

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.11 Investments and other financial assets (Continued)****(d) Impairment (Continued)**

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

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

(e) Accounting policies applied until 31 December 2017

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

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

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

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

(i) Subsequent measurement

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

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

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in the consolidated statement of profit or loss.

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

(ii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

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

(ii) Impairment (Continued)

Assets carried at amortised cost

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

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

2.12 Financial liabilities

(a) Recognition and measurement

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

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

2.15 Derivatives and hedging activities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Derivatives and hedging activities (Continued)

Cash flow hedge that qualify for hedge accounting

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

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

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

2.16 Trade, bills and tariff adjustment receivables

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

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

2.17 Cash and cash equivalents

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

2.18 Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowings

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

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

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

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

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

2.20 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Compound financial instruments

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax

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

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

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

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits

(a) *Short-term obligations*

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

(b) *Post-employment obligations*

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

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

(c) *Termination benefits*

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.24 Share-based payments****(a) Equity-settled share-based payment transactions**

The Group operates an employee share option plan. The fair value of options granted under the employee share option plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

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

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

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

(b) Share-based payment transactions among group entities

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Provisions

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

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

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

2.26 Revenue recognition

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

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

- (i) Identification of the contract, or contracts, with a customer;
- (ii) Identification of the performance obligations in the contract;
- (iii) Determination of the transaction price;
- (iv) Allocation of the transaction price to the performance obligations in the contract;
- (v) Recognition of revenue when, or as, a performance obligation is satisfied.

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.26 Revenue recognition (Continued)**

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

(a) Sales of electricity and tariff adjustment

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

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidy received and receivable pursuant to prevailing government policy in respect of the Group's renewable energy projects. Tariff adjustment is recognised at a point in time at fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

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

(b) Interest income

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

(c) Dividend income

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

(d) Operation and maintenance service income

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

2.28 Government grants

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.29 Related party transactions**

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) a person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the Group or is a member of the key management personnel of the Group (or of a parent of the Group).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

At 31 December 2018, if HK\$ had strengthened/weakened by 5% (2017: 5%) against RMB with all other variables held constant, loss for the year would have been approximately RMB1 million lower/higher (2017: profit for the year would have been approximately RMB2 million higher/lower).

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)****(a) Market risk (Continued)****(ii) Cash flow and interest rate risk**

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

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

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

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

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

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

At 31 December 2018, if interest rates on bank and other borrowings had been 50 basis points (2017: 50 basis points) higher/lower with all other variables held constant, loss for the year would have been approximately RMB64 million higher/lower (2017: profit for the year would have been approximately RMB57 million lower/higher) mainly as a result of higher/lower interest expense on floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

As at 31 December 2018, the Group has concentration of credit risk as 61% (2017: 59%) of its trade and tariff adjustment receivables were due from four largest customers (2017: four), which were mainly state-owned enterprises. Considering the track record of regular settlement of trade receivables and based on the Group's experience with respect to the collection of tariff adjustment receivables, which is well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant.

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

Impairment of financial assets

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

- (i) Trade, bills and tariff adjustment receivables
- (ii) Other receivables and deposits
- (iii) Cash at banks, restricted cash and pledged deposits

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)****(b) Credit risk (Continued)***(i) Trade and tariff adjustment receivables*

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

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

(ii) Other receivables and deposits

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

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

	Less than 1 year RMB'million	Between 1 year to 2 years RMB'million	Between 2 to 5 years RMB'million	Over 5 years RMB'million	Total RMB'million
At 31 December 2018					
Other payables and accruals	1,748	–	–	–	1,748
Bank and other borrowings and corresponding interests	6,760	6,888	6,713	6,150	26,511
Other derivative financial instruments	5	4	12	1	22
Contingent consideration payables	26	5	6	–	37
	8,539	6,897	6,731	6,151	28,318
At 31 December 2017					
Other payables and accruals	1,963	–	–	–	1,963
Bank and other borrowings and corresponding interests	6,271	2,275	8,629	4,789	21,964
Convertible bonds and corresponding interests	1,116	–	–	–	1,116
Other derivative financial instruments	4	4	6	1	15
Contingent consideration payables	16	5	17	–	38
	9,370	2,284	8,652	4,790	25,096

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.2 Capital risk management**

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

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

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

The gearing ratios at 31 December 2018 and 2017 were as follows:

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

3.3 Fair value estimation

The table below analyses financial instruments carried at fair values, by valuation method. The different levels have been defined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following tables present the fair value hierarchy of the Group's financial assets and liabilities that were measured at fair value at 31 December 2018 and 2017.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

- Guaranteed electricity output was estimated based on the shortfall of electricity pursuant to sale and purchase agreements mutually agreed between the relevant parties.
- Unlisted investment is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate, revenue, gross profit margin and expected free cash flows of the investee.
- Contingent consideration payables for acquisitions measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgement on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the then prevailing incremental cost of borrowings of the Group at time of acquisitions.
- The fair value of interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves.
- See relevant disclosures on fair value determination of call options (Note 19).

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2018.

	Financial assets at fair value through profit or loss			Financial liabilities at fair value through profit or loss	
	Call options RMB'million	Guaranteed electricity output RMB'million	Unlisted investment RMB'million	Derivative portion of convertible bonds RMB'million	Contingent consideration payables RMB'million
At 1 January	132	15	216	(7)	(32)
Fair value gains/(losses), net recognised in the consolidated statement of profit or loss	(72)	–	(42)	7	(7)
Settlements	–	–	–	–	3
At 31 December	60	15	174	–	(36)
Total gains/(losses) for the year included in the consolidated statement of profit or loss for assets held/liabilities assumed at the end of the year	(72)	–	(42)	7	(7)
Change in unrealised gains/(losses) for the year included in the consolidated statement of profit or loss at the end of the year	(3)	–	(42)	7	(7)

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Sensitivity analysis of observable and unobservable inputs

