CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Tang Wenyong
Mr. Li Hao

Independent Non-executive Directors

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

Board Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Control Committee

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

Strategy Committee

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

Principal Share Registrar and Transfer Office in Bermuda

Estera Management (Bermuda) Limited

Branch Share Registrar and Transfer Office in Hong Kong

Union Registrars Limited

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Website

http://www.pandagreen.com

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

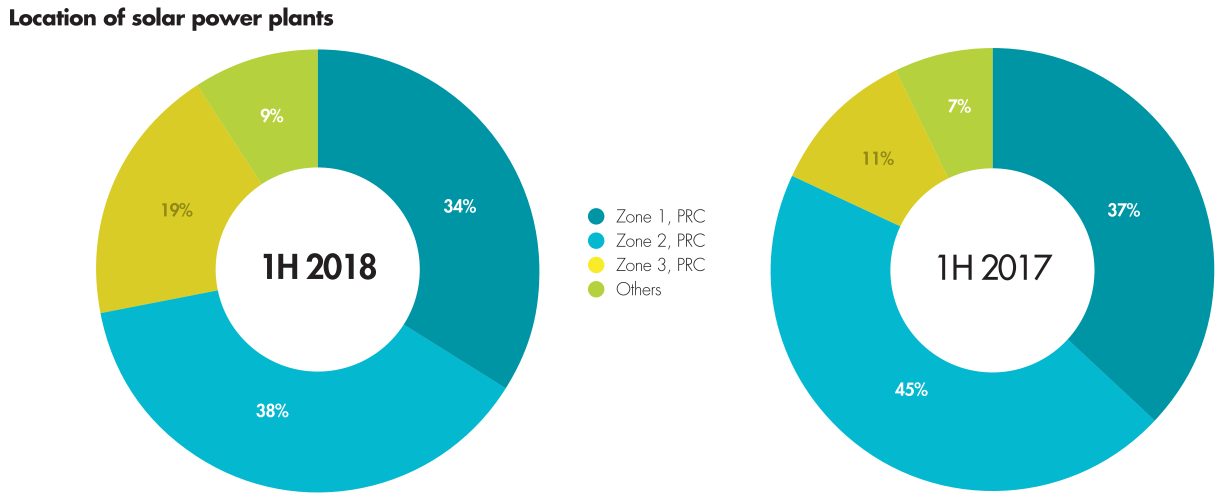
Diversification of investment locations and portfolios

During the six months ended 30 June 2018 (the "Period"), Panda Green Energy Group Limited (the "Company" or "Panda Green") and its subsidiaries (collectively, the "Group"), as a leading global eco-development solutions provider, 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 Period, the Group focused its resources on managing its existing solar power business and has added solar power plants with a total installed capacity of 22.3 megawatts ("MW"). As at 30 June 2018, the Group and its associates/joint venture had 67 (30 June 2017: 42) solar power plants with aggregate installed capacity of approximately 2,061.6MW (30 June 2017: 1,464.1MW). 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 16 different regions during the Period (30 June 2017: 14). Chart 1 analyses the locations of these solar power plants among various resource regions. It was noted that, in the first half ("1H") of 2017, there were approximately 37% and 45% of the total installed capacity of the solar power plants located within zone 1 and zone 2 in the PRC, respectively; while in 1H 2018, zone 1 and zone 2 accounted for 34% and 38% respectively of the total installed capacity. This shows our efforts in mitigating concentration risks by diversification of location selection.

Chart 1 Location of solar power plants



Almost all the solar power plants owned and controlled by the Group and its associates/joint venture are ground-mounted, with a small portion of them being 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 factors, including solar irradiation of the site, applicable feed-in tariffs, government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity. The Group will also continue to explore good opportunities for growth outside the PRC, such as those countries along the "Belt and Road".

MANAGEMENT DISCUSSION AND ANALYSIS

Other renewable energy projects

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

The Group owned development rights mainly in hydropower with an expected capacity of over 5 gigawatts ("GW"). The Company indirectly holds 75% of the equity interest in the project companies 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 focusing on the development of solar power business, while diversifying its renewable energy portfolios in order to supplement the multi-type energy supply in the long run.

Electricity generation

During the Period, the total electricity generated by the power plants of the Group and its associates/joint venture has increased from approximately 1,003,438 megawatt hours ("MWh") in 1H 2017 to approximately 1,546,170 MWh, or by approximately 54%. All these power plants are grid-connected and are generating electricity steadily.

Table 1 Power plants summary

	For the six months ended 30 June							
	2018				2017			
	Number of power plants	**Aggregate installed capacity (MW)**	**Electricity generation (MWh)**	**Weighted average utilization hours (Hours)**	Number of power plants	Aggregate installed capacity (MW)	Electricity generation (MWh)	Weighted average utilization hours (Hours)
Subsidiaries								
— Solar power plants	**55**	**1,707.8**	**1,209,866**	**713**	38	1,380.3	939,044	711
— Wind power plants	**1**	**48.0**	**62,656**	**1,305**	—	—	—	—
	56	**1,755.8**	**1,272,522**		38	1,380.3	939,044	
Associates/joint venture								
— Solar power plants	**12**	**353.8**	**273,648**	**773**	4	83.8	64,394	768
Total	**68**	**2,109.6**	**1,546,170**		42	1,464.1	1,003,438	

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

Average utilization hours

The weighted average utilization hour of solar power plants of the Group and its associates/joint venture has slightly increased for the Period. The Group actively carried out power market transactions, including inter-provincial solar power transmission, to improve the electricity generation and the utilization hours. The Group's first wind power plant in Shanxi, PRC recorded average utilization hours of 1,305 for the Period, which was 14% higher than that of the national industrial level.

MANAGEMENT DISCUSSION AND ANALYSIS

Table 2 Power plants information by resource zone

Location	As at 30 June 2018			For the six months ended 30 June 2018		
	Number of power plants Solar	Wind	Aggregate installed capacity (MW)	Electricity generation (MWh)	Revenue (RMB'million)	Average tariff per KWh (net of VAT) (RMB)
Subsidiaries:						
(i) Zone 1						
Inner Mongolia, PRC	8	—	280.0	228,838	179	0.78
Ningxia, PRC	1	—	200.0	149,431	112	0.75
Gansu, PRC	1	—	100.0	64,521	53	0.82
Zone 1 sub-total	10	—	580.0	442,790	344	0.78
(ii) Zone 2						
Qinghai, PRC	4	—	200.0	167,117	142	0.85
Shanxi, PRC	4	—	170.0	142,723	106	0.74
Xinjiang, PRC	7	—	120.2	89,870	66	0.73
Inner Mongolia, PRC	1	—	60.0	53,502	44	0.81
Yunnan, PRC	3	—	57.1	42,248	30	0.71
Hebei, PRC	2	—	37.3	27,976	25	0.89
Zone 2 sub-total	21	—	644.6	523,436	413	0.78
(iii) Zone 3						
Guangxi, PRC	1	—	60.0	29,821	25	0.83
Hubei, PRC	1	—	100.0	58,273	55	0.94
Shandong, PRC	1	—	40.0	27,412	24	0.86
Hunan, PRC	6	—	120.0	52,429	52	1.00
Guangdong, PRC	3	—	2.8	1,590	1	0.62
Zhejiang, PRC	1	—	3.0	2,757	1	0.40
Zone 3 sub-total	13	—	325.8	172,282	158	0.92
(iv) Others						
United Kingdom (the "UK")	6	—	82.4	44,000	43	0.98
Shanxi, PRC	—	1	48.0	62,656	32	0.51
Tibet, PRC	5	—	75.0	27,358	26	0.94
Others sub-total	11	1	205.4	134,014	101	0.75
Subsidiaries sub-total	**55**	**1**	**1,755.8**	**1,272,522**	**1,016**	**0.80**

