熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

Stock Code: 00686.HK

Annual Report 2018


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

CONTENT

LETTER TO INVESTORS

Dear valuable investors,

Year 2018 is a turning point for the changing global economic landscape and a crucial year in promoting the transformation and upgrading of Chinese economy, as well as a year in deepening global energy revolution and pushing forward China's energy revolution. With its economic growth contributing nearly 30% to the global economic growth, China continued to be the largest contributor to the global economic growth. China's economic transformation and upgrading is at an important juncture of history. In 2018, China's GDP grew by 6.6% year-on-year, surpassing RMB90 trillion for the first time.

Global energy is evolving to efficient, clean and diversified energy and its supply and demand pattern is undergoing profound adjustment. Driven by factors such as policy guidance, technological advancement and cost reduction, global investments in renewable energy continue to grow, resulting in significant changes in the energy structure. Renewable energy is becoming the core of global energy transformation. It is an important breakthrough point for China's future energy development to promote the energy revolution and the development of a green low-carbon clean energy system.

According to Bloomberg New Energy Finance, global clean energy investment reached US$333.1 billion in 2018, surpassing US$300 billion for the fifth consecutive year. China still led the world with US$100.1 billion. In 2018, the total installed capacity of China's renewable energy power generation reached 728GW with the installed capacity of non-fossil energy accounting for 40.7%, of which 44 GW new installed capacity came from PV power, which was second only to the new installed capacity in 2017 and was the second highest in history, and the aggregate installed capacity was about 174GW; 21GW new installed capacity came from wind power with a cumulative installed capacity of approximately 184GW. The 2018 total electricity consumption in China was 6.8 trillion kWh, which has increased by 8.5% year on year, representing the highest growth rate since 2012. The aggregate electricity output in 2018 rose by 8.4% while clean energy output experienced a year-on-year climb of 11%. Hydropower, wind power and solar power generation were up by 3.2%, 20.2% and 50.8% respectively year on year, and their proportions to the aggregate electricity output increased by 0.3, 0.5 and 0.7 percentage points, respectively, over the previous year.

Panda Green Energy Group Limited ("Panda Green" or the "Company", collectively with its subsidiaries, the "Group") and its associates/joint ventures closely followed the national development strategy and adhered to the development approach of "making progress while maintaining stability, promoting innovation while enhancing efficiency". Upholding the concept of green development, Panda Green continuously improved its operation and management so as to lead the Company towards high quality development. In 2018, Panda Green achieved an aggregate installed capacity in terms of clean energy of 2.3GW, representing a year-on-year increase of 11.6%; while the green power generated during the year increased by approximately 51% to 3,192,630 MWh as compared to last year. Meanwhile, leveraging on the high standard corporate governance model, the Group managed to build up its brand influence, and actively fulfill the corporate social responsibility by making valuable contribution in the field of clean energy promotion, leadership development for teenagers, targeted poverty alleviation and coping with climate change, with an aim to realise simultaneous improvement in terms of economic, environmental and social benefits. On behalf of the Board, I hereby announce the annual performance of Panda Green for

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the year ended 31 December 2018: In 2018, the Group recognised revenue of RMB2,108 million, representing a year-on-year increase of approximately 39%; EBITDA amounted to RMB1,772 million, a year-on-year increase of approximately 48%.

The aim of energy revolution is to promote the transition of primary energy as well as the fundamental transformation of the production and utilisation of energy. It goes without saying that development of renewable energy is not only the new drive for green economic development and the core of energy revolution, but also an inevitable step to execute the Paris Agreement. Panda Green fully acknowledged the urgency and necessity of global energy transformation, thus it actively played an innovative and leading role by promoting the advanced green energy technology and disseminating the concept of green development, which has won widespread attention and general recognition in society. With its active contribution in the clean energy area, Panda Green Energy Group was awarded the "2018 Pioneer Award of Clean Energy" at the 8th Energy High-level Dialogue held in 2018.

INTRODUCING STRATEGIC SHAREHOLDERS AND OPTIMISING THE SHAREHOLDING STRUCTURE

On 20 January 2019, China Merchant New Energy Group Limited ("CMNEG") and its parties acting in concert, China Huarong Overseas Investment Holdings Co., Limited ("Huarong Overseas"), Huaqing Solar Power Limited ("Huaqing") and Asia Pacific Energy and Infrastructure Investment Group Limited ("Asia Pacific") entered into the share subscription agreements with Panda Green, respectively with the intention to increase the shareholding in Panda Green by investing a total amount of over HK$1.7 billion. The above share subscriptions were approved at the extraordinary general meeting of Panda Green on 18 March 2019 and the new shares were successfully issued on 21 March 2019. A strong shareholder background is a favorable factor for a company to execute its strategy flawlessly. The capital contribution from CMNEG, Huarong Overseas and other shareholders will not only consolidate Panda Green's capital strength, optimise its debt structure and reduce financing cost, but also demonstrate the confidence of large domestic and foreign investment institutions in the future development of and their recognition of the long-term investment value of Panda Green. Huaqing is an investment vehicle of Qingdao City Construction Investment (Group) Co. Limited, a PRC state-owned enterprise with extensive management experience in renewable energy industry, in particular the solar energy industry, in the PRC. Introducing Huaqing as a shareholder will greatly improve Panda Green's capacity in the expansion and integration of global new energy resources, which is beneficial for improving and upgrading the Company's competitiveness.

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BUILDING UP OUR INTERNAL EXPERTISE TO ENHANCE MANAGEMENT STANDARD

During 2018, the annual accumulated electricity generation volume of the clean energy power plants owned by Panda Green and its associates or joint venture amounted to approximately 3,192,630 MWh, representing a year-on-year increase of approximately 51%, which exceeded the target for the task of annual electricity generation and achieved breakthroughs in both production efficiency and the economic benefit. The significant increase in the electricity generation volume was due to the rapid expansion of the power plants business of the Company on the one hand, and the development of smart operation and maintenance, electricity trading and other business on the other hand. As of 31 December 2018, Panda Green had altogether 74 photovoltaic, wind power and other power plants, representing a year-on-year increase of approximately 14%. In addition to the Panda Power Plants located in Datong in Shanxi, Guigang in Guangxi and Changdu in Tibet that were completed in 2017, five Panda Power Plants had been built by the end of 2018. In June 2018, the fourth Panda Power Plant with an installed capacity of 30MW commenced operation in Ganzi Prefecture, Sichuan; in November 2018, the fifth Panda Power Plant with installed capacity of 100MW commenced operation in Huainan, Anhui, which is the first water surface Panda Photovoltaic Power Plant in the world.

The significant increase in the electricity generation volume can effectively improve the Company's cash flow while increasing sales revenue. The grant of subsidies for electricity tariffs has brought positive impacts to the improvement of cash flows of the power plants, and further enhanced the confidence of enterprises in the development of the industry. During the period from January to December 2018, the Company had received renewable energy subsidy fund falling into the 5th, 6th and 7th batches of the Subsidy Catalogue, with a total amount of RMB549 million.

As it has become a widely shared consensus around the world to vigorously develop renewable energy, effectively address climate change and promote the transition of energy structure to a clean and low carbon model, the National Energy Administration, together with other relevant authorities, has issued the "Super Top Runner Plan" as an upgraded version of the previous plan based on the "Top Runner Plan", in order to initiate the construction of leading PV bases and promote the technology advancement and the upgrading of the PV industry in China. In June 2018, Panda Green together with Longi Green successfully won the bid for a 250MW project, which is the first project under the "Super Top Runner Plan" in China, with the successful bid tariff at the benchmark tariff. In the past two years, with its leading technical capability, performance, scale and comprehensive strengths, Panda Green has successfully won the bid for a number of construction projects including the demonstration bases in Datong of Shanxi Province, Baotou of Inner Mongolia and Huainan and Huaibei cities in Anhui Province. The "Super Top Runner Plan" has set a higher entry barrier than the previous plan by further elevating its requirements in all aspects such as the technical standards of the base and the criteria of selecting participants, in order to allocate more supporting resources to the development of advanced technologies which are ready to be applied to mass production but the potential of which is yet to be realized, and to make preparation for the application and utilization in mass production of next generation technologies.

ADJUSTING DEVELOPMENT STRATEGY, CREATING INNOVATIVE OPERATING MODEL

Innovation is the key to success of an enterprise. The Group maintained the innovation-driven development strategy by adhering to innovations in both technology and operating model against the backdrop of the transformation of economy and industry in 2018. Panda Green officially launched the "Panda Operation and Maintenance System", a comprehensive solution catering to the intelligent operation and maintenance of renewable energy plants around the world, which is based on the rich experience and innovative technology of Panda Green in the operation and maintenance of power plants over the years and aims to integrate superior resources in the industry, so as to improve operation and maintenance efficiency and enhance the profits of the renewable energy industry as a whole by offering full-lifecycle and one-stop services for the management of light-assets targeting at saving costs and enhancing efficiency. Currently, the per-capita management of installed capacity of the power plants is 9.2MW, which is in a leading position in the industry.

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From being only engaged in PV field to the multi-energy supplementary model consisting of wind, solar and water power, from homogenized PV power plants to the unique Panda Power Plants, from business homogenization to industry integration of PV + Agriculture, PV + Fisheries and other models, we started our exploration of "PV +" model as in PV + tourism, PV + cultivation, PV + poverty alleviation in 2018 to broaden the integration of various industries and drive the transformation and development. Panda Green has been operating its business in an innovative, sustainable and professional manner and heading to be a diversified and comprehensive consolidated power service provider over the years. In addition, during 2018, the Company was awarded a new patent licence of invention (a black-starting method for a multi-energy storage wind and solar energy storage micro-power grid, Patent No.: ZL201510095679.1) and four utility model patent licenses of grape-photovoltaics integration, and it has also made two applications for software copyrights.

DISSEMINATING GREEN CONCEPT AND FULFILLING SOCIAL RESPONSIBILITY

In 2015, the 2030 Agenda for Sustainable Development has been duly passed at the UN Conference on Sustainable Development, at which 17 Sustainable Development goals were raised. Among these, Goal 7 is "Affordable and clean energy". In order to disseminate and promote green concepts and to proactively fulfill its corporate social responsibilities, Panda Green organized and successfully held the First Youth Leadership Summer Camp for Climate Action in collaboration with the United Nations Development Programme (UNDP) in Datong, Shanxi in August 2017. Panda Green is expected to actively put corporate social responsibilities into practice through this platform, cultivate the sense of mission and responsibility of the youth groups to improve their innovation and leadership, and therefore enable them to become leaders and pioneers in promoting sustainable development. In August 2018, the Second Youth Leadership Summer Camp for Climate Action jointly organized by Panda Green and the UNDP was successfully held at the China Soong Ching Ling Science & Culture Centre for Young People in Beijing. In 2019, our Company plans to continue to its cooperation with the UNDP for planning the Third Youth Leadership Summer Camp for Climate Action. In the future, if conditions permit, our Company is willing to cooperate with the UN and governments at all levels at home and abroad to carry out community programmes in various forms related to climate change and the promotion and application of clean energy, based on the current experience that we have accumulated.

PROSPECTS

Looking forward, "green, low-carbon, high-efficiency and renewable" are the inexorable trends of global energy development. Energy transformation is an inevitable choice for countries around the world to respond appropriately to climate change, effectively protect the ecological environment and ensure the security of energy supply. In the global trend of green and low carbon development, Panda Green will continue to provide the global public with more clean, economical and reliable green energy and make contribution to green and low carbon sustainable development. The Company will also continue to enhance its operations management and actively practise its corporate social responsibility, so as to build our Company as a world-class integrated clean energy enterprise with robust governance, excellent performance and a high degree of social responsibility, as well as to further provide return to our shareholders and society and share the growth value of Panda Green with more investors.

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/Lu Zhenwei
Co-Chairman of the Board and Executive Director
Lu Zhenwei

29 March 2019

COMPANY PROFILE

Panda Green Energy Group Limited ("Panda Green" or the "Company", together with its subsidiaries, the "Group") is a leading supplier of ecological solutions mainly focused on renewable energy. The Group and its associates/joint venture owned 74 renewable energy power plants with an aggregate installed capacity of over 2GW and have generated 3.19 million MWh of green electricity for the entire 2018. Our network covering Gansu, Inner Mongolia, Qinghai, Jiangsu, Fujian, Guangdong, Xinjiang, etc.

Panda Green listed on the Main Board of The Hong Kong Stock Exchange Limited, 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. Under the rapidly growth of renewable energy industry, Panda Green has attracted many strong investors, included 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 Qingdao City Construction (a state-owned enterprise).

As a pioneer of renewable industry, Panda Green is joining hands with the internet technologies giant Huawei Technologies Ltd. Co., to establish Global Smart PV Cloud Management System. The System achieves centralized management of the Group's plants to improve efficiency and reduce wastage.

Panda Green aims on building the most efficient and advanced renewable energy operation platform, and establishing a photovoltaic green ecosphere by employing a low-carbon and sustainable development model in order to bring clean energy into millions of families.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li, Alan *(Chairman and Chief Executive Officer)*
Mr. Lu Zhenwei *(Co-Chairman)*
Mr. Yu Qiuming *(Co-Chief Executive Officer)*
Mr. Li Hong *(Chief Financial Officer)*
Mr. Li Guangqiang *(Chief Operating Officer)*

Non-Executive Directors

Mr. Tang Wenyong
Mr. Li Hao
Ms. Xie Yi

Independent Non-Executive Directors

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Chen Hongsheng

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. Lu Zhenwei *(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. Yu Qiuming *(executive chairman)*
Mr. Li, Alan

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 Beijing
Bank of China (Hong Kong) Ltd.
Baoshang Bank Co., Ltd.
China Construction Bank Corporation
China Development Bank Corporation
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd.
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 51, 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 of the Company, 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, as well as several subsidiaries of the Group. Mr. Li is also a director of China Merchants New Energy Group Limited ("CMNEG") and the chairman of the board of directors of Pairing Venture Limited. Prior to joining CMNEG, 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 Chinese state-owned enterprises, such as GD Solar Co., Ltd.* (國電光伏有限公司) and State Grid Corporation of China* （國家電網有限公司）etc., and established Photovoltaic Green-ecosystem Organization (the "PGO"), the first eco-system integrating 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 management of conglomerates. Mr. Li has obtained a master's degree in Business Administration from Murdoch University of Australia.

Mr. Lu Zhenwei, aged 48, was appointed as our Executive Director on 10 June 2013, and our Co-Chairman on 10 September 2018. He is also a member and the chairman of each of the Nomination Committee and 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, as well as several subsidiaries in the Group. Mr. Lu is also a director and the chairman of the board of directors of each of China Merchants New Energy Group Limited and the chairman of China Merchants Technology Holdings Company Limited, 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). From May 2003 to May 2008 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), whose shares are listed on the the Shenzhen Stock Exchange (stock code: 000004). 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. Yu Qiuming, aged 45, was appointed as our Executive Director on 12 September 2017, and our Co-Chief Executive Officer on 17 July 2018. Mr. Yu is also the chairman of Mainland China operations of the Group and a member and the executive chairman of the Strategy Committee of the Company. Together with Chief Executive Officer, Mr. Li, Alan, Mr. Yu is primarily responsible for formulating the Group's business strategy, overseeing development of renewable energy projects, and day to day operations. Mr. Yu also serves as the chairman of board of directors of Amani Gold Limited, whose shares are listed on the Australia Securities Exchange (stock code: ANL), the chairman of board of directors of Poly Jiangshan Resources Co., Ltd.*（保利江山資源有限公司） and the vice chairman of Xinjiang Coal Exchange Center Co., Ltd.*（新疆煤炭交易中心有限公司）. 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.* (保利能源控股有限公司)), and he served as the president from July 2006 to December 2009 and currently serves as a director of this company. 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

Mr. Li Hong, aged 46, 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. Mr. Li also acts as a director of several of our 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.

Mr. Li Guangqiang, aged 39, was appointed as our Executive Director and our Chief Operating Officer on 11 October 2018. He is primarily responsible for investment, mergers and acquisitions and legal affairs of the Group. He is also a director of some of our subsidiaries. Mr. Li is experienced in the development, infrastructure and cost management of large scale energy projects. Mr. Li joined us in December 2015 as a deputy general manager of North China regional branch of the Group. Prior to that, Mr. Li had taken up various management roles in certain subsidiaries of China Datang Corporation Limited*（中國大唐集團有限公司）("Datang Group"), which are engaged in generation of thermal power and hydropower and coal mining projects etc. Mr. Li also gained extensive working experience in relation to operation of a public listed company and capital management of a large conglomerate during his term of service as the deputy director of the capital operation department in Datang International Power Generation Co., Ltd ("Datang Power"), whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 991), the Shanghai Stock Exchange (stock code: 601991), and the London Stock Exchange (stock code: DAT), and traded on the Over-the-Counter Bulletin Board (stock code: DIPGY). Datang Power, whose controlling shareholder is the Datang Group, is one of the five largest state-controlled power generation enterprises in China. Mr. Li received a Master's degree in Business Administration from Southwestern University of Finance and Economics.

NON-EXECUTIVE DIRECTORS

Mr. Tang Wenyong, aged 55, was appointed as the 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 (stock code: 002748), 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）,whose shares are listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300193), 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 37, 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 con-currently the Deputy Head of East Asia Business Headquarters as well as the Managing Director of Greater China Group 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 both ORIX Asia Capital Limited and ORIX (China) Investment Corporation*（歐力士（中國）投資有限公司）, which are wholly-owned subsidiaries of ORIX Corporation. Mr. Li has been serving as a non-executive director of Haichang Ocean Park Holdings Ltd., since 27 August 2018, whose shares are listed on The Stock Exchange of Hong Kong Limited(the "Stock Exchange") (stock code: 2255) and a non-executive director of Shougang Concord International Enterprises Company Limited, since 27 September 2018, whose shares are listed on the Stock Exchange(stock code: 697). Mr. Li graduated from the Graduate School of Finance, Accounting and Law at Waseda University in Japan with a Master's degree in business administration for finance. He has more than 11 years of experience in the fields of investment banking and finance.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Xie Yi, aged 32, was appointed as our Non-executive Director on 22 January 2019. She is concurrently the co-director of the private equity department of CLSA Limited. Ms. Xie has extensive experience in financial investments and corporate sales of financial institutions. Previously, Ms. Xie worked in Hua Lian New Energy Technology Limited, Guotai Junan (Hong Kong) Limited, Sinolink Securities Co., Ltd*（國金證券股份有限公司）, whose shares are listed on the Shanghai Stock Exchange (stock code: 600109), and its investment consulting branch in Shanghai. Ms. Xie received a Bachelor's degree in economics from Durham University and a Master's degree in business administration from China Europe International Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Kai Cheong, aged 69, 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 and 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 (the "Stock Exchange"). 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, 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. 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. 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 71, 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 (the "Stock Exchange"), and an independent director of China Minsheng Jiaye Investment Co., Ltd*(中民嘉業投資有限公司) and Utopa Limited, a commercial property operating company in China and since 16 December 2016 served as an independent non-executive director of WWPKG Holdings Company Limited, whose shares are listed on GEM of the Stock Exchange. 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 GEM of the Stock Exchange. 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 Faculty of Education, The University of Hong Kong. He is the director of two secondary schools, the chairman of the executive committee of the Neighborhood Advice-Action Council and a legal advisor 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, a managing director and legal advisor to the Shanghai Fraternity Association and an honorary legal advisor 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 75, 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 Institute of Nuclear and New Energy Technology in Tsinghua University since November 1973. In October 1980, he joined the State Science and Technology Commission of the PRC ("SSTC"), the predecessor of the Ministry of Science and Technology of the PRC ("MOST"). He was appointed as the deputy division chief of the Forecasting Bureau of SSTC, deputy director of the Industrial Technology Bureau of SSTC, the director of the Department of Industrial Science and Technology of SSTC, and later served as the deputy director-general (directorate grade) of the Department of High and New Technology Development and Industrialization of MOST（科技部高新技術發展及產業化司副司長（正司級））. In June 1988, he also acted as the officer of the "Torch Programme（國家火炬計劃）" office of 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 China National 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 The Stock Exchange of Hong Kong Limited (stock code: 1296). Mr. Shi graduated from the Engineering Physics Department, Tsinghua University in July 1967, majoring in Radiation Dosimetry and Protection.

Mr. Chen Hongsheng, aged 69, was appointed as our Non-executive Director on 21 January 2019. Mr. Chen was the committee member of the 12th National Committee of the Chinese People's Political Consultative Conference. From 1993 to 2014, Mr. Chen held some important positions in China Poly Group Corporation Limited*（中國保利集團有限公司） ("Poly Group") and its subsidiaries. Among others, Mr. Chen served as the chairman of Poly Group from January 2010 to May 2013, as an executive director of Poly Property Group Co., Limited (formerly known as Poly (Hong Kong) Investments Limited) ("Poly Property"), whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 119), from January 2004 to June 2014, and as the chairman and an executive director of Poly Culture Group Corporation Limited ("Poly Culture"), whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 3636), from December 2010 to November 2014. Poly Group is the holding company of Poly Property and Poly Culture. Mr. Chen obtained his bachelor's equivalent degree in Radio Remote Control & Telemetry from Beihang University (formerly Beijing Institute of Aeronautics) in December 1975. Mr. Chen was granted with the qualification of senior economist from State Bureau of Metallurgical Industry, the PRC, in August 2000.