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

Description	Fair value at 31 December		Valuation techniques	Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss	
	2018	2017				2018	2017
	RMB' million	RMB' million				RMB' million	RMB' million
Financial assets at fair value through profit or loss							
Call options	60	132	Binomial model	Volatility	+5% -5%	1 (1)	7 (7)
Unlisted investment	174	216	Discounted cash flow method	Discount rate	+0.5% -0.5%	(4) 4	(6) 6
				Revenue	+5% -5%	7 (7)	8 (8)
Financial liabilities at fair value through profit or loss							
Derivative portion of convertible bonds	-	(7)	Binomial model	Volatility	+5% -5%	- -	(4) 3
				Share price	+HK\$0.10 -HK\$0.10	- -	(5) 3

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Business combinations

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(c) Useful lives of property, plant and equipment

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

(d) Fair value of other financial instruments

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

(e) Classification of investments

As at 31 December 2018, the Group has significant amounts of investments that involved particular terms and arrangements, and in different forms of financial instruments. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies, its decisions making process on those activities that involving the Group, if any and its other investors, the rights and power of the Group and other investors on the investee companies, any other arrangements or transactions among the Group, its other investors and/or the investee companies, and the Group's returns from the investments.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

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

The Group is pursuing expansion and involvement in clean energy technologies, including solar power, wind power and hydropower. During the year ended 31 December 2018, the Group has one reportable segment which is solar energy segment (2017: one). No material revenue, EBITDA, segment profit nor total assets had been attributed by the hydropower and wind power segments as it is still under development stage and therefore CODM does not regard these segments as reportable segments. Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the CODM. Accordingly, reconciliation of segment profit to the Group’s profit is not separately presented.

The Group’s revenue from contracts with external customers by geographical areas at a point in time is as follows:

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

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

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

For the year ended 31 December 2018, there were four customers (2017: three) which individually contributed over 10% of the Group’s total revenue. During the year, the revenue contributed from each of these customers was as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

8 OTHER INCOME

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

9 EMPLOYEE BENEFITS EXPENSES**(a) Employee benefits expenses (including Directors' emoluments)**

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

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)**(b) Five highest paid employees**

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

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

The emoluments fell within the following bands:

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

During the year ended 31 December 2018, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments

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

For the year ended 31 December 2018

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or the subsidiary undertaking					Emoluments paid for receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	Total
	Fees RMB'million	Salaries RMB'million	Discretionary bonuses RMB'million	Retirement benefit scheme contributions RMB'million	Share-based payment expenses RMB'million	RMB'million	RMB'million
Executive directors:							
Mr. Li, Alan	0.17	2.51	–	0.01	11.91	–	14.60
Mr. Lu Zhenwei (Note (i))	–	–	–	–	0.84	–	0.84
Mr. Yu Qiuming	0.17	1.15	–	–	11.90	–	13.22
Mr. Li Hong	0.17	1.50	0.17	0.02	11.91	–	13.77
Mr. Li Guangqiang (Note (ii))	0.04	0.15	0.13	–	0.64	–	0.96
Ms. Qiu Ping, Maggie (Note (iii))	0.07	1.27	0.14	0.01	–	–	1.49
Mr. Jiang Wei (Note (iv))	0.13	0.63	0.10	0.01	–	–	0.87
Non-executive directors:							
Mr. Tang Wenyong (Note (i))	–	–	–	–	0.48	–	0.48
Mr. Li Hao	0.13	–	–	–	–	–	0.13
Independent non-executive directors:							
Mr. Kwan Kai Cheong	0.17	–	–	–	0.48	–	0.65
Mr. Yen Yuen Ho, Tony	0.17	–	–	–	0.48	–	0.65
Mr. Shi Dinghuan	0.17	–	–	–	0.48	–	0.65
Mr. Ma Kwong Wing (Note (v))	0.16	–	–	–	–	–	0.16
Total	1.55	7.21	0.54	0.05	39.12	–	48.47

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments (Continued)

For the year ended 31 December 2017

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

Notes:

- (i) Agreed to waive their entitlement to director's fee for the year ended 31 December 2018
- (ii) Appointed on 11 October 2018
- (iii) Retired on 1 June 2018
- (iv) Resigned on 11 October 2018
- (v) Resigned on 13 December 2018
- (vi) Resigned on 18 October 2017
- (vii) None of the directors received remunerations in respect of accepting office as directors

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(d) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2017: Nil).

(e) Directors' termination benefits

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

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

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2017: Nil).

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

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2017: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company or an entity connected to a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

10 OTHER EXPENSES

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

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCE INCOME

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

Note:

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

12 FINANCE COSTS

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

NOTES TO THE FINANCIAL STATEMENTS

13 INCOME TAX CREDIT/(EXPENSE)

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

The income tax credit/(expense) in the consolidated statement of profit or loss represented:

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

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

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

14 DIVIDEND

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

NOTES TO THE FINANCIAL STATEMENTS

15 (LOSS)/EARNINGS PER SHARE**(a) Basic**

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

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

(b) Diluted

Diluted (loss)/earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2018, the Group has three (2017: three) categories of dilutive and anti-dilutive potential ordinary shares: convertible bonds, share options and warrants (Note 24(b)) (2017: convertible bonds, share options and warrants).

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

NOTES TO THE FINANCIAL STATEMENTS

15 (LOSS)/EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Power generating modules and equipment	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in-progress	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
At 1 January 2017								
Cost	27	1	9,791	7	24	11	37	9,898
Accumulated depreciation	(10)	–	(693)	(3)	(12)	(4)	–	(722)
Net book amount	17	1	9,098	4	12	7	37	9,176
Year ended 31 December 2017								
Opening net book amount	17	1	9,098	4	12	7	37	9,176
Acquisition of subsidiaries	82	3	5,587	1	1	2	459	6,135
Additions	2	6	46	2	8	4	632	700
Depreciation charge	(3)	(2)	(442)	(1)	(8)	(3)	–	(459)
Transfer	10	–	487	–	4	–	(501)	–
Exchange difference	–	–	15	–	–	–	–	15
Closing net book amount	108	8	14,791	6	17	10	627	15,567
At 31 December 2017								
Cost	121	10	15,926	10	37	16	627	16,747
Accumulated depreciation	(13)	(2)	(1,135)	(4)	(20)	(6)	–	(1,180)
Net book amount	108	8	14,791	6	17	10	627	15,567
Year ended 31 December 2018								
Opening net book amount	108	8	14,791	6	17	10	627	15,567
Acquisition of subsidiaries (Note 33)	–	–	445	66	–	–	–	511
Additions	–	–	9	1	4	–	1,626	1,640
Disposals	–	–	(3)	–	–	–	–	(3)
Depreciation charge	(6)	(4)	(568)	(6)	(8)	(3)	–	(595)
Transfer	–	–	1,155	–	–	–	(1,155)	–
Exchange difference	–	–	(5)	–	–	–	–	(5)
Closing net book amount	102	4	15,824	67	13	7	1,098	17,115
At 31 December 2018								
Cost	121	10	17,526	77	41	16	1,098	18,889
Accumulated depreciation	(19)	(6)	(1,702)	(10)	(28)	(9)	–	(1,774)
Net book amount	102	4	15,824	67	13	7	1,098	17,115

