorporation/ business	Issued share capital/ registered capital	% of equity attributable to the Group 2017	2016	Principal activities
Guodian Chahaeryouyiqianqi Solar Power Company Limited	The PRC	Registered and paid up: RMB133,000,000	**90.07%**	90.07%	Operation and management of a solar power plant
Guodian Kezuozhongqi Photovoltaics Company Limited	The PRC	Registered: RMB169,700,000 Paid up: RMB101,836,992	**99.4%**	99.4%	Operation and management of a solar power plant
Guodian Shangdu County Second Photovoltaics Company Limited	The PRC	Registered: RMB147,170,000 Paid up: RMB111,522,000	**99.31%**	99.31%	Operation and management of a solar power plant
Hanshou Haohui Solar Energy Co., Ltd. ("Hanshou Haohui")	The PRC	Registered and paid up: RMB57,000,000	**100%**	–	Operation and management of solar power plants
Hanshou Zhonghui Solar Energy Co., Ltd.	The PRC	Registered: RMB5,000,000 Paid up: Nil	**100%**	–	Operation and management of solar power plants
Hubei Jingtai Photovoltaics Power Company Limited	The PRC	Registered and paid up: RMB250,000,000	**100%**	100%	Operation and management of a solar power plant
Inner Mongolia Guorun Chayouqianqi Electricity Co., Ltd. ("Guorun Chayouqianqi")	The PRC	Registered and paid up: RMB194,000,000	**100%**	–	Operation and management of a solar power plant
Linzhou Zangdian Developments Co., Ltd. ("Linzhou Zangdian")	The PRC	Registered and paid up: RMB100,000,000	**100%**	–	Operation and management of solar power plants
New Light Technology Limited	Hong Kong	Issued and fully paid: HK$10,000	**100%**	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

18 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2017 are as follows: (Continued)

Name of company	Place of incorporation/ business	Issued share capital/ registered capital	% of equity attributable to the Group 2017	2016	Principal activities
Ningxia Zhongzi Photovoltaics Co., Ltd.	The PRC	Registered and paid up: RMB340,000,000	**100%**	50%	Operation and management of a solar power plant
Notus 2 Investments 2 S.à.r.l.	Luxembourg	Issued and fully paid: GBP15,000	**100%**	–	Investment holding
Qushui Maochang Photovoltaic Development Co., Ltd. ("Qushui Maochang")	The PRC	Registered and paid up: RMB62,520,000	**100%**	–	Operation and management of a solar power plant
Radstone P.V. Limited	UK	Registered: Unlimited Paid up: GBP4	**100%**	–	Operation and management of a solar power plant
Rowles Solar Park Limited	UK	Registered: Unlimited Paid up: GBP100	**100%**	–	Operation and management of a solar power plant
Shanxi Aite Kechuang Wind Power Co., Ltd. ("Aite Kechuang Wind")	The PRC	Registered and paid up: RMB10,080,000	**100%**	–	Development, operation and management of wind power plants
Shenchi Aike Solar Power Co., Ltd. ("Aike Solar")	The PRC	Registered and paid up: RMB500,000	**100%**	–	Operation and management of solar power plants
Tangshan Zhaoxin Solar Power Co., Ltd ("Tangshan Zhaoxin")	The PRC	Registered and paid up: RMB39,000,000	**100%**	–	Operation and management of a solar power plant
Tibet Zangneng Corporation ("Tibet Zangneng")	The PRC	Registered and paid up: RMB400,000,000	**75%**	–	Possession of development rights for hydropower and solar projects
United Photovoltaics (Changzhou) Investment Limited	The PRC	Registered: HK$7,000,000,000 Paid up: HK$5,076,645,668	**100%**	100%	Investment holding

18 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2017 are as follows: (Continued)

Name of company	Place of incorporation/ business	Issued share capital/ registered capital	% of equity attributable to the Group		Principal activities
			2017	2016	
United Photovoltaics (Shenzhen) Limited	The PRC	Registered HK$1,000,000,000 Paid up: HK$499,976,080	100%	100%	Design and installation of solar power systems, research and development of solar power products and solar technology
Zhongli (Jiayuguan) Photovoltaic Power Co., Limited	The PRC	Registered and paid up: RMB271,785,558	100%	100%	Operation and management of a solar power plant
Zhongli Talesun Gonghe New Energy Limited	The PRC	Registered and paid up: RMB342,000,000	100%	100%	Operation and management of solar power plants

Notes:

(i) Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

(ii) The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names, as these subsidiaries do not have official English names.

(iii) The cash at bank and other financial institution of approximately RMB2,850 million (2016: RMB2,513 million) held by the PRC subsidiaries were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

(iv) All the above PRC-incorporated subsidiaries are limited liability companies.

NOTES TO THE FINANCIAL STATEMENTS

18 SUBSIDIARIES (Continued)

(b) Material non-wholly owned subsidiaries

As at 31 December 2017, the total non-controlling interest of the Group was approximately RMB552 million (2016: RMB114 million). As at 31 December 2017, the Group re-assessed those subsidiaries that have non-controlling interests that are considered material to the Group based on their relative size in terms of installed capacities, total assets, revenue and EBITDA.

Set out below are the summarised unaudited financial information for Tibet Zangneng since completion of acquisition which has material non-controlling interests.

	2017 RMB'million
Assets and liabilities as at 31 December	
Current assets	96
Non-current assets	2,450
Current liabilities	(285)
Non-current liabilities	(488)
Profit or loss for the period ended 31 December	
Revenue	6
Loss for the period	(15)
Other comprehensive income	–
Total comprehensive loss	(15)
Loss allocated to non-controlling interests	–
Dividend paid to non-controlling interests	–
Cash flow for the period ended 31 December	
Net cash outflow from operating activities	(12)
Net cash outflow from investing activities	(115)
Net cash outflow from financing activities	(12)
Net decrease in cash and cash equivalents	(139)

The information above was the amount before inter-company eliminations.

No individual non-controlling interests were considered material to the Group as at 31 December 2016.

(c) Acquisition of additional interests in subsidiaries

There were no transactions with non-controlling interests in 2017.

In November 2016, the Group acquired an additional 49% equity interests in Changzhou Guangyu New Energy Company Limited ("Changzhou Guangyu"), which owns two project companies with aggregate installed capacity of 80MW in Xinjiang, for cash consideration of approximately RMB20 million. Changzhou Guangyu has become a wholly-owned subsidiary of the Group. The difference between the fair value of consideration paid or payable and the carrying amount of the non-controlling interests amounted to approximately RMB20 million was recognised in other reserve.