CHIEF FINANCIAL OFFICER

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

CHIEF OPERATING OFFICER

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

* *For identification purpose only*

2018 HIGHLIGHTS

JANUARY

On 9 January 2018, Panda Green was honored with the award of "Most Valuable Investment Award of Shenzhen-Hong Kong Stock Connect"（深港通最具投資價值獎）

On 18 January 2018, Panda Green was honored with the award of "2017 Golden Hong Kong Stocks Most Valuable Growth Listed Company" (2017年金港股最具價值成長上市公司）

On 25 January 2018, Panda Green was honored with the award of "ESG Awards of the Year" (ESG年度大獎）

On 25 January 2018, TÜV NORD presented the world's first new standard certification of IEC 62446-1:2016 to Panda Green

On 29 January 2018, Panda Green was honored with the award of "Charity Communication Award 2017" (2017年度公益傳播獎）

MARCH

On 22 March 2018, Panda Green announced its participation in the energy blockchain "Public Welfare Actions of Five Municipal"（五市公益行動）

On 27 March 2018, Panda Green was invited to participate in the 2018 Clean Energy Expo China

Panda Green reported its full-year 2017 results, with revenue from power generation increased by 53%, to RMB1.522 billion

APRIL

On 27 April 2018, Panda Green ranked "the Seventh among Power Station Investors in term of Brand Value"（電站投資商品牌價值第七名）

MAY

On 13 May 2018, Panda Green launched employee team development and outreach activities

United Nations Representative in China visited the PV Cloud Management Center（營維雲中心）of Panda Green

2018 HIGHLIGHTS

MAY

On 29 May 2018, "Panda Operation and Maintenance"(熊猫運維) officially unveiled at 2018 SNEC "Gathering Professional Power, Fueling Splendid China"(聚專業力量充電美麗中國)

JUNE

On 11 June 2018, Panda Green won the bid for the "Super Top Runner Plan"(超級領跑者項目)

AUGUST

On 14 August 2018, Panda Green and the UNDP jointly organized the second "Youth Leadership Summer for Climate Action"(培養未來氣候行動領袖) Summer Camp

On 24 August 2018, Panda Green was invited to attend the 2018 China-Thailand Economic and Trade Cooperation Forum

SEPTEMBER

On 8 September 2018, Panda Green was honored with "China Energy Industry Poverty Alleviation Social Responsibility Award"(中國能源產業扶貧社會責任獎)

SEPTEMBER

On 12 September 2018, Panda Green was honored with the award of "2018 Clean Energy Pioneer Award" (2018年度清潔能源先鋒獎)

On 20 September 2018, 2017 ESG Report of Panda Green was honored with awards of "Best in Reporting Awards – Medium Market Value Enterprise"(最佳ESG報告大獎 – 中市值企業) and "Excellence in Environmental Disclosure"(卓越環境披露獎)

OCTOBER

On 15 October 2018, Panda Green held a mobilisation meeting of the Group

DECEMBER

On 26 December 2018, Panda Green was honored with the award of "2018 China's New Energy Pioneer for International Development" (2018中國新能源國際發展先鋒單位)

2018 AWARDS

DECEMBER

On 26 December, the 2018 New Energy International Development Conference of China（中國新能源國際發展大會）was held in Beijing. The Development Research Center of the State Council, Investment Promotion Bureau of Ministry of Commerce, China National Renewable Energy Center, China Renewable Energy Engineering Institute（水電總院）, representatives of some foreign agencies in China and enterprise representatives were invited to the conference with the theme focusing on "New Combination, New Energy, New Development". Representatives present at the conference discussed and exchanged views on topics including future international development opportunities, the joint going-out move of new energy enterprises and service provision for "One Belt, One Road" initiative. The series selection result of "2018 China's New Energy Pioneer for International Development" was disclosed at the conference. Panda Green Group won the laurel of "2018 China's New Energy Pioneer for International Development" by virtue of its outstanding performance in the international new energy market.

SEPTEMBER

On 20 September 2018, the Hong Kong ESG Reporting Awards Ceremony 2018 was held. Panda Green won the "Best in ESG Awards – Medium Market Value Enterprise"（最佳ESG報告大獎 – 中市值企業）and "Outstanding Environment Disclosure Award"（卓越環境披露獎）.

On 12 September, the 8th Energy High-level Dialogue 2018 hosted by Xinhuanet was held in Beijing. Panda Green Energy Group Limited won the "2018 Clean Energy Pioneer Award" (2018年度清潔能源先鋒獎) for its positive contribution in the field of clean energy.

At the "2018 China Energy Industry Summit Forum for Poverty Alleviation" held on 8 September 2018, Panda Green Group was awarded the "China Energy Industry Poverty Alleviation Social Responsibility Award"（中國能源產業扶貧社會責任獎）by the organizer for its positive contribution in the field of energy poverty alleviation.

2018 AWARDS

APRIL

Panda Green ranked "the Seventh among Power Station Investors in term of Brand Value"(電站投資商品牌價值第七名) at the "2017 Century Photovoltaic Conference & China PV Brand Ranking Award".

MARCH

From 27-29 March 2018, the China Clean Energy Week 2018(CCEW2018) was held at China International Exhibition Center, Beijing. The CCEW2018, which was jointly hosted by China Economic Information Service, China Electric Power Promotion Council and China Council for the Promotion of International Trade, aimed to promote the development and application of clean energy, help the development of low-carbon economy and strength the communication and cooperation of international clean energy. Panda Power Plant was rated as "Top 10 Innovation Demonstration Project"(十大創新示範專案) for clean energy.

JANUARY

Panda Green won the "2017 Charity Communication Award" (2017年度公益傳播獎) at the 7th Charity Festival of China.

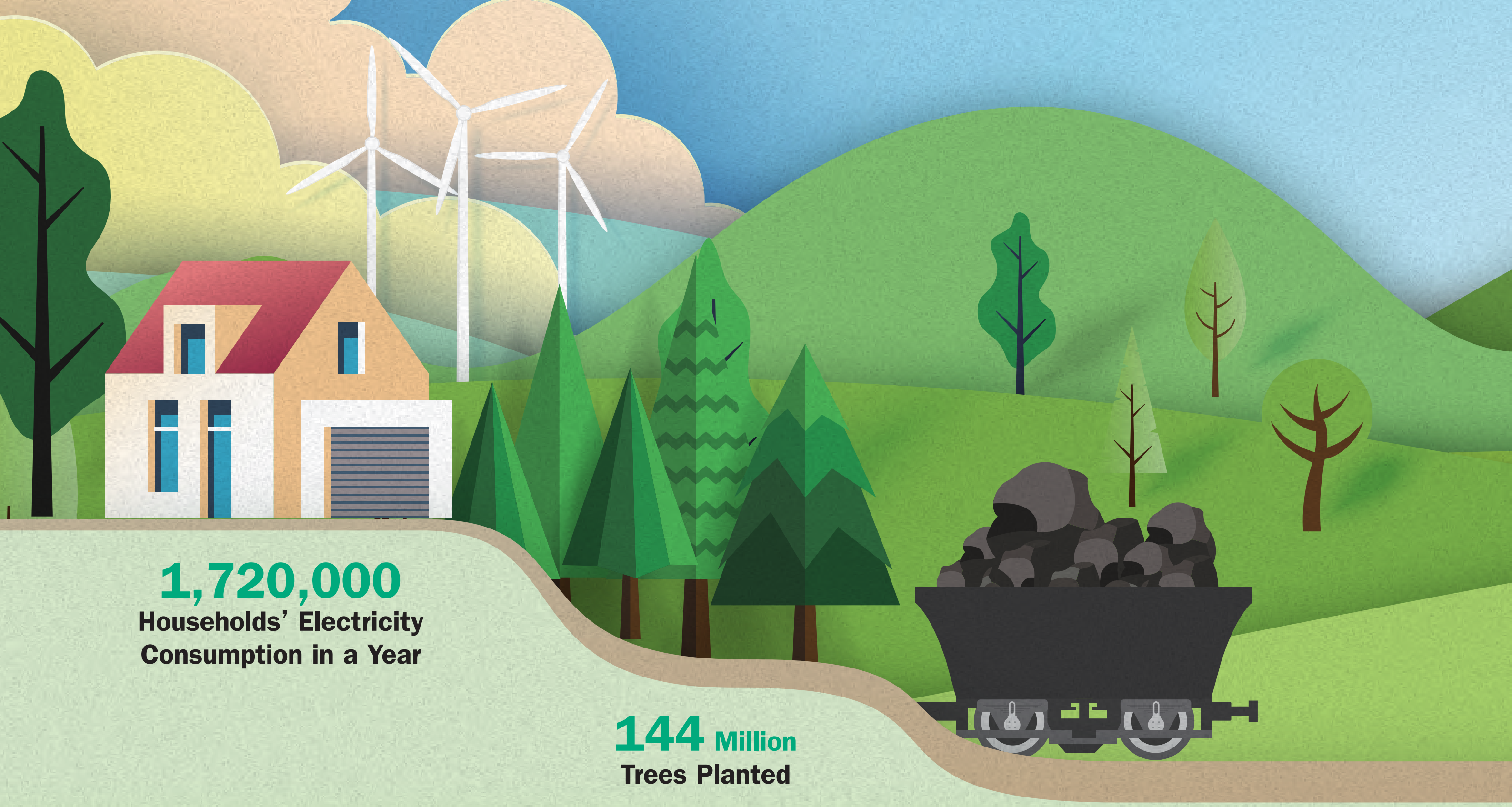
On 25 January 2018, the first BDO ESG Award of the Year(第一屆BDO ESG年度大獎) jointly hosted by BDO International Network and South China Morning Post announced the selection result, Panda Green Energy Group Limited ("Panda Green", stock code: 00686.HK) won the "ESG Report of the Year", "Best in ESG Awards" and "Best in Reporting Awards" respectively.

On 18 January 2018, Panda Green won the "2017 Golden Hong Kong Stocks Most Valuable Growth Listed Company" (2017年金港股最具價值成長上市公司) at the Insight into the New Value of Hong Kong Stocks Summit & 2017 "Golden Hong Kong Stocks" Award Ceremony for Listed Companies(洞見港股新價值高峰論壇暨"金港股"上市公司評選頒獎典禮) held in Shenzhen.

Panda Green Group won the "Most Valuable Investment Award of Shenzhen-Hong Kong Stock Connect"(深港通最具投資價值獎) in the selection of "2017 China Financial Market Award", and it has won such award for three consecutive years.

GREEN ENERGY

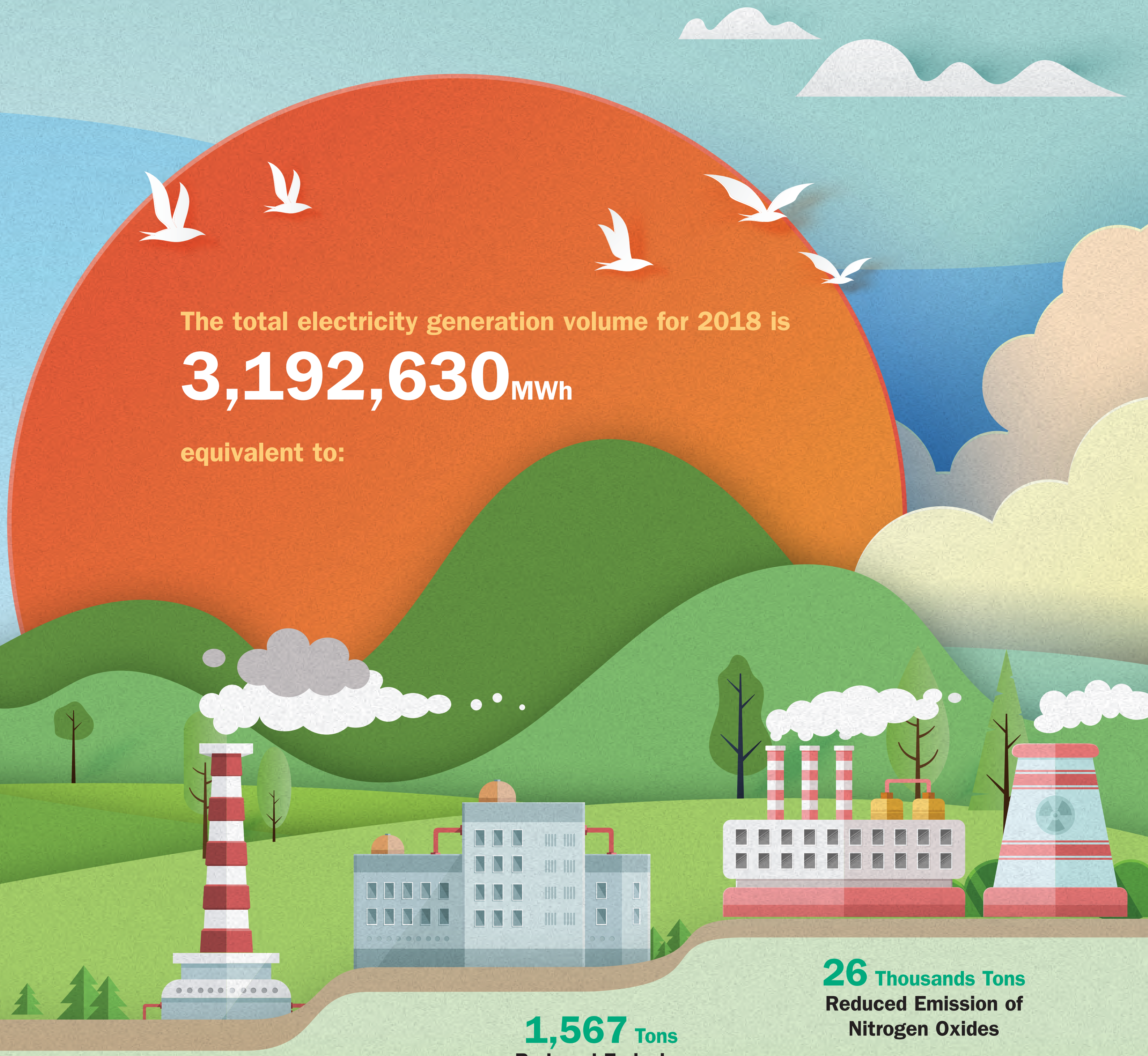
Green future promoting low-carbon clean energy and responding to global climate change



1,720,000
Households' Electricity Consumption in a Year

144 Million
Trees Planted

1.02 Million Tons
Saved Standard Coal



The total electricity generation volume for 2018 is

3,192,630MWh

equivalent to:

2.68 Million Tons
Reduced Emission of Carbon Dioxide

1,567 Tons
Reduced Emission of Soot

26 Thousands Tons
Reduced Emission of Nitrogen Oxides

INVESTOR RELATIONS

The principles of the Company's investor relations management are remaining open, being proactive, transparent, interactive, staying positive and efficient. The Company is aimed to deliver information relative to the Group's operations, financial position, management, business strategy and industry conditions timely and aggregately to its stakeholders.

MULTI-CHANNEL-BACKED "TWO-WAY" COMMUNICATION

Over the past year, the Company maintained two-way communication with its stakeholders, centers in order to protecting the interest of its investors. The Company communicated with stakeholders in compliance with the information disclosure rules. The Company had adequate communications and exchange of ideas with investors and analysts from a number of institutions via meetings, telephone calls, emails and different network communication channels (e.g. WeChat public account).

DIVERSIFIED ACTIVITIES TO ENHANCE COMMUNICATION WITH INVESTORS

The Company complied with information disclosure regulations by timely delivering our development strategies, latest developments and results to the capital market. The stakeholders can have a more comprehensive understanding of the Company by our website, communication channels and new media platforms.

The Company also conducted in-depth exchange and discussion with investors/analysts in one-on-one or one to many discussion to ensure the timeliness and efficiency of communication.

OUTLOOK FOR MANAGEMENT OF INVESTOR RELATIONS IN 2019

In 2019, the Group will pay close attention to important government policies of the clean and renewable energy industry and capital market trend, constantly optimize discloseable information taking into account request from different stakeholders. Apart form required publication of regular announcements, the Group will make public discloseable information in a timely manner and continuously improve the level of information disclosure.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

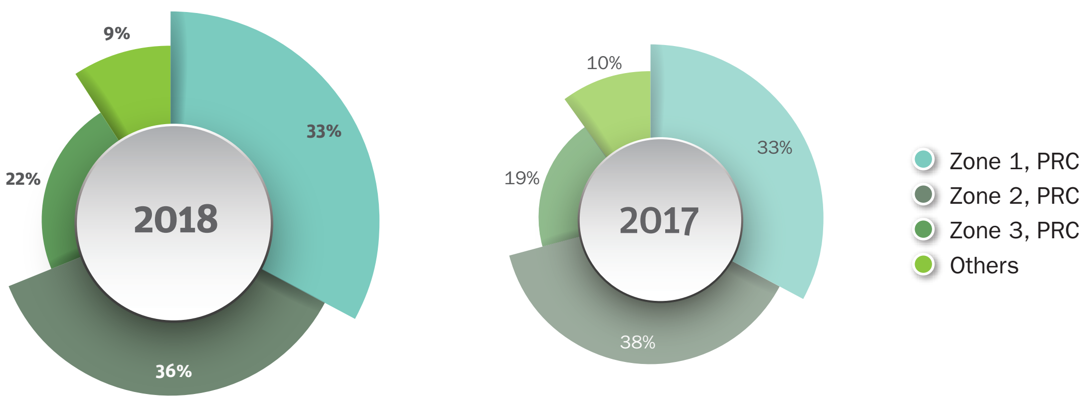
Diversification of investment locations and portfolios

The Group is a leading global eco-development solutions provider. During the year ended 31 December 2018 (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 focused its resources on managing its existing solar power business and has added solar power plants with a total installed capacity of 242.3 megawatts ("MW"). As at 31 December 2018, the Group and its associates/ joint venture had 74 (31 December 2017: 65) solar power plants with aggregate installed capacity of approximately 2,329.6MW (31 December 2017: 2,087.3MW). These solar power plants are mainly (or approximately 96%) located in the People's Republic of China ("PRC"). Among subsidiaries, the Group has well-diversified its solar power plants in 18 different regions during the Year (31 December 2017: 16). Chart 1 analyses the locations of these solar power plants among various resource regions. It was noted that approximately 33% and 38% of the solar power plants were located within zone 1 and zone 2 in the PRC respectively in 2017; while zone 1 and zone 2 accounted for 33% and 36%, respectively of the total installed capacity in 2018. This shows our efforts in mitigating concentration risks by diversification of locations.

Chart 1 Location of solar power plants



Almost all the solar power plants owned and controlled by the Group and its associates are ground-mounted, while a small portion of them are roof-top type. 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, etc. The Group will also continue to explore good opportunities for growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Other renewable energy projects

During the Year, the Group had wind power plants in Shanxi, PRC with aggregate installed capacity of 96MW. Phase one with installed capacity of 48MW has been grid connected with full capacity; while phase two with installed capacity of 48MW was under construction.

The Group owned development rights mainly in hydropower with an expected capacity of over 5GW. The Company indirectly holds 75% of the equity interest in the project company while the remaining 25% is indirectly held by the People's Government of Tibet Autonomous Region. The Group is awaiting the planning of the PRC government's ecological red line before the construction of any hydropower plants.

In the short run, the Group will remain focused 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

During the Year, the total electricity generated by the power plants of the Group and its associates/joint venture has increased from approximately 2,115,253 megawatt hours ("MWh") in 2017 to approximately 3,192,630 MWh, representing an increase of approximately 51%. All these power plants are grid connected and are generating electricity steadily.

Table 1 Power plants summary

	For the year ended 31 December							
	2018				2017			
	Number of power plants	Aggregate installed capacity (MW)	Electricity generation (MWh)	Weighted average utilisation hours (Hours)	Number of power plants	Aggregate installed capacity (MW)	Electricity generation (MWh)	Weighted average utilisation hours (Hours)
Subsidiaries								
– Solar power plants	61	1,927.8	2,577,791	1,387	52	1,685.5	1,857,859	1,268
– Wind power plants	1	48.0	99,308	2,069	1	48.0	42,938	895
	62	1,975.8	2,677,099		53	1,733.5	1,900,797	
Associates/joint venture								
– Solar power plants	12	353.8	515,531	1,457	12	353.8	214,456	2,559
Total	74	2,329.6	3,192,630		65	2,087.3	2,115,253	

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

Average utilisation hours

The weighted average utilisation hour of solar power plants of the Group and its associates/joint venture has slightly increased for the Year. The Group actively carried out power market transactions, including inter-provincial solar power transmission, to improve the electricity generation and the utilisation hours. The Group's first wind power plants in Shanxi, PRC recorded average utilisation hours of 2,069 for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Table 2 Power plants information by resource zone

Location	As at 31 December 2018 Number of power plant Solar	Wind	Aggregate installed capacity (MW)	For the year ended 31 December 2018 Electricity generation (MWh)	Revenue (RMB' million)	Average tariff per KWh (net of VAT) (RMB)
Subsidiaries:						
(i) Zone 1						
Inner Mongolia, PRC	9	–	330.0	505,806	387	0.76
Ningxia, PRC	1	–	200.0	291,177	217	0.75
Gansu, PRC	1	–	100.0	131,735	105	0.80
Zone 1 sub-total	11	–	630.0	928,718	709	0.76
(ii) Zone 2						
Qinghai, PRC	4	–	200.0	332,519	274	0.82
Shanxi, PRC	4	–	170.0	272,222	194	0.71
Xinjiang, PRC	7	–	120.2	178,739	131	0.74
Inner Mongolia, PRC	1	–	60.0	101,906	84	0.83
Yunnan, PRC	3	–	57.0	84,442	58	0.69
Hebei, PRC	2	–	37.3	52,835	47	0.90
Sichuan, PRC	3	–	50.0	34,849	25	0.71
Zone 2 sub-total	24	–	694.5	1,057,512	813	0.77
(iii) Zone 3						
Hubei, PRC	1	–	100.0	116,831	110	0.94
Shandong, PRC	1	–	40.0	54,415	47	0.87
Guangxi, PRC	1	–	60.0	63,654	53	0.83
Hunan, PRC	6	–	120.0	123,642	124	1.00
Guangdong, PRC	3	–	2.8	3,015	2	0.62
Zhejiang, PRC	1	–	3.1	6,190	3	0.44
Anhui, PRC	1	–	100.0	60,613	39	0.64
Zone 3 sub-total	14	–	425.9	428,360	378	0.88
(iv) Others						
United Kingdom	6	–	82.4	82,736	85	1.03
Shanxi, PRC	–	1	48.0	99,308	52	0.52
Tibet, PRC	6	–	95.0	80,465	71	0.89
Others sub-total	12	1	225.4	262,509	208	0.79
Subsidiaries sub-total	**61**	**1**	**1,975.8**	**2,677,099**	**2,108**	**0.79**
Associates/joint venture:						
Inner Mongolia, PRC	4	–	160.0	250,160	207	0.83
Yunnan, PRC	2	–	60.0	70,776	52	0.74
Shanxi, PRC	1	–	50.0	66,564	54	0.82
Qinghai, PRC	2	–	50.0	86,606	78	0.90
Jiangsu, PRC *	3	–	33.8	41,425	70	1.69
Associates/joint venture sub-total	**12**	**–**	**353.8**	**515,531**	**461**	**0.90**
Total	**73**	**1**	**2,329.6**	**3,192,630**	**2,569**	**0.80**

* Among the solar power plants located in Jiangsu, PRC, two roof-top power plants owned by Fengxian Huize Photovoltaics Energy Limited have obtained electricity price of RMB2.41/KWh (VAT included) or RMB2.06/KWh (net of VAT), which is in line with the guarantee made by the vendor upon acquisition of certain equity interest by the Group in 2013. The guaranteed electricity price for 2017 was met and no compensation was payable pursuant to the electricity income guarantee for the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Project development

Following the success in the development of the "Top Runner" project for 100MW solar power plant in Datong, Shanxi in 2016, the Group successfully won another "Top Runner" project for 100MW floating solar power plants in Anhui Province in the same year. The project fully embodied technological innovation in respect of the fishery and solar power plant combination as well as comprehensive ecological control of subsidence areas. These floating solar power plants have achieved grid-connection during the Year.