MANAGEMENT DISCUSSION AND ANALYSIS

Location	As at 30 June 2018 Number of power plants Solar	Wind	Aggregate installed capacity (MW)	For the six months ended 30 June 2018 Electricity generation (MWh)	Revenue (RMB'million)	Average tariff per KWh (net of VAT) (RMB)
Associates/joint venture:						
Inner Mongolia, PRC	4	–	160.0	140,668	88	0.63
Yunnan, PRC	2	–	60.0	34,325	28	0.82
Shanxi, PRC	1	–	50.0	34,201	28	0.82
Qinghai, PRC	2	–	50.0	41,714	38	0.91
Jiangsu, PRC*	3	–	33.8	22,740	39	1.72
Associates/joint venture sub-total	**12**	**–**	**353.8**	**273,648**	**221**	**0.81**
Total	**67**	**1**	**2,109.6**	**1,546,170**	**1,237**	**0.80**

* Among the solar power plants located in Jiangsu, PRC, two roof-top power plants owned by Fengxian Huize Photovoltaic Energy Limited (豐縣暉澤光伏能源有限公司) have obtained electricity price of RMB2.41/KWh (VAT included) or RMB2.06/KWh (net of VAT), which is in line with the relevant electricity income guarantee provided by the vendor upon the acquisition of certain equity interests 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 2017.

Project development

Following the success in the development of "Top Runner" project, 100MW solar power plant in Datong, Shanxi, 2016, the Group successfully won another Top Runner project for 100MW water surface floating solar power plant in Anhui. 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.

During the Period, the Group participated in a few photovoltaic poverty alleviation projects in the PRC: one with aggregate installed capacity of 75MW in Guangdong; and two with aggregate installed capacity of 50MW in Sichuan were under construction.

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 Period, the Group has raised approximately RMB3.9 billion through various channels including medium-term notes, bank borrowings and finance leasing.

In addition, the Group has obtained the approval from a policy-lending bank for a long-term loan to replace a project construction loan of approximately RMB1.2 billion which will mature in November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

In the second quarter of 2017, the Group obtained a no-objection letter granted by the Shanghai Stock Exchange for the listing and trading of the corporate bonds for not more than RMB1 billion. In the fourth quarter of 2017, the Group also obtained approval from the China Securities Regulatory Commission for issuing another corporate bond of not more than RMB1.5 billion. As at 30 June 2018, the Group has successfully issued such bonds with principal amounts of RMB1.8 billion in aggregate.

Financial Review

Revenue and EBITDA

During the Period, the revenue and EBITDA were approximately RMB1,016 million and RMB881 million respectively (30 June 2017: RMB690 million and RMB556 million respectively). The increase in revenue and EBITDA was attributed to: (i) expansion in installed capacity of projects for around 27% by ways of acquisition and self-development; and (ii) effective monitoring control in operation and maintenance so that most power plants have increased in their electricity generation. The average tariff per KWh (net of VAT) for the Period was approximately RMB0.80. Table 2 summarizes 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 RMB33 million for the Period came from the acquisition of 20MW solar power plants; while the gain of approximately RMB598 million in 1H 2017 were 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 of fair value loss recognized for the Period was approximately RMB79 million (30 June 2017: RMB34 million). It mainly comprised a fair value loss of approximately RMB69 million on a call option to acquire 96.68% equity interest in an associate. Although the Group served a formal exercise notice to the major shareholder of the project company before the end of the exercise period, the transfer of equity interest had not yet been proceeded as at 30 June 2018. Accordingly, a fair value loss, representing the carrying amount of the call option as at 31 December 2017, was recognized.

The remaining balance represented a gain of approximately RMB26 million from the re-measurement of another call option in relation to the acquisition of 95% equity interest in another associate.

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

In 1H 2017, 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 Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Interests on bank and other borrowings

During the Period, the interests on bank and other borrowings increased to approximately RMB569 million (net of interest capitalised of approximately RMB11 million), or by 64%, as net debt financings in aggregate of approximately RMB3.9 billion from medium-term notes, bank borrowings and finance leasing were raised during the Period.

Last year, the Group issued US$ senior notes to redeem certain convertible bonds. Accordingly, the finance costs in relation to convertible bonds dropped significantly to approximately RMB64 million, or by 80%.

The overall finance costs (bank and other borrowings plus convertible bonds) to revenue ratio dropped from 121% for 1H 2017 to 72% for the Period.

Share-based payment

A share-based payment expense in amount of RMB61 million was recognised as expenses and was related to the amortization of the fair value of share options granted under the Company's share option scheme. The increase was mainly attributable to the grant of 589 million share options in June and 80 million share options in September 2017.

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 are usually settled within two months. For the tariff adjustment receivables in the PRC, during the Period, there was a further delay in repayment in the 5th & 6th batches. For the tariff adjustment receivables which is income related to the renewable obligation certificate in the UK, they are usually settled within 3 months as a result of the process time required for applying for renewable obligation certificates.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 30 June 2018		As at 31 December 2017	
	Aggregate installed capacity (MW)	**RMB'million**	Aggregate installed capacity (MW)	RMB'million
Trade and bills receivables		**117**		76
Tariff adjustment receivables				
— PRC				
— 5th batch	**100.0**	**105**	100.0	60
— 6th batch	**678.0**	**901**	678.0	529
— 7th batch	**287.2**	**714**	287.2	564
— 8th batch or after	**608.2**	**736**	585.9	499
— UK	**82.4**	**26**	82.4	11
Total	**1,755.8**	**2,599**	1,733.5	1,739

Convertible bonds

During the Period, the Company has redeemed two convertible bonds upon maturity. The remaining convertible bonds with principal amount of US$100 million and HK$233 million will be due in December 2018.

Bank and other borrowings

The Group is actively seeking opportunities to obtain financing/refinancing to lower the cost of funds and to improve liquidity. During the Period, the Group has obtained approximately RMB3.9 billion long-term borrowings, including the issue of an onshore 3-year RMB300 million medium-term note and a re-financing of an offshore 3-year US$100 million loan.

Key performance indicators

The Group measures the delivery of its strategies and manages its business through regular measurements of several key performance indicators, particularly on the following ratios: EBITDA margin, debt to EBITDA ratio, funds from operations to net debt ratio and interest coverage 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 has increased by 6%, from 81% in 1H 2017 to 87% for the Period. This was mainly due to effective costs control implemented during the Period and the synergies from the increased capacity of power plants.

Debt to EBITDA ratio: Debt to EBITDA ratio is a measurement of the number of 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 Period to approximately 19.61 (30 June 2017: 23.47).