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	2017 RMB'million	2016 RMB'million
Investments in associates (Note (a))	230	291
Investment in joint ventures (Note (b))	571	224
	801	515

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2017 RMB'million	2016 RMB'million
Share of profits from associates (Note (a))	23	19
Share of profits from joint ventures (Note (b))	82	4
	105	23

(a) Investments in associates

	2017 RMB'million	2016 RMB'million
As 1 January	291	305
Fair value of consideration for the acquisitions		
– Bargain purchase arising from acquisition	15	–
Capital contribution	120	–
Reduction of share capital	(200)	–
Dividend declared	(19)	–
Reclassify to financial assets at fair value through profit or loss	–	(17)
Step-acquisition as a subsidiary	–	(16)
Share of profits from associates	23	19
As 31 December	230	291

In December 2017, the Group acquired 5% equity interest in Changzhou Ranchen Solar Investment Limited ("Changzhou Ranchen"). The Group considers that significant influence exists over Changzhou Ranchen by way of representation on the board of directors and participation in policy-making processes, including participation in decisions about dividends or other distributions. Under HKAS28, Changzhou Ranchen was classified as an associate and has been accounted for in the consolidated financial statements using equity method.

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

Pursuant to an option agreement entered into between the Group and the major shareholder of Changzhou Ranchen during the year ended 31 December 2017, the Group was granted a call option to acquire 95% equity interest in Changzhou Ranchen. Such option may be exercisable by the Group within three months from the third anniversary of the completion of the registration of the share transfer at its discretion. As at 31 December 2017, the carrying amount of such call option was RMB63 million (2016: Nil). There is no material change in key assumptions between the initial recognition and subsequent remeasurement.

The fair value of this call option was determined by using the binomial model with the following key assumptions:

	As at 31 December 2017
Risk free rate	**3.8%**
Dividend yield	**40.38%**
Life of the option (year)	**3.22**
Volatility	**50%**

Pursuant to an option agreement entered into between the Group and the major shareholder of the associate in January 2015, the Group was granted a call option to acquire part or all of the equity interest in this associate from the major shareholder at the actual injection amount with an internal rate of return of 8% per annum. As at 31 December 2017, the carrying amount of such call option was RMB69 million (2016: RMB87 million). Such call option may be exercisable by the Group within three months from the third anniversary of the completion of the registration of the share transfer at its discretion. As at 31 December 2017 and 2016, the major shareholder held 96.68% equity interest in such associate.

The fair value of this call option was determined by using the binomial model with the following key assumptions:

	As at 31 December 2017	As at 31 December 2016
Risk free rate	**3.95%**	2.77%
Dividend yield	**0%**	0%
Life of the option (year)	**0.26**	1.26
Volatility	**40%**	40%

Set out below are the associates which, in the opinion of the directors, are material to the Group as at 31 December 2017.

Name of entity	**Place of establishment**	**% of ownership interest**		**Nature of business**
		2017	2016	
Fengxian Huize Photovoltaic Energy Limited ("Fengxian Huize")	The PRC	**50%**	50%	Operation and management of solar power plants
Changzhou Ranchen	The PRC	**5%**	–	Operation and management of solar power plants

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The English names of the associates represent the best effort by the Group's management to translate their Chinese names, as the associates do not have official English names.

All associates were private companies and there were no quoted market prices available for their shares.

There were no contingent liabilities relating to the Group's investments in associates.

Set out below are the summarised unaudited financial information for the material associates since completion of acquisition.

	Changzhou Ranchen 2017 RMB'million	Fengxian Huize 2017 RMB'million	Fengxian Huize 2016 RMB'million
Assets and liabilities as at 31 December			
Current assets	**787**	**62**	224
Non-current assets	**2,618**	**362**	372
Current liabilities	**(2,204)**	**(253)**	(28)
Non-current liabilities	**(897)**	**(17)**	(17)
Profit or loss for the year/period ended 31 December			
Revenue	**–**	**65**	60
Profit for the year/period	**–**	**42**	36
Other comprehensive income	**–**	**–**	–
Total comprehensive income	**–**	**42**	36
Dividend received from associates	**–**	**(19)**	–

Set out below are the summarised financial information for the remaining associates which were individually immaterial to the Group.

	2017 RMB'million	2016 RMB'million
The Group's share on:		
– Profit for the year	**2**	1
– Other comprehensive income	**–**	–
– Total comprehensive income	**2**	1
Carrying amount of investments	**138**	16

As at 31 December 2017, the cash and cash equivalents of approximately RMB207 million (2016: RMB204 million) that were held by PRC entities of the associates were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2017 RMB'million	2016 RMB'million
As 1 January	224	–
Fair value of consideration for the acquisitions		
– Cash	500	108
– Bargain purchase arising from acquisition	–	112
Share of profits from joint venture	82	4
Step-acquisition as a subsidiary	(235)	–
As 31 December	571	224

In November 2016, the Group completed the acquisition of 50% equity interest in Tibet Zhongzi, a joint venture at a cash consideration of approximately RMB108 million. Bargain purchase of RMB112 million was recognised from this acquisition during the year ended 31 December 2016.

Pursuant to an option agreement entered into between the Group and the shareholder of remaining 50% equity interest in Tibet Zhongzi in November 2016, the Group was granted a call option to acquire part or all of the remaining 50% equity interest in this joint venture at maximum of RMB108 million. The call option may be exercisable by the Group within three months from the third anniversary of the completion of the registration of the share transfer at its discretion.

In May 2017, as mutually agreed with other shareholder of Tibet Zhongzi, the Group early exercised the call option and acquired the remaining 50% equity interests in a project company and accordingly, such investee ceased to be the joint venture and became a wholly-owned subsidiary of the Group. As at the exercise date, the fair value of such call option is RMB124 million (31 December 2016: RMB165 million).

In December 2017, the Group formed a joint venture with two business partners, through setting up a limited partnership, Changzhou Haozhen Venture Investment Center Limited Partnership ("Changzhou Haozhen"), in the PRC, to invest in renewable energy business. Each limited partner would contribute RMB500 million to the joint venture. Under the partnership agreement, all relevant decisions are made unanimously. Under HKFRS 11, Changzhou Haozhen was classified as a joint venture and has been accounted for in the consolidated financial statements using equity method. As at 31 December 2017, the joint venture held 95% equity interest in a project company which held solar power plants project in the PRC with the remaining 5% held by the Group and classified as an associate.

Set out below is the information of the joint venture which, in the opinion of the directors, are material to the Group as at 31 December 2017.