During the Year, the Group participated in certain photovoltaic poverty alleviation projects: one project with aggregate installed capacity of 75MW in Guangdong which was under construction; and two projects with aggregate installed capacity of 50MW in Sichuan which have achieved grid-connection during the Year.

Financing

The power generation 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 RMB9 billion through various channels including medium-term notes, bank borrowings and finance leasing, etc.

FINANCIAL REVIEW

Revenue and EBITDA

During the Year, the revenue and EBITDA were approximately RMB2,108 million and RMB1,772 million respectively (31 December 2017: RMB1,522 million and RMB1,198 million respectively). The increase in revenue and EBITDA was attributed to: (i) expansion in installed capacity of projects for around 14% by way of acquisition and self-development; and (ii) effective monitoring control in operation and maintenance so that most plants have increased in their electricity generation. The average tariff per KWh (net of VAT) for the Year was approximately RMB0.80. Table 2 summaries the details of the breakdown of revenue generated by each provincial region.

Bargain purchase

Bargain purchase, in accounting sense, refers to the consideration price in an acquisition being lower than the fair value of the target acquired. The gain of approximately RMB26 million for the Year came from the acquisition of 70MW solar power plants; while the gain of approximately RMB956 million in prior year were mainly from the acquisition of Tibet project which owns development rights over 5GW hydropower capacity and 80MW solar power capacity in Tibet and Sichuan.

Fair value losses on financial assets at fair value through profit or loss

The amount recognised for the Year comprised (i) a fair value loss of approximately RMB72 million, which primarily resulted from the fair value loss on the call option to acquire 96.68% equity interest in an associate; which was not exercised during the year upon its expiry. Accordingly, a fair value loss, representing the carrying amount of the call option as at 31 December 2017, was recognised; and (ii) the fair value loss on an unlisted investment recognised of approximately RMB42 million.

Fair value loss on financial liabilities at fair value through profit or loss

In prior year, the Group has recognised a fair value loss of approximately RMB229 million in relation to a change in fair value of the shares and unlisted warrants between the date of commitment to issue and the date of issue. Such loss was no longer applicable for the Year.

Finance costs

The finance costs increased from approximately RMB1,275 million in 2017 to approximately RMB1,337 million during the Year. The increase was mainly attributable to expansion in installed capacity. Having said that, the overall finance costs to EBITDA ratio has been controlled from 106% in 2017 to 75% during the Year.

Impairment charge on 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.

On 31 May 2018, the National Development and Reform Commission, the Ministry of Finance of the PRC and the National Energy Administration jointly published "the Notice on PV Power Generation in 2018" (《2018年光伏發電有關事項的通知》, "the Notice") with an aim to lowering solar feed-in-tariffs. According to the Notice, (i) for roof-top projects, only those roof-top projects on-grid on or before 31 May 2018 are eligible to national tariff adjustment; (ii) for ground projects, the benchmark on-grid price will be reduced by RMB0.05/KWh to RMB0.5/KWh, RMB0.6/KWh and RMB0.7/KWh for the projects in zone 1, zone 2 and zone 3, respectively.

Management performed impairment test to determine the recoverable amount of the concession rights which was determined based on fair value less costs of disposal. In this connection, management has prepared cash flow forecasts of each of the concession rights taking into account factors, including but not limited to, the above revision of government policy, acquisition status of solar power plant projects, operational status of the solar power plants planned to be acquired; and the probability to exercise the concession rights before its expiry. As a result of the impairment test, an impairment charge of approximately RMB279 million (2017: RMB32 million) on concession rights was recognised during the year ended 31 December 2018. The above amount of impairment charge was not finalised and not available to the management of the Company at the time when the profit warning announcement was issued on 15 January 2019, which contributed to the even larger loss of more than RMB200 million as previously estimated in that announcement.

Share-based payment

A share-based payment expense was related to the amortisation of the fair value of share options granted under the Company's share option scheme. The decrease was due to the resignation of certain directors and staff of the Group during the Year.

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.

Trade, bills and tariff adjustment receivables

The trade and bills receivables will usually be settled within one year. For the tariff adjustment receivables in the PRC during the Year, there was a delay in settlement for the 5th, 6th and 7th batches of the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue"). For the tariff adjustment receivables in the United Kingdom ("UK") (i.e. income relating to the renewable obligation certificate), they will usually be settled within 4 months as a result of the processing time required for applying for renewable obligation certificates.

Table 3 Breakdown of trade, bills and tariff adjustment receivables at subsidiaries level

	31 December 2018		31 December 2017	
	Installed capacity (MW)	RMB' million	Installed capacity (MW)	RMB' million
Trade and bills receivables		1,164		76
Tariff adjustment receivables				
– PRC				
– 5th batch	100.0	138	100.0	60
– 6th batch	678.0	1,014	678.0	529
– 7th batch	337.2	763	267.2	564
– 8th batch or after	778.2	1,000	605.9	499
– UK	82.4	14	82.4	11
Total	1,975.8	4,093	1,733.5	1,739

Convertible bonds

During the Year, the Company has redeemed all the outstanding convertible bonds upon maturity.

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 RMB8,936 million borrowings, including the issue of an onshore 3-year RMB300 million medium-term note, a re-financing of an offshore 3-year US$100 million loan and the loan of approximately US$123 million to refinance one of the convertible bonds.

Key performance indicators

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

EBITDA margin: EBITDA margin is a measurement of the Group's operating profitability and is calculated as EBITDA divided by the revenue. The Group's EBITDA margin increased by 5% during the Year from 79% to 84%. This was mainly due to effective costs control implemented during the Year and the synergies from the increased capacity of power plants.

Debt to EBITDA ratio: Debt to EBITDA ratio is a measurement of the years that will take the Group to repay 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. Total borrowings include 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 during the Year to approximately 11.03 (31 December 2017: 13.95).

Funds from operations to net debt ratio: Funds from operations to debt 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 plus cash interest received net of cash interest paid, divided by net debts. The ratio has increased for the Year from 2.6% to 4.1%.

Interest coverage ratio: Interest coverage ratio measures the Group's ability to pay interest on its interest-bearing debt. The ratio is calculated by EBITDA over net interest paid (actual interest paid minus actual interest income received during the Year). The ratio was 1.84 for the Year (31 December 2017: 1.56).

Liquidity, financial resources, gearing ratio and capital structure

As at 31 December 2018, the Group recorded non-current assets of approximately RMB24,157 million, current assets of approximately RMB6,618 million, current liabilities of approximately RMB7,546 million and non-current liabilities of approximately RMB17,359 million.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The capital structure (including its gearing ratio) as at 31 December 2018 was as follows:

	31 December 2018 RMB' million	31 December 2017 RMB' million
Bank and other borrowings	**22,072**	18,206
Construction costs payables	**701**	1,264
Convertible bonds	**–**	981
Total borrowings	**22,773**	20,451
Less: cash deposits	**(3,220)**	(3,735)
Net debts	**19,553**	16,716
Total equity	**5,870**	6,428
Total capital	**25,423**	23,144
Gearing ratio	**76.9%**	72.2%

The Group will use its best endeavour to lower its gearing ratio in the foreseeable future by deleveraging its liabilities, including but not limited to co-investing in power plants with strategic business partners.

Except for certain bank and other borrowings with aggregate amounts of approximately RMB9,617 million which were carried at fixed rates, the remaining borrowings of the Group bore floating interest rates.

As at 31 December 2018, the cash deposits were denominated in the following currencies:

	Pledged deposits RMB' million	Restricted cash RMB' million	Cash and cash equivalents RMB' million	Total RMB' million
RMB	2,801	8	336	3,145
HK$	–	–	23	23
US$	–	–	1	1
GBP	4	–	47	51
	2,805	8	407	3,220
Representing:				
Non-current portion	1,838	–	–	1,838
Current portion	967	8	407	1,382
	2,805	8	407	3,220

As at 31 December 2018, the maturity, currency profile and weighted average life for the Group's bank and other borrowings and convertible bonds are 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	Weighted average life (Years)
RMB	4,194	3,173	4,722	4,341	679	17,109	6.82
US$	941	2,790	678	–	–	4,409	1.26
HK$	190	31	–	–	–	221	0.84
GBP	197	26	89	439	21	772	4.13
	5,522	6,020	5,489	4,780	700	22,511	5.25
Less: unamortised loan facilities fee	(99)	(70)	(120)	(115)	(35)	(439)	
Carrying amount	5,423	5,950	5,369	4,665	665	22,072	

During the Year, the Group's UK solar power plants had a floating-for-fixed interest rate swap arrangement for its bank borrowings. Other than that, the Group did not have any financial instruments for hedging purposes.

As at 31 December 2018, the Group had capital commitment in respect of property, plant and equipment contracted amounted to approximately RMB369 million.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the Year, the Group has completed two acquisitions of subsidiaries with an aggregate installed capacity of 70MW. None of them is individually material to the Group.

Save as mentioned above, the Group did not have any other material acquisitions nor disposals of subsidiaries, associates or joint ventures during the Year.

Performance and future prospects for significant investments held

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

Material reliance on key customers

The key customers in the PRC for the sales of electricity 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 2018, the receivables from the subsidiaries of State Grid and Inner Mongolia Grid were approximately 79.1% and 20.4% 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 publicly available financial information and operates as a subsidiary of a Norwegian government-owned power company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on assets

As at 31 December 2018, 63% of bank and other borrowings of the Group were secured by the pledge over certain power generating modules and equipment, guarantee deposits, the fee collection right in relation to the sales of electricity in certain subsidiaries and/or pledge over the shares/equity interest of certain subsidiaries of the Group.

Employees and remuneration policies

As at 31 December 2018, the Group had 418 full-time employees (31 December 2017: 459). Employees were remunerated according to the nature of their positions, individual qualification, performance, working experience and market trends, with merit incorporated in the regular 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 (excluding share-based payment of approximately RMB42 million) for the Year amounted to approximately RMB106 million (31 December 2017: RMB124 million).

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Mainland China, Hong Kong and the UK. 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 mainly arise from the translation to the presentation currency of the Group. For the operations in the UK, the net cash inflows from operations are sufficient to cover its loans which are denominated in local currency, therefore, no significant 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 arise.

Contingent liabilities

As at 31 December 2018, the Group had no significant contingent liability.

OUTLOOK

2018 marks a year full of challenges for both Panda Green and the whole renewable energy industry in China. The entire industry was inevitably impacted by the "531 New Deal" (531新政) and the changes of the international trade environment. In the face of adversity, the Group continued to adhere to the development policy of "steady progress, innovation and efficiency". Among others, from the continuous acquisition of quality power plant assets to boost total installed capacity, to the active introduction of powerful strategic investors such as Qingdao City Construction Investment (Group) Co. Limited, demonstrated that the Group remained hopeful about its prospects. In addition, in order to cope with the challenges, the Group has carried out internal optimisation. On one hand, the Group invited talents with rich experience in the finance, technology and management aspects. On the other hand, it carried out internal restructuring so as to improve the operation efficiency. We believe that the popularisation of renewable energy is an irreversible trend. The past year was only a transition period of industrial transformation. As we overcome this short but difficult journey, we will embrace the upcoming wave of renewable energy industry.

2019 will mark a year of restart for Panda Green. The capital strength of the Group will be greatly strengthened after receiving a new round of electricity subsidy from the Chinese Government and the capital contribution from shareholders, such as China Merchants New Energy Group Limited, China Huarong Overseas Investment Holdings Co., Limited, Huaqing Solar Power Limited and Asia Pacific Energy and Infrastructure Investment Group Limited, which will be providing a solid foundation for the future development. In 2019, in response to the China's "Belt and Road" policy, the management and each employee of the Group will make greater contributions to the promotion of a green economy and the building of a low-carbon and efficient energy system in China and around the world.

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 2018, except for code provision A.2.1 relating to the role of chairmen and chief executive in a certain period. Details of such deviation and explanation are set out on the section headed "Chairmen and Chief Executive Officer"below.

During the year ended 31 December 2018, we had made further progress on our corporate governance practices including:

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

- published our third Environmental, Social and Governance Report, which was awarded the "Best ESG Report - Mid Cap"and "Excellence in Environmental Disclosure" by HERA in September 2018, in accordance with the Core option of the Global Reporting Initiative's Sustainability Reporting Standards and the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange; and

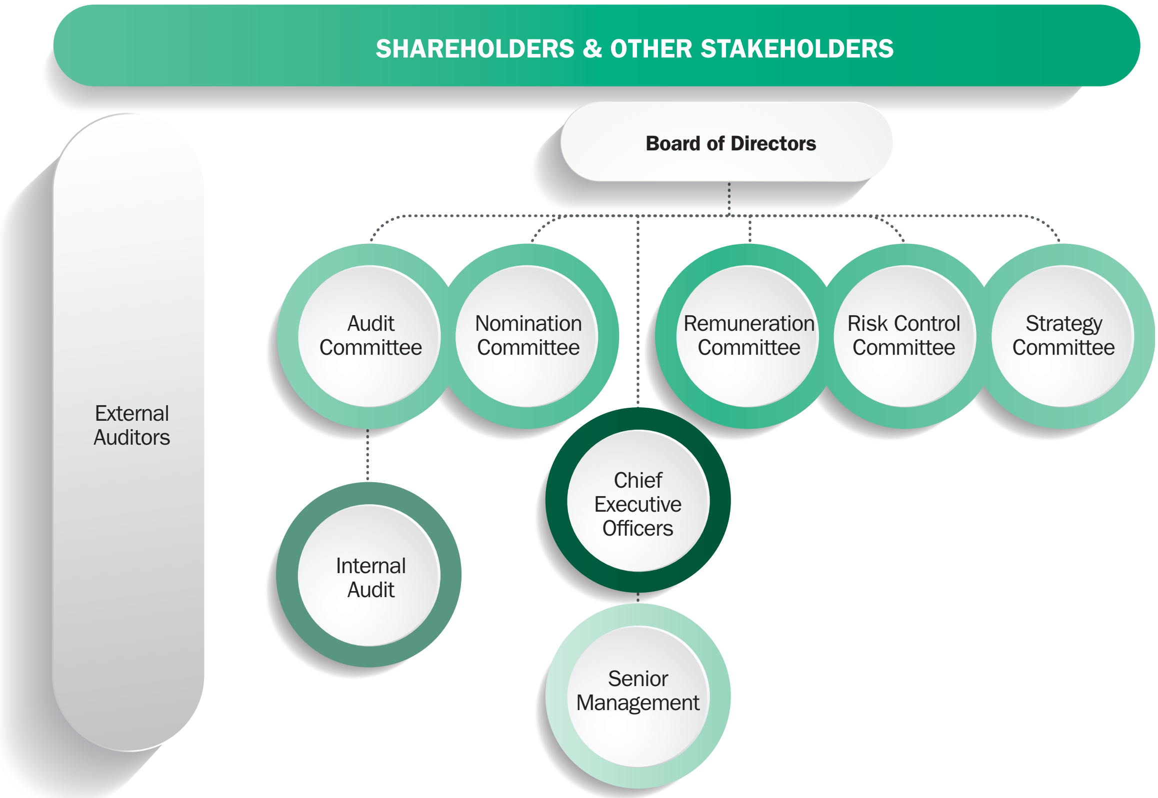
- continuously provided professional trainings on the Listing Rules and the Securities and Futures Ordinance to the Directors and employees.

REPORT OF CORPORATE GOVERNANCE

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.

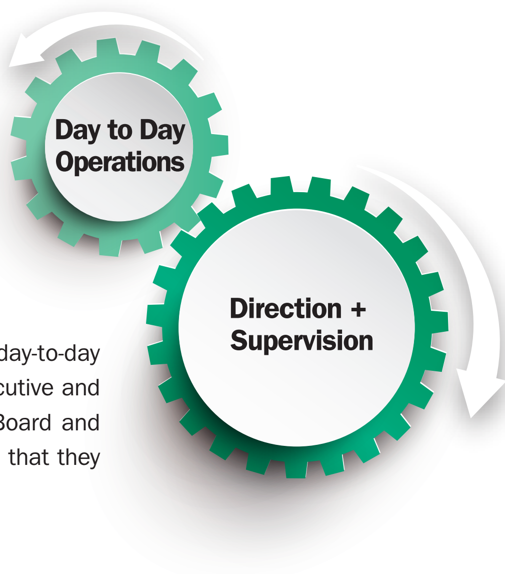
The diagram below shows our current corporate governance structure and the relationship between key participants:



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.



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

- 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

Monitoring of financial performance

- 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

Organisation & succession planning

- 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

Governance & risk management

- develop 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

REPORT OF CORPORATE GOVERNANCE

Composition of our Board

Our Board currently comprises twelve Directors, namely five executive Directors, three non-executive Directors, and four independent non-executive Directors. The Directors who served the Board during the year ended 31 December 2018 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 Chief Executive Officer)*	*ceased to be a member and the chairman of the nomination committee of the Board, with effect from 11 October 2018.*
Mr. Lu Zhenwei *(Co-Chairman)*	*appointed as the Co-Chairman of the Board, with effect from 10 September 2018* *appointed as the chairman of the nomination committee of the Board, with effect from 11 October 2018.*
Mr. Yu Qiuming *(Co-Chief Executive Officer)*	*appointed as the Co-Chief Executive Officer of the Company, with effect from 17 July 2018* *appointed as the chairman of Mainland China operation of the Group, with effect from 7 August 2018*
Mr. Li Hong	*ceased to act as the Co-chairman of Mainland China operation of the Group, with effect from 7 August 2018*
Li Guangqiang	*appointed as an executive Director and a chief operation officer of the Company, with effect from 11 October 2018, to fill the vacancy caused by the resignation of Mr. Jiang Wei*
Ms. Qiu Ping, Maggie	*retired as an executive Director, with effect from 1 June 2018* *ceased to act as the company secretary of the Company, with effect from 11 October 2018*
Mr. Jiang Wei	*resigned as an executive Director and the chief operating officer of the Company, with effect from 11 October 2018*
Non-executive Directors	
Mr. Tang Wenyong	
Mr. Li Hao	
Ms. Xie Yi	*appointed as a non-executive Director, with effect from 22 January 2019, as an addition to the Board*
Independent non-executive Directors	
Mr. Kwan Kai Cheong	
Mr. Yen Yuen Ho, Tony	
Mr. Shi Dinghuan	
Mr. Chen Hongsheng	*appointed as an independent non-executive Director, with effect from 21 January 2019, to fill the vacancy caused by the resignation of Mr. Ma Kwong Wing*
Mr. Ma Kwong Wing	*resigned as an independent non-executive Director, with effect from 13 December 2018*

Directors' biographical details are set out in the "Biographies of Directors and Senior Management" section of this report on page 8 to 11. 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.

Chairmen and Chief Executive Officer

During the year ended 31 December 2018, Mr. Li, Alan, an executive Director, took both the positions of 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 was of the view that such structure of Chairman and Chief Executive Officer enabled 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 believed that the balance of power and authority between chairman and chief executive would not be impaired by the present arrangement, and the significant weight of the non-executive Directors (including the independent ones) enabled the Board as a whole to effectively exercise its non-bias judgement. Following the amendment of the memorandum of association and bye-laws of the Company to establish a co-chairman structure and appointment of Mr. Lu Zhenwei as a Co-Chairman of the Board on 10 September 2018, the Board believes that a division of responsibility between the chairmen and chief executive is established and fulfills the requirement under Code A.2.1.

Furthermore, Mr. Yu Qiuming, an executive Director, was appointed as the Co-Chief Executive Officer on 17 July 2018. Mr. Yu, together with Mr. Li, Alan, are responsible for formulating the Group's business strategy, overseeing development of renewable energy projects, and day to day operation of the Group.

Independent Non-executive Directors

Our Board has four independent non-executive Directors, representing one-third of the Board, and one 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 resignation of Mr. Ma Kwong Wing as an independent non-executive Director on 13 December 2018, 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 21 January 2019, Mr. Chen Hongsheng was appointed as an independent non-executive Director to fill the vacancy left by Mr. Ma Kwong Wing. Thereafter, 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 advice 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. Details of the nomination policy of the Company are set out in the "Nomination Policy" section of this report on page 43 to 44. 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 to fill a casual vacancy shall hold office until the next following general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and 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 1 June 2018, Mr. Yu Qiuming, Mr. Li Hong, Mr. Tang Wenyong and Mr. Kwang Kai Cheong had retired from office and been re-elected as Directors. Ms. Qiu Ping, Maggie retired from office as an executive Director and had not stood for re-election due to her desire to devote more time to her other commitments within the Group.

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 Director appointed during the year 2018, who is Mr. Li Guangqiang, had received an induction briefing and been given an updated Directors' induction handbook.

During the year ended 31 December 2018, 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.

