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熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

熊猫绿色能源集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

PROFIT WARNING

This announcement is made by Panda Green Energy Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company, based on the assessment of the management of the Company, the Group is expected to record a consolidated net loss of around RMB3,600 million for the year ended 31 December 2019 (the “**Year**”), as compared to the consolidated net loss of approximately RMB454 million for the corresponding period in 2018.

During the Year, the Group remained its focus on managing its existing renewable energy business. As at 31 December 2019, the aggregate installed capacity of power plants of the Group and its associates was approximately 2.0 GW, representing a decrease of approximately 15.9% as compared to that as at 31 December 2018. The revenue and EBITDA of the Group are expected to increase by approximately 7% and 12% respectively for the Year, while the finance costs are expected to decrease by approximately 6% for the Year.

Nevertheless, the Group expects its overall results for the Year may still record a loss. The reasons for the expected loss were mainly attributed to: (i) impairment charge on intangible assets in the annual impairment assessment; (ii) loss on disposal of certain subsidiaries; (iii) impairment charge on property, plant and equipment; (iv) impairment charge on certain receivables; and (v) fair value loss on financial instruments.

The Group has two intangible assets which are subject to annual impairment assessment, namely (i) the concession rights to develop and operate solar power plant projects; and (ii) the development rights to develop hydropower and solar power projects in Tibet and Sichuan Province of China. The value of concession rights is subject to various assumptions relating to capacity, feed-in tariff (“FIT”), discount rate, probability to exercise the rights etc. The proposed impairment in the value of concession rights was mainly due to the adjustment of solar power plant project pipelines and the new FIT policy released by the National Development and Reform Commission effective on 1 July 2019, which reduced the FIT to RMB0.4/kWh, RMB0.45/kWh and RMB0.55/kWh for the projects in Zone 1, Zone 2 and Zone 3, respectively. Furthermore, the concession rights will expire in November 2020, which further affects the value of the concession rights. For development rights, their value is also subject to various assumptions relating to FIT, construction costs, operation plan etc. The FIT policy in Tibet had been adjusted during the Year, pursuant to which, FIT of the Group’s hydropower projects would be reduced from RMB0.35/kWh to RMB0.341/kWh. In 2018, the FIT of the Group’s hydropower projects was reduced from RMB0.44/kWh to RMB0.35/kWh due to policy change. In addition, based on market observation, the estimated construction costs are expected to increase in the foreseeable future. Furthermore, the Group is still awaiting the planning of the PRC government’s ecological red line before the construction of any hydropower plants. The value of the development rights has therefore been affected due to these factors. Accordingly, the Group has recognised impairment charge on these intangible assets.

Secondly, the Group has disposed certain subsidiaries during the Year, including but not limited to those transactions announced by the Company on 5 September 2019 and 9 September 2019. The loss was mainly attributable to the reversal of non-cash purchase price allocation adjustments and embedded call option which are non-cash in nature.

Thirdly, the Group has assessed if there are any impairment indicators for its property, plant and equipment, in particular the power generating modules and equipment, including but not limited to the actual insolation hours generated by individual solar power plants compared against the parameters originally adopted in the valuation model at the time of acquisitions. Certain solar power plants appeared to have such impairment indicators. Accordingly, the Group has recognised impairment charge on property, plant and equipment for the Year. Meanwhile, the Group has engaged an independent valuer to assess the recoverable amounts of these solar power plants.

Fourthly, the Group has assessed the recoverability of certain receivables. Certain receivables appeared to be long outstanding with no progress. The management of the Company is doubtful about the recoverability of such amounts. The Group is still assessing the financial impact and necessary procedures to recover such amounts.

Lastly, the Group has certain unlisted investments which are subject to fair value re-measurement exercises. Taking into account various challenges faced by the solar power industry in China, the operating performance of such unlisted investments has been significantly deteriorated during the Year. Accordingly, the Group has recognised fair value loss for these financial instruments.

The figures contained in this announcement are only based on the information currently available to the Board, which may be subject to adjustments and have not been finalised or reviewed by the audit committee of the Company nor audited by the auditor of the Company. The Company is still in the course of finalising the annual results of the Group for the year ended 31 December 2019, the actual results of which may be different from those disclosed herein.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

For and on behalf of
Panda Green Energy Group Limited
Zhang Ping
Chairman of the Board

Hong Kong, 19 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Ping (Chairman and Chief Executive Officer), Mr. Huang Hui (Chief Financial Officer), Mr. Lu Zhenwei and Mr. Xu Jianjun; the non-executive directors of the Company are Mr. Wang Heng, Mr. Li Hao, Ms. Xie Yi and Mr. Yu Qiuming; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Chen Hongsheng.