Name of entity	Place of establishment	% of ownership interest 2017	% of ownership interest 2016	Nature of business
Changzhou Haozhen	The PRC	33.1%	–	Investment holding

The English name of the joint venture represents the best effort by the Group's management to translate its Chinese name, as the joint venture do not have official English name.

The joint venture was a private company and there was no quoted market price available for its shares.

There were no contingent liabilities relating to the Group's interest in this joint venture.

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Set out below are the summarised unaudited financial information for the material joint ventures since completion of acquisition.

	Changzhou Haozhen 2017 RMB'million	Tibet Zhongzi 2016 RMB'million
Assets and liabilities as at 31 December		
Current assets	1,004	153
– Cash and cash equivalents	95	20
Total non-current assets	2,618	1,997
Total current liabilities	(933)	(452)
– Financial liabilities (excluding trade payables)	(930)	(443)
Total non-current liabilities	(960)	(1,250)
– Financial liabilities	(878)	(1,190)
Profit or loss for the period ended 31 December		
Revenue	–	17
Depreciation	–	(4)
Interest income	–	–
Interest expense	–	(3)
Profit for the period	215	8
Other comprehensive income	–	–
Total comprehensive income	215	8
Dividend received from joint ventures	–	–

As at 31 December 2017, the cash and cash equivalents of approximately RMB95 million (2016: RMB20 million) that were held by PRC entities of the joint ventures were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 RMB'million	2016 RMB'million
Call options in relation to the acquisition of investments accounted for using equity method (Note 19)	132	252
Guaranteed electricity output (Note (a))	15	111
Unlisted investment (Note (b))	216	229
	363	592
Less: Amounts classified as non-current portion	(132)	(252)
Current portion	231	340

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 fair value was arrived at after considering the contractual terms, the actual shortfall in electricity generated and the outcome of the negotiation with the relevant vendors.

(b) Unlisted investment mainly represent interests in certain unlisted companies which are principally engaged in provision of solar energy related products and solutions; development, investment, operation, management of solar power plants; consultation service of renewable energy; and information technology development and technical support service in the PRC. The directors of the Company intend to divest this investment in the foreseeable future and accordingly, it is classified as investment held for trading and its fair value is determined with reference to a business valuation report issued by an independent valuer. The fair value loss recognised during the year was approximately RMB13 million (2016: gain of RMB212 million).

The fair value of unlisted investment mainly represents the fair value of the development of solar power plant business. The key assumptions used for the post-tax cash flow projections of the development of solar power plant business are as follow:

	2017	2016
Revenue (RMB'million)	1,903 to 2,069	1,142 to 6,150
Discount rate	15.5%	12% to 26%

21 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Note

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

(b) As at 31 December 2017, the amounts due from associates, a joint venture and a related company were unsecured, interest-free and repayable on demand (2016: Same).

23 CASH DEPOSITS

	2017 RMB'million	2016 RMB'million
Non-current portion		
Pledged deposits (Note (b))	903	1,014
Current portion		
Pledged deposits (Note (b))	1,229	987
Restricted cash (Note (c))	10	41
Cash and cash equivalents	1,593	996
	2,832	2,024
	3,735	3,038

Note

(a) As at 31 December 2017, the Group's bank balances of approximately RMB2,850 million (2016: RMB2,513 million) were deposited with banks or other financial institution in the PRC. The remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Pledged deposits represented deposits pledged to banks or other financial institutions to secure banking facilities granted to the Group (Note 25(a)). Deposits amounting RMB903 million were pledged to secure long-term borrowings granted to the Group which are due after one year, and therefore classified as non-current assets (2016: RMB1,014 million). The remaining deposits were pledged to secure short-term borrowings and therefore classified as current assets.

(c) As at 31 December 2017, bank balance of RMB10 million (2016: RMB17 million) was restricted for certain environmental protection purpose required by the local government. The deposit will be released upon fulfillment of such requirement. The remaining balance as at 31 December 2016 was held up by a bank as security for acquisition of a solar power plant.

NOTES TO THE FINANCIAL STATEMENTS

24 SHARE CAPITAL

	Number of shares (million)		Share capital	
	2017	2016	**2017**	2016
			RMB'million	RMB'million
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January and 31 December	**20,000**	20,000	**1,637**	1,637
Issued and fully paid:				
At 1 January	**4,944**	4,751	**402**	386
Issue of shares through placement and warrants subscription (Note (a))	**3,203**	100	**280**	9
Issue of consideration shares in relation to acquisition of subsidiaries (Note (b))	**560**	–	**48**	–
Issue of shares upon conversion of convertible bonds and related interest settlement (Note 26)	**817**	88	**72**	7
Issue of shares upon exercise of share options (Note (c))	**6**	–	**1**	–
Issue of shares upon transaction with a non-controlling interest	**–**	5	**–**	–
At 31 December	**9,530**	4,944	**803**	402

All shares issued during the years ended 31 December 2017 and 2016 rank pari passu in all respects with the existing shares of the Company.

Notes

(a) Share placement and warrants subscription

(i) On 20 March 2017, the Company issued an aggregate of 2,232,978,962 shares and 871,075,858 warrants with a price of HK$0.5814 and HK$0.000775 each, respectively. The net proceeds from the placement and subscription was approximately HK$1,266 million (approximately RMB1,109 million) after netting off related transaction costs Each warrant is entitled to subscribe in cash for one ordinary share of the Company at the subscription price of HK$0.646 during the period of three years commencing from the date of issue of the warrants. A fair value loss of approximately RMB229 million was recognised on such issue of shares and warrants which represents the difference in fair values of the shares and warrants as at the date on which the commitment to issue shares and warrants and as at the date of issue of such shares and warrants.

(ii) On 12 April 2017, the Company issued an aggregate of 270,000,000 shares with a price of HK$0.83 each. The net proceeds from the placement and subscription was approximately HK$224 million (approximately RMB198 million) after netting off related transaction costs.

(iii) On 22 June 2017, the Company issued an aggregate of 700,000,000 shares through placement with a price at HK$0.95 each. The net proceeds from the placement was approximately HK$665 million (approximately to RMB576 million) after netting off related transaction costs.

(b) Share allotment in relation to acquisition of subsidiaries

During the year, the Company issued and allotted an aggregate of 559,701,493 shares for the settlement of consideration for the acquisition of subsidiaries (Note 32(i)).

24 SHARE CAPITAL (Continued)

Notes (Continued)

(c) Share options

Certain share options were granted under the share option scheme adopted on 19 June 2012 to directors and employees of the Group. The option granted are subject to a vesting scale in three tranches of 30%, 30% and 40% with a vesting period of 1, 2 and 3 years respectively starting from the 1st anniversary and become fully vested on the 1st, 2nd and 3rd anniversary of the grant respectively. In the table below, "exercisable period" begins with the 1st anniversary of the grant date.