REPORT OF CORPORATE GOVERNANCE

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 2018 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	X	✓
Mr. Lu Zhenwei	X	✓
Mr. Yu Qiuming	✓	✓
Mr. Li Hong	✓	✓
Mr. Li Guangqiang	✓	✓
Ms. Qiu Ping, Maggie *(retired with effect from 1 June 2018)*	✓	✓
Mr. Jiang Wei *(resigned with effect from 11 October 2018)*	✓	✓
Non-executive Directors		
Mr. Tang Wenyong	X	✓
Mr. Li Hao	X	✓
Ms. Xie Yi *(appointed with effect from 22 January 2019)*	–	–
Independent non-executive Directors		
Mr. Kwan Kai Cheong	✓	✓
Mr. Yen Yuen Ho, Tony	✓	✓
Mr. Shi Dinghuan	X	✓
Mr. Chen Hongsheng *(appointed with effect from 21 January 2019)*	–	–
Mr. Ma Kwong Wing *(resigned with effect from 13 December 2018)*	✓	✓

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
- all directors are invited to propose any additional matters included in the 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 briefed 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
- records are open for inspection by directors

Other Key Features of Board Process

- The Chairmen held a meeting with the non-executive Directors without the presence of executive Directors.
- Transactions where any Director is 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.
- Any Director having a conflict of interest 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, 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 three meetings (with the auditors of the Company) to deal with the following matters during the year 2018:

SUMMARY OF WORK DONE DURING THE YEAR IN 2018

- reviewed and discussed with the external auditors of the Company about the audited annual results of the Group for the year ended 31 December 2017 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 the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018; and
- 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 2018.

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 1 June 2018. During the year ended 31 December 2018, the remuneration paid or payable to PricewaterhouseCoopers (including its affiliated firms) for services rendered is summarised as below:

	2018 **RMB' million**	2017 RMB' million
Statutory audit	**6**	4
Non-audit services	**–**	–
Total	**6**	4

The responsibilities of the independent auditor with respect to the consolidated financial statements for the year ended 31 December 2018 are set out in the section "Independent Auditor's Report" on pages 74 to 81.

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 two meetings and passed one written resolution to deal with the following matters during the year 2018:

SUMMARY OF WORK DONE DURING THE YEAR IN 2018

- reviewed and discussed the remuneration policy of the Group and the remuneration packages of Directors and members of senior management in March 2018;
- made recommendations on the service fee of one newly appointed Co-Chief Executive Officer in July 2018; and
- made recommendations on the service contract of newly appointed Directors in October 2018.

Remuneration payable to senior management other than the Directors for the year ended 31 December 2018

Four highest paid individuals of the Company are acting as executive Directors (including those retired in 2018) and one individual except directors fell within the five highest paid employees, 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.

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. Lu Zhenwei. Mr. Lu Zhenwei, who is also the Co-Chairman of the Board, 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 objectives of the Board diversity policy which has been adopted in 2013 are 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. Currently, the Board consist of 12 members which have expertise in different industries which include finance, legal and scientific research. By the joining of Ms. Xie Yi to the Board, the gender diversity of the Board is further enhanced. Having regard to the composition of the Board and the measurable objectives set out in page 43 of this report, the Company considers that the Board is sufficiently diversified.

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.

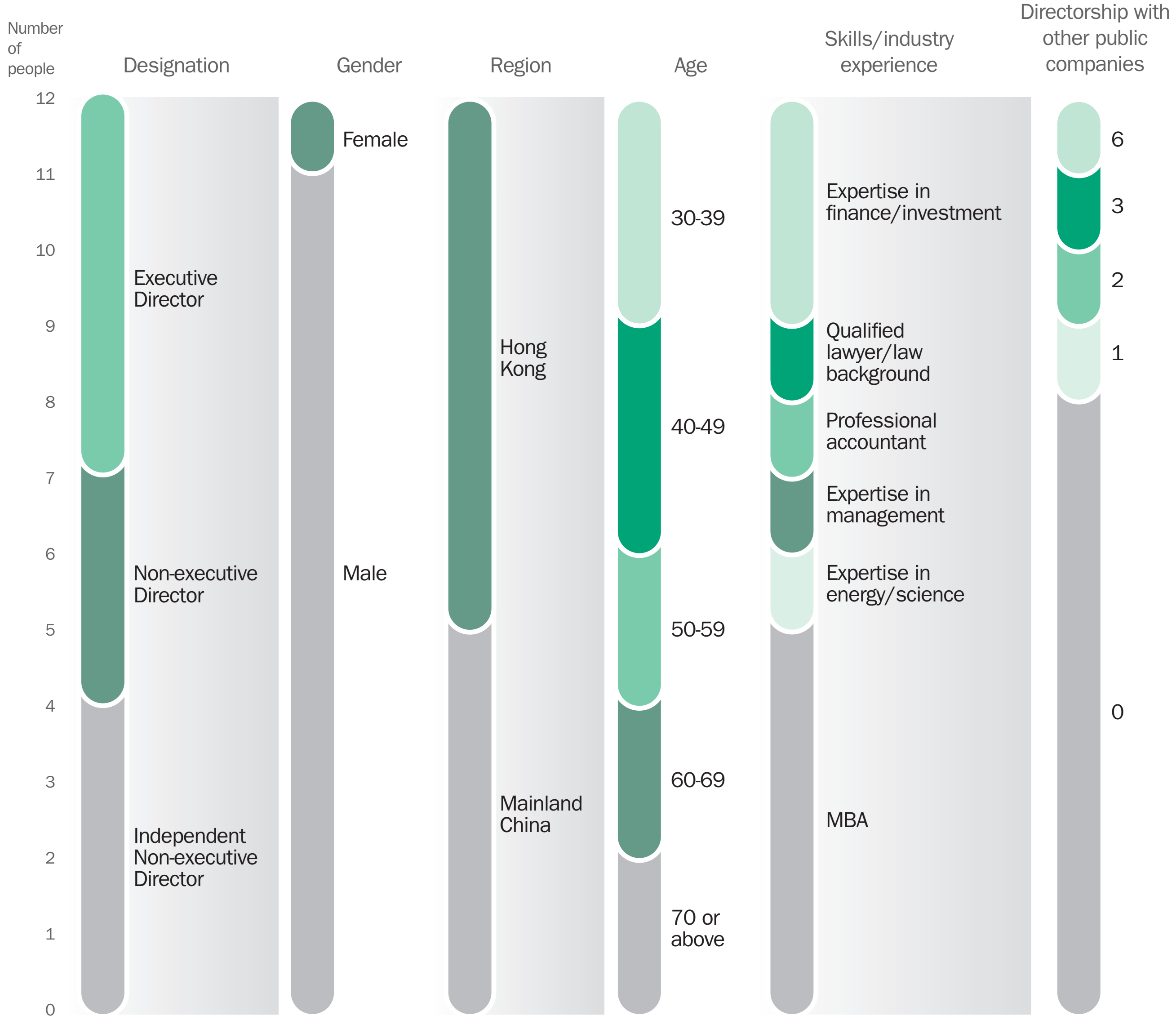
The Nomination Committee held two meetings and passed two written resolutions to deal with the following matters during the year 2018:

SUMMARY OF WORK DONE DURING THE YEAR IN 2018

- reviewed the structure, size, composition and diversity of the Board and the Board Diversity Policy of the Company in March 2018;
- discussed and made recommendations on re-election of retiring Directors in the AGM for the year 2018 in March 2018;
- assessed the independence of the independent non-executive Directors in March 2018;
- made recommendations on nomination of one candidate for the position of Co-Chairman of the Board and one candidate for the position of Co-Chief Executive Officer in July 2018;
- made recommendations on nomination of one candidate for the position of member of the Strategy Committee in August 2018;
- made recommendations on nomination of one candidate for the position of executive Director and Chief Operation Officer in October 2018;
- made recommendations on nomination of one candidate for the position of Executive President in October 2018;
- made recommendations on nomination of one candidate for the position of Company Secretary and authorised representative of the Company in October 2018; and
- made recommendations on nomination of Mr. Lu Zhenwei as new chairman of nomination committee in October 2018.

REPORT OF CORPORATE GOVERNANCE

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.

NOMINATION POLICY

The Group adopted a nomination policy (the "Nomination Policy") on 18 December 2018 and it is disclosed as below.

1. Objectives

1.1 Nomination Committee shall ensure the Board to have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and strategy during nomination process.

1.2 Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as independent non-executive directors of the Company ("INEDs") at general meetings or appoint as INEDs to fill casual vacancies.

2. Selection Criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate as a director of the Company:–

- Reputation for integrity;
- Accomplishment and experience in the relevant industry, in particular, in renewable energy; and
- Commitment in respect of available time and relevant interest; and diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service.

2.2 These factors are for reference only, and do not mean to be exhaustive and decisive. Nomination Committee has the discretion to nominate any person, as it considers appropriate.

2.3 Retiring INEDs, save for those who have served as INEDs for a period of nine (9) consecutive years, are eligible for nomination by the Board to stand for re-election at a general meeting.

2.4 Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director of the Company.

2.5 Proposed candidates might be requested to provide additional information and documents, if considered necessary by Nomination Committee.

3. Nomination Procedures

3.1 A meeting of the Nomination Committee will be called, and nominations of candidates will be invited from the Board member, if any, for consideration by the Nomination Committee prior to its meeting. Nomination Committee may also put forward candidates who are not nominated by Board members.

3.2 In case of filling a casual vacancy, Nomination Committee shall make recommendations for the Board's consideration and approval; in case of proposing candidates to stand for election at a general meeting, Nomination Committee shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence (applicable to INEDs), proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

3.5 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company.

3.6 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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 2018, the Risk Control Committee did not hold any meetings. The reason of not holding Risk Control Committee meetings in 2018 was that the functions of monitoring the risk management and internal control systems were taken up by the Audit Committee and the Board directly in accordance with the Company's operation and strategies.

The attendance records of each Director at Board meetings, committee meetings and general meetings of the Company in 2018 are set out below:

Attendance Record of Directors and Committee Members in 2018

	Board meetings	General meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Risk Control Committee meetings	Strategy Committee meetings
Number of meetings	11	2	3	2	2	–	1
Executive Directors							
Mr. Li, Alan (note 1)	11/11	1/2	–	–	1/2	–	1/1
Mr. Lu Zhenwei (note 2)	7/11	1/2	–	–	–	–	–
Mr. Yu Qiuming	9/11	2/2	–	–	–	–	1/1
Mr. Li Hong	11/11	2/2	–	–	–	–	–
Mr. Li Guangqiang (note 3)	4/4	–	–	–	–	–	–
Ms. Qiu Ping, Maggie (note 4)	2/2	1/1	–	–	–	–	–
Mr. Jiang Wei (note 5)	7/7	2/2	–	–	–	–	–
Non-executive Directors							
Mr. Tang Wenyong	8/11	0/2	2/3	1/2	–	–	–
Mr. Li Hao (note 6)	9/11	2/2	–	–	–	–	–
Ms. Xie Yi (note 7)	–	–	–	–	–	–	–
Independent non-executive Directors							
Mr. Kwan Kai Cheong	11/11	2/2	3/3	2/2	2/2	–	–
Mr. Yen Yuen Ho, Tony	10/11	2/2	3/3	2/2	2/2	–	–
Mr. Shi Dinghuan	2/11	0/2	–	–	–	–	–
Mr. Chen Hongsheng (note 8)	–	–	–	–	–	–	–
Mr. Ma Kwong Wing (note 9)	5/9	1/2	–	–	–	–	–

Notes:

1. Mr. Li, Alan ceased to be chairman and member of the Nomination Committee, with effect from 11 October 2018.
2. Mr. Lu Zhenwei was appointed as chairman and member of the Nomination Committee, with effect from 11 October 2018. No meeting of the Nomination Committee took place between 11 October 2018 and 31 December 2018.
3. Mr. Li Guangqiang was appointed as an executive Director, with effect from 11 October 2018.
4. Ms. Qiu Ping retired as an executive Director, with effect from 1 June 2018.
5. Mr. Jiang Wei resigned as an executive Director, with effect from 11 October 2018.
6. Mr. Li Hao authorised others to attend 7 Board meetings and 2 general meetings.
7. Ms. Xie Yi was appointed as a non-executive Director, with effect from 22 January 2019.
8. Mr. Chen Hongsheng was appointed as an independent non-executive Director, with effect from 21 January 2019.
9. Mr. Ma Kwong Wing resigned as an independent non-executive Director, with effect from 13 December 2018.

Strategy Committee

The Strategy Committee has been established with effect from 20 March 2017. The Strategy Committee currently consists of two members, including two executive Directors, namely Mr. Li, Alan and Mr. Yu Qiuming. Mr. Yu Qiuming is the executive chairman of the Strategy Committee.

The Strategy Committee held a meeting to discuss the restructuring and optimisation of our Group's assets.

DIVIDEND POLICY

The Group adopted a dividend policy (the "Dividend Policy") on 18 December 2018 and it is disclosed as below.

1. Objectives

1.1 The Dividend Policy is designed to set guidelines on dividend distribution that maintain the balance between appropriately rewarding shareholders through dividends and retaining necessary capital to support future development of the Company.

1.2 The Board will recommend dividend distribution based on various internal and external factors while striving for fairness and sustainability.

1.3 The Dividend Policy shall be in accordance with the applicable provisions of the Bermuda Companies Act 1981, laws and rules in the jurisdictions that the Company has operations and the bye-laws of the Company, as in force and as amended from time to time.

2. Parameters to be considered while declaring dividends

2.1 Dividend distribution is contingent upon various factors, and their combination thereof, which are listed below and the Board shall consider these factors in the best interest of the Company and its shareholders as a whole before deciding the dividend.

- current and prospective financial performance of the Company;
- growth and investment opportunities;
- other macro and micro economic factors;
- other factors/events that the Board may deem as relevant

3. Utilisation of retained earnings

3.1 The Company would employ the retained earnings for conducting activities in normal course of business, including but not limited to funding the Company's future business growth/expansion plans or such other purpose the Board may deem fit in the best interest of the Company and its shareholders as a whole.

4. Circumstances under which shareholders may not expect dividend

4.1 The Board may vary or not recommend any dividend if the criteria for recommending of dividend has not been met by the Company, including but not limited to events/factors listed below:

- loss or inadequacy of profit or cash flow
- decision to undertake any acquisition, amalgamation, merger, takeover that will result in significant capital outflow
- the Company has been prohibited from declaring dividends under any contractual obligation or by any regulatory authority
- any other extraordinary circumstances.

5. Provisions regarding various classes of shares

5.1 The provisions contained in this policy shall apply to all classes of shares of the Company. Currently, the Company does not have any other class of shares (including shares with differential voting rights) other than ordinary shares.

6. Amendments

6.1 To the extent any change/amendment is required in terms of applicable laws or rules, the laws or rules would prevail over the Policy, and the provisions in the Policy would be suitably modified to make it consistent with the requirements of the law. Such amended Policy shall be placed before the Board for noting and necessary ratification.

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(a) of the consolidated financial statements, the Group's current liabilities exceeded its current assets by approximately RMB928 million as at 31 December 2018. In addition, as described in Note 2.1(a), 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(a) 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 risk management and 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.

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.

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 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 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 maximise the utilisation rate, rate of power generation and system life of its renewable energy plants. The Company utilises customised 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 optimise our capital structure.

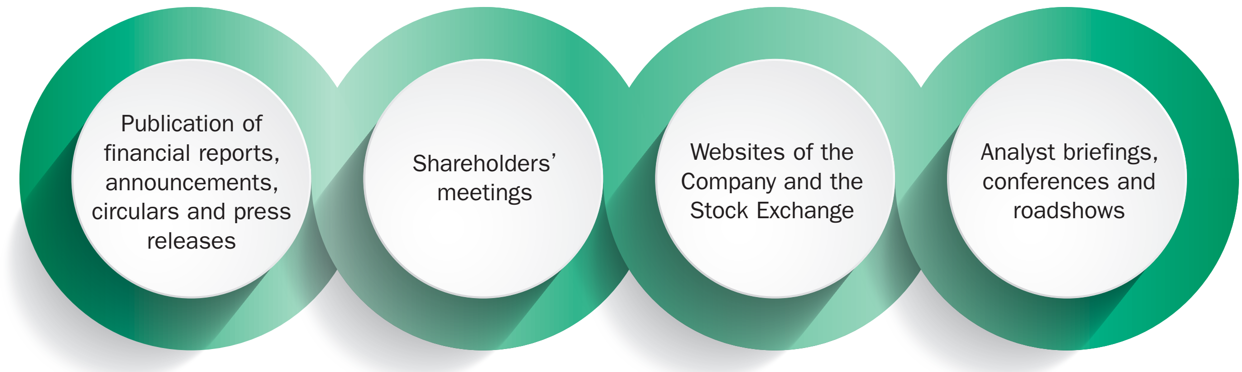
DIRECTORS' SECURITIES TRANSACTIONS

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 2018.

COMPANY SECRETARY

Mr. Lai Ka Ki was appointed as the company secretary of the Company on 11 October 2018. Mr. Lai possesses over ten years of experience in corporate accounting, corporate governance, legal and compliance matters. Mr. Lai is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lai reports to the Chairmen and CEOs. All Directors have access to the advice and services of Mr. Lai to ensure that board procedures, and all applicable law, rules and regulations, are followed. During the year ended 31 December 2018, Mr. Lai 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.

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 Chairmen 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 Chairmen 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 lodgment 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.

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 2018 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.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, the Company has established a co-chairmen structure of the Company in order to further enhance the operational efficiency of the Board on 10 September 2018. A consolidated up-to-date version of the Company's Memorandum and Bye-laws has been uploaded on our website and the website of the Stock Exchange on 10 September 2018.

* 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 2018, 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 solar power plants and other renewable energy projects.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2018, and discussion of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2018 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 2018 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 2018 (2017: 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 175 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 2018 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 2018 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.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2018, the Company had no reserve (31 December 2017: 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 approximately RMB7,201 million as at 31 December 2018 (31 December 2017: RMB7,201 million) may be distributed in the form of fully paid bonus shares.

DONATION

During the year ended 31 December 2018, the Group had made donations of approximately RMB2 million (2017: RMB3 million).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 18% and 100% respectively (2017: approximately 21% 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 Chief Executive Officer)*
Mr. Lu Zhenwei *(Co-Chairman)*
Mr. Yu Qiuming *(Co-Chief Executive Officer)*
Mr. Li Hong
Mr. Li Guangqiang *(appointed with effect from 11 October 2018)*
Ms. Qiu Ping, Maggie *(retired on 1 June 2018)*
Mr. Jiang Wei *(resigned with effect from 11 October 2018)*

Non-executive Directors

Mr. Tang Wenyong
Mr. Li Hao
Ms. Xie Yi *(appointed with effect from 22 January 2019)*

Independent non-executive Directors

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Chen Hongsheng *(appointed with effect from 21 January 2019)*
Mr. Ma Kwong Wing *(resigned with effect from 13 December 2018)*

In accordance with Section 83(2) of the bye-laws of the Company (the "Bye-laws"), Ms. Xie Yi, being a Director appointed by the Board on 22 January 2019, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 11 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions and continuing connected transaction of the Group are set out in the section headed "Connected Transactions" and "Continuing Connected Transactions" below. Further details of the significant related party transactions of the Group are set out in Note 36 to the financial statements.

Save as disclosed, no transaction, arrangement or 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 ended 31 December 2018 or at any time during the year ended 31 December 2018.

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

As at 31 December 2018, the interests of the Directors and the chief executives 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	4,972,000	–	–	0.05%
Mr. Li Guangqiang	42,000	–	–	0.00%

(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 2)	–	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. 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 2018, certain Directors and chief executives of the Company have interest in share options to subscribe for ordinary 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 2018, none of the Directors or the chief executives 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.

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 2018 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 executives' 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

As disclosed in the announcement of the Company dated on 26 December 2018, the Company as issuer entered into non-legally binding memorandum of understanding ("MOUs") with each of Huaqing, CMNEG, Huarong Overseas, ORIX and Asia Pacific respectively, pursuant to which the Company intends to allot and issue, and each of Huaqing, CMNEG, Huarong Overseas, ORIX and Asia Pacific intends to subscribe for not more than 3,207,750,000 new Shares, 1,351,992,566 new Shares, 938,054,087 new Shares, 685,889,866 new Shares and 357,396,814 new Shares, respectively, at HK$0.3 each share ("Subscription"). Details of the Subscription were disclosed in the announcements of the Company dated 20 January 2019, 21 February 2019, 21 March 2019 and the circular of the Company dated 1 March 2019.

Save for (i) the MOUs described above, (ii) the sections headed "Share Option Scheme" and "Equity Incentive Scheme" described below, (iii) the issue and/or movement of equity/convertible securities as described in the section headed "Fundraising Activities Through Issue of Equity/Convertible Securities" and (iv) as 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.

DIRECTORS' REPORT

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 approval of 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 year under review are as follows:

					Changes during the year				
Directors (Note 2)	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2018	Granted	Exercised	Lapsed	Outstanding at 31 December 2018	Exercise period (Note 1)
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	2,100,000	–		–	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. Yu Qiuming	12 September 2017	1.132	1.13	70,000,000	–	–	–	70,000,000	12 September 2018 to 11 September 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	2,100,000	–	–	–	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 (Retired on 1 June 2018)	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	2,100,000	–	–	(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 (Note 2)	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2018	Changes during the year: Granted	Changes during the year: Exercised	Changes during the year: Lapsed	Outstanding at 31 December 2018	Exercise period (Note 1)
Mr. Jiang Wei (Resigned with effect from 11 October 2018)	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	700,000	–	–	(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. Li Guangqiang (Appointed with effect from 11 October 2018)	28 January 2016	0.564	0.54	98,000	–	–	–	98,000	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. 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. 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' REPORT

Directors (Note 2)	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2018	Changes during the year: Granted	Exercised	Lapsed	Outstanding at 31 December 2018	Exercise period (Note 1)
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 (resigned with effect from 13 December 2018)	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	21,100,000	–	–	(9,700,000)	11,400,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	11,085,319	–	–	(5,817,000)	5,268,319	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	236,250,000	–	–	(33,750,000)	202,500,000	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
Others	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	700,000	–	–	–	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
Total			–	738,233,319	–	–	(233,067,000)	505,166,319	

Notes:

1. 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.

2. "Directors" includes all Directors who served the Board during the year ended 31 December 2018.

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, 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 developments and expansion of the Group.