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS

	Concession rights RMB'million	Development rights RMB'million	Total RMB'million
At 1 January 2017			
Cost	1,570	–	1,570
Accumulated impairment	(653)	–	(653)
Net book amount	917	–	917
Year ended 31 December 2017			
Opening net book amount	917	–	917
Acquisition of subsidiaries	–	1,700	1,700
Redesignation in relation to acquisition of subsidiaries	(61)	–	(61)
Impairment	(32)	–	(32)
Closing net book amount	824	1,700	2,524
At 31 December 2017			
Cost	1,509	1,700	3,209
Accumulated impairment	(685)	–	(685)
Net book amount	824	1,700	2,524
Year ended 31 December 2018			
Opening net book amount	824	1,700	2,524
Impairment	(279)	–	(279)
Closing net book amount	545	1,700	2,245
At 31 December 2018			
Cost	1,509	1,700	3,209
Accumulated impairment	(964)	–	(964)
Net book amount	545	1,700	2,245

NOTES TO THE FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS (Continued)**(i) Concession rights**

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

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

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

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

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

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS (Continued)

(i) Concession rights (Continued)

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

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

(ii) Development rights

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

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

The key assumptions used for the cash flow projections as at 31 December 2018 are as follows:

	Hydropower	Solar power
Capacity	5,230.1MW	70MW*
Utilisation hours/insolation hours	4,300 to 4,700MWh/MWp	1,900MWh/MWp
Degradation factor	0% per annum	0.5% per annum
Feed-in-tariff		RMB1.05/kWh
– Sichuan	RMB0.30 to RMB0.31/kWh	N/A
– Tibet	RMB0.35/kWh in 2019 and 2020; RMB0.41 to RMB0.6/kWh in 2021 to 2035 with growth rate of 1% per year thereafter till the end of the useful life (Note)	RMB1.05/kWh
Discount rate	10.5% to 11.5%	8.5%
Construction costs per watt	RMB11 to RMB13	RMB12
Operating expenses per watt	RMB0.18 with annual growth rate of 2%	RMB0.13 with annual growth rate of 2%

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS (Continued)**(ii) Development rights (Continued)**

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

	Hydropower	Solar power
Capacity	5,230.1MW	90MW*
Utilisation hours/insolation hours	4,300 to 4,700MWh/MWp	1,900MWh/MWp
Degradation factor	0% per annum	0.5% per annum
Feed-in-tariff		
– Sichuan	RMB0.30 to RMB0.31/kWh	N/A
– Tibet	RMB0.44 to RMB0.46/kWh in 2018 to 2020; RMB0.48 to RMB0.6/kWh in 2021 to 2035 with growth rate of 1% per year thereafter till the end of the useful life	RMB1.05/kWh
Discount rate	10.5% to 11.5%	8.5%
Construction costs per watt	RMB11 to RMB13	RMB12 to RMB12.6
Operating expenses per watt	RMB0.18 with annual growth rate of 2%	RMB0.13 with annual growth rate of 2%

* 30MW are beyond the scope and not considered by the valuer in the valuation report in both 2018 and 2017, and 20MW are redesignated to property, plant and equipment upon the construction of the relevant solar power plants were completed in 2018.

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

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

NOTES TO THE FINANCIAL STATEMENTS

18 SUBSIDIARIES

(a) Particulars of the principal subsidiaries

Name of company	Place of incorporation or registration/ operation	Issued share capital/ registered capital	% of equity attributable to the Group		Principal activities
			2018	2017	
China Solar Power Group Limited ("CSPG")	British Virgin Islands ("BVI")	Issued and fully paid: US\$5,750,000	100%	100%	Investment holding
China Technology New Energy Limited	BVI	Issued and fully paid: US\$1	100%	100%	Possession of exclusive rights in developing roof-top solar plants
Datong United Photovoltaics New Energy Co., Ltd.	The PRC	Registered and paid up: RMB200,000,000	100%	100%	Operation and management of a solar power plant
Guodian Chahaeryouqianqi Solar Power Co., Ltd.	The PRC	Registered and paid up: RMB133,000,000	90.07%	90.07%	Operation and management of a solar power plant
Guodian Kezuozhongqi Photovoltaics Co., Ltd.	The PRC	Registered and paid up: RMB169,700,000	99.40%	99.40%	Operation and management of a solar power plant
Hami Huiteng Photovoltaics Co., Ltd	The PRC	Registered: RMB121,200,000 Paid up: Nil	100%	100%	Operation and management of solar power plants
Hanshou Zhonghui Solar Energy Co., Ltd.	The PRC	Registered: RMB5,000,000 Paid: up: Nil	100%	100%	Operation and management of solar power plants
Hubei Jingtai Photovoltaics Power Co., Ltd.	The PRC	Registered and paid up: RMB250,000,000	100%	100%	Operation and management of a solar power plant
Inner Mongolia Guorun (Chayouqianqi) Electricity Co., Ltd.	The PRC	Registered and paid up: RMB194,000,000	100%	100%	Operation and management of a solar power plant
Inner Mongolia Xingbang United Photovoltaics New Energy Co., Ltd.	The PRC	Registered and paid up: RMB1,000,000,000	100%	100%	Investment holding
Nanjing Silk Road New Energy Co., Ltd.	The PRC	Registered: RMB659,610,000 Paid up: RMB514,037,000	100%	100%	Investment holding
New Light Technology Limited	Hong Kong	Issued and fully paid: HK\$10,000	100%	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