MANAGEMENT DISCUSSION AND ANALYSIS

Funds from operations to net debt ratio: Funds from operations to net 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 net of cash interest paid divided by net debts. The ratio has increased from 1.6% for 1H 2017 to 2.6% for the Period.

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 period). The ratio was 1.95 for the Period (30 June 2017: 1.60).

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

As at 30 June 2018, the Group recorded non-current assets of approximately RMB23,096 million, current assets of approximately RMB6,422 million, current liabilities of approximately RMB7,631 million and non-current liabilities of approximately RMB15,542 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 condensed consolidated statement of financial position plus net debts.

The capital structure (including its gearing ratio) as at 30 June 2018 was as follows:

	30 June 2018 RMB'million	31 December 2017 RMB'million
Bank and other borrowings	**19,082**	18,206
Construction costs payables	**793**	1,264
Convertible bonds	**924**	981
Total borrowings	**20,799**	20,451
Less: cash deposits	**(3,523)**	(3,735)
Net debts	**17,276**	16,716
Total equity	**6,345**	6,428
Total capital	**23,621**	23,144
Gearing ratio	**73.1%**	72.2%

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will use its best endeavor 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 to reduce the capital expenditure.

Except for the bank and other borrowings and convertible bonds with aggregate amounts of RMB2,003 million and RMB924 million respectively, which were carried at fixed interest rates, the remaining borrowings of the Group bore floating interest rates.

As at 30 June 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	2,143	487	462	3,092
HK$	—	—	239	239
US$	—	—	147	147
GBP	4	—	41	45
	2,147	487	889	3,523
Representing:				
Non-current portion	1,724	—	—	1,724
Current portion	423	487	889	1,799
	2,147	487	889	3,523

As at 30 June 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	**After 1 but within 2 years** RMB'million	**After 2 but within 5 years** RMB'million	**After 5 but within 10 years** RMB'million	**Over 10 years** RMB'million	**Total** RMB'million	**Weighted average life** (Years)
RMB	4,207	1,038	5,493	3,629	749	15,116	6.34
US$	875	2,342	972	—	—	4,189	1.80
HK$	211	93	—	—	—	304	1.27
GBP	24	202	85	474	—	785	4.65
	5,317	3,675	6,550	4,103	749	20,394	5.43
Less: unamortised loan facilities fee	(103)	(83)	(85)	(89)	(28)	(388)	
Carrying amount	5,214	3,592	6,465	4,014	721	20,006	

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, 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 30 June 2018, the Group had capital commitment in respect of property, plant and equipment contracted amounted to approximately RMB453 million.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Period, the Group had no material acquisitions nor disposals of subsidiaries and associated companies.

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 during the Period.

Material Reliance on Key Customer

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 Power (Group) Co., Ltd ("Inner Mongolia Power"), all of which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. As at 30 June 2018, the receivables from the subsidiaries of State Grid and Inner Mongolia Power were approximately 70.6% and 17.6% of the total trade, bills and tariff adjustment receivables respectively.

There was only one customer for the sales of electricity in the UK. This customer has strong financial position based on its public available financial information and 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.

Charge on Assets

As at 30 June 2018, 76% 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

As at 30 June 2018, the Group had 428 full-time employees (30 June 2017: 325). 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 RMB61 million) for the Period amounted to approximately RMB50 million (30 June 2017: RMB56 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 only arise from the translation to the presentation currency of the Group. For the operations in the United Kingdom, the net cash inflows from operations are sufficient to cover its loans which are denominated in local currency, therefore, no significant exchange rate exposure is concerned. The Group did not resort to any currency hedging facility for the Period. However, the management will enhance the monitoring on the Group's foreign currency exposure, should the need arise.

Contingent Liabilities

As at 30 June 2018, the Group had no significant contingent liability.

Material Changes Since the Publication of the Latest Annual Report

Save for matters disclosed above, there were no material changes in the business operation of the Group since the publication of the 2017 annual report dated 28 March 2018 to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

Against the backdrop of global transformation of low-carbon energy system, renewable energy has developed rapidly in recent years. As shown in the Renewables 2018 Global Status Report ("GSR") from the Renewable Energy Policy Network for the 21st Century ("REN21"), renewable power accounted for 70% of net additions to global power generating capacity in 2017, and investment in new renewable power capacity was more than twice that of new fossil fuel and nuclear power capacity combined, among which, photovoltaic ("PV") power additions increased by 29% compared with that of 2016, to 98 GW. More PV power generating capacity was added to the electricity system than net capacity additions of coal, natural gas and nuclear power combined. Currently, most of the countries in the world have been proactively fulfilling their commitment to climate change and sustainable development under the United Nations Framework Convention on Climate Change and the Paris Agreement.

China has been committed to combating climate change in a proactive and responsible manner, and deems combating climate change as a significant opportunity to realize the transformation of its development model. It has also been proactively identifying a low-carbon development path in line with China's general condition. Since the "13th Five-Year" Plan, China has been promoting supply-side reform continuously, and the importance of high-quality economic development and environmental protection has increased significantly. With the rapid development of solar battery technology, cost of solar products and equipment and PV power generation has reduced quickly. Supported by various PV policies, the newly added installed capacity of PV power generation in China ranked first for the fifth consecutive year and the cumulative installed capacity ranked first for the third consecutive year in the world. During the period of the "13th Five-Year" Plan, construction of PV power plants and equipment has been further accelerated, with an average annual installed capacity of 75%. According to statistics from the National Energy Administration, 53GW installed capacity of PV power plants was added in 2017, accounting for more than 50% of global newly added installed capacity, which is also a significant increase by 53.62% as compared with that of 34.5GW in 2016. Among the newly added capacity of PV power, centralized and distributed PV power generation was 33.62GW and 19.44GW respectively, increasing by 11% and nearly 3.7 times as compared to the corresponding period last year. Until the end of April 2018, the on-grid installed capacity of PV power generation amounted to 140GW in China, which outperformed the target as set out in the "13th Five-Year" Plan of Renewable Energy Development (《可再生能源發展「十三五」規劃》), demonstrating the great progress in green transformation of China's economy.

Notwithstanding the above notable achievement, the PV industry has also been challenged by 1) enlarged subsidies gap, 2) curtailment and 3) risk of overcapacity in China. In order to develop PV industry in a sustainable and healthy way and minimize the burden of subsidies for renewable energy, 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》) on 31 May 2018, which made adjustments to the quota available for the construction of various PV power plants and the on-grid tariffs in the three areas in 2018. Such new policy may affect the PV industry, particularly, midstream and upstream manufacturers in the short run, but it may minimize the burden of subsidies, solve the problem of curtailment, motivate enterprises to develop endogenously, reduce non-technology cost of local government and improve business environment in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

As a leading global eco-development solutions provider, Panda Green has been proactively complying with the strategic approach of China's establishment of green ecological civilization. In 2016, together with the United Nations Development Programme, Panda Green started to promote and implement the "Panda Power Plant" initiative along the "Belt and Road" countries. In June 2017, the first "Panda Power Plant" in the world owned by Panda Green commenced operation in Datong, Shanxi. In October 2017, the Second "Panda Power Plant" commenced operation in Guigang, Guangxi. In 2018, Panda Green will continue to promote the construction of "Panda Power Plant" in the PRC. As of 30 June 2018, there were 68 power plants owned by Panda Green and its associates/joint venture, with an aggregate installed capacity of 2.11GW. The electricity generation volume for the first six months of 2018 was 1,546,170MWh, which is roughly equivalent to the effect of reducing standard coal utilization of 510,000 tonnes, reducing carbon dioxide emission of 1,330,000 tonnes, reducing sulfur dioxide emission of 12,833 tonnes as well as reducing nitrogen oxide emission of 11,906 tonnes (equivalent to the volume of carbon dioxide to be absorbed by 72,490,000 trees for a whole year).