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 2018, 364,294,932 share options to subscribe for a total of 364,294,932 Shares, representing approximately 2.39% 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 2018, 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)	194,395,096 (note 3)	26.03%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,028,894,240 (note 4)	168,553,178 (note 4)	
China Merchants New Energy Group Limited ("CMNEG")	Beneficial owner	579,944,250 (note 2)	–	26.03%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,537,344,513 (note 5)	362,948,274 (note 5)	
New Energy Exchange Limited ("NEX")	Beneficial owner	274,055,449	–	26.03%
	Interest in controlled corporation	186,627,621	–	
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,656,605,693 (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%
SINO-BLR Industrial Investment Fund, L.P.	Person having a security interest in shares	580,254,557		6.09%

DIRECTORS' REPORT

Notes:

1. These percentages are calculated based on 9,529,811,467 shares in issue as at 31 December 2018.

2. Among these 1,088,394,523 shares, 508,450,273 shares were held by Snow Hill Developments Limited ("Snow Hill"), an indirect wholly-owned subsidiary of China Merchant and 579,944,250 shares were held by CMNEG, which is indirectly owned as to 79.36% by China Merchants.

3. These 194,395,096 unlisted warrants 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 1,028,894,240 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 1,537,334,513 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 1,656,605,693 shares and 362,948,274 warrants.

7. Among these 2,110,257,846 shares, 646,153,846 shares were held by Power Revenue Limited, 904,104,000 shares were held by New Modern Management Limited, and 560,000,000 shares were held by Future Galaxy Asia Limited, each of which is an indirectly wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd.* (華融華僑資產管理股份有限公司), owned as to 51% by Huarong Zhiyuan Investment & Management Co., Ltd.* (華融致遠投資管理有限責任公司) and owned as to 40% by Guangdong Jinfeng Group Co., Ltd.* (廣東錦峰集團有限公司), respectively a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. and a wholly-owned subsidiary of Hong Kong Kam Fung Group Company Limited, which is wholly-owned by Mr. Sun Siu Kit.

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. Further to the Shareholders as set out in the above table, as at 31 December 2018, 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, 57,351,748 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 2018, 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 Company did not conduct any connected transactions required to be disclosed under the Listing Rules during the year ended 31 December 2018.

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 Co. 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.

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*（寧波保稅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.

The following table sets out the actual transaction amount for the year ended 31 December 2018, the proposed annual caps for the year ended 31 December 2018 and the year ending 31 December 2019 in respect of the above continuing connected transactions:

Continuing Connected Transactions	Major type of products/services	Transaction amount for the year ended 31 December 2018	Annual cap for the year ended 31 December 2018	Annual cap for the year ending 31 December 2019
A Sale of electricity to designated subsidiaries of China Merchants Logistics Holding Co., Ltd.	Solar electricity	–	HK$9 million	HK$9 million
B Lease of office premises from China Merchants Landmark (Shenzhen) Co., Ltd	Office leasing	RMB3.071 million	RMB3.3 million	RMB3.45 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 2018 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; (iii) in accordance with the pricing policy of the Group and (iv) 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.

DIRECTORS' REPORT

The Company's auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2018 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 Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company's auditor has confirmed to the Board that:

(a) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

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 2018 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.

Details of the significant related party transactions of the Group are set out in Note 36 to the financial statements. Save as disclosed in the sections head "Connected Transactions" and "Continuing Connected Transactions" of this report, those significant related party transactions of the Group do not constitute connected transactions or continuing connected transactions and are, therefore, not subject to the reporting, announcement, annual review and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 2018, 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 deviations.

During the year ended 31 December 2018, Mr. Li, Alan, an executive Director, took both the positions of Chief Executive Officer 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 was of the view that such structure of Chairman and Chief Executive Officer enabled 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 believed that the balance of power and authority between chairman and chief executive would not be impaired by such arrangement and the significant weight of the non-executive Directors (including the independent ones) enabled the Board as a whole to effectively exercise its non-bias judgement. Following the amendment of memorandum of association and bye-laws of the Company to establish a co-chairman structure and appointment of Mr. Lu Zhenwei as a Co-Chairman of the Board on 10 September 2018, the Board believes that a division of responsibility between the chairmen and chief executive is established and fulfills the requirement under Code A.2.1.

Furthermore, Mr. Yu Qiuming, an executive Director, was appointed as the Co-Chief Executive Officer on 17 July 2018. Mr. Yu, together with Mr. Li, Alan, are responsible for formulating the Group's business strategy, overseeing development of renewable energy projects, and day to day operation of the Group.

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 2018 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.

FUNDRAISING ACTIVITIES THROUGH ISSUE OF EQUITY/CONVERTIBLE SECURITIES

The Company did not conduct any fundraising activities through issue of equity/convertible securities during the year ended 31 December 2018.

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 2018 are set out below:

Name of the Directors	Details of changes
Mr. Li, Alan	Ceased to be a member and the chairman of nomination committee of the Board, with effect from 11 October 2018.
Mr. Lu Zhenwei	Appointed as the Co-Chairman of the Board, with effect from 10 September 2018; Appointed as a member and the chairman of the nomination committee of the Board, with effect from 11 October 2018.
Mr. Jiang Wei	Resigned as an executive director and the chief operating officer of the Company, with effect from 11 October 2018.
Mr. Li Guangqiang	Appointed as an executive director and the chief operating officer of the Company, with effect from 11 October 2018.
Mr. Li Hao	Appointed as a director and president of ORIX(China) Investment Corporation, with effect from 1 July 2018; Appointed as a non-executive director of Haichang Ocean Park Holdings Ltd., with effect from 27 August 2018; Appointed as a non-executive director of Shougang Concord International Enterprises Company Limited, with effect from 27 September 2018.
Ms. Xie Yi	Appointed as a non-executive director of the Company, with effect from 22 January 2019.
Mr. Ma Kwong Wing	Resigned as an independent non-executive director of the Company, with effect from 13 December 2018.
Mr. Chen Hongsheng	Appointed as an independent non-executive director of the Company, with effect from 21 January 2019.
Mr. Yu Qiuming	Appointed as the Co-Chief Executive Officer of the Company, with effect from 17 July 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 2018 have been reviewed by the Company's Audit Committee.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 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.

EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Details of the events of the Group occurring after the date of statement of financial position are set out in Note 35 to the consolidated financial statements.

The directors' report was approved by the Board on 29 March 2019 and signed by the chairman of the same board meeting.

On behalf of the Board

/Signature/
Lu Zhenwei
Co-Chairman of the Board

Hong Kong, 29 March 2019

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Panda Green Energy Group Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Panda Green Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 174, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, 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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MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2.1(a) to the consolidated financial statements, which states that the Group reported a loss of RMB454 million during the year ended 31 December 2018 and the Group's current liabilities exceeded its current assets by RMB928 million as at 31 December 2018, 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(a) 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:

- 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
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 2018, the Group had intangible assets of RMB2,245 million, comprising concession rights and development rights of RMB545 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.	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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Management tests for impairment of the Concession Rights and Development Rights annually or when there are impairment indicators. During the year ended 31 December 2018, the Group recognised impairment loss of intangible assets of RMB279 million as detailed in Note 17(i). 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 probability to exercise these Concession Rights to acquire the relevant solar power plant projects from the vendors before they expire; – the probability 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 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.	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 historical and current industry data for the renewable energy industry in the PRC, which are obtained through market research and interview with relevant authority, and the historical operating data of the Group; and – 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.

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 RMB60 million as at 31 December 2018. Related net fair value loss recognised in the consolidated statement of profit or loss during the year then ended amounted to RMB72 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 probability 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.

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 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the 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 development, investment, operation, management of solar power plants and information technology development and technical support service after its internal restructuring. 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 RMB174 million as at 31 December 2018. Related fair value loss recognised in the consolidated statement of profit or loss during the year then ended amounted to RMB42 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.	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.

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 note 19 of the consolidated financial statements. As at 31 December 2018, the Group has significant amounts of investments under different arrangements with the carrying amount of approximately RMB888 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 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 THE 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 is 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.

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.

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, 29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 RMB'million	2017 RMB'million
Sales of electricity		630	419
Tariff adjustment		1,478	1,103
Revenue	5	2,108	1,522
Other income	8	19	15
Employee benefits expenses (excluding share-based payment expenses)	9(a)	(106)	(124)
Land use tax		(13)	(19)
Legal and professional fees		(38)	(26)
Maintenance costs		(77)	(93)
Other expenses	10	(121)	(77)
EBITDA#		1,772	1,198
Acquisition costs arising from business combinations		(2)	(26)
Depreciation	16	(595)	(459)
Bargain purchase arising from:			
(i) Business combinations; and	33	26	956
(ii) Acquisition of investments accounted for using equity method	19(a)	–	15
Fair value losses on financial assets at fair value through profit or loss	6	(114)	(61)
Fair value losses on financial liabilities at fair value through profit or loss	7	(7)	(229)
Finance income	11	84	53
Finance costs	12	(1,337)	(1,275)
Impairment charge on concession rights	17	(279)	(32)
Impairment charge on financial assets		(13)	–
Share-based payment expenses	9(a)	(42)	(71)
Share of profits of investments accounted for using equity method	19	37	105
(Loss)/profit before income tax		(470)	174
Income tax credit/(expense)	13	16	(21)
(Loss)/profit for the year		(454)	153
(Loss)/profit for the year attributable to			
Equity holders of the Company		(451)	153
Non-controlling interests		(3)	–
		(454)	153
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	15		
Basic per share (RMB cents)		(4.73)	1.91
Diluted per share (RMB cents)		(4.73)	1.59

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 accounted 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 2018

	2018 RMB'million	2017 RMB'million
(Loss)/profit for the year	**(454)**	153
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Cash flow hedge, net of tax	**(1)**	(13)
Currencies translation differences	**(171)**	205
Other comprehensive (loss)/income for the year, net of tax	**(172)**	192
Total comprehensive (loss)/income for the year	**(626)**	345
Total comprehensive (loss)/income for the year attributable to		
Equity holders of the Company	**(623)**	345
Non-controlling interests	**(3)**	–
	(626)	345

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 2018

	Note	2018 RMB'million	2017 RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment	16	**17,115**	15,567
Intangible assets	17	**2,245**	2,524
Investments accounted for using equity method	19	**888**	801
Financial assets at fair value through profit or loss	20	**60**	132
Other receivables, deposits and prepayments	21	**1,983**	2,050
Pledged deposits	22	**1,838**	903
Deferred tax assets	28	**28**	29
Total non-current assets		**24,157**	22,006
Current assets			
Financial assets at fair value through profit or loss	20	**189**	231
Trade, bills and tariff adjustment receivables	23	**4,093**	1,739
Other receivables, deposits and prepayments	21	**954**	1,786
Pledged deposits	22	**967**	1,229
Restricted cash	22	**8**	10
Cash and cash equivalents	22	**407**	1,593
Total current assets		**6,618**	6,588
Total assets		**30,775**	28,594
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	24	**803**	803
Reserves		**4,492**	5,073
		5,295	5,876
Non-controlling interests		**575**	552
Total equity		**5,870**	6,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 RMB'million	2017 RMB'million
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	25	**16,649**	12,997
Contingent consideration payables	27	**10**	16
Deferred government grant		**8**	7
Deferred tax liabilities	28	**684**	722
Other derivative financial instruments	29	**8**	12
Total non-current liabilities		**17,359**	13,754
Current liabilities			
Other payables and accruals	30	**2,095**	2,205
Bank and other borrowings	25	**5,423**	5,209
Convertible bonds	26	**–**	981
Contingent consideration payables	27	**26**	16
Other derivative financial instruments	29	**2**	1
Total current liabilities		**7,546**	8,412
Total liabilities		**24,905**	22,166
Total equity and liabilities		**30,775**	28,594

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

These consolidated financial statements on pages 82 to 174 have been approved for issue by the Board of Directors on 29 March 2019 and were signed on its behalf.

Mr. Lu Zhenwei	**Mr. Li Hong**
Co-Chairman	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the equity holders 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
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
Transactions with equity holders													
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	–	437	437
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1	1
Issue of shares through placement and warrant subscription	280	1,779	–	–	–	53	–	–	–	–	2,112	–	2,112
Issue of consideration shares in relation to acquisition of subsidiaries	48	453	–	–	–	–	–	–	–	–	501	–	501
Issue of shares upon exercise of share options	1	3	(1)	–	–	–	–	–	–	–	3	–	3
Issue of shares upon conversion of convertible bonds	72	364	–	–	(20)	–	–	3	–	20	439	–	439
Redemption of convertible bonds	–	–	–	–	(114)	–	–	–	–	25	(89)	–	(89)
Share-based payment (Note 9)	–	–	71	–	–	–	–	–	–	–	71	–	71
Transfer to statutory reserves	–	–	–	–	–	–	–	–	43	(43)	–	–	–
	401	2,599	70	–	(134)	53	–	3	43	2	3,037	438	3,475
At 31 December 2017	803	7,201	220	(73)	123	53	(122)	–	132	(2,461)	5,876	552	6,428
At 1 January 2018	803	7,201	220	(73)	123	53	(122)	–	132	(2,461)	5,876	552	6,428
Comprehensive loss													
Loss for the year	–	–	–	–	–	–	–	–	–	(451)	(451)	(3)	(454)
Other comprehensive income/(loss)	–	–	–	–	–	–	(171)	(1)	–	–	(172)	–	(172)
Total comprehensive income/(loss)	–	–	–	–	–	–	(171)	(1)	–	(451)	(623)	(3)	(626)
Transactions with equity holders													
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	–	24	24
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2	2
Redemption of convertible bonds (Note 26)	–	–	–	–	(123)	–	–	–	–	123	–	–	–
Lapse of share options	–	–	(5)	–	–	–	–	–	–	5	–	–	–
Share-based payment (Note 9)	–	–	42	–	–	–	–	–	–	–	42	–	42
Transfer to statutory reserves	–	–	–	–	–	–	–	–	44	(44)	–	–	–
	–	–	37	–	(123)	–	–	–	44	84	42	26	68
At 31 December 2018	803	7,201	257	(73)	–	53	(293)	(1)	176	(2,828)	5,295	575	5,870

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 2018

	Note	2018 RMB'million	2017 RMB'million
Cash flows from operating activities			
Cash generated from operations	32(a)	386	892
Income tax paid		(32)	(22)
Net cash inflow from operating activities		354	870
Cash flow from investing activities			
Acquisition of investments accounted for under equity method		–	(500)
Acquisitions of subsidiaries, net of cash acquired	33	(81)	(383)
Capital contribution to investments accounted for using equity method	19(a)	(50)	(120)
Reduction in paid in share capital for investments accounted for using equity method		–	87
Deposits paid for investments		(235)	(1,051)
Dividend received from an investment accounted for using equity method		–	19
Amounts due from investments accounted for using equity method		395	(388)
Interests received		72	46
Proceeds from disposal of property, plant and equipment		3	–
Proceeds from government grant		3	17
Settlement of contingent consideration payables		(3)	–
Settlement of consideration payment for acquisition of subsidiaries		(129)	(10)
Capital expenditure		(2,232)	(1,829)
Net cash outflow from investing activities		(2,257)	(4,112)
Cash flow from financing activities			
Capital contribution by non-controlling interests		2	1
Interests paid on bank and other borrowings		(1,010)	(643)
Interests paid on convertible bonds		(25)	(170)
Increase in pledged deposits		(700)	(59)
Decrease in restricted cash		2	31
Redemption of convertible bonds		(306)	(1,944)
Proceeds from bank borrowings		5,735	5,980
Repayment of bank borrowings		(5,906)	(4,347)
Proceeds from loans from leasing companies		1,980	1,732
Repayment of loans from leasing companies		(325)	(2,533)
Proceeds from medium-term notes		297	157
Repayment of medium-term notes		(130)	(69)
Proceeds from senior notes		–	2,304
Proceeds from corporate bonds		(6)	1,721
Proceeds from placing of new shares and issue of warrants		–	1,913
Transaction cost for placing of new shares and issue of warrants		–	(30)
Proceeds from exercise of share options		–	3
Proceeds from other loans		781	–
Repayment of other loans		(4)	(101)
Proceeds from loan from an associate		287	–
Net cash inflow from financing activities	32(b)	672	3,946
Net (decrease)/increase in cash and cash equivalents		(1,231)	704
Cash and cash equivalents at beginning of year		1,593	996
Effect of foreign exchange rate changes		45	(107)
Cash and cash equivalents at end of year	22	407	1,593

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 (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 (the "Stock Exchange").

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.

These consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest million ("million"), 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 ("HKFRSs"), collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 HKFRSs 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.

(a) Going concern

During the year ended 31 December 2018, the Group reported a loss of RMB454 million. As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB928 million. As at 31 December 2018, the Group had total bank and other borrowings of RMB22,511 million, of which approximately RMB5,522 million are scheduled to be repayable within the coming twelve months from 31 December 2018 (Note 25). As at the same date, its cash and cash equivalents amounted to RMB407 million only.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

In December 2018, the Group entered into two conditional sale and purchase agreements with an independent third party to acquire 51% and 100% equity interests of two of its subsidiaries at RMB269 million and RMB274 million, respectively, comprising consideration payables and assumption of Engineering, Procurement and Construction ("EPC") payables and other payables.

As at 31 December 2018, the Group paid RMB1,255 million as deposits pursuant to the agreements with various vendors for further negotiation of potential acquisitions of solar and wind power plants with an aggregate installed capacity of not less than 800MW (Note 21(a)). Should these potential acquisitions be completed, the Group would have to contribute additional capital to finance the settlement of its EPC payables and other payables of these solar and wind power plants.

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. As at 31 December 2018, the Group had capital commitment of RMB369 million, mainly in relation to the construction of solar and wind power plants, with an aggregate installed capacity of 293MW (Note 34(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.

As at 31 December 2018, total tariff adjustment receivables increased by RMB1,266 million to RMB2,929 million (Note 23) due to the delay in the expected settlement timeframe.

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)

(a) 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 2018. 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 2018:

(i) Subsequent to 31 December 2018, the Group successfully obtained short-term bank borrowings of RMB260 million and long-term bank borrowings of approximately RMB180 million.

(ii) In March 2019, the Company completed the allotment and issuance of 5,721,193,467 subscription shares at the subscription price of HK$0.3 per share. The net proceeds from the share subscriptions amounted to approximately HK$797 million (equivalent to approximately RMB695 million) after setting-off against a loan of HK$915 million (equivalent to approximately RMB799 million) from one of the subscribers (Note 35(a)).

(iii) In March 2019, the Group completed the disposal of its 100% equity interest in a subsidiary in the United Kingdom with net proceeds of approximately GBP28.4 million (equivalent to approximately RMB247 million) (Note 35(b)).

(iv) In March 2019, the Group entered into a conditional sale and purchase agreement to dispose of its 17% equity interest in an associate for a consideration of approximately RMB43 million and the consideration was received in advance in December 2018 (Note 35(c)).

(v) The Group has plans to further divest certain of its solar power projects.

(vi) During the year, the Group had obtained two short-term loan facilities with an aggregated amount of RMB250 million from banks in the PRC. As at 31 December 2018, the Group had already drawn down RMB50 million from one of the facilities. The directors are confident that the Group could draw down the remaining unutilised loan facility of RMB200 million in the coming year.

(vii) In 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 RMB1.5 billion in the PRC within two years from September 2017. As at 31 December 2018, the Group had issued 3-year corporate bonds with an aggregate principal amounts of RMB800 million. The directors are confident that the Group could successfully issue the remaining corporate bonds with the principal amounts of RMB700 million as and when required.

(viii) China Merchants New Energy Group Limited ("CMNEG"), a shareholder of the Company and an indirectly owned subsidiary of China Merchants Group Limited, had issued a letter to the Group and agreed to provide support to the Group for a period up to 28 March 2020 and take measures to enable the Group to have sufficient working capital to meet its liabilities and obligations as and when they fall due and to continue to carry on its business.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

(ix) 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.

(x) The solar and wind 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 and wind 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 2018. 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 (iv) to (x) above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to divest certain of its solar power projects as planned, secure the short-term borrowings from the PRC banks, successfully issue long-term corporate bonds in the PRC, obtain the financial support from CMNEG as and when needed, secure various sources of short-term or long-term financing as and when required, and to generate adequate operating cash inflow in the expected timeframe from its existing renewable energy projects as well as those 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures

(i) New and amended standard, improvements and interpretation adopted by the Group

The following new and amendments to HKFRSs standards, improvements and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018.

HKFRS 2 Amendments	Classification and Measurement of Share-Based Payment Transactions
HKFRS 4 Amendments	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 Amendments	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKAS 40 Amendments	Transfers to Investment Property
HK(IFRIC) – Int 22	Foreign Currency Translations and Advance Consideration
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

Same as disclosed in Note 2.1(c), the adoption of these new and amended standards, improvements and interpretation did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

(ii) New and amended standards, interpretation and revised framework that have been issued but were not yet effective

The following new and amended standards, interpretation and revised framework have been issued but were not yet effective for the financial year beginning on 1 January 2018 and have not been adopted early by the Group:

Effective for accounting periods beginning on or after 1 January 2019

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 Amendment	Prepayment Features with Negative Compensation
HKAS 19 Amendment	Plan Amendments, Curtailment or Settlement
HKAS 28 Amendment	Long-Term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Effective for accounting periods beginning on or after 1 January 2020

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 1 and HKAS 8 Amendments	Definition of Material
HKFRS 3 Amendments	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Framework for Financial Reporting

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(ii) New and amended standards, interpretation and revised framework that have been issued but were not yet effective (Continued)

Effective for accounting periods beginning on or after 1 January 2021

HKFRS 17	Insurance Contracts

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

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

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

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. HKFRS 16 will primarily affect the accounting for the Group's operating leases. As at 31 December 2018, the Group had non-cancellable operating lease commitments of approximately RMB224 million (Note 34). The Group expects to recognise right-of-use assets of approximately RMB172 million on 1 January 2019, lease liabilities of approximately RMB143 million (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). As at 1 January 2019, overall net assets will be remained unchanged, and net current assets will be lower due to the presentation of a portion of the liability as a current liability. The Group expects that impact on gross profit used to measure segment results, net profit after tax, operating cash flows and financing cash flows for 2019 is immaterial as a result of adopting the new rules. The Group's activities as a lessor are not significant and hence the Group does not expect any significant impact on the consolidated financial statements. However, some additional disclosures will be required from next year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(ii) New and amended standards, interpretation and revised framework that have been issued but were not yet effective (Continued)

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.

(c) Impacts and changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(i) Impact on the consolidated financial statements

The Group elects to adopt HKFRS 9 and HKFRS 15 without restating comparative information. However, there is neither reclassification nor adjustment arising from the adoption of HKFRS 9 and HKFRS 15. Details by standard are explained below.