Details of the share options movement during the year are as follows:

				Number of share option (in thousands)				
	Exercisable period			Balance as at	During the year			Balance as at
Date of grant	**From**	**To**	**Exercise price HK$**	**1 January 2017**	**Granted**	**Exercised**	**Lapsed/ cancelled**	**31 December 2017**
Directors								
8.1.2015	8.1.2016	7.1.2020	1.00	7,200	–	–	(600)	6,600
8.1.2015	8.1.2017	7.1.2020	1.00	7,200	–	–	(600)	6,600
8.1.2015	8.1.2018	7.1.2020	1.00	9,600	–	–	(800)	8,800
28.1.2016	28.1.2017	27.1.2021	0.564	5,400	–	(3,000)	–	2,400
28.1.2016	28.1.2018	27.1.2021	0.564	5,400	–	–	–	5,400
28.1.2016	28.1.2019	27.1.2021	0.564	7,200	–	–	–	7,200
16.6.2017	16.6.2018	15.6.2022	1.076	–	103,800	–	(900)	102,900
16.6.2017	16.6.2019	15.6.2022	1.076	–	103,800	–	(900)	102,900
16.6.2017	16.6.2020	15.6.2022	1.076	–	138,400	–	(1,200)	137,200
12.9.2017	12.9.2018	11.9.2022	1.132	–	21,000	–	–	21,000
12.9.2017	12.9.2019	11.9.2022	1.132	–	21,000	–	–	21,000
12.9.2017	12.9.2020	11.9.2022	1.132	–	28,000	–	–	28,000
				42,000	416,000	(3,000)	(5,000)	450,000
Employees								
8.1.2015	8.1.2016	7.1.2020	1.00	7,710	–	–	(180)	7,530
8.1.2015	8.1.2017	7.1.2020	1.00	7,710	–	–	(180)	7,530
8.1.2015	8.1.2018	7.1.2020	1.00	10,280	–	–	(240)	10,040
28.1.2016	28.1.2017	27.1.2021	0.564	4,995	–	(2,877)	(432)	1,686
28.1.2016	28.1.2018	27.1.2021	0.564	4,995	–	–	(625)	4,370
28.1.2016	28.1.2019	27.1.2021	0.564	6,660	–	–	(833)	5,827
16.6.2017	16.6.2018	15.6.2022	1.076	–	72,975	–	(600)	72,375
16.6.2017	16.6.2019	15.6.2022	1.076	–	72,975	–	(600)	72,375
16.6.2017	16.6.2020	15.6.2022	1.076	–	97,300	–	(800)	96,500
12.9.2017	12.9.2018	11.9.2022	1.132	–	3,000	–	–	3,000
12.9.2017	12.9.2019	11.9.2022	1.132	–	3,000	–	–	3,000
12.9.2017	12.9.2020	11.9.2022	1.132	–	4,000	–	–	4,000
				42,350	253,250	(2,877)	(4,490)	288,233
				84,350	669,250	(5,877)	(9,490)	738,233
Exercisable at the end of the year				14,910				32,345

NOTES TO THE FINANCIAL STATEMENTS

24 SHARE CAPITAL (Continued)

Notes (Continued)

(c) Share options (Continued)

During the year, approximately 6 million shares (2016: Nil) were issued upon exercise of share options. The net proceeds were approximately RMB3 million (2016: Nil). The exercise price was HK$0.564 per share.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The significant assumptions used in the binomial model to derive the fair value at the date of grant were as follows:

Date of grant	12 September 2017	16 June 2017	28 January 2016	8 January 2015
Risk free rate	0.984%	0.984%	1.295%	1.257%
Expected volatility	50%	50%	45%	45%
Expected dividend yield	0%	0%	0%	0%
Life of option (year)	5	5	5	5
Closing share price at grant date	HK$1.09	HK$1.03	HK$0.55	HK$1.0
Exercise price per share	HK$1.132	HK$1.076	HK$0.564	HK$1.0
Weighted average fair value per share option	HK$0.4135	HK$0.3962	HK$0.1927	HK$0.3496

The expected volatility is calculated based on the historic volatility of share prices of the Company and comparable companies based on publicly available information. Expected dividend yield is based on historic dividends.

During the year ended 31 December 2017, share-based payment expense of approximately RMB71 million (2016: RMB7 million) was recognised in the consolidated statement of profit or loss in relation to the share options.

25 BANK AND OTHER BORROWINGS

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

25 BANK AND OTHER BORROWINGS (Continued)

The Group's bank and other borrowings were repayable as follows:

	2017			2016		
	Bank borrowings RMB'million	Other borrowings RMB'million	Total RMB'million	Bank borrowings RMB'million	Other borrowings RMB'million	Total RMB'million
Within 1 year	4,946	383	5,329	3,133	1,070	4,203
Between 1 and 2 years	1,098	403	1,501	1,478	174	1,652
Between 2 and 5 years	2,315	5,210	7,525	1,459	605	2,064
Over 5 years	2,397	1,844	4,241	1,754	606	2,360
	10,756	7,840	18,596	7,824	2,455	10,279

Notes:

(a) As at 31 December 2017, bank borrowings and loans from leasing companies were secured by the following:

(i) Pledged deposits (Note 23(b));
(ii) power generating modules and equipment (Note 16);
(iii) pledge of the fee collection right in relation to the sales of electricity; and
(iv) mortgage over the equity interest in certain subsidiaries.

(b) During the year, the Group entered into several sales and leaseback agreements with leasing companies for certain assets, which included power generating modules and equipment ("Secured Assets"), of principal amounted RMB1,807 million (2016: RMB1,095 million). The arrangements were for periods of 2 to 14 years. Upon maturity, the Group will be entitled to purchase the Secured Assets at a minimal consideration. The Group considered that it was almost certain that they would exercise this repurchase option. As substantial risks and rewards of the Secured Assets were retained by the Group before and after these arrangements, the transactions were regarded as secured borrowings, rather than finance lease arrangements.

(c) Senior notes

During the year ended 31 December 2017, the Company issued 8.25% senior notes with an aggregated nominal value of US$350 million (equivalent to RMB2,345 million) at face value, maturing in 2020. Such notes are listed on the Singapore Exchange Securities Trading Limited.

(d) Corporate bonds

During the year ended 31 December 2017, the Group issued unsecured RMB denominated corporate bonds for a term of 3 years at an interest rate ranges from 6.72% to 7% per annum. These bonds will be repayable in 2020.