Leveraging on its rich experience and innovative technology in the operation and maintenance of power plants, Panda Green launched "Panda Operation and Maintenance System", a comprehensive solution to the intelligent operation and maintenance of global new energy plants, at the 12th (2018) International Photovoltaic Power Generation and Smart Energy Exhibition & Conference ("2018 SNEC"), aiming to integrate superior resources, improve operation and maintenance efficiency and boost profits of the new energy industry as a whole.

2018 marks the first year to implement the principles of the 19th National Congress of the Communist Party of China, the 40th anniversary of the reform and opening up and a crucial year for the "13th Five-Year" Plan of Renewable Energy Development. In face of challenges and opportunities ahead, Panda Green will remain actively participating in the strategic act of green economy transformation in China and make further use of the synergy effects of hydropower, PV power, wind power and energy storage. During the course of PV industry transformation, Panda Green will slow down the pace of project acquisitions. However, in order to be well-positioned for the forthcoming grid parity and promote new energy globally, Panda Green, relying on its rich experience and advanced technology in power plant operations, intends to develop light-asset business to reduce operating costs, expand financing channels to optimize its financial structure, and continue its efforts in technology innovation.

Interim Results

The board of directors (the "Board" or the "Directors") of the Company announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'million	 2017 RMB'million (Restated)
Sales of electricity		**304**	187
Tariff adjustment		**712**	503
Revenue	3	**1,016**	690
Other income		**6**	1
Employee benefits expenses (excluding share-based payment expenses)		**(50)**	(56)
Legal and professional fees		**(19)**	(8)
Maintenance costs		**(29)**	(33)
Rent and rates		**(14)**	(9)
Business hospitality		**(6)**	(9)
Water and electricity		**(5)**	(3)
Other expenses		**(18)**	(17)
EBITDA#		**881**	556
Acquisition costs arising from business combinations		**(2)**	(8)
Depreciation		**(285)**	(200)
Bargain purchase arising from business combinations	17	**33**	598
Fair value losses on financial assets at fair value through profit or loss	5	**(79)**	(34)
Fair value loss on financial liabilities at fair value through profit or loss	6	**–**	(229)
Finance costs:	4		
(i) in relation to bank and other borrowings; and		**(569)**	(348)
(ii) in relation to convertible bonds:			
— Redeemed/converted during the period		**(6)**	(216)
— Outstanding at end of the period		**(57)**	(106)
Finance income		**43**	10
Share-based payment expenses		**(61)**	(7)
Share of profits of investments accounted for using equity method		**34**	22
(Loss)/profit before income tax		**(68)**	38

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Note	**Unaudited Six months ended 30 June 2018 RMB'million**	2017 RMB'million (Restated)
(Loss)/profit before income tax		**(68)**	38
Income tax expenses	7	**(19)**	(11)
(Loss)/profit for the period		**(87)**	27
(Loss)/profit attributable to:			
— Shareholders of the Company		**(87)**	24
— Non-controlling interests		**–**	3
		(87)	27
(Loss)/earnings per share attributable to shareholders of the Company			
— Basic (RMB cents)	9	**(0.91)**	0.37
— Diluted (RMB cents)	9	**(0.91)**	(0.04)

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 other companies.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'million	2017 RMB'million (Restated)
(Loss)/profit for the period		**(87)**	27
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Cash flow hedge, net of tax		**6**	(11)
Currencies translation differences		**(63)**	103
Other comprehensive (loss)/income for the period, net of tax		**(57)**	92
Total comprehensive (loss)/income for the period		**(144)**	119
Total comprehensive (loss)/income for the period attributable to:			
— Shareholders of the Company		**(144)**	116
— Non-controlling interests		**—**	3
		(144)	119

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'million	Audited 31 December 2017 RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment	10	**15,904**	15,567
Intangible assets		**2,524**	2,524
Investments accounted for using equity method		**885**	801
Financial assets at fair value through profit or loss		**89**	132
Other receivables, deposits and prepayments		**1,941**	2,050
Pledged deposits		**1,724**	903
Deferred tax assets		**29**	29
Total non-current assets		**23,096**	22,006
Current assets			
Financial assets at fair value through profit or loss		**195**	231
Trade, bills and tariff adjustment receivables	11	**2,599**	1,739
Other receivables, deposits and prepayments		**1,829**	1,786
Pledged deposits		**423**	1,229
Restricted cash		**487**	10
Cash and cash equivalents		**889**	1,593
Total current assets		**6,422**	6,588
Total assets		**29,518**	28,594
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	12	**803**	803
Reserves		**4,990**	5,073
		5,793	5,876
Non-controlling interests		**552**	552
Total equity		**6,345**	6,428

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018 RMB'million**	Audited 31 December 2017 RMB'million
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	13	**14,792**	12,997
Contingent consideration payables		**13**	16
Deferred government grant		**7**	7
Deferred tax liabilities		**725**	722
Other derivative financial instrument		**5**	12
Total non-current liabilities		**15,542**	13,754
Current liabilities			
Other payables and accruals		**2,400**	2,205
Bank and other borrowings	13	**4,290**	5,209
Convertible bonds	14	**924**	981
Contingent consideration payables		**16**	16
Other derivative financial instruments		**1**	1
Total current liabilities		**7,631**	8,412
Total liabilities		**23,173**	22,166
Total equity and liabilities		**29,518**	28,594

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Unaudited									
	Attributable to shareholders of the Company									
	Share capital RMB'million	Share premium RMB'million	Share-based payment reserve RMB'million	Convertible bonds equity reserve RMB'million	Translation reserve RMB'million	Other reserve RMB'million	Accumulated losses RMB'million	Total RMB'million	Non-controlling interests RMB'million	Total equity RMB'million
Balance at 1 January 2018	803	7,201	147	123	(122)	185	(2,461)	5,876	552	6,428
Comprehensive income										
Loss for the period	–	–	–	–	–	–	(87)	(87)	–	(87)
Other comprehensive loss	–	–	–	–	(63)	6	–	(57)	–	(57)
Total comprehensive loss for the period ended 30 June 2018	–	–	–	–	(63)	6	(87)	(144)	–	(144)
Redemption of convertible bonds	–	–	–	(15)	–	–	15	–	–	–
Share-based payments	–	–	61	–	–	–	–	61	–	61
Total transactions with shareholders, recognised directly in equity	–	–	61	(15)	–	–	15	61	–	61
Balance at 30 June 2018	803	7,201	208	108	(185)	191	(2,533)	5,793	552	6,345