(ii) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies to the consolidated financial statements. The new accounting policies are set out in Note 2.11. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

(a) Classification and measurement of financial instruments on adoption of HKFRS 9

The financial assets currently held by the Group include financial instruments previously classified as loans and receivables and financial assets at fair value through profit or loss which continue to be measured at amortised cost and fair value, respectively, under HKFRS 9. Accordingly, there is no impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as HKFRS 9 only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any of such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) Impacts and changes in accounting policies (Continued)

(ii) HKFRS 9 Financial Instruments (Continued)

(b) Derivatives and hedging activities

The interest rate swaps in place as at 31 December 2017 qualified as cash flow hedges under HKFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of HKFRS 9 and these relationships are therefore treated as continuing hedges and there is no impact from the adoption of HKFRS 9 on prior periods.

(c) Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

– Trade, bills and tariff adjustment receivables

– Other receivables and deposits

– Cash at banks, restricted cash and pledged deposits

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash at banks, restricted cash and pledged deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade, bills and tariff adjustment receivables
The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade, bills and tariff adjustment receivables. There is no increase in loss allowance for trade, bills and tariff adjustment receivables on 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) Impacts and changes in accounting policies (Continued)

(ii) HKFRS 9 Financial Instruments (Continued)

(c) Impairment of financial assets (Continued)

Other receivables and deposits

Loss allowance on other receivables and deposits from third parties are measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses. There is no increase of loss allowance for other receivables and deposits on 1 January 2018.

(iii) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies to the consolidated financial statements.

The adoption of HKFRS 15 did not result in any changes to the Group's revenue recognition policies.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint arrangement

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated statement of financial position.

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of profit or loss, and the Group's share of movements in other comprehensive income of the investee in consolidated statement of other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in the consolidated statement of other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss or transferred to another category of the consolidated statement of changes in equity as specified/permitted by applicable HKFRSs.

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

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of profit or loss.

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 remeasured 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.

2.4 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 received and receivable.

Impairment testing of the investments in subsidiaries 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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Foreign exchange differences on non-monetary assets, such as equities classified as fair value through other comprehensive income, are recognised in consolidated statement of other comprehensive income.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies (Continued)

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.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to consolidated statement of profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in the consolidated statement of profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to consolidated statement of profit or loss.

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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 non-financial assets

Assets that have an indefinite useful life 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 period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

(ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or statement of comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) 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.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss and presented in other expenses together with foreign exchange differences. Loss allowances are presented as separate line item in the consolidated statement of profit or loss.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from statement of changes in equity to statement of profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the statement of profit or loss in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statement of profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(d) Impairment (Continued)

For trade, bills and tariff adjustment receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 23 for further details.

Loss allowance on other receivables and deposits from third parties are measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

(e) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss; and
- loans and receivables

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(i) Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

Financial assets at FVPL were 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.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

(ii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment (Continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in statement of profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could 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 decreased and the decrease could 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 was recognised in profit or loss.

2.12 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit and loss and amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. 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.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.15 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 flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

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)

2.15 Derivatives and hedging activities (Continued)

Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within 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 the interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of profit or loss within finance costs.

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 the forecast transaction is no longer expected to occur, the cumulative gain or loss was reported in equity is immediately reclassified to the consolidated statement of profit or loss.

2.16 Trade, bills and tariff adjustment receivables

Trade, bills and tariff adjustment 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, bills and tariff adjustment receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade, bills and tariff adjustment receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.17 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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in the statement of changes in equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the statement of profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

2.20 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 statement of profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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)

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in 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

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted by the end of the reporting period 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 if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(b) Post-employment 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.

(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)

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an employee share option plan. The fair value of options granted under the employee share option plan is recognised as an employee benefits expense with a corresponding increase in equity. 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).

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. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service 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.

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 date, 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.

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 subsidiaries 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 subsidiaries, with a corresponding credit to the Company's equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligations in the contract;

(v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group considers all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

The Group recognises revenue when the specific criteria have been met for each of the Group's activities, as described below:

(a) Sales of electricity and tariff adjustment

Revenue arising from the sale of electricity and tariff adjustment is recognised at a point in time when electricity is generated, transmitted and delivered to the offtakers. Revenue from these sales is recognised based on the price specified in the power purchase agreements. The electricity generation will be confirmed with the offtakers regularly, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidy received and receivable pursuant to prevailing government policy in respect of the Group's renewable energy projects. Tariff adjustment is recognised at a point in time at 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.

Revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC government for the provision of subsidy to the solar and wind power plant operators in the PRC and the revenue from sales of electricity.

(b) Interest income

Interest income is recognised over time using the effective interest method.

(c) Dividend income

Dividends are received from financial assets measured at FVPL. Dividends are recognised as other income in the statement of profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

(d) Operation and maintenance service income

Income arising from operation and maintenance service is recognised in the accounting period in which the service is rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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 asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

2.28 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 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 statement of profit or loss on a straight– line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 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.

(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.

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, 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 GBP.

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 2018, if HK$ had strengthened/weakened by 5% (2017: 5%) against RMB with all other variables held constant, loss for the year would have been approximately RMB1 million lower/higher (2017: profit for the year would have been approximately RMB2 million higher/lower).

At 31 December 2018, if HK$ had strengthened/weakened by 5% (2017: 5%) against GBP with all other variables held constant, loss for the year would have been approximately RMB10 million higher/lower (2017: profit for the year would have been approximately RMB9 million lower/higher).

3 FINANCIAL RISK MANAGEMENT (Continued)

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.

The Group had a floating-for-fixed interest rate swap contract for hedging against the interest rate risk in respect of a 7 years' syndicated loan denominated in GBP with a notional principal amount of approximately GBP66 million at 31 December 2018 (2017: GBP69 million). The swap contracts require settlement of net interest receivable or payable semi-annually. The settlement dates coincide with the dates on which interest is payable on the underlying syndicated loan.

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2018 **RMB'million**	2017 RMB'million
Carrying amount (liabilities)	**10**	13
Notional amount	**577**	603
Maturity date (year)	**2024**	2024
Rate of hedging instrument	**1.631%**	1.631%
Hedge ratio	**1:1**	1:1

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 2018, if interest rates on bank and other borrowings had been 50 basis points (2017: 50 basis points) higher/lower with all other variables held constant, loss for the year would have been approximately RMB64 million higher/lower (2017: profit for the year would have been approximately RMB57 million lower/higher) mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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, bills and other receivables, deposits for investments; and deposits with banks and financial institutions.

As at 31 December 2018, the Group has concentration of credit risk as 61% (2017: 59%) of its trade and tariff adjustment receivables were due from four largest customers (2017: four), which were mainly state-owned enterprises. Considering the track record of regular settlement 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.

Impairment of financial assets

The Group has three types of assets that are subject to the expected credit loss model:

(i) Trade, bills and tariff adjustment receivables

(ii) Other receivables and deposits

(iii) Cash at banks, restricted cash and pledged deposits

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Trade and tariff adjustment receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and tariff adjustment receivables.

The trade and tariff adjustment receivables of the Group were arising from sales of electricity and were all due from state-owned enterprises. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. As at 31 December 2018, except for 30 solar power plants with an aggregated capacities of 778.2MW that are eligible for the registration onto the forthcoming batches of the Catalogue, all of the Group's solar power plants were successfully enlisted on the fifth, sixth and seventh batches of the Catalogue. (2017: 30 solar power plants with an aggregated capacities of 873.1MW). Given the track record of regular settlement of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as at 31 December 2018 and 1 January 2018.

(ii) Other receivables and deposits

Loss allowance on other receivables from and deposits paid to third parties are measured as either 12-months expected credit losses or lifetime expected credit losses on individual basis, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses. There is no increase of loss allowance for other receivables and deposits on 1 January 2018. During the year ended 31 December 2018, the Group has recognised an impairment charge of approximately RMB13 million in the consolidated statement of profit of loss.

(iii) Bills receivables, cash at banks, restricted cash and pledged deposits

As at 31 December 2018 and 2017, most of the bank deposits are deposited with reputable banks in the PRC, Hong Kong and the UK. Most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of bills receivable, cash at banks, restricted cash and pledged deposits has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of bills receivable, cash at banks, restricted cash and pledged deposits is assessed to be close to zero and no provision was made as at 31 December 2018 and 1 January 2018.

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, corporate bonds, factoring of bills receivable 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 2018					
Other payables and accruals	**1,748**	**–**	**–**	**–**	**1,748**
Bank and other borrowings and corresponding interests	**6,760**	**6,888**	**6,713**	**6,150**	**26,511**
Other derivative financial instruments	**5**	**4**	**12**	**1**	**22**
Contingent consideration payables	**26**	**5**	**6**	**–**	**37**
	8,539	**6,897**	**6,731**	**6,151**	**28,318**
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

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 2018 and 2017 were as follows:

	2018	2017
	RMB'million	RMB'million
Bank and other borrowings	**22,072**	18,206
Construction costs payable	**701**	1,264
Convertible bonds	**–**	981
	22,773	20,451
Less: Cash deposits	**(3,220)**	(3,735)
Net debts	**19,553**	16,716
Total equity	**5,870**	6,428
Total capital	**25,423**	23,144
Gearing ratio	**76.9%**	72.2%

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).

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 2018 and 2017.

	Level 1 RMB'million	Level 2 RMB'million	Level 3 RMB'million	Total RMB'million
At 31 December 2018				
Assets				
Financial assets at fair value through profit and loss (Note 20)				
Call options issued relating to the acquisition of investments accounted for using equity method	–	–	60	60
Guaranteed electricity output	–	–	15	15
Unlisted investment	–	–	174	174
Liabilities				
Contingent consideration payables (Note 27)	–	–	(36)	(36)
Financial liabilities at fair value through OCI				
Interest rate swap (Note 29)	–	(10)	–	(10)

	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	–	–	132	132
Guaranteed electricity output	–	–	15	15
Unlisted investment	–	–	216	216
Liabilities				
Contingent consideration payables	–	–	(32)	(32)
Financial liabilities at fair value through profit and loss				
Derivative portion of convertible bonds	–	–	(7)	(7)
Financial liabilities at fair value through OCI				
Interest rate swap	–	(13)	–	(13)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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.

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).

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 2018.

	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
At 1 January	132	15	216	(7)	(32)
Fair value gains/(losses), net recognised in the consolidated statement of profit or loss	(72)	–	(42)	7	(7)
Settlements	–	–	–	–	3
At 31 December	60	15	174	–	(36)
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	(72)	–	(42)	7	(7)
Change in unrealised gains/(losses) for the year included in the consolidated statement of profit or loss at the end of the year	(3)	–	(42)	7	(7)

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
At 1 January	252	111	229	(86)	–
Acquisition of subsidiaries	–	–	–	–	(31)
Initial recognition	63	–	–	–	–
Fair value gains/(losses), net recognised in the consolidated statement of profit or loss	(59)	(49)	(13)	(48)	–
Gain on early redemption of convertible bonds recognised in the consolidated statement of profit or loss	–	–	–	124	–
Early exercise of call option	(124)	–	–	–	–
Settlements	–	(47)	–	–	–
Exchange difference	–	–	–	3	(1)
At 31 December	**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)

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	
	2018	2017				2018	2017
	RMB'million	RMB'million				RMB'million	RMB'million
Financial assets at fair value through profit or loss							
Call options	60	132	Binomial model	Volatility	+5%	1	7
					–5%	(1)	(7)
			Discounted cash	Discount rate			
Unlisted investment	174	216	flow method		+0.5%	(4)	(6)
					–0.5%	4	6
				Revenue	+5%	7	8
					–5%	(7)	(8)
Financial liabilities at fair value through profit or loss							
Derivative portion of	–	(7)	Binomial model	Volatility			
convertible bonds					+5%	–	(4)
					–5%	–	3
				Share price	+HK$0.10	–	(5)
					–HK$0.10	–	3

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.

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 assumptions 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

As at 31 December 2018, the Group has significant amounts of investments that involved particular terms and arrangements, and in different forms of financial instruments. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies, 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.

(f) Impairment of trade, bills and tariff adjustment receivables, other receivables and deposits

The Group makes provision for impairment of trade, bills and tariff adjustment receivables, other receivables and deposits based on assumptions about risk of default and expected credit loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Note 3.1(b) provides the basis of the calculation of the loss allowance.

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 power, wind power and hydropower. During the year ended 31 December 2018, the Group has one reportable segment which is solar energy segment (2017: one). No material revenue, EBITDA, segment profit nor total assets had been attributed by the hydropower and wind power segments 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 contracts with external customers by geographical areas at a point in time is as follows:

	2018 RMB'million	2017 RMB'million
The PRC	2,023	1,451
The UK	85	71
	2,108	1,522

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

	2018 RMB'million	2017 RMB'million
The PRC	19,768	18,509
The UK	528	556
Others	9	13
	20,305	19,078

For the year ended 31 December 2018, there were four customers (2017: three) 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:

	2018 RMB'million	2017 RMB'million
Customer A	386	315
Customer B	274	262
Customer C	246	190
Customer D	217	–

6 FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'million	2017 RMB'million
Call options in relation to acquisition of investments accounted for using equity method (Note 20)	(72)	4
Guaranteed electricity output (Note 20)	–	(49)
Unlisted investment (Note 20)	(42)	(13)
Previously held interest in investment accounted for using equity method	–	(3)
	(114)	(61)

7 FAIR VALUE LOSSES ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'million	2017 RMB'million
Issue of shares and warrants (Note 24)	–	(229)
Contingent consideration payables	(7)	–
	(7)	(229)

8 OTHER INCOME

	2018 RMB'million	2017 RMB'million
Government grant	2	12
Operation and maintenance service income	7	–
Others	10	3
	19	15

9 EMPLOYEE BENEFITS EXPENSES

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

	2018 RMB'million	2017 RMB'million
Salaries, wages and bonuses	95	115
Contributions to retirement contribution plan	11	9
	106	124
Share-based payment expenses	42	71
	148	195

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (2017: five) were directors of the Company, whose emoluments are included in the disclosure set out in Note 9(c) below. The emolument of the highest paid individual except directors is as follows:

	2018 RMB'million	2017 RMB'million
Salaries and bonuses	0.99	–
Retirement benefit scheme contributions	0.02	–
Share-based payment expenses	0.64	–
	1.65	–

The emoluments fell within the following bands:

	Number of individuals 2018	2017
Emolument band:		
HK$1,000,001 – HK$1,500,000	–	–
HK$1,500,001 – HK$2,000,000	1	–
HK$2,000,001 – HK$2,500,000	–	–

During the year ended 31 December 2018, 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 (2017: Nil).

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 2018

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or the 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 for 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	0.17	2.51	–	0.01	11.91	–	14.60
Mr. Lu Zhenwei (Note (i))	–	–	–	–	0.84	–	0.84
Mr. Yu Qiuming	0.17	1.15	–	–	11.90	–	13.22
Mr. Li Hong	0.17	1.50	0.17	0.02	11.91	–	13.77
Mr. Li Guangqiang (Note (ii))	0.04	0.15	0.13	–	0.64	–	0.96
Ms. Qiu Ping, Maggie (Note (iii))	0.07	1.27	0.14	0.01	–	–	1.49
Mr. Jiang Wei (Note (iv))	0.13	0.63	0.10	0.01	–	–	0.87
Non-executive directors:							
Mr. Tang Wenyong (Note (i))	–	–	–	–	0.48	–	0.48
Mr. Li Hao	0.13	–	–	–	–	–	0.13
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 (Note (v))	0.16	–	–	–	–	–	0.16
Total	1.55	7.21	0.54	0.05	39.12	–	48.47

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments (Continued)

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 the 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 for 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	0.17	2.57	–	0.02	9.55	–	12.31
Mr. Lu Zhenwei	–	–	–	–	0.82	–	0.82
Mr. Yu Qiuming	0.05	–	–	–	4.91	–	4.96
Mr. Li Hong	0.17	1.54	0.60	0.02	9.31	–	11.64
Ms. Qiu Ping, Maggie	0.17	1.54	1.46	0.02	9.42	–	12.61
Mr. Jiang Wei	0.13	0.57	–	0.01	9.20	–	9.91
Non-executive directors:							
Mr. Tang Wenyong	–	–	–	–	0.40	–	0.40
Mr. Li Hao	–	–	–	–	–	–	–
Academician Yao Jiannian (Note (vi))	0.14	–	–	–	0.53	–	0.67
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

Notes:

(i) Agreed to waive their entitlement to director's fee for the year ended 31 December 2018

(ii) Appointed on 11 October 2018

(iii) Retired on 1 June 2018

(iv) Resigned on 11 October 2018

(v) Resigned on 13 December 2018

(vi) Resigned on 18 October 2017

(vii) None of the directors received remunerations in respect of accepting office as directors

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 (2017: Nil).

(e) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2017: 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 (2017: 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 (2017: 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 (2017: Nil).

10 OTHER EXPENSES

	2018 RMB'million	2017 RMB'million
Auditor's remuneration	6	4
Foreign exchange difference	27	(5)
Operating lease rental	20	16
Business hospitality	13	22
Water and electricity	11	7
Insurance	6	5
Stamp duties	2	4
Others	36	24
	121	77

11 FINANCE INCOME

	2018 RMB'million	2017 RMB'million
Interest income on bank balances and deposits	43	46
Interest income on loan (Note)	29	–
Amortisation of imputed interest income on pledged deposits	12	7
	84	53

Note:

During the year ended 31 December 2018, the Group has loans to an associate and certain third parties, of principal amount of approximately RMB604 million (2017: Nil) with the average interest rate per annum of 4.88%. The loans were matured on 31 December 2018.

12 FINANCE COSTS

	2018 RMB'million	2017 RMB'million
In relation to bank and other borrowings		
Interest expenses	1,029	751
Loan facilities fees	172	123
	1,201	874
In relation to convertible bonds (Note 26):		
(i) Redeemed/converted during the year:		
Interest accretion	143	182
Subsequent re-measurement (gains)/losses on derivative portion	(7)	51
Losses on early redemption	–	28
	136	261
(ii) Outstanding at end of the year:		
Interest accretion	–	143
Subsequent re-measurement gains on derivative portion	–	(3)
	–	140
Total finance costs	1,337	1,275

13 INCOME TAX CREDIT/(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 credit/(expense) in the consolidated statement of profit or loss represented:

	2018 RMB'million	2017 RMB'million
Current income tax	(33)	(23)
Deferred income tax (Note 28)	49	8
Withholding tax	–	(6)
	16	(21)

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:

	2018 RMB'million	2017 RMB'million
(Loss)/profit before income tax	(470)	174
Less: Share of profits of investments accounted for using equity method	(37)	(105)
	(507)	69
Calculated at a tax rate of 25% (2017: 25%)	127	(17)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(78)	(72)
PRC tax concession	133	95
Expenses not deductible for tax purposes	(123)	(181)
Income not subject to tax	14	173
Tax loss for which no deferred income tax amount was recognised	(63)	(13)
Utilisation of previously unrecognised tax losses	6	–
Withholding tax	–	(6)
Income tax credit/(expense)	16	(21)

14 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2018 (2017: Same).

15 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share was calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
(Loss)/profit attributable to equity holders of the Company (RMB'million)	**(451)**	153
Weighted average number of ordinary shares in issue (million shares)	**9,530**	7,990
Basic (loss)/earnings per share (RMB cents)	**(4.73)**	1.91

(b) Diluted

Diluted (loss)/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 2018, the Group has three (2017: three) categories of dilutive and anti-dilutive potential ordinary shares: convertible bonds, share options and warrants (Note 24(b)) (2017: convertible bonds, share options and warrants).

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

15 (LOSS)/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 below is compared with the number of shares that would have been issued assuming the exercise of the share options/warrants.

	2018	2017
(Loss)/earnings (RMB'million)		
(Loss)/profit attribution to equity holders of the Company	(451)	153
Assumed exercise of share options		
(2017: certain convertible bonds, share options and warrants)		
Adjustments for:		
Certain convertible bonds		
Imputed accretion	–	20
Subsequent re-measurement gain on derivative portion	–	(22)
Gain on early redemption	–	(15)
Adjusted (loss)/profit attributed to equity holders of the Company used to determine the diluted earnings per share	(451)	136
Weighted average number of ordinary shares in issue (million shares)	9,530	7,990
Adjustments for:		
Assumed conversion of certain convertible bonds	–	249
Assumed exercise of share options	1	13
Assumed exercise of warrants	–	277
Weighted average number of ordinary shares used to determine the diluted earnings per share	9,531	8,529
Diluted (loss)/earnings per share attributable to the equity holders of the Company (RMB cents)	(4.73)	1.59

Certain share options, convertible bonds and warrants were not assumed to be exercised/converted as they would have an anti-dilutive impact to the loss attributable to the equity holders of the Company for the year ended 31 December 2018 (2017: certain convertible bonds and share options).

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 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	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
Year ended 31 December 2018								
Opening net book amount	108	8	14,791	6	17	10	627	15,567
Acquisition of subsidiaries (Note 33)	–	–	445	66	–	–	–	511
Additions	–	–	9	1	4	–	1,626	1,640
Disposals	–	–	(3)	–	–	–	–	(3)
Depreciation charge	(6)	(4)	(568)	(6)	(8)	(3)	–	(595)
Transfer	–	–	1,155	–	–	–	(1,155)	–
Exchange difference	–	–	(5)	–	–	–	–	(5)
Closing net book amount	102	4	15,824	67	13	7	1,098	17,115
At 31 December 2018								
Cost	121	10	17,526	77	41	16	1,098	18,889
Accumulated depreciation	(19)	(6)	(1,702)	(10)	(28)	(9)	–	(1,774)
Net book amount	102	4	15,824	67	13	7	1,098	17,115

Note:

As at 31 December 2018, power generating modules and equipment with carrying values of approximately RMB7,578 million (2017: RMB6,885 million) were pledged as security for the Group's bank borrowings of approximately RMB5,867 million (2017: RMB5,418 million) and RMB6,477 million (2017: RMB4,854 million) were pledged as security for the Group's loans from leasing companies of approximately RMB5,096 million (2017: RMB3,063 million) (Note 25(a)).