18 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Name of company	Place of incorporation or registration/operation	Issued share capital/registered capital	% of equity attributable to the Group		Principal activities
			2018	2017	
Ningxia Zhongzi Photovoltaics Co., Ltd.	The PRC	Registered and paid up: RMB340,000,000	100%	100%	Operation and management of a solar power plant
Notus Investments 2 S.A R.L.	Luxembourg	Issued and fully paid: GBP15,000	100%	100%	Investment holding
Tibet Zangneng Corporation	The PRC	Registered and paid up: RMB400,000,000	75%	75%	Possession of development rights for hydropower and solar power projects
Tibet Zhongzi New Energy Technology Co., Ltd.	The PRC	Registered and paid up: RMB340,000,000	100%	100%	Investment holding
United Photovoltaics (Changzhou) Investment Group Co., Ltd.	The PRC	Registered: HK\$7,000,000,000 Paid up: HK\$4,704,130,168	100%	100%	Investment holding
United Photovoltaics (Shenzhen) Limited	The PRC	Registered: HK\$1,000,000,000 Paid up: HK\$424,638,271	100%	100%	Design and installation of solar power systems, research and development of solar power products and solar technology
Zhongli (Jiayuguan) Photovoltaic Power Co., Ltd.	The PRC	Registered and paid up: RMB500,000,000	100%	100%	Operation and management of a solar power plant
Zhongli Talesun Gonghe New Energy Limited	The PRC	Registered and paid up: RMB342,000,000	100%	100%	Operation and management of solar power plants
Zhongli Talesun Gonghe Photovoltaic Power Co., Ltd.	The PRC	Registered and paid up: RMB200,000,000	100%	100%	Operation and management of a solar power plant

Notes:

- (i) Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.
- (ii) The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names, as these subsidiaries do not have official English names.
- (iii) The cash at bank and other financial institution of approximately RMB3,163 million (2017: RMB2,850 million) held by the PRC subsidiaries were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.
- (iv) All the above PRC-incorporated subsidiaries are limited liability companies.

NOTES TO THE FINANCIAL STATEMENTS

18 SUBSIDIARIES (Continued)

(b) Material non-wholly-owned subsidiaries

As at 31 December 2018, the total non-controlling interest for the year was approximately RMB575 million (2017: RMB552 million). As at 31 December 2018, the Group re-assessed those subsidiaries that have non-controlling interests that are considered material to the Group based on their relative size in terms of installed capacities, total assets, revenue and EBITDA.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

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

(a) Investments in associates

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

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

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

Pursuant to an option agreement entered into between the Group and the major shareholder of Changzhou Ranchen during the year ended 31 December 2017, the Group was granted a call option to acquire 95% equity interest in Changzhou Ranchen. Such option may be exercisable by the Group within three months from the third anniversary of the completion of the registration of the share transfer at its discretion. As at 31 December 2018, the carrying amount of such call option was approximately RMB60 million (2017: RMB63 million).

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

	2018	2017
Risk free rate	2.8%	3.8%
Dividend yield	71.54%	40.38%
Life of the option (year)	2.22	3.22
Volatility	45%	50%

Pursuant to an option agreement entered into between the Group and the major shareholder of the associate in January 2015, the Group was granted a call option to acquire part or all of the equity interest in this associate from the major shareholder at the actual injection amount with an internal rate of return of 8% per annum. As at 31 December 2017, the carrying amount of such call option was approximately RMB69 million. Such call option may be exercisable by the Group within three months from the third anniversary of the completion of the registration of the share transfer at its discretion. During the year ended 31 December 2018, the Group did not exercise the call option upon its expiry and a fair value loss was recognised. As at 31 December 2018 and 2017, the major shareholder held 96.68% equity interest in such associate.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)**(a) Investments in associates (Continued)**

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

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

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

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

As at 31 December 2018, the cash and cash equivalents of approximately RMB143 million (2017: RMB207 million) that were held by PRC entities of the associates were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investments in joint ventures

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

In November 2016, the Group completed the acquisition of 50% equity interest in Tibet Zhongzi, a joint venture at a cash consideration of approximately RMB108 million.

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

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

In December 2017, the Group formed a joint venture with two business partners, through setting up a limited partnership, Changzhou Haozhen Venture Investment Center Limited Partnership ("Changzhou Haozhen"), in the PRC, to invest in renewable energy business. Each limited partner would contribute approximately RMB500 million to the joint venture. Under the partnership agreement, all relevant decisions are made unanimously. Under HKFRS 11, Changzhou Haozhen was classified as a joint venture and has been accounted for in the consolidated financial statements using equity method. As at 31 December 2018 and 2017, the joint venture held 95% equity interest in a project company which held solar power plants project in the PRC with the remaining 5% held by the Group and classified as an associate.

Set out below is the information of Changzhou Haozhen, the only joint venture of the Group as at 31 December 2018.

Name of entity	Place of establishment	% of ownership interest		Nature of business
		2018	2017	
Changzhou Haozhen	The PRC	33.1%	33.1%	Investment holding

The English name of the joint venture represents the best effort by the Group's management to translate its Chinese name, as the joint venture does not have official English name.

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

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)**(b) Investments in joint ventures (Continued)**

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

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

As at 31 December 2018, the cash and cash equivalents of approximately RMB75 million (2017: RMB95 million) that was held by Changzhou Haozhen was subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Notes:

- (a) According to certain sale and purchase agreements entered into between the Group and the vendors in respect of acquisition of subsidiaries, the vendors undertook to guarantee certain level of electricity output generated by the underlying solar power plants for a period of time and the shortfall would be payable by the vendors. The fair value was arrived at after considering the contractual terms, the actual shortfall in electricity generated and the outcome of the negotiation with the relevant vendors.
- (b) Unlisted investment mainly represent interests in certain unlisted companies which are principally engaged in development, investment, operation, management of solar power plants; and information technology development and technical support service after its internal restructuring in the PRC. The directors of the Company intend to divest this investment in the foreseeable future and accordingly, it is classified as investment held for trading and its fair value is determined with reference to a business valuation report issued by an independent valuer. The fair value loss recognised during the year was approximately RMB42 million (2017: loss of RMB13 million).