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Unaudited									
	Attributable to shareholders of the Company									
	Share capital RMB'million	Share premium RMB'million	Share-based payment reserve RMB'million	Convertible bonds equity reserve RMB'million	Translation reserve RMB'million	Other reserve RMB'million	Accumulated losses RMB'million (restated)	Total RMB'million (restated)	Non-controlling interests RMB'million	Total equity RMB'million (restated)
Balance at 1 January 2017	402	4,602	77	257	(327)	99	(2,616)	2,494	114	2,608
Comprehensive income										
Profit for the period	–	–	–	–	–	–	24	24	3	27
Other comprehensive loss	–	–	–	–	103	(11)	–	92	–	92
Total comprehensive income for the period ended 30 June 2017	–	–	–	–	103	(11)	24	116	3	119
Non-controlling interests arising from business combinations	–	–	–	–	–	501	–	501	437	938
Issue of shares through placement and warrant subscription	280	1,779	–	–	–	53	–	2,112	–	2,112
Issue of shares upon conversion of convertible bonds	72	387	–	(20)	–	–	–	439	–	439
Issue of shares upon exercise of share options	–	3	(2)	–	–	–	–	1	–	1
Redemption of convertible bonds	–	–	–	(31)	–	–	(30)	(61)	–	(61)
Share-based payments	–	–	7	–	–	–	–	7	–	7
Total transactions with shareholders, recognised directly in equity	352	2,169	5	(51)	–	554	(30)	2,999	437	3,436
Balance at 30 June 2017	754	6,771	82	206	(224)	642	(2,622)	5,609	554	6,163

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'million	2017 RMB'million (Restated)
Cash flow from operating activities			
Net cash (used in)/generated from operations	15	**(61)**	414
Income tax paid		**(17)**	(9)
Net cash (used in)/generated from operating activities		**(78)**	405
Cash flow from investing activities			
Acquisitions of subsidiaries, net of cash acquired	17	**1**	(60)
Capital contribution to investments accounted for using equity method		**(50)**	(620)
Amounts with investments accounted for using equity method		**807**	–
Deposits paid for investments		**–**	(205)
Dividend received from an investment accounted for using equity method		**–**	19
Settlement of consideration and contingent consideration payables for acquisition of subsidiaries		**(57)**	–
Interest received		**36**	8
Capital expenditure		**(1,021)**	(659)
Net cash used in investing activities		**(284)**	(1,517)
Cash flow from financing activities			
Interests on banks and other borrowings paid		**(464)**	(223)
Interests on convertible bonds paid		**(24)**	(133)
Increase in restricted cash		**(477)**	(3)
Increase in pledged deposits		**(10)**	(196)
Redemption of convertible bonds		**(104)**	(1,614)
Net proceeds from bank borrowings		**2,671**	2,146
Repayment of bank borrowings		**(2,979)**	(1,129)
Net proceeds from loans from leasing companies		**902**	746
Repayment of loans from leasing companies		**(133)**	(891)
Net proceeds from medium-term notes		**292**	30
Net proceeds from senior notes		**–**	2,312
Net proceeds from placing of new shares and issue of warrants		**–**	1,883
Proceeds from exercise of share options		**–**	3
Repayment of loans from third parties		**–**	(56)
Net cash (used in)/generated from financing activities		**(326)**	2,875
Net (decrease)/increase in cash and cash equivalents		**(688)**	1,763
Cash and cash equivalents at beginning of period		**1,593**	996
Effect of foreign exchange rate changes		**(16)**	53
Cash and cash equivalents at end of period		**889**	2,812

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business in Hong Kong is Unit 1012, 10/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

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

This condensed consolidated interim financial information ("Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. This Financial Information has been approved for issue by the Board of Directors on 24 August 2018.

1.1 Key events during the six months ended 30 June 2018

Acquisitions of subsidiaries (Note 17)

The Group completed the acquisition of solar power plants with an aggregate installed capacity of 20MW which are located in Inner Mongolia, the People's Republic of China (the "PRC").

Issue of medium-term notes (Note 13)

The Group has issued RMB300 million 7.5% medium-term notes due 2021 which raised the aggregate net proceeds of RMB292 million.

2 Basis of preparation

This Financial Information for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets/liabilities at fair value through profit or loss, contingent consideration payable and other derivative financial instruments, which were carried at fair values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation (Continued)

2.1 Going-concern basis

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately RMB1,209 million. As at 30 June 2018. the Group had total bank and other borrowings of RMB19,082 million, of which approximately RMB4,290 million are scheduled to be repayable within the coming twelve months from 30 June 2018. As at the same date, the Group also had convertible bonds, included in current liabilities, of approximately RMB924 million.

As at 30 June 2018, the Group had RMB1,172 million as deposits outstanding for proposed acquisitions of solar power plants with an aggregate installed capacity of 745MW pursuant to the terms of the conditional sale and purchase agreements and framework agreement. Should these potential acquisitions be completed, the Group would have to contribute additional capital to finance the settlement of its Engineering, Procurement and Construction ("EPC") payables and other payables of these solar power plants.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation (Continued)

2.1 Going-concern basis (Continued)

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 30 June 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 30 June 2018.

(i) The Group has obtained an approval from a policy-lending bank in the PRC for a long-term loan of approximately RMB1.2 billion for replacing one project construction loan which will mature in November 2018.

(ii) The Group is pursuing the opportunities to issue the medium-term notes and long-term corporate bonds in the PRC. The directors believe that the Group could successfully issue the medium-term notes and long-term corporate bonds.

(iii) 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 proceed, the Group will try to co-invest with other interested investors, if any, and try to negotiate long-term borrowings from banks or other financial institutions to finance the settlement of EPC payables and other payables of these subsidiaries to be acquired. Based on the past experience of the Group, the directors believe that the Group could obtain such long-term borrowings from banks and other financial institutions.

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

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

2 Basis of preparation (Continued)

2.1 Going-concern basis (Continued)

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 June 2018. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether management of the Group can achieve the plans and measures described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to secure various sources of short-term or long-term financing as and when required, to obtain the financial support from CMNEG as needed, and to generate adequate operating cash inflows from its existing solar power plants and other power plants to be acquired or constructed in the expected timeframe.

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

2.2 Comparative figure adjustments

(i) Adjustments in relation to business combinations

(a) During the six months ended 30 June 2017, the Company had several acquisitions. The fair values of identifiable assets acquired, liabilities assumed and the non-controlling interests in these business combinations were provisional as previously stated in the interim condensed consolidated financial information for the period ended 30 June 2017. During the measurement period, the Group obtained new information about facts and circumstances that existed as of the acquisition date. The finalisation of the purchase price allocation was completed in the second half of 2017. Accordingly, the Group retrospectively adjusted the provisional fair values of the identifiable assets acquired, liabilities assumed and the non-controlling interests and the corresponding bargain purchase as at the date of acquisition to reflect the measurement period adjustment as at the date of acquisition.