17 INTANGIBLE ASSETS

	Concession rights RMB'million	Development rights RMB'million	Total RMB'million
At 1 January 2017			
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	–	1,700	1,700
Redesignation in relation to acquisition of subsidiaries	(61)	–	(61)
Impairment	(32)	–	(32)
Closing net book amount	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
Year ended 31 December 2018			
Opening net book amount	**824**	**1,700**	**2,524**
Impairment	**(279)**	**–**	**(279)**
Closing net book amount	**545**	**1,700**	**2,245**
At 31 December 2018			
Cost	**1,509**	**1,700**	**3,209**
Accumulated impairment	**(964)**	**–**	**(964)**
Net book amount	**545**	**1,700**	**2,245**

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 discussion with respective vendors and intends to exercise these concession rights and will acquire solar power plants before their expiry.

On 31 May 2018, the National Development and Reform Commission, the Ministry of Finance of the PRC and the National Energy Administration jointly published "the Notice on PV Power Generation in 2018" (《2018年光伏發電有關事項的通知》, "the Notice") with an aim to lowering solar feed-in-tariffs ("FIT"). According to the Notice, (i) for roof-top projects, only those roof-top projects on-grid on or before 31 May 2018 are eligible to national tariff adjustment; (ii) for ground projects, the benchmark on-grid price will be reduced by RMB0.05/KWh to RMB0.5/KWh, RMB0.6/KWh and RMB0.7/KWh for the projects zone I, II and III, respectively.

Management performed impairment test to determine the recoverable amount of the concession rights which was determined based on fair value less costs of disposal. In this connection, management has prepared cash flow forecasts of each of concession right taking into account factors, including but not limited to, the above revision of government policy, acquisition status of solar power plant projects, operational status of the solar power plants planned to be acquired; and the probability to exercise the concession rights before its expiry. As a result of the impairment test, an impairment charge of approximately RMB279 million (2017: RMB32 million) on concession rights was recognised during the year ended 31 December 2018.

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

	2018	2017
Capacity (Note (a))	**0.6GW**	1.3GW
Insolation hours	**1,130 to 1,611 MWh/MWp**	1,261 to 1,606MWh/MWp
Degradation factor	**0.5% per annum**	0.5% per annum
Electricity tariff		
– on-grid projects	**RMB0.7 to RMB0.98/kWh**	RMB0.541 to RMB0.987/kWh
– projects yet to on-grid	**RMB0.58/kWh to RMB0.6/kWh**	RMB0.58/kWh to RMB0.65/kWh
Discount rate	**8.5% to 9%**	8.5% to 11.5%
Construction costs per watt		
– Roof-top projects	**RMB7**	RMB7.5 to RMB8.5
– Ground projects	**RMB6 to RMB6.6**	RMB6.5 to RMB10.4
Operating expenses per watt	**RMB0.13 with annual growth rate of 2%**	RMB0.13 with annual growth rate of 2%

Note:

(a) Drop in capacity was mainly due to (i) the expiry or certain fully impaired concession rights on developing solar power plants during the year as a result of the delay of acquisition plan after the launch of the Notice on 31 May 2018; and (ii) the extinguishment of concession rights' value as a result of the lowering of phasing out of FIT.

17 INTANGIBLE ASSETS (Continued)

(i) Concession rights (Continued)

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

	Range of inputs	Unfavourable change in profit or loss	
		2018	2017
		RMB'million	RMB'million
Insolation hours	–5%	**(132)**	(278)
Discount rate	+0.5%	**(81)**	(205)
Construction costs per watt	+5%	**(78)**	(199)

(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.

Management has performed annual impairment assessment on the development rights by preparing a 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 cash flow projections as at 31 December 2018 are as follows:

	Hydropower	**Solar power**
Capacity	5,230.1MW	70MW*
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		RMB1.05/kWh
– Sichuan	RMB0.30 to RMB0.31/kWh	N/A
– Tibet	RMB0.35/kWh in 2019 and 2020; RMB0.41 to RMB0.6/kWh in 2021 to 2035 with growth rate of 1% per year thereafter till the end of the useful life (Note)	RMB1.05/kWh
Discount rate	10.5% to 11.5%	8.5%
Construction costs per watt	RMB11 to RMB13	RMB12
Operating expenses per watt	RMB0.18 with annual growth rate of 2%	RMB0.13 with annual growth rate of 2%

Note:

On 22 May 2018, the People's Government of Tibet Autonomous Region published the "Notice on Leveraging Feed-in-Tariff of Electricity" (《西藏自治區人民政府關於進一步規範和理順全區上網電價及銷售電價的通知》, "Tibet Notice") with an aim to adjust the electricity price of hydropower plants in Tibet in which FIT of the Group's hydropower projects will reduce from RMB0.44/kWh to RMB0.35/kWh. According to the Tibet Notice, such policy is on temporary trial from 1 May 2018 to 31 December 2020 and will be revisited upon 31 December 2020.

17 INTANGIBLE ASSETS (Continued)

(ii) Development rights (Continued)

The key assumptions used for the 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		
– Sichuan	RMB0.30 to RMB0.31/kWh	N/A
– Tibet	RMB0.44 to RMB0.46/kWh in 2018 to 2020; RMB0.48 to RMB0.6/kWh in 2021 to 2035 with growth rate of 1% per year thereafter till the end of the useful life	RMB1.05/kWh
Discount rate	10.5% to 11.5%	8.5%
Construction costs per watt	RMB11 to RMB13	RMB12 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 in both 2018 and 2017, and 20MW are redesignated to property, plant and equipment upon the construction of the relevant solar power plants were completed in 2018.

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

	Range of inputs	Unfavourable change in profit or loss 2018 RMB'million	2017 RMB'million
Utilisation/insolation hours	–5%	**(814)**	(876)
Feed-in-tariff	–5%	**(814)**	(876)
Discount rate	+0.5%	**(823)**	(843)
Construction costs per watt	+5%	**(605)**	(418)

18 SUBSIDIARIES

(a) Particulars of the principal subsidiaries

Name of company	Place of incorporation or registration/ operation	Issued share capital/ registered capital	% of equity attributable to the Group 2018	2017	Principal activities
China Solar Power Group Limited ("CSPG")	British Virgin Islands ("BVI")	Issued and fully paid: US$5,750,000	100%	100%	Investment holding
China Technology New Energy Limited	BVI	Issued and fully paid: US$1	100%	100%	Possession of exclusive rights in developing roof-top solar plants
Datong United Photovoltaics New Energy Co., Ltd.	The PRC	Registered and paid up: RMB200,000,000	100%	100%	Operation and management of a solar power plant
Guodian Chahaeryouyiqianqi Solar Power Co., Ltd.	The PRC	Registered and paid up: RMB133,000,000	90.07%	90.07%	Operation and management of a solar power plant
Guodian Kezuozhongqi Photovoltaics Co., Ltd.	The PRC	Registered and paid up: RMB169,700,000	99.40%	99.40%	Operation and management of a solar power plant
Hami Huiteng Photovoltaics Co., Ltd	The PRC	Registered: RMB121,200,000 Paid up: Nil	100%	100%	Operation and management of solar power plants
Hanshou Zhonghui Solar Energy Co., Ltd.	The PRC	Registered: RMB5,000,000 Paid: up: Nil	100%	100%	Operation and management of solar power plants
Hubei Jingtai Photovoltaics Power Co., Ltd.	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.	The PRC	Registered and paid up: RMB194,000,000	100%	100%	Operation and management of a solar power plant
Inner Mongolia Xingbang United Photovoltaics New Energy Co., Ltd.	The PRC	Registered and paid up: RMB1,000,000,000	100%	100%	Investment holding
Nanjing Silk Road New Energy Co., Ltd.	The PRC	Registered: RMB659,610,000 Paid up: RMB514,037,000	100%	100%	Investment holding
New Light Technology Limited	Hong Kong	Issued and fully paid: HK$10,000	100%	100%	Investment holding

18 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Name of company	Place of incorporation or registration/ operation	Issued share capital/ registered capital	% of equity attributable to the Group 2018	2017	Principal activities
Ningxia Zhongzi Photovoltaics Co., Ltd.	The PRC	Registered and paid up: RMB340,000,000	**100%**	100%	Operation and management of a solar power plant
Notus Investments 2 S.A R.L.	Luxembourg	Issued and fully paid: GBP15,000	**100%**	100%	Investment holding
Tibet Zangneng Corporation	The PRC	Registered and paid up: RMB400,000,000	**75%**	75%	Possession of development rights for hydropower and solar power projects
Tibet Zhongzi New Energy Technology Co., Ltd.	The PRC	Registered and paid up: RMB340,000,000	**100%**	100%	Investment holding
United Photovoltaics (Changzhou) Investment Group Co., Ltd.	The PRC	Registered: HK$7,000,000,000 Paid up: HK$4,704,130,168	**100%**	100%	Investment holding
United Photovoltaics (Shenzhen) Limited	The PRC	Registered: HK$1,000,000,000 Paid up: HK$424,638,271	**100%**	100%	Design and installation of solar power systems, research and development of solar power products and solar technology
Zhongli (Jiayuguan) Photovoltaic Power Co., Ltd.	The PRC	Registered and paid up: RMB500,000,000	**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
Zhongli Talesun Gonghe Photovoltaic Power Co., Ltd.	The PRC	Registered and paid up: RMB200,000,000	**100%**	100%	Operation and management of a solar power plant

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 RMB3,163 million (2017: RMB2,850 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.

18 SUBSIDIARIES (Continued)

(b) Material non-wholly-owned subsidiaries

As at 31 December 2018, the total non-controlling interest for the year was approximately RMB575 million (2017: RMB552 million). As at 31 December 2018, 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.

	2018 RMB'million	2017 RMB'million
Assets and liabilities as at 31 December		
Current assets	142	96
Non-current assets	2,618	2,450
Current liabilities	(544)	(285)
Non-current liabilities	(469)	(488)
Profit or loss for the year/period ended 31 December		
Revenue	23	6
Loss for the year/period	(25)	(15)
Other comprehensive income	–	–
Total comprehensive loss	(25)	(15)
Loss allocated to non-controlling interests	–	–
Dividend paid to non-controlling interests	–	–
Cash flow for the year/period ended 31 December		
Net cash outflow from operating activities	(26)	(12)
Net cash outflow from investing activities	(161)	(115)
Net cash inflow/(outflow) from financing activities	191	(12)
	4	(139)

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

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	2018 RMB'million	2017 RMB'million
Investments in associates (Note (a))	305	230
Investments in joint ventures (Note (b))	583	571
	888	801

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

	2018 RMB'million	2017 RMB'million
Share of profits from associates (Note (a))	25	23
Share of profits from joint ventures (Note (b))	12	82
	37	105

(a) Investments in associates

	2018 RMB'million	2017 RMB'million
As at 1 January	230	291
Fair value of consideration for the acquisitions		
– Bargain purchase arising from acquisition	–	15
Capital contribution	50	120
Reduction of share capital	–	(200)
Declaration of dividend	–	(19)
Share of profits from associates	25	23
As at 31 December	305	230

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 2018, the carrying amount of such call option was approximately RMB60 million (2017: RMB63 million).

The fair value of this call option as at 31 December was determined by using the binomial model with the following key assumptions:

	2018	2017
Risk free rate	**2.8%**	3.8%
Dividend yield	**71.54%**	40.38%
Life of the option (year)	**2.22**	3.22
Volatility	**45%**	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 approximately RMB69 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. During the year ended 31 December 2018, the Group did not exercise the call option upon its expiry and a fair value loss was recognised. As at 31 December 2018 and 2017, the major shareholder held 96.68% equity interest in such associate.

Set out below are the associates which, in the opinion of the directors, are material to the Group as at 31 December 2018.

Name of entity	**Place of establishment**	**% of ownership interest**		**Nature of business**
		2018	2017	
Fengxian Huize Photovoltaic Energy Limited ("Fengxian Huize")	The PRC	**50%**	50%	Operation and management of solar power plants
Changzhou Ranchen	The PRC	**5%**	5%	Operation and management of solar power plants

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 are private companies and there are no quoted market prices available for their shares.

There were no contingent liabilities relating to the Group's investments in associates as at 31 December 2018 (2017: Nil).

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

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

	Changzhou Ranchen		Fengxian Huize	
	2018 RMB'million	2017 RMB'million	**2018 RMB'million**	2017 RMB'million
Assets and liabilities as at 31 December				
Current assets	**1,128**	787	**69**	62
Non-current assets	**2,514**	2,618	**347**	362
Current liabilities	**(1,935)**	(2,204)	**(212)**	(253)
Non-current liabilities	**(1,275)**	(897)	**(16)**	(17)
Profit or loss for the year/period ended 31 December				
Revenue	**345**	–	**59**	65
Profit for the year/period	**126**	–	**33**	42
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**126**	–	**33**	42
Dividend received from associates	**–**	–	**–**	(19)

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

	2018 RMB'million	2017 RMB'million
The Group's share on:		
Profit for the year	**1**	2
Other comprehensive income	**–**	–
Total comprehensive income	**1**	2
Carrying amount of investments	**189**	138

As at 31 December 2018, the cash and cash equivalents of approximately RMB143 million (2017: RMB207 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.

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2018 RMB'million	2017 RMB'million
As at 1 January	571	224
Fair value of consideration for the acquisitions		
Cash	–	500
Share of profit from joint venture	12	82
Step-acquisition as a subsidiary	–	(235)
As at 31 December	583	571

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.

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 approximately 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 interest 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 was approximately RMB124 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 approximately 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 2018 and 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 Changzhou Haozhen, the only joint venture of the Group as at 31 December 2018.

Name of entity	Place of establishment	% of ownership interest 2018	% of ownership interest 2017	Nature of business
Changzhou Haozhen	The PRC	33.1%	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 does not have official English name.

The joint venture is a private company and there is no quoted market price available for its shares. There were no contingent liabilities relating to the Group's interest in this joint venture as at 31 December 2018 (2017: Nil).

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Set out below are the summarised unaudited financial information for Changzhou Haozhen since completion of acquisition.

	2018 RMB'million	2017 RMB'million
Assets and liabilities as at 31 December		
Current assets	1,129	1,004
– Cash and cash equivalents	75	95
Total non-current assets	2,514	2,618
Total current liabilities	(536)	(933)
– Financial liabilities	(531)	(930)
Total non-current liabilities	(1,348)	(960)
– Financial liabilities	(1,268)	(878)
Profit or loss for the year/period ended 31 December		
Revenue	345	–
Depreciation	(82)	–
Interest income	1	–
Interest expense	(158)	–
Profit for the year/period	33	215
Other comprehensive income	–	–
Total comprehensive income	33	215
Dividend received from joint venture	–	–

As at 31 December 2018, the cash and cash equivalents of approximately RMB75 million (2017: RMB95 million) that was held by Changzhou Haozhen was 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.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'million	2017 RMB'million
Guaranteed electricity output (Note (a))	15	15
Unlisted investment (Note (b))	174	216
Call options in relation to the acquisition of investments accounted for using equity method (Note (c), Note 19(a))	60	132
	249	363
Less: Amounts classified as non-current portion	(60)	(132)
Current portion	189	231

Notes:

(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 development, investment, operation, management of solar power plants; and information technology development and technical support service after its internal restructuring 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 RMB42 million (2017: loss of RMB13 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 pre-tax cash flow projections of the development of solar power plant business are as follows:

	2018	2017
Revenue (RMB'million)	873 to 2,206	1,903 to 2,069
Discount rates	18.5%	15.5%

(c) During the year ended 31 December 2018, fair value loss of call option of approximately RMB72 million was recognised, which was primarily due to the expiry of the call option to acquire 96.68% equity interest in an associate. Such fair value loss of approximately RMB69 million, representing the carrying amount of the call option as at 31 December 2017, was recognised.

21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 RMB'million	2017 RMB'million
Non-current		
Deposits for investments (Note (a))	1,255	1,166
Value-added tax recoverable	671	698
Prepayment for property, plant and equipment	13	145
Others	44	41
	1,983	2,050
Current		
Amounts due from associates (Note (b))	113	501
Amount due from a joint venture (Note (b))	2	–
Amount due from a related company (Note (b))	20	20
Value-added tax recoverable	596	543
Other receivables, deposits and prepayments	223	722
	954	1,786
Total	2,937	3,836

Notes:

(a) During the years ended 31 December 2018 and 2017, the Group entered into several conditional sale and purchase agreements and framework agreement in relation to proposed acquisition of project companies which own solar and wind power plants. As at 31 December 2018, the Group has paid approximately RMB1,255 million to a third party and affiliated companies of certain shareholders of the Company as deposits for investments.

(b) As at 31 December 2018, the amounts due from associates, a joint venture and a related company were unsecured, interest-free and repayable on demand (2017: Same).

22 CASH DEPOSITS

	2018 RMB'million	2017 RMB'million
Non-current		
Pledged deposits (Note (b))	**1,838**	903
	1,838	903
Current		
Pledged deposits (Note (b))	**967**	1,229
Restricted cash (Note (c))	**8**	10
Cash and cash equivalents	**407**	1,593
	1,382	2,832
Total	**3,220**	3,735

Notes:

(a) As at 31 December 2018, the Group's bank balances of approximately RMB3,163 million (2017: RMB2,850 million) were deposited with banks or other financial institutions 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 of approximately RMB1,838 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 (2017: RMB903 million). The remaining deposits were pledged to secure short-term borrowings and therefore classified as current assets.

(c) As at 31 December 2018, bank balance of approximately RMB8 million (2017: RMB10 million) was restricted for certain environmental protection purpose required by the local government. The deposit will be released upon fulfillment of such requirement.

23 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

	2018 RMB'million	2017 RMB'million
Trade receivables	**72**	55
Tariff adjustment receivables	**2,929**	1,663
Trade and tariff adjustment receivables	**3,001**	1,718
Bills receivables	**1,092**	21
Trade, bills and tariff adjustment receivables	**4,093**	1,739

As at 31 December 2018, trade receivables of approximately RMB72 million (2017: RMB55 million) represented receivables from sales of electricity and are usually settled within one month.

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 Company Limited based on the respective electricity sale and purchase agreements for each of the Group's solar power plants and prevailing nationwide government policies.

23 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES (Continued)

The directors of the Company consider that the expected credit loss for trade, bills and tariff adjustment receivables is insignificant as at 1 January 2018 and 31 December 2018. Note 3.1(b) provides details about the allowances.

The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

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

	2018	2017
	RMB'million	RMB'million
Current	**2,535**	1,512
1 – 30 days	**63**	41
31 – 60 days	**39**	56
61 – 90 days	**36**	11
91 – 180 days	**91**	36
180 – 365 days	**103**	62
Over 365 days	**134**	–
	3,001	1,718

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.

The maturity dates of bills receivable were within one year and denominated in RMB.

Pursuant to Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy（可再生能源電價附加補助資金管理暫行辦法）jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, tariff adjustment receivables will be settled upon successful registration in the Catalogue. Caijian [2013] No.390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment. As at 31 December 2018, most of the Group's related projects have been registered in the Catalogue and certain projects that are eligible for the registration onto the forthcoming batches of Catalogue are in the process of registration. The management are of the opinion that the registration is an administrative procedure and the tariff adjustment receivables will be settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance. There is no due date for settlement. The tariff adjustment receivables are fully recoverable considering there were no bad debt experiences with the project companies in the past and such tariff adjustment is funded by the PRC government.

24 SHARE CAPITAL

	Number of shares (million)		Share capital	
	2018	2017	**2018**	2017
			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	**9,530**	4,944	**803**	402
Issue of shares through placement and warrants subscription (Note (a))	**–**	3,203	**–**	280
Issue of consideration shares in relation to acquisition of subsidiaries	**–**	560	**–**	48
Issue of shares upon conversion of convertible bonds and related interest settlements	**–**	817	**–**	72
Issue of shares upon exercise of share options (Note (b))	**–**	6	**–**	1
At 31 December	**9,530**	9,530	**803**	803

All shares issued during the year ended 31 December 2017 rank pari passu in all respects with the existing shares of the Company.

(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 (equivalent to 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 during the year ended 31 December 2017 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 (equivalent to 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 (equivalent to approximately RMB576 million) after netting off related transaction costs.

(b) 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.

24 SHARE CAPITAL (Continued)

(b) Share options (Continued)

Details of the share options movement during the year are as follows:

	Exercisable period			Number of share options (in thousands)				
				Balance as at	During the year			Balance as at
Date of grant	From	To	Exercise price HK$	1 January 2018	Granted	Exercised	Lapsed/ cancelled	31 December 2018
Directors								
8.1.2015	8.1.2016	7.1.2020	1.00	6,600	–	–	(1,500)	5,100
8.1.2015	8.1.2017	7.1.2020	1.00	6,600	–	–	(1,500)	5,100
8.1.2015	8.1.2018	7.1.2020	1.00	8,800	–	–	(2,000)	6,800
28.1.2016	28.1.2017	27.1.2021	0.564	2,400	–	–	(300)	2,100
28.1.2016	28.1.2018	27.1.2021	0.564	5,400	–	–	(1,200)	4,200
28.1.2016	28.1.2019	27.1.2021	0.564	7,200	–	–	(1,600)	5,600
16.6.2017	16.6.2018	15.6.2022	1.076	102,900	–	–	(48,900)	54,000
16.6.2017	16.6.2019	15.6.2022	1.076	102,900	–	–	(48,900)	54,000
16.6.2017	16.6.2020	15.6.2022	1.076	137,200	–	–	(65,200)	72,000
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
				450,000	–	–	(171,100)	278,900
Employees								
8.1.2015	8.1.2016	7.1.2020	1.00	7,530	–	–	(3,510)	4,020
8.1.2015	8.1.2017	7.1.2020	1.00	7,530	–	–	(3,510)	4,020
8.1.2015	8.1.2018	7.1.2020	1.00	10,040	–	–	(4,680)	5,360
28.1.2016	28.1.2017	27.1.2021	0.564	1,686	–	–	(593)	1,093
28.1.2016	28.1.2018	27.1.2021	0.564	4,370	–	–	(2,539)	1,831
28.1.2016	28.1.2019	27.1.2021	0.564	5,827	–	–	(3,385)	2,442
16.6.2017	16.6.2018	15.6.2022	1.076	72,375	–	–	(10,125)	62,250
16.6.2017	16.6.2019	15.6.2022	1.076	72,375	–	–	(10,125)	62,250
16.6.2017	16.6.2020	15.6.2022	1.076	96,500	–	–	(13,500)	83,000
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)	–
				288,233	–	–	(61,967)	226,266
				738,233	–	–	(233,067)	505,166
Exercisable at the end of the year				32,345				176,875

24 SHARE CAPITAL (Continued)

(b) Share options (Continued)

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$1.00
Exercise price per share	HK$1.132	HK$1.076	HK$0.564	HK$1.00
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 31 December 2018, share-based payment expenses of approximately RMB42 million (2017: RMB71 million) were recognised in the consolidated statement of profit or loss in relation to share options.