The fair value of unlisted investment mainly represents the fair value of the development of solar power plant business. The key assumptions used for the pre-tax cash flow projections of the development of solar power plant business are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Notes:

- (a) During the years ended 31 December 2018 and 2017, the Group entered into several conditional sale and purchase agreements and framework agreement in relation to proposed acquisition of project companies which own solar and wind power plants. As at 31 December 2018, the Group has paid approximately RMB1,255 million to a third party and affiliated companies of certain shareholders of the Company as deposits for investments.
- (b) As at 31 December 2018, the amounts due from associates, a joint venture and a related company were unsecured, interest-free and repayable on demand (2017: Same).

NOTES TO THE FINANCIAL STATEMENTS

22 CASH DEPOSITS

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

Notes:

- (a) As at 31 December 2018, the Group's bank balances of approximately RMB3,163 million (2017: RMB2,850 million) were deposited with banks or other financial institutions in the PRC. The remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.
- (b) Pledged deposits represented deposits pledged to banks or other financial institutions to secure banking facilities granted to the Group (Note 25(a)). Deposits of approximately RMB1,838 million were pledged to secure long-term borrowings granted to the Group which are due after one year, and therefore classified as non-current assets (2017: RMB903 million). The remaining deposits were pledged to secure short-term borrowings and therefore classified as current assets.
- (c) As at 31 December 2018, bank balance of approximately RMB8 million (2017: RMB10 million) was restricted for certain environmental protection purpose required by the local government. The deposit will be released upon fulfillment of such requirement.

23 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

23 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES (Continued)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

24 SHARE CAPITAL

	Number of shares (million)		Share capital	
	2018	2017	2018 RMB'million	2017 RMB'million
Ordinary shares of HK\$0.1 each				
Authorised				
At 1 January and 31 December	20,000	20,000	1,637	1,637
Issued and fully paid				
At 1 January	9,530	4,944	803	402
Issue of shares through placement and warrants subscription (Note (a))	—	3,203	—	280
Issue of consideration shares in relation to acquisition of subsidiaries	—	560	—	48
Issue of shares upon conversion of convertible bonds and related interest settlements	—	817	—	72
Issue of shares upon exercise of share options (Note (b))	—	6	—	1
At 31 December	9,530	9,530	803	803

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

(a) Share placement and warrants subscription

- (i) On 20 March 2017, the Company issued an aggregate of 2,232,978,962 shares and 871,075,858 warrants with a price of HK\$0.5814 and HK\$0.000775 each, respectively. The net proceeds from the placement and subscription was approximately HK\$1,266 million (equivalent to approximately RMB1,109 million) after netting off related transaction costs. Each warrant is entitled to subscribe in cash for one ordinary share of the Company at the subscription price of HK\$0.646 during the period of three years commencing from the date of issue of the warrants. A fair value loss of approximately RMB229 million was recognised on such issue of shares and warrants during the year ended 31 December 2017 which represents the difference in fair values of the shares and warrants as at the date on which the commitment to issue shares and warrants and as at the date of issue of such shares and warrants.
- (ii) On 12 April 2017, the Company issued an aggregate of 270,000,000 shares with a price of HK\$0.83 each. The net proceeds from the placement and subscription was approximately HK\$224 million (equivalent to approximately RMB198 million) after netting off related transaction costs.
- (iii) On 22 June 2017, the Company issued an aggregate of 700,000,000 shares through placement with a price at HK\$0.95 each. The net proceeds from the placement was approximately HK\$665 million (equivalent to approximately RMB576 million) after netting off related transaction costs.

(b) Share options

Certain share options were granted under the share option scheme adopted on 19 June 2012 to directors and employees of the Group. The option granted are subject to a vesting scale in three tranches of 30%, 30% and 40% with a vesting period of 1, 2 and 3 years respectively starting from the 1st anniversary and become fully vested on the 1st, 2nd and 3rd anniversary of the grant respectively. In the table below, "exercisable period" begins with the 1st anniversary of the grant date.

NOTES TO THE FINANCIAL STATEMENTS

24 SHARE CAPITAL (Continued)

(b) Share options (Continued)

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

				Number of share options (in thousands)				
Date of grant	Exercisable period		Exercise price HK\$	Balance as at 1 January 2018	During the year			Balance as at 31 December 2018
	From	To			Granted	Exercised	Lapsed/ cancelled	
Directors								
8.1.2015	8.1.2016	7.1.2020	1.00	6,600	–	–	(1,500)	5,100
8.1.2015	8.1.2017	7.1.2020	1.00	6,600	–	–	(1,500)	5,100
8.1.2015	8.1.2018	7.1.2020	1.00	8,800	–	–	(2,000)	6,800
28.1.2016	28.1.2017	27.1.2021	0.564	2,400	–	–	(300)	2,100
28.1.2016	28.1.2018	27.1.2021	0.564	5,400	–	–	(1,200)	4,200
28.1.2016	28.1.2019	27.1.2021	0.564	7,200	–	–	(1,600)	5,600
16.6.2017	16.6.2018	15.6.2022	1.076	102,900	–	–	(48,900)	54,000
16.6.2017	16.6.2019	15.6.2022	1.076	102,900	–	–	(48,900)	54,000
16.6.2017	16.6.2020	15.6.2022	1.076	137,200	–	–	(65,200)	72,000
12.9.2017	12.9.2018	11.9.2022	1.132	21,000	–	–	–	21,000
12.9.2017	12.9.2019	11.9.2022	1.132	21,000	–	–	–	21,000
12.9.2017	12.9.2020	11.9.2022	1.132	28,000	–	–	–	28,000
				450,000	–	–	(171,100)	278,900
Employees								
8.1.2015	8.1.2016	7.1.2020	1.00	7,530	–	–	(3,510)	4,020
8.1.2015	8.1.2017	7.1.2020	1.00	7,530	–	–	(3,510)	4,020
8.1.2015	8.1.2018	7.1.2020	1.00	10,040	–	–	(4,680)	5,360
28.1.2016	28.1.2017	27.1.2021	0.564	1,686	–	–	(593)	1,093
28.1.2016	28.1.2018	27.1.2021	0.564	4,370	–	–	(2,539)	1,831
28.1.2016	28.1.2019	27.1.2021	0.564	5,827	–	–	(3,385)	2,442
16.6.2017	16.6.2018	15.6.2022	1.076	72,375	–	–	(10,125)	62,250
16.6.2017	16.6.2019	15.6.2022	1.076	72,375	–	–	(10,125)	62,250
16.6.2017	16.6.2020	15.6.2022	1.076	96,500	–	–	(13,500)	83,000
12.9.2017	12.9.2018	11.9.2022	1.132	3,000	–	–	(3,000)	–
12.9.2017	12.9.2019	11.9.2022	1.132	3,000	–	–	(3,000)	–
12.9.2017	12.9.2020	11.9.2022	1.132	4,000	–	–	(4,000)	–
				288,233	–	–	(61,967)	226,266
				738,233	–	–	(233,067)	505,166
Exercisable at the end of the year				32,345				176,875