(b) In addition, the Group early exercised a call option and acquired the remaining 50% equity interests in a joint venture in the first half of 2017. The fair value of the call option as at the acquisition date was derecognised in the interim condensed consolidated statement of profit or loss as "Fair value loss in financial assets through profit or loss" for the six months ended 30 June 2017 which should have been recognised as part of the consideration with a corresponding reduction in the bargain purchase arising from the acquisition as at the acquisition date. The revised presentation does not have any impact to the net profit for the six months ended 30 June 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation (Continued)

2.2 Restatement to comparative figures (Continued)

(ii) Early redemption of convertible bonds

During the six months ended 30 June 2017, the Company early redeemed certain convertible bonds before their maturity. Certain of these convertible bonds were compound financial instruments which comprised liability and equity component. Upon the early redemption of certain convertible bonds, the consideration paid relating to the equity component of certain of these convertible bonds was recognised as finance costs in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2017 which should have been recognised in the convertible bonds equity reserve in the interim condensed consolidated statement of changes in equity for the six months ended 30 June 2017.

The above adjustments had been properly reflected in the Group's consolidated financial statements as at and for the year ended 31 December 2017 and thus there were no impacts to the consolidated statement of financial position as at 31 December 2017.

The comparative figures for the six months ended 30 June 2017 have been adjusted to reflect the above adjustments with the effects as follows:

Interim condensed consolidated statement of profit or loss for the six months ended 30 June 2017

	RMB'million
Decrease in bargain purchase on business combination (Note (i)(a))	(311)
Decrease in bargain purchase on business combination (Note (i)(b))	(124)
Decrease in fair value loss in financial assets through profit or loss (Note (i)(b))	124
Decrease in losses on early redemption of convertible bonds (Note ii)	61
Decrease in profit for the period	(250)
Decrease in profit attributable to	
— Shareholders of the Company	(250)
— Non-controlling interests	—
	(250)
Decrease in earnings per share attributable to the shareholders of the Company	
— Basic (RMB cents)	(3.81)
— Diluted (RMB cents)	(3.43)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation (Continued)

2.3 Accounting policies

The accounting policies applied are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new and amended standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

These standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of standards issued but not yet applied by the entity

Preliminary assessment on impact of standards issued but not yet applied by the Group:

HKFRS 16 Lease	As at 30 June 2018, the Group had non-cancellable lease commitments of approximately RMB307 million. Majority of these commitments will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. Right-of-use assets will be amortised on a straight line basis during the lease terms while the lease liabilities will be measured at amortised cost subsequent to the adoption of this standard.

The Group will continue to assess the financial impact of these standards and does not intend to early adopt these standards before their respective effective dates.

2.4 Critical accounting estimates and assumptions

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

In preparing this Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation (Continued)

2.5 Financial risk management

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

The Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. There have been no changes in the risk management policies since year end. Compared to 31 December 2017, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2018.

3 Segment information

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

The Group is pursuing expansion and involvement in clean energy technologies, including solar, wind power and hydropower. During the period, 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 segment as it is still under development stage and therefore CODM does not regard these segments as reportable segments. Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the CODM. Accordingly, reconciliation of segment profit to the Group's profit is not separately presented.

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

	Unaudited For the six months ended 30 June	
	2018 RMB'million	2017 RMB'million
The PRC	**973**	653
The United Kingdom ("UK")	**43**	37
	1,016	690

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Segment information (Continued)

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

	Unaudited 30 June 2018 RMB'million	Audited 31 December 2017 RMB'million
The PRC	**18,565**	18,114
The UK	**895**	951
Others	**1**	13
	19,461	19,078

For the six months ended 30 June 2018, there were four customers (2017: three) which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	Unaudited For the six months ended 30 June	
	2018 RMB'million	2017 RMB'million
Customer A	**179**	156
Customer B	**141**	131
Customer C	**138**	72
Customer D	**112**	na

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Finance costs

	Unaudited For the six months ended 30 June	
	2018 **RMB'million**	2017 RMB'million (restated)
In relation to bank and other borrowings:		
— Interest expenses	**491**	308
— Loan facilities fee	**89**	40
	580	348
In relation to convertible bonds:		
(i) Redeemed/converted during the period:		
— Interest accretion	**6**	123
— Subsequent re-measurement losses on derivative portion	**–**	53
— Losses on early redemption	**–**	40
	6	216
(ii) Outstanding at end of the year:		
— Interest accretion	**64**	96
— Subsequent re-measurement (gain)/loss on derivative portion	**(7)**	10
	57	106
Total finance costs before interest capitalisation	**643**	322
Less: Interest capitalised	**(11)**	—
	632	322

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'million	RMB'million (Restated)
Call option issued relating to the acquisition of investments accounted for using equity method	**(43)**	(43)
Unlisted investment	**(36)**	12
Previously held interest in an investments accounted for using equity method	**–**	(3)
	(79)	(34)

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

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'million	RMB'million
Issue of shares and warrants	**–**	229

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Income tax expenses

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

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

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'million	RMB'million
Current income tax	**19**	12
Deferred income tax	**–**	(1)
	19	11

8 Dividends

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2018 (30 June 2017: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Earnings per share

(a) Basic

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

	Unaudited For the six months ended 30 June	
	2018	2017 (Restated)
(Loss)/profit attributable to the shareholders of the Company (RMB'million)	**(87)**	24
Weighted average number of ordinary shares in issue (million shares)	**9,530**	6,553
Basic (loss)/earnings per share (RMB cents)	**(0.91)**	0.37

(b) Diluted

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares (convertible bonds, warrants and share options) for the six months ended 30 June 2017; however, they had anti-dilutive impact for the six months ended 30 June 2018.

The convertible bonds were assumed to have been converted into ordinary shares, and the net loss has been adjusted to eliminate the interest expense and fair value change.

For the share option 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 option/warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options/warrants.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Earnings per share (Continued)

(b) Diluted (Continued)

	Unaudited For the six months ended 30 June	
	2018	2017 (Restated)
Earnings (RMB'million)		
(Loss)/profit attributable to the shareholders of the Company	**(87)**	24
Assumed exercise/conversion of certain convertible bonds (30 June 2017: certain convertible bonds)		
Adjustments for:		
Certain convertible bonds		
— Imputed accretion	**–**	10
— Subsequent re-measurement loss on derivative portion	**–**	(22)
— Loss on early redemption	**–**	(15)
Adjusted loss attributable to shareholders of the Company used to determine the diluted earnings per share	**(87)**	(3)
Weighted average number of ordinary shares in issue (million shares)	**9,530**	6,553
Adjustments for:		
— Assumed conversion of certain convertible bonds	**–**	502
— Assumed exercise of share options	**–**	11
— Assumed exercise of warrants	**–**	208
Weighted average number of ordinary used to determine the diluted earnings per share	**9,530**	7,274
Diluted loss per share attributable to the shareholders of the Company (RMB cents)	**(0.91)**	(0.04)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Property, plant and equipment

Movements in property, plant and equipment is analysed as follows:

	RMB'million
As at 1 January 2018	15,567
Acquisition of a subsidiary (Note 17)	155
Addition	467
Depreciation	(285)
Interest capitalised	11
Exchange difference	(11)
As at 30 June 2018	15,904

11 Trade, bills and tariff adjustment receivables

	Unaudited 30 June 2018 RMB'million	Audited 31 December 2017 RMB'million
Trade receivables	**91**	55
Tariff adjustment receivables	**2,482**	1,663
Trade and tariff adjustment receivables	**2,573**	1,718
Bills receivables	**26**	21
Trade, bills and tariff adjustment receivables	**2,599**	1,739

As at 30 June 2018, trade receivables of approximately RMB91 million represented receivables from sales of electricity and are usually settled within two months.