25 BANK AND OTHER BORROWINGS

	2018			2017		
	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	3,249	7,401	10,650	4,946	5,810	10,756
Loans from leasing companies (Note (b))	593	4,946	5,539	257	3,226	3,483
Senior notes (Note (c))	–	2,451	2,451	–	2,287	2,287
Corporate bonds (Note (c))	–	1,800	1,800	–	1,800	1,800
Medium-term notes (Note (c))	103	331	434	126	124	250
Other loans (Note (d))	1,577	60	1,637	–	20	20
	5,522	16,989	22,511	5,329	13,267	18,596
Unamortised loan facilities fees	(99)	(340)	(439)	(120)	(270)	(390)
	5,423	16,649	22,072	5,209	12,997	18,206

25 BANK AND OTHER BORROWINGS (Continued)

The Group's bank and other borrowings were repayable as follows:

	2018			2017		
	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	3,249	2,273	5,522	4,946	383	5,329
Between 1 and 2 years	1,157	4,863	6,020	1,098	403	1,501
Between 2 and 5 years	3,199	2,290	5,489	2,315	5,210	7,525
Over 5 years	3,045	2,435	5,480	2,397	1,844	4,241
	10,650	11,861	22,511	10,756	7,840	18,596

Notes:

(a) As at 31 December 2018, bank borrowings and loans from leasing companies were secured by the following:

- (i) pledged deposits (Note 22(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 ended 31 December 2018, 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 approximately RMB1,953 million (2017: RMB1,807 million). The arrangements were for periods of 2 to 13 years (2017: 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. As at 31 December 2018, loans of approximately RMB472 million from associates were at normal commercial terms and interest rates.

(c) As at 31 December 2018, senior notes, corporate bonds and medium-term notes were unsecured.

(d) Other loans

As at 31 December 2018, other loans primarily represented the following:

(i) During the year ended 31 December 2018, a convertible bond with principal amount of US$100 million payable to Huaqing Solar Power Limited ("Huaqing") was matured. On 26 December 2018, such convertible bond with its redemption amount and related interest expense totalling approximately US$123 million was redeemed and converted to a loan of approximately US$123 million (equivalent to approximately RMB804 million) payable to Huaging (Note 26). Such loan of US$123 million will be repayable in December 2019. Subsequent to year end, a portion of the loan of approximately US$117 million (equivalent to approximately RMB799 million) was settled by netting off with the proceeds from share subscription (Note 35(a)); and

(ii) During the year 31 December 2018, the Group entered into an arrangement with a third party to dispose of its 100% equity interest of a subsidiary under which there was a call option allowing the Group to acquire back 100% equity interest from that third party. Such call option is exercisable before November 2019 at the amount of the cash received upon the inception of the arrangement plus actual subsequent amounts injected by that third party to the subsidiary together with a premium of 10% per annum. In this connection and under such arrangement, such cash received from that third party amounting to approximately RMB35 million was recognised as other loans as at 31 December 2018.

(e) The principal of bank borrowings and loans from leasing companies which bear floating interest rates are as follows:

	2018 RMB'million	2017 RMB'million
Bank borrowings	7,653	8,215
Loans from leasing companies	5,241	3,170
	12,894	11,385

(f) The effective interest rate per annum of bank and other borrowings as at 31 December 2018 was 5.31% (2017: 5.17%). The weighted average life of bank and other borrowings as at 31 December 2018 was 5.37 years (2017: 5.27 years).

26 CONVERTIBLE BONDS

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 2017	3,068	86	3,154
Interest accretion	325	–	325
Recognition of subsequent fair value re-measurement	–	48	48
Losses/(gains) on early redemption	152	(124)	28
Settlement of interests	(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 and 1 January 2018	**974**	**7**	**981**
Interest accretion	**143**	**–**	**143**
Recognition of subsequent fair value re-measurement	**–**	**(7)**	**(7)**
Settlement of interests	**(25)**	**–**	**(25)**
Redemption	**(306)**	**–**	**(306)**
Conversion from convertible bonds to loan (Note 25(d)(i))	**(804)**	**–**	**(804)**
Exchange difference	**18**	**–**	**18**
As at 31 December 2018	**–**	**–**	**–**

27 CONTINGENT CONSIDERATION PAYABLES

	2018 RMB'million	2017 RMB'million
Non-current portion	**10**	16
Current portion	**26**	16
	36	32

27 CONTINGENT CONSIDERATION PAYABLES (Continued)

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:

	2018	2017
Discount rate	**3.681%**	8.4%
Forecasted electricity output	**78,378 to 80,010 MWh**	78,378 to 80,010 MWh

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:

	2018 RMB'million	2017 RMB'million
Deferred tax assets	**28**	29
Deferred tax liabilities	**(684)**	(722)
	(656)	(693)

The net movement in the deferred tax during the year is as follows:

	2018 RMB'million	2017 RMB'million
As at 1 January	**(693)**	(305)
Acquisition of subsidiaries (Note 33)	**(12)**	(408)
Credited to consolidated statement of profit or loss (Note 13)	**49**	8
Redesignation of concession rights in relation to acquisition of subsidiaries	**–**	12
As at 31 December	**(656)**	(693)

28 DEFERRED TAX (Continued)

Deferred tax assets

	2018 RMB'million	2017 RMB'million
As at 1 January	**29**	–
Acquisition of subsidiaries	**–**	29
Debited to consolidated statement of profit or loss (Note 13)	**(1)**	–
As at 31 December	**28**	29
Analysed as:		
To be recovered after more than 12 months	**28**	29
To be recovered within 12 months	**–**	–
	28	29

Deferred tax assets are recognised mainly 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 PRC and the UK of approximately RMB20 million. These tax losses of approximately RMB17 million will expire at various dates up to and including 2023, and the remaining balance can be carried forward indefinitely.

The Group has unrecognised deferred tax assets of approximately RMB134 million (2017: RMB67 million) in respect of tax losses of approximately RMB501 million (2017: RMB235 million), that can be carried forward against future taxable income. These tax losses of approximately RMB467 million (2017: RMB217 million) will expire at various dates up to and including 2023 (2017: 2022).

Deferred tax liabilities

Deferred taxation, representing fair value adjustment, 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:

	2018 RMB'million	2017 RMB'million
As at 1 January	**(722)**	(305)
Acquisition of subsidiaries (Note 33)	**(12)**	(437)
Credited to consolidated statement of profit or loss (Note 13)	**50**	8
Redesignation of concession rights in relation to acquisition of subsidiaries	**–**	12
As at 31 December	**(684)**	(722)
Analysed as:		
To be settled after more than 12 months	**(684)**	(722)
To be settled within 12 months	**–**	–
	(684)	(722)

28 DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

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 2018, deferred tax liabilities of approximately RMB88 million (2017: RMB44 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 approximately RMB1,766 million at 31 December 2018 (2017: RMB885 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 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 **RMB'million**	2017 RMB'million
Interest rate swaps – cash flow hedge		
– Non-current liabilities	**8**	12
– Current liabilities	**2**	1
	10	13

The other derivative financial instruments represented the interest rate swap contracts for hedging against the interest rate risk in respect of the 7 years' syndicated loan denominated in GBP with a notional principal amount of approximately GBP66 million at 31 December 2018 (2017: GBP69 million). The swap contracts have similar critical terms as the hedged item, such as reference rate, payment dates, maturities and notional amount. The Group hedged 100% of its loan and all critical terms matched during the year, the economic relationship was 100% effective. There was no ineffectiveness during 2018 and 2017 in relation to the interest rate swaps.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

30 OTHER PAYABLES AND ACCRUALS

	2018 **RMB'million**	2017 RMB'million
Construction costs payable	**701**	1,264
Consideration payable in relation to acquisitions	**229**	347
Value-added tax payables	**339**	234
Amounts due to associates (Note (a))	**296**	–
Other payables and accruals	**530**	360
	2,095	2,205

Note:

(a) During the year ended 31 December 2018, the Group obtained a loan from an associate with principal amount of approximately RMB287 million with an interest rate of 4.35% per annum. The loan was unsecured and repayable in December 2019. The remaining balance of approximately RMB9 million were unsecured, interest-free and repayable in demand.

31 FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2018, the Group held the following financial instruments:

	Notes	2018 RMB'million	2017 RMB'million
Financial assets			
Financial assets at fair value through profit or loss	20	**249**	363
Financial assets at amortised cost			
– Other financial assets at amortised cost		**2,924**	3,691
– Cash deposits	22	**3,220**	3,735
– Trade, bills and tariff adjustment receivables	23	**4,093**	1,739
		10,486	9,528
Financial liabilities			
Financial liabilities at amortised cost			
– Bank and other borrowings	25	**22,072**	18,206
– Convertible bonds debt portion	26	**–**	974
– Other payables and accruals	30	**2,095**	2,205
Financial liabilities at fair value through profit or loss			
– Convertible bonds derivative portion	26	**–**	7
– Interest rate swaps	29	**10**	13
		24,177	21,405

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.1. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

32 CASH FLOW INFORMATION

(a) Net cash generated from operations

	2018 RMB'million	2017 RMB'million
(Loss)/profit before income tax	(470)	174
Adjustments for:		
Government grant	(2)	(12)
Bargain purchase arising from:		
(i) Business combinations; and	(26)	(956)
(ii) Acquisition of investments accounted for using equity method	–	(15)
Depreciation	595	459
Fair value losses on financial assets at fair value through profit or loss	114	61
Fair value losses on financial liabilities at fair value through profit or loss	7	229
Finance income	(84)	(53)
Finance costs	1,337	1,275
Impairment charge on concession rights	279	32
Impairment charge on financial assets	13	–
Share-based payment expenses	42	71
Share of profits of investments accounted for using equity method	(37)	(105)
Operating profit before working capital changes	1,768	1,160
Changes in working capital		
Financial assets at fair value through profit or loss	–	47
Other receivables, deposits and prepayments	713	65
Trade, bills and tariff adjustment receivables	(2,166)	118
Other payables and accruals	71	(498)
Net cash generated from operations	386	892

32 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	Other loans RMB'million	Convertible bonds RMB'million	Loan from an associate 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	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 and 1 January 2018	**10,651**	**3,267**	**2,287**	**1,731**	**250**	**20**	**981**	**–**
Cash flows								
– Principal and related arrangement fee	**(171)**	**1,655**	**–**	**(6)**	**167**	**777**	**(306)**	**287**
– Interest paid	**–**	**–**	**(187)**	**–**	**–**	**–**	**(25)**	**–**
Non-cash changes								
– Acquisition of subsidiaries (Note 33)	**–**	**271**	**–**	**–**	**–**	**–**	**–**	**–**
– Finance costs	**65**	**67**	**205**	**29**	**5**	**–**	**136**	**–**
– Initial recognition on unamortised loan facilities fees	**–**	**(42)**	**–**	**–**	**–**	**–**	**–**	**–**
– Transfer from convertible bonds to loans (Note 25(c))	**–**	**–**	**–**	**–**	**–**	**804**	**(804)**	**–**
– Exchange difference	**52**	**–**	**131**	**–**	**8**	**36**	**18**	**–**
As at 31 December 2018	**10,597**	**5,218**	**2,436**	**1,754**	**430**	**1,637**	**–**	**287**

(c) Major non-cash transactions

During the year ended 31 December 2018, the major non-cash transaction included a convertible bond with principal amount of US$100 million which was matured. Upon the maturity date, such convertible bond with its redemption amount and related interest expense totalling approximately US$123 million was redeemed and converted to a loan of approximately US$123 million payable to the original convertible bond holder (Note 25(d)).

33 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 2018, the Group, through one of its indirectly wholly-owned subsidiaries, has acquired four solar power plants in the PRC from independent third parties and have achieved grid connection. The acquisitions have immediately enabled to supplement the Group's existing renewable power plant portfolio and further expand its scale of business in the renewable energy sector to enhance return to the shareholders of the Company. The table below summarised the details of the projects acquired.

Name of the company	Month of acquisition in 2018	Equity interest acquired	Cash consideration	Power plants acquired			
				Type	Location	Number of plants	Installed capacity
			RMB'million				MW
Zhuozi Luyang New Energy Co., Limited*("Zhuozi Luyang") (卓資縣陸陽新能源有限公司)	May	100%	36	Solar	Inner Mongolia	2	20
Hangjin Houqi Guodian Photovoltaics Co., Limited*("Hanghou Guodian") (杭錦後旗國電光伏發電有限公司)	August	80%	81	Solar	Inner Mongolia	2	50

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

	RMB'million
Consideration	
Cash	117
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests	
Property, plant and equipment (Note 16)	511
Value-added tax recoverable	43
Trade and tariff adjustment receivables (Note (b))	188
Other receivables, deposits and prepayments	10
Cash and cash equivalents	18
Pledged deposits	12
Other payables and accruals	(332)
Bank and other borrowings	(271)
Deferred tax liabilities (Note 28)	(12)
Total identifiable net assets	167
Non-controlling interests (Note (e))	(24)
Bargain purchase recognised in the consolidated statement of profit or loss (Note (d))	(26)
	117
Net cash outflow arising from the acquisitions	
Consideration payable	18
Cash and cash equivalents acquired	18
Less: Cash consideration	(117)
	(81)

33 BUSINESS COMBINATION (Continued)

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. In addition, the Group had also completed acquisitions of certain PRC projects from independent third parties during the year ended 31 December 2017.

The aggregate financial information as at acquisition date is presented as follows:

	Tibet Zongneng Projects	Other PRC Projects	UK Projects	Total
	RMB'million	RMB'million	RMB'million	RMB'million
Consideration:				
– Equity	501	–	–	501
– Cash	249	423	243	915
Contingent consideration payable	–	13	18	31
Redesignation of concession rights previously recognised				
– Intangible assets	–	54	7	61
– Deferred tax liabilities	–	(11)	(1)	(12)
Fair value of previously held interest	–	232	–	232
Early exercise of call option	–	124	–	124
Total consideration	750	835	267	1,852
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests				
Property, plant and equipment	605	4,583	947	6,135
Intangible assets	1,700	–	–	1,700
Value-added tax recoverable	21	437	–	458
Trade and other receivables and prepayments	13	647	13	673
Cash and cash equivalents	146	34	32	212
Other payables and accruals	(116)	(2,099)	(23)	(2,238)
Bank and other borrowings	(369)	(2,277)	(641)	(3,287)
Deferred tax assets	25	–	4	29
Deferred tax liabilities	(240)	(132)	(65)	(437)
Total identifiable net assets	1,785	1,193	267	3,245
Non-controlling interests	(437)	–	–	(437)
Bargain purchase recognised in the consolidated statement of profit or loss (Note (d))	(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

33 BUSINESS COMBINATION (Continued)

Notes:

(a) Revenue and loss contribution

The revenue and tariff adjustment and the loss included in the consolidated statement of profit or loss since acquisition date contributed by those business combinations occurred during the year are approximately RMB37 million and RMB3 million respectively.

Had the consolidation taken place at 1 January 2018, the consolidated statement of profit or loss would show pro-forma revenue on sales of electricity and tariff adjustments of approximately RMB2,156 million and loss of RMB475 million respectively.

(b) Acquired receivables

The fair values of trade and tariff adjustment receivables acquired were approximately RMB188 million.

The gross contractual amount of these trade and tariff adjustment receivables due in aggregate was approximately RMB188 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 liabilities of approximately RMB12 million (Note 28) have been provided in relation to these fair value adjustments.

(d) Bargain purchase on business combinations

The main reason giving rise to the bargain purchase for the year ended 31 December 2018 was the fact that the discount cash flows over the expected useful lives of the acquired projects exceeded the total consideration paid.

For the year ended31 December 2017, 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.

(e) Non-controlling interests

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

34 COMMITMENTS

(a) Capital commitments

As at 31 December 2018, capital commitments in respect of property, plant and equipment amounted to approximately RMB369 million (2017: RMB91 million).

(b) Commitments under operating leases

As at 31 December 2018 and 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, staff quarters and warehouses as follows:

	2018 RMB'million	2017 RMB'million
Within one year	**19**	25
After one year but within five years	**49**	75
Over five years	**156**	220
	224	320

35 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

(a) New shares subscription

On 20 January 2019, the Company entered into new share subscription agreements with various existing shareholders and one existing debt holder for issuing and allotting approximately 5,721,193,467 million subscription shares at HK$0.3 for each subscription share. The net proceeds from the share subscription amounted to approximately HK$797 million (equivalent to approximately RMB695 million) after setting-off against a loan of approximately HK$915 million (equivalent to approximately RMB799 million) from one of the subscribers. This new share subscription was completed on 21 March 2019.

(b) Disposal of UK operations

On 19 March 2019, the Group entered into a sale and purchase agreement with an independent third party for disposing 100% equity interest of a subsidiary with operation in the UK ("UK operations"), which holds solar power plants with aggregate installed capacity of 82.4MW, for a cash consideration of approximately GBP34 million (equivalent to approximately RMB296 million). The transaction was completed on 19 March 2019. As at 31 December 2018, there was no board approval to commit the disposal of the UK operations.

(c) Disposal of equity interest in an associate

On 22 March 2019, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement to dispose of 17% equity interest in an associate for a consideration of approximately RMB43 million. The completion of the transaction is subject to the fulfillment of certain conditions as set out in the agreement.

(d) Acquisitions of subsidiaries

On 20 December 2018, the Group entered into conditional sales and purchase agreements to acquire 100% equity interests in two project companies which own 5 solar power plants with aggregate installed capacity of 90MW in the PRC, at a maximum cash consideration of approximately RMB23 million. The acquisition is expected to be completed in May 2019.

36 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year.

	2018 **RMB'million**	2017 RMB'million
Interest expenses paid to associates (Note (i))	**43**	–
Loan facility fees paid to an associate (Note (ii))	**12**	–

Notes:

(i) Interest expenses were charged at interest rates ranging from 4.35% to 6.5% per annum. As at 31 December 2018, the loans to associates were repayable on demand.

(ii) The loan facility fees were conducted at normal commercial terms and conditions with an aggregate fees of approximately RMB36 million. Such fees were amortised over the period of the loan facility.

(b) Key management compensation

	2018 **RMB'million**	2017 RMB'million
Short-term employee benefits	**9**	10
Share-based payment	**36**	42
	45	52

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2018 RMB'million	2017 RMB'million
ASSETS		
Non-current assets		
Interests in subsidiaries	2,083	1,960
	2,083	1,960
Current assets		
Other receivables, deposits and prepayments	6	19
Amounts due from subsidiaries	5,775	5,411
Cash and cash equivalents	3	734
	5,784	6,164
Total Assets	7,867	8,124
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	803	803
Reserves (Note 37(b))	2,251	2,564
Total equity	3,054	3,367
LIABILITIES		
Non-current liabilities		
Convertible bonds	–	–
Bank and other borrowings	3,498	2,732
	3,498	2,732
Current liabilities		
Other payables and accruals	198	149
Convertible bonds	–	981
Amount due to a subsidiary	1	–
Bank and other borrowings	1,116	895
	1,315	2,025
Total liabilities	4,813	4,757
Total equity and liabilities	7,867	8,124

The statement of financial position of the Company was approved by the Board of Directors on 29 March 2019 and was signed on its behalf

Mr. Lu Zhenwei
Co-Chairman

Mr. Li Hong
Director

37 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
At 1 January 2018	7,201	220	(73)	123	53	(120)	37	(4,877)	2,564
Comprehensive loss									
Loss for the year	–	–	–	–	–	–	–	(509)	(509)
Other comprehensive income	–	–	–	–	–	154	–	–	154
Total comprehensive income/(loss)	–	–	–	–	–	154	–	(509)	(355)
Redemption of convertible bonds (Note 26)	–	–	–	(123)	–	–	–	123	–
Lapse of share options	–	(5)	–	–	–	–	–	5	–
Share-based payment (Note 24)	–	42	–	–	–	–	–	–	42
	–	37	–	(123)	–	–	–	128	42
At 31 December 2018	7,201	257	(73)	–	53	34	37	(5,258)	2,251

	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
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	1,779	–	–	–	53	–	–	–	1,832
Issue of consideration shares in relation to acquisition of subsidiaries	453	–	–	–	–	–	–	–	453
Issue of shares upon exercise of share options	3	(1)	–	–	–	–	–	–	2
Issue of shares upon conversion of convertible bonds and related interest settlement	364	–	–	(20)	–	–	3	20	367
Redemption of convertible bonds	–	–	–	(114)	–	–	–	25	(89)
Share-based payment	–	71	–	–	–	–	–	–	71
	2,599	70	–	(134)	53	–	3	45	2,636
At 31 December 2017	7,201	220	(73)	123	53	(120)	37	(4,877)	2,564

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.

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	**2018**	2017	2016	2015	2014
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Sales of electricity	**630**	419	261	175	124
Tariff adjustment	**1,478**	1,103	737	456	255
Revenue	**2,108**	1,522	998	631	379
EBITDA	**1,772**	1,198	848	505	302
(Loss)/profit for the year:					
– From continuing operations	**(454)**	153	382	373	499
– From discontinued operations	**–**	–	–	–	(239)
	(454)	153	382	373	260

	As at 31 December				
Assets and liabilities	**2018**	2017	2016	2015	2014
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Total assets	**30,775**	28,594	17,181	12,969	7,168
Total liabilities	**(24,905)**	(22,166)	(14,573)	(10,739)	(5,684)
	5,870	6,428	2,608	2,230	1,484

INFORMATION FOR INVESTORS

ANNOUNCEMENT OF ANNUAL RESULTS

29 March 2019

ANNUAL GENERAL MEETING

3 June 2019

INFORMATION ABOUT SHARES

Board Lot: 2,000 shares
Issued Shares as at 31 December 2018: 9,529,811,467 shares
Issued Shares as at 29 March 2019: 15,251,004,934 shares

STOCK CODE

Hong Kong Stock Exchange: 00686
Bloomberg: 686 HK
Reuters: 0686.HK

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