(e) Medium-term notes

In May 2015, the Company established a medium-term note programme under which the Company may issue from time to time medium-term notes to professional investors and institutional investors. The notes are guaranteed as to principal and interest by the Company and bear an effective interest rate equal to their respective contracted interest rate.

(f) Loans from third parties

As at 31 December 2017, the balances were unsecured, interest-free and repayable in 2024.

As at 31 December 2016, except for amount of RMB45 million which was secured by mortgage over the equity interest in certain subsidiaries, bore fixed interest rate of 1% per annum and repayable in December 2017, the remaining loans from third parties were unsecured, interest-free and repayable on demand.

25 BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(g) Bank borrowings and loans from leasing companies which bear floating interest rates is as follows:

	2017 RMB'million	2016 RMB'million
Bank borrowings	8,215	4,676
Loans from leasing companies	3,170	2,184
	11,385	6,860

(h) The effective interest rate per annum of bank and other borrowings as at 31 December 2017 was 5.17% (2016: 4.9%).

26 CONVERTIBLE BONDS

During the year ended 31 December 2017, the Company redeemed certain convertible bonds with principal amount of HK$1,065 million and US$133 million before its maturity date. In this connection, the Group recognised a loss on early redemption of RMB28 million.

In October 2016, convertible bonds of principal amount of US$120 million was fully redeemed at maturity.

In addition, certain convertible bonds with principal amounts of HK$90 million and US$62 million (2016: HK$88 million) and certain related interest expenses were converted into an aggregate of approximately 816,943,687 ordinary shares of the Company during the year ended 31 December 2017 (2016: 88,044,000 ordinary shares), with average conversion price of HK$0.707 per share (2016: HK$1.0 per share).

As at 31 December 2017, the Group had four outstanding convertible bonds (2016: eight), the details and features of the outstanding convertible bonds as at 31 December 2017 are as follows:

Batch	Issue date	Principal amount outstanding (million)	Interest rate per annum	Maturity date	Adjusted conversion price per share	Conversion period
1st	27 December 2013	HK$233	0%	27 December 2018	HK$1.60	At any time up to maturity date
2nd	20 April 2015	HK$50	7.5%	20 April 2018	HK$0.97	Last day of a six-month period immediately following the issue date to 5th business days prior to maturity date
3rd	10 June 2013	HK$80	0%	10 June 2018	HK$1.00	The day immediately following the date end of lock-up period up to maturity date
4th	29 December 2015	US$100	6.75%	29 December 2018	HK$1.5028	The day immediately following the issue date to 5th business days prior to maturity date

26 CONVERTIBLE BONDS (Continued)

Subject to the occurrence of any of the following events, the Company is entitled to, having given mandatory conversion notice to all bondholders, convert all the outstanding principal amount of convertible bonds into conversion shares at the conversion price then in effect:

Batch	Mandatory conversion notice period	Mandatory conversion clause
1st	N/A	N/A
2nd	Not less than 5 nor more than 10 business days	if at any time during the period commencing from the last day of a six-month period immediately following the issue date and ending on the maturity date, the average closing price per share for any 15 consecutive trading days reaches HK$1.70 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 65% over the conversion price then in effect from time to time) or above.
3rd	N/A	N/A
4th	Not less than 5 nor more than 10 business days	if at any time during the period commencing from the issue date up to the day immediately before the first anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$2.07 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 29.96% over the conversion price then in effect from time to time) or above; if at any time during the period commencing from the first anniversary of the issue date up to the day immediately before the second anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$2.50 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 56.96% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the second anniversary of the issue date up to maturity date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$3.0 per share (or if there is any adjustment of the conversion price, such other price per Share representing a premium of 88.35% over the conversion price then in effect from time to time) or above.

NOTES TO THE FINANCIAL STATEMENTS

26 CONVERTIBLE BONDS (Continued)

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

	Financial liabilities at amortised cost – debt portion RMB'million	Financial liabilities at fair value through profit or loss – derivative portion RMB'million	Total RMB'million
As at 1 January 2016	2,803	108	2,911
Fair value of convertible bonds issued	255	42	297
Reclassified from contingent consideration payables	488	–	488
Interest accretion	640	–	640
Subsequent fair value remeasurement recognised	–	(68)	(68)
Interests settlement	(185)	–	(185)
Conversion to ordinary shares of the Company	(30)	–	(30)
Redemption upon maturity	(1,064)	–	(1,064)
Exchange difference	161	4	165
As at 31 December 2016 and 1 January 2017	**3,068**	**86**	**3,154**
Interest accretion	**325**	**–**	**325**
Subsequent fair value remeasurement recognised	**–**	**48**	**48**
Losses/(gains) on early redemption	**152**	**(124)**	**28**
Interests settlement	**(170)**	**–**	**(170)**
Conversion to ordinary shares of the Company	**(436)**	**–**	**(436)**
Early redemption	**(1,855)**	**–**	**(1,855)**
Exchange difference	**(110)**	**(3)**	**(113)**
As at 31 December 2017	**974**	**7**	**981**

The liability component of convertible bonds was analysed as follows:

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

26 CONVERTIBLE BONDS (Continued)

Notes:

(a) The recurring fair value measurement of derivatives embedded to convertible bonds were determined by using the binomial model, with the following key assumptions:

	2017	2016
Discount rate	6.65%	7.6% to 8.5%
Fair value of each share of the Company (HK$)	0.98	0.73
Conversion price per share (HK$)	1.5028	0.65 to 1.5928
Coupon rate	6.75%	6.5% to 7.5%
Redemption price	120%	109% to 120%
Risk free interest rate	1.7974%	1.0147% to 1.4814%
Time to maturity (years)	0.99	1.33 to 2.65
Expected volatility	40%	50%
Expected dividend yield	0%	0%

(b) As at 31 December 2017, except for one of the outstanding convertible bonds which were secured by charges over equity interest of two subsidiaries, there was no security on the remaining convertible.

27 CONTINGENT CONSIDERATION PAYABLES

	2017 RMB'million	2016 RMB'million
Non-current portion	16	–
Current portion	16	–
	32	–

The contingent consideration payables arose from (i) the acquisition of the projects in UK, which the additional payments will be subject to the total net electricity generation of the UK projects for the relevant earn-out periods. The Group remeasured contingent consideration payable based on the historical electricity generation; and (ii) the acquisition of a project in the PRC, which the contingent consideration will be paid upon the final approval of feed-in-tariff reaches an agreed reference price pursuant to the sale and purchase agreement.