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 (Group) Co., Ltd based on the respective electricity sale and purchase agreements for each of the Group's solar plants and prevailing nationwide government policies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Trade, bills and tariff adjustment receivables (Continued)

As at 30 June 2018, the ageing analysis by invoice date of the trade and tariff adjustment receivables were as follows:

	Unaudited 30 June 2018 RMB'million	Audited 31 December 2017 RMB'million
Current	**2,159**	1,512
1 — 30 days	**55**	41
31 — 60 days	**35**	56
61 — 90 days	**65**	11
91 — 180 days	**71**	36
181 — 365 days	**125**	62
Over 365 days	**63**	—
	2,573	1,718

12 Share capital

	Number of shares (million)	**RMB'million**
Ordinary shares of HK$0.10 each		
Authorised:		
As at 1 January 2018 and 30 June 2018	20,000	1,637
Issued and fully paid:		
As at 1 January 2018 and 30 June 2018	9,530	803

13 Bank and other borrowings

	Unaudited 30 June 2018 RMB'million	Audited 31 December 2017 RMB'million
Non-current	**14,792**	12,997
Current	**4,290**	5,209
	19,082	18,206

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Bank and other borrowings (Continued)

Movements in bank and other borrowings is analysed as follows:

	RMB'million
As at 1 January 2018	18,206
Amortisation of loan facilities fees	81
Net proceeds from bank borrowings	2,674
Repayment of bank borrowings	(2,979)
Net proceeds from loans from leasing companies	902
Repayment of loans from leasing companies	(133)
Net proceeds from medium-term notes	292
Unamortised interest cost on pledged deposits	6
Exchange difference	33
As at 30 June 2018	19,082

The effective interest rate for bank and other borrowings as at 30 June 2018 was 5.29% (31 December 2017: 5.17%)

14 Convertible bonds

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

	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 2018	974	7	981
Interest accretion	70	—	70
Subsequent fair value re-measurement recognised	—	(7)	(7)
Interests settlement	(24)	—	(24)
Redemption upon maturity	(104)	—	(104)
Exchange difference	8	—	8
As at 30 June 2018	924	—	924

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Condensed consolidated statement of cash flows

Net cash generated from operations

	Unaudited For the six months ended 30 June	
	2018 RMB'million	2017 RMB'million (Restated)
(Loss)/profit before income tax	**(68)**	38
Adjustments for:		
Bargain purchase arising from business combinations	**(33)**	(598)
Deprecation	**285**	200
Fair value losses on financial assets at fair value through profit or loss	**79**	34
Fair value losses on financial liabilities at fair value through profit or loss	**–**	229
Finance income	**(43)**	(10)
Finance cost	**632**	670
Share-based payment expenses	**61**	7
Share of profits of investments accounted for using equity method	**(34)**	(22)
Operating profit before working capital changes	**879**	548
Changes in working capital		
Trade, bills and tariff adjustment receivables	**(834)**	(218)
Others	**(106)**	84
Net cash (used) in/generated from operations	**(61)**	414

16 Commitments

As at 30 June 2018, the Group had capital commitment in respect of property, plant and equipment contracted amounted to approximately RMB453 million (31 December 2017: RMB91 million).

17 Business combinations

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 Period, the Group has completed the acquisition of two solar power plants from independent third parties and have achieved on-grid connection. The table below summarised the details of the projects acquired.

Name of the company	Month of acquisition in 2018	Equity interest acquired	Cash consideration RMB'million	Power plants acquired			
				Type	Location	Number of plants	Installed capacity MW
Zhuozi Luyang New Energy Co., Ltd.* (卓資縣陸陽新能源有限公司)	May	100%	18	Solar	Inner Mongolia	2	20

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

	RMB'million
Consideration:	
Cash consideration	18
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests	
Property, plant and equipment	155
Value-added tax recoverable	15
Trade and other receivables and prepayments (Note (b))	28
Cash and cash equivalents	17
Other payables and accruals	(161)
Deferred tax liabilities	(3)
Total identifiable net assets	51
Bargain purchase recognised in interim condensed consolidated statement of profit or loss	(33)
	18
Net cash inflow arising from the acquisitions	
Consideration payable	2
Cash and cash equivalents acquired	17
Less: Cash consideration	(18)
	1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 Business combinations (Continued)

Notes:

(a) Revenue and profit contribution

The revenue and tariff adjustment and the profit included in the interim condensed consolidated statement of profit or loss since acquisition date contributed by those acquisition occurred during the six months ended 30 June 2018 were approximately RMB2 million and RMB1 million respectively.

Had the consolidation taken place at 1 January 2018, the interim condensed consolidated statement of profit or loss would show pro-forma revenue on sales of electricity and tariff adjustment of approximately RMB1,025 million and loss of RMB81 million.

(b) Acquired receivables

The fair values of trade, bills and tariff adjustment receivables acquired were approximately RMB26 million.

The gross contractual amount of these trade receivables due in aggregate was approximately RMB26 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 RMB3 million have been provided for in relation to these fair value adjustments.

(d) Bargain purchase on business combinations

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.

(e) Non-controlling interests

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 Related-party transactions

(a) Significant related party transactions

Other than those balances and transactions disclosed elsewhere in this Financial Information, no significant related party transactions between the Group and its related parties were occurred during the period (30 June 2017: Nil).

(b) Key management compensation

	Unaudited For the six months ended 30 June	
	2018 RMB'million	2017 RMB'million
Short-term employee benefits	**5**	7
Share-based payment	**39**	4
	44	11

19 Fair value measurement

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

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

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

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 Fair value measurement (Continued)

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

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

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

The following table presents the changes in level 3 instruments for the period ended 30 June 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	Derivatives portion of convertible bonds RMB'million	Contingent consideration payables RMB'million
Opening balance at 1 January 2018	132	15	216	(7)	(32)
Fair value gains/(losses) recognised in the interim condensed consolidated statement of profit or loss	(43)	–	(36)	7	–
Settlement	–	–	–	–	3
Closing balance at 30 June 2018	89	15	180	–	(29)
Total gains/(losses) for the period included in the interim condensed consolidated statement of profit or loss for assets and liabilities held at the end of the reporting period	(43)	–	(36)	7	–
Change in unrealised gain/(loss) for the period included in the interim condensed consolidated statement of profit or loss for assets and liabilities held at the end of the reporting period	(43)	–	(36)	7	–

19 Fair value measurement (Continued)

(b) Sensitivity analysis of observable and unobservable inputs

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

Description	Fair value at 30 June 2018 RMB'million	Fair value at 31 December 2017 RMB'million	Valuation techniques	Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss 30 June 2018 RMB'million	Favourable/(unfavourable) changes in profit or loss 31 December 2017 RMB'million
Financial assets at fair value through profit or loss							
– Call options	**89**	132	Binomial model	Volatility	+5%	**3**	7
					–5%	**(2)**	(7)
– Unlisted investment	**180**	216	Discount cash flow method	Discount rate	+0.5%	**(6)**	(6)
					–0.5%	**6**	6
				Revenue	+5%	**7**	8
					–5%	**(7)**	(8)
Financial liabilities at fair value through profit or loss							
– Derivatives portion of convertible bonds	**–**	(7)	Binomial model	Volatility	+5%	**–**	(4)
					–5%	**–**	3
				Share price	+HK$0.10	**–**	(5)
					–HK$0.10	**–**	3

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 Fair value measurement (Continued)

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

Except for the liability component of the convertible bonds which were carried at amortised cost, the carrying amounts of all financial assets and financial liabilities of the Group approximated their fair values as at 30 June 2018 (31 December 2017: Same).