NOTES TO THE FINANCIAL STATEMENTS

24 SHARE CAPITAL (Continued)

(b) Share options (Continued)

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The significant assumptions used in the binomial model to derive the fair value at the date of grant were as follows:

Date of grant	12 September 2017	16 June 2017	28 January 2016	8 January 2015
Risk free rate	0.984%	0.984%	1.295%	1.257%
Expected volatility	50%	50%	45%	45%
Expected dividend yield	0%	0%	0%	0%
Life of option (year)	5	5	5	5
Closing share price at grant date	HK\$1.09	HK\$1.03	HK\$0.55	HK\$1.00
Exercise price per share	HK\$1.132	HK\$1.076	HK\$0.564	HK\$1.00
Weighted average fair value per share option	HK\$0.4135	HK\$0.3962	HK\$0.1927	HK\$0.3496

The expected volatility is calculated based on the historic volatility of share prices of the Company and comparable companies based on publicly available information. Expected dividend yield is based on historic dividends.

During the year 31 December 2018, share-based payment expenses of approximately RMB42 million (2017: RMB71 million) were recognised in the consolidated statement of profit or loss in relation to share options.

25 BANK AND OTHER BORROWINGS

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

NOTES TO THE FINANCIAL STATEMENTS

25 BANK AND OTHER BORROWINGS (Continued)

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

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

Notes:

- (a) As at 31 December 2018, bank borrowings and loans from leasing companies were secured by the following:
- (i) pledged deposits (Note 22(b));
 - (ii) power generating modules and equipment (Note 16);
 - (iii) pledge of the fee collection right in relation to the sales of electricity; and
 - (iv) mortgage over the equity interest in certain subsidiaries.
- (b) During the year ended 31 December 2018, the Group entered into several sales and leaseback agreements with leasing companies for certain assets, which included power generating modules and equipment ("Secured Assets"), of principal amounted approximately RMB1,953 million (2017: RMB1,807 million). The arrangements were for periods of 2 to 13 years (2017: 2 to 14 years). Upon maturity, the Group will be entitled to purchase the Secured Assets at a minimal consideration. The Group considered that it was almost certain that they would exercise this repurchase option. As substantial risks and rewards of the Secured Assets were retained by the Group before and after these arrangements, the transactions were regarded as secured borrowings, rather than finance lease arrangements. As at 31 December 2018, loans of approximately RMB472 million from associates were at normal commercial terms and interest rates.
- (c) As at 31 December 2018, senior notes, corporate bonds and medium-term notes were unsecured.
- (d) Other loans

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

- (i) During the year ended 31 December 2018, a convertible bond with principal amount of US\$100 million payable to Huaqing Solar Power Limited ("Huaqing") was matured. On 26 December 2018, such convertible bond with its redemption amount and related interest expense totalling approximately US\$123 million was redeemed and converted to a loan of approximately US\$123 million (equivalent to approximately RMB804 million) payable to Huaging (Note 26). Such loan of US\$123 million will be repayable in December 2019. Subsequent to year end, a portion of the loan of approximately US\$117 million (equivalent to approximately RMB799 million) was settled by netting off with the proceeds from share subscription (Note 35(a)); and
 - (ii) During the year 31 December 2018, the Group entered into an arrangement with a third party to dispose of its 100% equity interest of a subsidiary under which there was a call option allowing the Group to acquire back 100% equity interest from that third party. Such call option is exercisable before November 2019 at the amount of the cash received upon the inception of the arrangement plus actual subsequent amounts injected by that third party to the subsidiary together with a premium of 10% per annum. In this connection and under such arrangement, such cash received from that third party amounting to approximately RMB35 million was recognised as other loans as at 31 December 2018.
- (e) The principal of bank borrowings and loans from leasing companies which bear floating interest rates are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

26 CONVERTIBLE BONDS

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

	Financial liabilities at amortised cost – debt portion RMB'million	Financial liabilities at fair value through profit or loss – derivative portion RMB'million	Total RMB'million
As at 1 January 2017	3,068	86	3,154
Interest accretion	325	–	325
Recognition of subsequent fair value re-measurement	–	48	48
Losses/(gains) on early redemption	152	(124)	28
Settlement of interests	(170)	–	(170)
Conversion to ordinary shares of the Company	(436)	–	(436)
Early redemption	(1,855)	–	(1,855)
Exchange difference	(110)	(3)	(113)
As at 31 December 2017 and 1 January 2018	974	7	981
Interest accretion	143	–	143
Recognition of subsequent fair value re-measurement	–	(7)	(7)
Settlement of interests	(25)	–	(25)
Redemption	(306)	–	(306)
Conversion from convertible bonds to loan (Note 25(d)(i))	(804)	–	(804)
Exchange difference	18	–	18
As at 31 December 2018	–	–	–

27 CONTINGENT CONSIDERATION PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS

27 CONTINGENT CONSIDERATION PAYABLES (Continued)

The contingent consideration payables arose from (i) the acquisition of the projects in UK, which the additional payments will be subject to the total net electricity generation of the UK projects for the relevant earn-out periods. The Group remeasured contingent consideration payable based on the historical electricity generation; and (ii) the acquisition of a project in the PRC, which the contingent consideration will be paid upon the final approval of feed-in-tariff reaches an agreed reference price pursuant to the sale and purchase agreement.