The key assumptions used for the present value of contingent consideration payables in relation to the acquisition of the projects in UK are as follows:

	2017
Discount rate	8.4%
Forecasted electricity output	78,378 to 80,010 MWh

NOTES TO THE FINANCIAL STATEMENTS

28 DEFERRED TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2017 RMB'million	2016 RMB'million
Deferred tax assets	29	–
Deferred tax liabilities	(722)	(305)
	(693)	(305)

The net movement in the deferred tax during the year is as follows:

	2017 RMB'million	2016 RMB'million
At 1 January	(305)	(282)
Acquisition of subsidiaries (Note 32)	(408)	(30)
Credited to consolidated statement of profit or loss (Note 13)	8	–
Redesignation of concession rights in relation to acquisition of subsidiaries (Note 32)	12	7
At 31 December	(693)	(305)

Deferred tax assets

	Tax losses	
	2017 RMB'million	2016 RMB'million
At 1 January	–	–
Acquisition of subsidiaries (Note 32)	29	–
Exchange difference	–	–
At 31 December	29	–
Analysed as:		
To be recovered after than 12 months	29	–
To be recovered within 12 months	–	–
	29	–

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. Deferred tax asset arising from tax losses related to the electricity businesses in the UK of approximately RMB4 million which can be carried forward indefinitely.

The Group has unrecognised deferred tax assets of approximately RMB65 million (2016: RMB51 million) in respect of tax losses of approximately RMB261 million (2016: RMB206 million), that can be carried forward against future taxable income. These tax losses of RMB261 million (2016: RMB206 million) will expire at various dates up to and including 2022 (2016: 2021).

28 DEFERRED TAX (Continued)

Deferred tax liabilities

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions. The movement in deferred tax liabilities during the year is as follows:

	Fair value gains	
	2017	2016
	RMB'million	RMB'million
At 1 January	**305**	282
Acquisition of subsidiaries (Note 32)	**437**	30
Credited to consolidated statement of profit or loss	**(8)**	–
Redesignation of concession rights in relation to acquisition of subsidiaries (Note 32)	**(12)**	(7)
At 31 December	**722**	305
Analysed as:		
To be recovered after than 12 months	**(722)**	(305)
To be recovered within 12 months	**–**	–
	(722)	(305)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC.

As at 31 December 2017, deferred tax liabilities of RMB44 million (2016: RMB59 million) have not been recognised for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. The related unremitted earnings totalled RMB885 million at 31 December 2017 (2016: RMB590 million), and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Company in the foreseeable future.

29 OTHER PAYABLES AND ACCRUALS

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

NOTES TO THE FINANCIAL STATEMENTS

30 OTHER DERIVATIVE FINANCIAL INSTRUMENTS

	2017 RMB'million	2016 RMB'million
Interest rate swap – cash flow hedge		
– Non-current liabilities	12	–
– Current liabilities	1	–
	13	–

Interest rate swap contract was in place to hedge against the interest rate risk in respect of the 7 years syndication loan denominated in GBP with an aggregate principal amount of approximately GBP69 million at 31 December 2017. Such interest rate swap contract was designated as cash flow hedge and the hedge was effective.

31 CASH FLOW INFORMATION

(a) Net cash generated from operations

	2017 RMB'million	2016 RMB'million
Profit before income tax	174	383
Adjustments for:		
Government grant	(12)	(5)
Bargain purchase arising from:		
(i) Business combinations; and	(956)	(91)
(ii) Acquisition of investments accounted for using equity method	(15)	(112)
Depreciation	459	301
Fair value losses/(gains) on financial assets at fair value through profit or loss	61	(563)
Fair value loss/(gains) on financial liabilities at fair value through profit or loss	229	(58)
Compensation interest income in respect of a terminated acquisition	–	(24)
Finance income	(53)	(9)
Finance costs	1,275	998
Impairment charge on concession rights	32	–
Share-based payment expenses	71	7
Share of profits of investments accounted for using equity method	(105)	(23)
Operating profit before working capital changes	1,160	804
Changes in working capital		
Inventories	–	1
Financial assets at fair value through profit or loss	47	36
Other receivables, deposits and prepayments	65	(167)
Trade, bills and tariff adjustment receivables	118	(122)
Trade payable	–	(90)
Other payables and accruals	(498)	(135)
Net cash generated from operations	892	327

31 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings RMB'million	Loans from leasing companies RMB'million	Senior notes RMB'million	Corporate bonds RMB'million	Medium-term notes RMB'million	Loans from third parties RMB'million	Convertible bonds RMB'million
As at 1 January 2017	7,745	2,118	–	–	170	101	3,154
Cash flows							
– Principal and related arrangement fee	1,633	(801)	2,304	1,721	88	(101)	(1,855)
– Interest paid	–	–	(91)	–	–	–	(170)
Non-cash changes							
– Acquisition of subsidiaries (Note 32)	1,309	1,959	–	–	–	19	–
– Conversion of ordinary shares of the Company	–	–	–	–	–	–	(436)
– Finance costs	43	49	191	10	3	–	401
– Initial recognition on unamortised loan facilities fees	(2)	(58)	–	–	–	–	–
– Exchange difference	(77)	–	(117)	–	(11)	1	(113)
As at 31 December 2017	10,651	3,267	2,287	1,731	250	20	981

(c) Major non-cash transactions

During the year, the major non-cash transactions included (i) issue of consideration shares for acquisition of Tibet Zangneng Projects with an amount of RMB501 million; and (ii) transfer of deposit for investment amounted of RMB85 million to other receivables.

32 BUSINESS COMBINATION

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

(i) Tibet Zangneng Projects

During the year ended 31 December 2017, the Group completed the acquisition of 100% equity interest in China New Energy Holdings (Hong Kong) Limited, which indirectly held a 75% equity interest in a project company in Tibet, the PRC, from an independent third party. The consideration comprised cash consideration of HK$290 million (approximately RMB249 million) and equity consideration of HK$582 million (approximately RMB501 million) through the allotment and issue of approximately 560 million ordinary shares of the Company with a price of HK$1.04 per share (Note 24(b)).