	Unaudited 30 June 2018		Audited 31 December 2017	
	Carrying value RMB'million	**Fair value RMB'million**	Carrying value RMB'million	Fair value RMB'million
Financial liabilities				
Convertible bonds carried at amortised cost	**924**	**953**	974	1,051

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

OTHER INFORMATION

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 30 June 2018, the interests of the directors of the Company (the "Directors"), the chief executive and their associates in the ordinary shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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. Jiang Wei	1,420,560	—	—	0.01%

(b) Long positions in warrants

	Number of underlying shares			
Name of Director	**Personal interests (held as beneficial owner)**	**Corporate interests (Interests of controlled corporation)**	**Other interests**	**Percentage of total number of issued shares**
Mr. Li, Alan	—	168,553,178 (note 2)	—	1.77%

Notes:

1. Among the 510,859,422 shares, 492,685,935 shares were held by Magicgrand Group Ltd. ("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, which shall be physically settled upon exercise.

OTHER INFORMATION

Other than disclosed above and in the section headed "Share Option Scheme" below, none of the Directors or the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company and 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 as at 30 June 2018.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the six-month period ended 30 June 2018 was the Company, its holding company, any of its subsidiaries or any subsidiaries of its holding company, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Period.

Share Option Scheme

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

As the original scheme limited of the Option Scheme had been almost fully utilised, the scheme limit of the Option Scheme was refreshed by the Shareholders' approval at the annual general meeting held on 26 May 2017. After the refreshment, a total of 589,250,000 share options to subscribe for 589,250,000 shares were granted on 16 June 2017, and 80,000,000 share options to subscribe for 80,000,000 shares were granted on 12 September 2017. Details of the share options granted under the Option Scheme to Directors and employees of the Group and movement in such holding during the Period are as follows:

Grantees	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2018	Changes during the Period: Granted	Exercised	Lapsed	Outstanding at 30 June 2018	Exercise period (note)
1. Directors									
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

OTHER INFORMATION

Grantees	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2018	Changes during the Period Granted	Exercised	Lapsed	Outstanding at 30 June 2018	Exercise period (note)
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 1 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
Mr. Jiang Wei	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	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. 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

OTHER INFORMATION

Grantees	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2018	Changes during the Period: Granted	Changes during the Period: Exercised	Changes during the Period: Lapsed	Outstanding at 30 June 2018	Exercise period (note)
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
Mr. Shi Dinghuan	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	1,000,000	–	–	–	1,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	3,000,000	16 June 2018 to 15 June 2022
Mr. Ma Kwong Wing	8 January 2015	1	1	2,000,000	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	1,000,000	–	–	–	1,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	3,000,000	16 June 2018 to 15 June 2022
2. Other officers and employees	8 January 2015	1	1	21,100,000	–	–	(600,000)	20,500,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	11,183,319	–	–	(1,686,000)	9,497,319	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	241,250,000	–	–	(9,750,000)	231,500,000	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
3. 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	–	–	(12,036,000)	726,197,319	

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

(ii) the average closing price of the share 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.

OTHER INFORMATION

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

Date of grant	8 January 2015	28 January 2016	16 June 2017	12 September 2017
Risk free rate	1.257%	1.295%	0.984%	0.984%
Volatility	45%	45%	50%	50%
Dividend yield	0%	0%	0%	0%
Life of option (year)	5	5	5	5
Fair value (HK$' million)	22.5	7.1	233.5	33.1

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

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

Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2018, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO show that the following Shareholders (other than those disclosed in the section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures") had notified the Company or the Stock Exchange of relevant interests and short positions in the shares, underlying shares or debentures 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	—	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)	

OTHER INFORMATION

Name of Shareholder	Capacity	Number of shares held	Number of underlying shares held	Percentage of the issued shares (note 1)
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%
Qingdao City Construction Investment (Group) Co., Ltd.* (青島城市建設投資(集團)有限責任公司)	Interest in controlled corporation	—	486,564,540 (note 9)	5.11%

Notes:

1. These percentages are calculated based on 9,529,811,467 listed shares in issue as at 30 June 2018.

2. Among 1,088,394,523 shares, 508,450,273 shares were held by Snow Hill Developments Limited ("Snow Hill"), which is an indirect wholly-owned subsidiary of China Merchants, 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 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 unlisted warrants.

5. These shares and 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 1,537,344,513 shares and 362,948,274 unlisted warrants.

OTHER INFORMATION

6. These shares and 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 unlisted 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), which is 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), a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. and is owned as to 40 % by Guangdong Jinfeng Group Co., Ltd.* (廣東錦峰集團有限公司) respectively, which is indirectly wholly-owned by Mr. Sun Siu Kit through his wholly-owned company, Hong Kong Kam Fung Group Company Limited.

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

9. These underlying shares were held by Huaqing Solar Power Limited, which is indirectly wholly-owned by Qingdao City Construction Investment (Group) Co., Ltd* (青島城市建設投資(集團)有限責任公司).

10. Further to the Shareholders as set out above, as at 30 June 2018, each of China Green Holdings Limited (an indirect 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 a party 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 30 June 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.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Compliance with the Corporate Governance Code

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

Mr. Li, Alan, an executive Director, is the 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 believes that the balance of power and authority between the roles of chairman and chief executive will not be impaired by the present arrangement and the significant weight of the non-executive directors (including the independent ones) will enable the Board as a whole to effectively exercise its non-bias judgement.

OTHER INFORMATION

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted a code for securities transactions by the Directors on terms no less exacting than the required standard of the Model Code.

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

Changes in Information of Directors

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the annual report of the Company for the year ended 31 December 2017 are set out below:

Name of the Directors	Details of changes
Mr. Yu Qiuming	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.
Ms. Qiu Ping, Maggie	Retired as an executive Director of the Company on 1 June 2018.
Mr. Jiang Wei	Ceased to act as the chairman of the board of directors of United Photovoltaics (Shenzhen) Limited* (聯合光伏(深圳)有限公司), with effect from 23 March 2018.
	Ceased to act as the co-chairman of Mainland China operation of the Group, with effect from 7 August 2018.
Mr. Li Hao	Appointed as the director and president of ORIX (China) Investment Corporation, with effect from 1 July 2018.

Audit Committee

The financial statements of the Group for the Period have been reviewed by the Company's audit committee comprising three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Tang Wenyong.

OTHER INFORMATION

Interim Dividend

No interim dividend for the Period has been declared by the Board, and the register of members of the Company will not be closed for that purpose.

Appreciation

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

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

Hong Kong, 24 August 2018