The key assumptions used for the present value of contingent consideration payables in relation to the acquisition of the projects in UK are as follows:

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

28 DEFERRED TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

28 DEFERRED TAX (Continued)

Deferred tax assets

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

Deferred tax assets are recognised mainly for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. Deferred tax asset arising from tax losses related to the electricity businesses in the PRC and the UK of approximately RMB20 million. These tax losses of approximately RMB17 million will expire at various dates up to and including 2023, and the remaining balance can be carried forward indefinitely.

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

Deferred tax liabilities

Deferred taxation, representing fair value adjustment, is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions. The movement in deferred tax liabilities during the year is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

28 DEFERRED TAX (Continued)**Deferred tax liabilities (Continued)**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC.

As at 31 December 2018, deferred tax liabilities of approximately RMB88 million (2017: RMB44 million) have not been recognised for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. The related unremitted earnings totalled approximately RMB1,766 million at 31 December 2018 (2017: RMB885 million), and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Company in the foreseeable future.

29 OTHER DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

30 OTHER PAYABLES AND ACCRUALS

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

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

32 CASH FLOW INFORMATION**(a) Net cash generated from operations**

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

NOTES TO THE FINANCIAL STATEMENTS

32 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings	Loans from leasing companies	Senior notes	Corporate bonds	Medium- term notes	Other loans	Convertible bonds	Loan from an associate
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
As at 1 January 2017	7,745	2,118	-	-	170	101	3,154	-
Cash flows								
- Principal and related arrangement fee	1,633	(801)	2,304	1,721	88	(101)	(1,855)	-
- Interest paid	-	-	(91)	-	-	-	(170)	-
Non-cash changes								
- Acquisition of subsidiaries	1,309	1,959	-	-	-	19	-	-
- Conversion of ordinary shares of the Company	-	-	-	-	-	-	(436)	-
- Finance costs	43	49	191	10	3	-	401	-
- Initial recognition on unamortised loan facilities fees	(2)	(58)	-	-	-	-	-	-
- Exchange difference	(77)	-	(117)	-	(11)	1	(113)	-
As at 31 December 2017 and 1 January 2018	10,651	3,267	2,287	1,731	250	20	981	-
Cash flows								
- Principal and related arrangement fee	(171)	1,655	-	(6)	167	777	(306)	287
- Interest paid	-	-	(187)	-	-	-	(25)	-
Non-cash changes								
- Acquisition of subsidiaries (Note 33)	-	271	-	-	-	-	-	-
- Finance costs	65	67	205	29	5	-	136	-
- Initial recognition on unamortised loan facilities fees	-	(42)	-	-	-	-	-	-
- Transfer from convertible bonds to loans (Note 25(c))	-	-	-	-	-	804	(804)	-
- Exchange difference	52	-	131	-	8	36	18	-
As at 31 December 2018	10,597	5,218	2,436	1,754	430	1,637	-	287

(c) Major non-cash transactions

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

NOTES TO THE FINANCIAL STATEMENTS

33 BUSINESS COMBINATION

It is the Group's strategy to identify suitable investment opportunity to acquire renewable energy projects with good prospects and potential for stable returns.

During the year ended 31 December 2018, the Group, through one of its indirectly wholly-owned subsidiaries, has acquired four solar power plants in the PRC from independent third parties and have achieved grid connection. The acquisitions have immediately enabled to supplement the Group's existing renewable power plant portfolio and further expand its scale of business in the renewable energy sector to enhance return to the shareholders of the Company. The table below summarised the details of the projects acquired.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

33 BUSINESS COMBINATION (Continued)

During the year ended 31 December 2017, the Group completed the acquisition of 100% equity interest in China New Energy Holdings (Hong Kong) Limited, which indirectly held a 75% equity interest in a project company in Tibet, the PRC, from an independent third party. In addition, the Group had also completed acquisitions of certain PRC projects from independent third parties during the year ended 31 December 2017.

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

	Tibet Zongneng Projects RMB'million	Other PRC Projects RMB'million	UK Projects RMB'million	Total RMB'million
Consideration:				
– Equity	501	–	–	501
– Cash	249	423	243	915
Contingent consideration payable	–	13	18	31
Redesignation of concession rights previously recognised				
– Intangible assets	–	54	7	61
– Deferred tax liabilities	–	(11)	(1)	(12)
Fair value of previously held interest	–	232	–	232
Early exercise of call option	–	124	–	124
Total consideration	750	835	267	1,852
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests				
Property, plant and equipment	605	4,583	947	6,135
Intangible assets	1,700	–	–	1,700
Value-added tax recoverable	21	437	–	458
Trade and other receivables and prepayments	13	647	13	673
Cash and cash equivalents	146	34	32	212
Other payables and accruals	(116)	(2,099)	(23)	(2,238)
Bank and other borrowings	(369)	(2,277)	(641)	(3,287)
Deferred tax assets	25	–	4	29
Deferred tax liabilities	(240)	(132)	(65)	(437)
Total identifiable net assets	1,785	1,193	267	3,245
Non-controlling interests	(437)	–	–	(437)
Bargain purchase recognised in the consolidated statement of profit or loss (Note (d))	(598)	(358)	–	(956)
	750	835	267	1,852
Net cash outflow arising from the acquisitions				
Cash consideration	249	423	243	915
Less:				
– Deposit for investments paid	–	(70)	–	(70)
– Consideration payable	(146)	(104)	–	(250)
– Cash and cash equivalents acquired	(146)	(34)	(32)	(212)
	(43)	215	211	383

NOTES TO THE FINANCIAL STATEMENTS

33 BUSINESS COMBINATION (Continued)

Notes:

(a) Revenue and loss contribution

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

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

(b) Acquired receivables

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

The gross contractual amount of these trade and tariff adjustment receivables due in aggregate was approximately RMB188 million, of which no balance was expected to be uncollectible.