The project company mainly indirectly owns:

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

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

NOTES TO THE FINANCIAL STATEMENTS

32 BUSINESS COMBINATION (Continued)

(i) Tibet Zangneng Projects (Continued)

The key assumptions used for the post-tax cash flow projections for the provisional purchase price allocation, which are based on past experience of the Group and external sources of market information, are as follows:

	Hydropower	Solar power
Capacity	5,230.1MW	110MW*
Utilisation hours/insolation hours	4,300 to 4,700MWh/MWp	1,900 to 1,950MWh/MWp
Degradation factor	0% per annum	0.5% per annum
Feed-in tariff	RMB0.22 to RMB0.44/kWh with growth rate of 5% every 3 years	RMB1.05 to RMB1.15/kWh
Discount rate	10.5% to 11.5%	8% to 9%
Construction costs per watt	RMB11.0 to RMB13.0	RMB12.0 to RMB13.0
Operating expenses per watt	RMB0.15 with annual growth rate of 2%	RMB0.13 with annual growth rate of 2%

* 20MW had achieved grid-connection before the completion of the acquisition and 30MW are beyond the scope and not considered by the valuer in the valuation report.

The table below illustrates the sensitivity of the significant inputs when they are changed to reasonable possible alternative inputs:

	Range of inputs	Favourable/ (unfavourable) changes in profit or loss RMB'million
Utilisation hours/insolation hours	+5%	815
	–5%	(863)
Discount rate	+0.5%	(851)
	–0.5%	942
Construction costs per watt	+5%	(418)
	–5%	510

32 BUSINESS COMBINATION (Continued)

(ii) Other PRC Projects

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

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

Note

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

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

(c) A contingent consideration of a project company of RMB13 million will be paid upon the final approval of feed-in-tariff reaches an agreed reference price pursuant to the sale and purchase agreement (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

32 BUSINESS COMBINATION (Continued)

(ii) Other PRC Projects (Continued)

The key assumptions used for the post-tax cash flow projections for the provisional purchase price allocation, which are based on past experience of the Group and external sources of market information, are as follows:

Capacity	570.3MW
Utilisation hours/insolation hours	1,000 to 2,250 MWh/MWp
Degradation factor	0.5% to 0.6% per annum
Feed-in tariff	RMB0.57 to RMB1.15/kWh
Discount rate	8% to 9%
Construction costs per watt	RMB5.74 to RMB10.0
Operating expenses per watt	RMB0.12 to RMB0.13 with annual growth rate of 2% to 3%

(iii) UK Projects

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

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

32 BUSINESS COMBINATION (Continued)

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

	Tibet Zongneng Projects RMB'million	Other PRC Projects RMB'million	UK Projects RMB'million	Total RMB'million
Consideration:				
– Equity	501	–	–	501
– Cash	249	423	243	915
Contingent consideration payable (Note 27)	–	13	18	31
Redesignation of concession rights previously recognised				
– Intangible assets (Note 17)	–	54	7	61
– Deferred tax liabilities (Note 28)	–	(11)	(1)	(12)
Fair value of previously held interest (Note (d))	–	232	–	232
Early exercise of call option (Note 19(b))	–	124	–	124
Total consideration	750	835	267	1,852
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests				
Property, plant and equipment (Note 16)	605	4,583	947	6,135
Intangible assets (Note 17)	1,700	–	–	1,700
Value-added tax recoverable	21	437	–	458
Trade and other receivables and prepayments (Note (b))	13	647	13	673
Cash and cash equivalents	146	34	32	212
Other payables and accruals	(116)	(2,099)	(23)	(2,238)
Bank and other borrowings	(369)	(2,277)	(641)	(3,287)
Deferred tax assets (Note (c), Note 28)	25	–	4	29
Deferred tax liabilities (Note (c), Note 28)	(240)	(132)	(65)	(437)
Total identifiable net assets	1,785	1,193	267	3,245
Non-controlling interests (Note (f))	(437)	–	–	(437)
Bargain purchase recognised in the consolidated statement of profit or loss (Note (e))	(598)	(358)	–	(956)
	750	835	267	1,852
Net cash outflow arising from the acquisitions				
Cash consideration	249	423	243	915
Less:				
– Deposit for investments paid	–	(70)	–	(70)
– Consideration payable	(146)	(104)	–	(250)
– Cash and cash equivalents acquired	(146)	(34)	(32)	(212)
	(43)	215	211	383

NOTES TO THE FINANCIAL STATEMENTS

32 BUSINESS COMBINATION (Continued)

Notes:

(a) Revenue and profit contribution

The table below illustrates the revenue and the profit included in the consolidated statement of profit or loss since acquisition date contributed by each acquisition.

	Tibet Zangneng Projects	Other PRC Projects	UK Projects	Total
	RMB'million	RMB'million	RMB'million	RMB'million
Revenue	6	212	72	290
Profit/(loss) contributed to the Group	(13)	41	11	39

Had the consolidation taken place at 1 January 2017, the consolidated statement of profit or loss would show pro-forma revenue of approximately RMB1,756 million and profit of RMB206 million.

(b) Acquired receivables

The fair values of trade, bills and other receivables and prepayments acquired were approximately RMB673 million and included trade, bills and tariff adjustment receivables with fair values as below:

	Tibet Zangneng Projects	Other PRC Projects	UK Projects	Total
	RMB'million	RMB'million	RMB'million	RMB'million
Trade, bills and tariff adjustment receivables	–	432	7	439

The gross contractual amount of these trade receivables due in aggregate was approximately RMB439 million, 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 assets and liabilities of approximately RMB29 million and RMB437 million respectively (Note 28) have been provided in relation to these fair value adjustments.

(d) Fair value of previously held interest

Upon completion of the step-acquisition in Tibet Zhongzi, this transaction was accounted for as a business combination achieved in stages. The Group remeasured its previously held interest in Tibet Zhongzi on the acquisition date. A fair value loss on previously held interest of approximately RMB3 million was recognised in the consolidated statement of profit or loss (Note 6).

The fair value of previously held interest in Tibet Zhongzi were estimated based on the discounted cashflow model, with the following assumptions:

Insolation hours	1,550MWh/MWp
Degradation factor	0.5% per annum
Feed-in tariff	RMB0.9/kWh
Discount rate	8%
Construction cost per watt	RMB8.6
Operating expenses per watt	RMB0.13 with annual growth rate of 2%

32 BUSINESS COMBINATION (Continued)

Notes: (Continued)

(e) Bargain purchase on business combinations

The Group recognised bargain purchase of approximately RMB956 million in the consolidated statement of profit or loss in connection with the acquisitions of Other PRC Projects and Tibet Zangneng Projects. The main reason giving rise to the bargain purchase was the fact that the discounted cash flows over the expected useful lives of the acquired project companies exceeded the total consideration paid.

The amount was mainly derived from the acquisition of the Tibet Zangneng Projects. Tibet Zangneng Projects consists of development rights of approximately 5.2GW hydropower and 90MW (30MW are beyond the scope and not considered by the valuer in the valuation report) solar power plants, where the Group will allocate sufficient resources to develop the hydropower projects in stages that will meet the development costs over a long period of development time of 5 to 10 years in cooperation with the local government to provide economic and environmental benefits to the local communities. Considering the PRC government's support of the development of the renewable energy in Tibet, including the construction of Central Tibet Grid Interconnection Project; the uniqueness of the resources; the expected decline in construction cost and the expected development growth in Tibet, enormous economic benefits are expected to flow into the project company upon the commencement of operation of these renewable energy projects.

(f) Non-controlling interests

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

33 COMMITMENTS

(a) Capital commitments

As at 31 December 2017, capital commitments in respect of property, plant and equipment amounted to approximately RMB91 million (2016: Nil).

(b) Commitments under operating leases

As at 31 December 2017 and 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, staff quarters and warehouses as follows:

	2017 RMB'million	2016 RMB'million
Within one year	25	13
After one year but within five years	75	32
Over five years	220	70
	320	115

34 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Other than those balances and transactions disclosed elsewhere in this consolidated financial statements, no significant related party transactions between the Group and its related parties were occurred during the year.

(b) Key management compensation

	2017 RMB'million	2016 RMB'million
Short-term employee benefits	10	11
Share-based payment	42	2
	52	13

NOTES TO THE FINANCIAL STATEMENTS

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December 2017 RMB'million	As at 31 December 2016 RMB'million
ASSETS		
Non-current assets		
Interests in subsidiaries	1,960	1,306
	1,960	1,306
Current assets		
Other receivables, deposits and prepayments	19	4
Amounts due from subsidiaries	5,411	4,213
Cash and cash equivalents	734	140
	6,164	4,357
Total assets	8,124	5,663
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	803	402
Reserves (Note 35(b))	2,564	1,094
Total equity	3,367	1,496
LIABILITIES		
Non-current liabilities		
Convertible bonds	–	3,154
Bank and other borrowings	2,732	927
	2,732	4,081
Current liabilities		
Other payables and accruals	149	70
Convertible bonds	981	–
Bank and other borrowings	895	16
	2,025	86
Total liabilities	4,757	4,167
Total equity and liabilities	8,124	5,663

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2018 and was signed on its behalf

Mr. Li, Alan
Director

Mr. Li Hong
Director

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium RMB'million	Share-based payment reserve RMB'million	Shares held under EIS RMB'million	Convertible bonds equity reserve RMB'million	Warrant reserve RMB'million	Translation reserve RMB'million	Other reserve (Note) RMB'million	Accumulated losses RMB'million	Total RMB'million
Balance at 1 January 2017	4,602	150	(73)	257	–	103	34	(3,979)	1,094
Comprehensive loss									
Loss for the year	–	–	–	–	–	–	–	(943)	(943)
Other comprehensive loss	–	–	–	–	–	(223)	–	–	(223)
Total comprehensive loss	–	–	–	–	–	(223)	–	(943)	(1,166)
Issue of shares through placement and warrant subscription (Note 24(a))	1,779	–	–	–	53	–	–	–	1,832
Issue of consideration shares in relation to acquisition of subsidiaries (Note 24(b))	453	–	–	–	–	–	–	–	453
Issue of shares upon exercise of share options (Note 24(c))	3	(1)	–	–	–	–	–	–	2
Issue of shares upon conversion of convertible bonds and related interest settlement (Note 26)	364	–	–	(20)	–	–	3	20	367
Redemption of convertible bonds (Note 26)	–	–	–	(114)	–	–	–	25	(89)
Share-based payment (Note 24(c))	–	71	–	–	–	–	–	–	71
Total transactions with owners, recognised directly in equity	2,599	70	–	(134)	53	–	3	45	2,636
Balance at 31 December 2017	7,201	220	(73)	123	53	(120)	37	(4,877)	2,564

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company (Continued)

	Share premium RMB'million	Share-based payment reserve RMB'million	Shares held under EIS RMB'million	Convertible bonds equity reserve RMB'million	Transation reserve RMB'million	Other reserve (Note) RMB'million	Accumulated losses RMB'million	Total RMB'million
Balance at 1 January 2016	4,511	119	(54)	222	36	37	(3,427)	1,444
Comprehensive loss								
Loss for the year	–	–	–	–	–	–	(552)	(552)
Other comprehensive income	–	–	–	–	67	–	–	67
Total comprehensive income/(loss)	–	–	–	–	67	–	(552)	(485)
Issue of shares through placement	44	–	–	–	–	–	–	44
Issue of shares upon conversion of convertible bonds	44	24	(19)	(2)	–	–	–	47
Transaction with a non-controlling interest	3	–	–	–	–	(3)	–	–
Reclassification from contingent consideration payables to convertible bonds	–	–	–	37	–	–	–	37
Share-based payment	–	7	–	–	–	–	–	7
Total transactions with owners, recognised directly in equity	91	31	(19)	35	–	(3)	–	135
Balance at 31 December 2016	4,602	150	(73)	257	103	34	(3,979)	1,094

Note

Amount mainly represented the contributed surplus of the Company, which is the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation during the year ended 31 March 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders of the Company. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if: (1) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (2) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium accounts.

36 COMPARATIVE FIGURES

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

	For the years ended 31 December				
Results	**2017**	2016	2015	2014	2013
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Sales of electricity	**419**	261	175	124	11
Tariff adjustment	**1,103**	737	456	255	19
Revenue	**1,522**	998	631	379	30
EBITDA (Note)	**1,198**	848	505	302	(37)
Profit/(loss) for the year:					
– From continuing operations	**153**	382	373	499	(1,737)
– From discontinued operations	**–**	–	–	(239)	(89)
	153	382	373	260	(1,826)

	As at 31 December				
Assets and liabilities	**2017**	2016	2015	2014	2013
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Total assets	**28,594**	17,181	12,969	7,168	4,711
Total liabilities	**(22,166)**	(14,573)	(10,739)	(5,684)	(4,354)
	6,428	2,608	2,230	1,484	357

Note

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

INFORMATION FOR INVESTORS

ANNOUNCEMENT OF ANNUAL RESULTS

28 March 2018

ANNUAL GENERAL MEETING

1 June 2018

INFORMATION ABOUT SHARES

Board Lot: 2,000 shares
Issued Shares as at 31 December 2017: 9,529,811,467 shares
Issued Shares as at 28 March 2018: 9,529,811,467 shares

STOCK CODE

Hong Kong Stock Exchange: 00686
Bloomberg: 686 HK
Reuters: 0686.HK

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