(c) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of approximately RMB12 million (Note 28) have been provided in relation to these fair value adjustments.

(d) Bargain purchase on business combinations

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

For the year ended 31 December 2017, the Group recognised bargain purchase of approximately RMB956 million in the consolidated statement of profit or loss in connection with the acquisitions of Other PRC Projects and Tibet Zangneng Projects. The main reason giving rise to the bargain purchase was the fact that the discounted cash flows over the expected useful lives of the acquired project companies exceeded the total consideration paid.

The amount was mainly derived from the acquisition of the Tibet Zangneng Projects. Tibet Zangneng Projects consists of development rights of approximately 5.2GW hydropower and 90MW (30MW are beyond the scope and not considered by the valuer in the valuation report) solar power plants, where the Group will allocate sufficient resources to develop the hydropower projects in stages that will meet the development costs over a long period of development time of 5 to 10 years in cooperation with the local government to provide economic and environmental benefits to the local communities. Considering the PRC government's support of the development of the renewable energy in Tibet, including the construction of Central Tibet Grid Interconnection Project; the uniqueness of the resources; the expected decline in construction cost and the expected development growth in Tibet, enormous economic benefits are expected to flow into the project company upon the commencement of operation of these renewable energy projects.

(e) Non-controlling interests

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

34 COMMITMENTS**(a) Capital commitments**

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

(b) Commitments under operating leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

35 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

(a) New shares subscription

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

(b) Disposal of UK operations

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

(c) Disposal of equity interest in an associate

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

(d) Acquisitions of subsidiaries

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

36 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

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

Notes:

- (i) Interest expenses were charged at interest rates ranging from 4.35% to 6.5% per annum. As at 31 December 2018, the loans to associates were repayable on demand.
- (ii) The loan facility fees were conducted at normal commercial terms and conditions with an aggregate fees of approximately RMB36 million. Such fees were amortised over the period of the loan facility.

(b) Key management compensation

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

NOTES TO THE FINANCIAL STATEMENTS

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

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

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

Mr. Lu Zhenwei
Co-Chairman

Mr. Li Hong
Director

NOTES TO THE FINANCIAL STATEMENTS

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY
(Continued)

(b) Reserve movement of the Company

	Share premium RMB'million	Share-based payment reserve RMB'million	Shares held under EIS RMB'million	Convertible bonds equity reserve RMB'million	Warrant reserve RMB'million	Translation reserve RMB'million	Other reserve (Note) RMB'million	Accumulated losses RMB'million	Total RMB'million
At 1 January 2018	7,201	220	(73)	123	53	(120)	37	(4,877)	2,564
Comprehensive loss									
Loss for the year	-	-	-	-	-	-	-	(509)	(509)
Other comprehensive income	-	-	-	-	-	154	-	-	154
Total comprehensive income/(loss)	-	-	-	-	-	154	-	(509)	(355)
Redemption of convertible bonds (Note 26)	-	-	-	(123)	-	-	-	123	-
Lapse of share options	-	(5)	-	-	-	-	-	5	-
Share-based payment (Note 24)	-	42	-	-	-	-	-	-	42
	-	37	-	(123)	-	-	-	128	42
At 31 December 2018	7,201	257	(73)	-	53	34	37	(5,258)	2,251

	Share premium RMB'million	Share-based payment reserve RMB'million	Shares held under EIS RMB'million	Convertible bonds equity reserve RMB'million	Warrant reserve RMB'million	Translation reserve RMB'million	Other reserve (Note) RMB'million	Accumulated losses RMB'million	Total RMB'million
At 1 January 2017	4,602	150	(73)	257	-	103	34	(3,979)	1,094
Comprehensive loss									
Loss for the year	-	-	-	-	-	-	-	(943)	(943)
Other comprehensive loss	-	-	-	-	-	(223)	-	-	(223)
Total comprehensive loss	-	-	-	-	-	(223)	-	(943)	(1,166)
Issue of shares through placement and warrant subscription	1,779	-	-	-	53	-	-	-	1,832
Issue of consideration shares in relation to acquisition of subsidiaries	453	-	-	-	-	-	-	-	453
Issue of shares upon exercise of share options	3	(1)	-	-	-	-	-	-	2
Issue of shares upon conversion of convertible bonds and related interest settlement	364	-	-	(20)	-	-	3	20	367
Redemption of convertible bonds	-	-	-	(114)	-	-	-	25	(89)
Share-based payment	-	71	-	-	-	-	-	-	71
	2,599	70	-	(134)	53	-	3	45	2,636
At 31 December 2017	7,201	220	(73)	123	53	(120)	37	(4,877)	2,564

Note

Amount mainly represented the contributed surplus of the Company, which is the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation during the year ended 31 March 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders of the Company. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if: (1) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (2) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium accounts.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

Results	For the years ended 31 December				
	2018 RMB'million	2017 RMB'million	2016 RMB'million	2015 RMB'million	2014 RMB'million
Sales of electricity	630	419	261	175	124
Tariff adjustment	1,478	1,103	737	456	255
Revenue	2,108	1,522	998	631	379
EBITDA	1,772	1,198	848	505	302
(Loss)/profit for the year:					
– From continuing operations	(454)	153	382	373	499
– From discontinued operations	–	–	–	–	(239)
	(454)	153	382	373	260

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

INFORMATION FOR INVESTORS

ANNOUNCEMENT OF ANNUAL RESULTS

29 March 2019

ANNUAL GENERAL MEETING

3 June 2019

INFORMATION ABOUT SHARES

Board Lot: 2,000 shares

Issued Shares as at 31 December 2018: 9,529,811,467 shares

Issued Shares as at 29 March 2019: 15,251,004,934 shares

STOCK CODE

Hong Kong Stock Exchange: 00686

Bloomberg: 686 HK

Reuters: 0686.HK

INVESTOR RELATIONS CONTACTS

Telephone: +852 3112 8461

Fax: +852 3112 8410

Email: irpr@pandagreen.com

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

Wechat Public Account: unitedpvgroup

Wechat Public Account QR Code:





熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

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