新能源
New Energy

中國廣核新能源控股有限公司
CGN New Energy Holdings Co., Ltd.

(Incorporated in Bermuda with limited liability)
Stock Code : 1811.HK

2018

INTERIM REPORT

Doing Things Right in One Go

Contents

Corporate Information

REGISTERED OFFICE

Victoria Place
31 Victoria Street
Hamilton HM10
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15th Floor
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1811 (Shares)

COMPANY'S WEBSITE

www.cgnne.com

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Chen Sui

President and Executive Director

Mr. Lin Jian (resigned on 22 January 2018)
Mr. Li Yilun (appointed on 22 January 2018)

Non-executive Directors

Mr. Yin Engang (resigned on 22 January 2018)
Mr. Zhang Chengbai (resigned on 26 June 2018)
Mr. Yao Wei (appointed on 22 January 2018)
Mr. Wang Hongxin (resigned on 26 June 2018)
Mr. Dai Honggang (resigned on 26 June 2018)
Mr. Xing Ping

Independent Non-executive Directors

Mr. Leung Chi Ching Frederick
Mr. Fan Ren Da Anthony (resigned on 26 June 2018)
Mr. Wang Susheng (resigned on 26 June 2018)
Mr. Zhang Dongxiao (resigned on 26 June 2018)
Mr. Yang Xiaosheng (appointed on 26 June 2018)
Mr. Wang Minhao (appointed on 26 June 2018)

Corporate Information

Members of the Audit Committee

Mr. Leung Chi Ching Frederick *(Chairman)*
Mr. Yin Engang (resigned on 22 January 2018)
Mr. Fan Ren Da Anthony (resigned on 26 June 2018)
Mr. Yao Wei (appointed on 22 January 2018)
Mr. Yang Xiaosheng (appointed on 26 June 2018)

Members of the Remuneration Committee

Mr. Zhang Dongxiao *(Chairman)* (resigned on 26 June 2018)
Mr. Dai Honggang (resigned on 26 June 2018)
Mr. Fan Ren Da Anthony (resigned on 26 June 2018)
Mr. Wang Minhao *(Chairman)* (appointed on 26 June 2018)
Mr. Xing Ping (appointed on 26 June 2018)
Mr. Yang Xiaosheng (appointed on 26 June 2018)

Members of the Nomination Committee

Mr. Chen Sui *(Chairman)*
Mr. Fan Ren Da Anthony (resigned on 26 June 2018)
Mr. Zhang Dongxiao (resigned on 26 June 2018)
Mr. Yang Xiaosheng (appointed on 26 June 2018)
Mr. Wang Minhao (appointed on 26 June 2018)

Members of the Investment and Risk Management Committee

Mr. Dai Honggang *(Chairman)* (resigned on 26 June 2018)
Mr. Yao Wei *(Chairman)* (appointed on 26 June 2018)
Mr. Yin Engang (resigned on 22 January 2018)
Mr. Xing Ping
Mr. Yang Xiaosheng (appointed on 26 June 2018)

Company Secretary

Mr. Lee Kin

Authorized Representatives

Mr. Li Yilun (with Mr. Wong Chun Cheong as his alternate)
Mr. Lee Kin

LEGAL ADVISER

Hong Kong Law

Eversheds Sutherland
21/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Corporate Information

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Admiralty
Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Center
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
34/F, ICBC Tower
3 Garden Road
Hong Kong

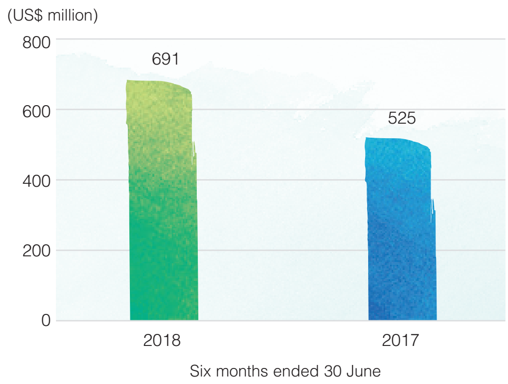
Bank of China (Hong Kong) Limited
9/F, Bank of China Tower
1 Garden Road
Hong Kong

China Development Bank Corporation, Hong Kong Branch
Suites 3307-3315
33/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

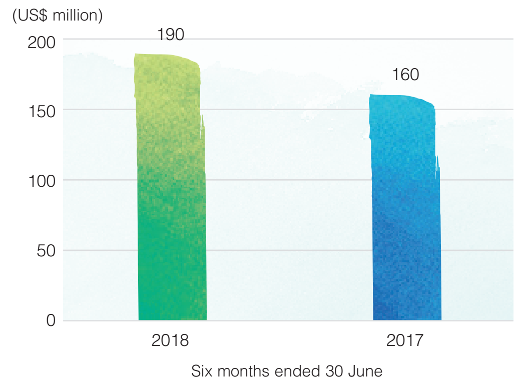
Standard Chartered Bank (Hong Kong) Limited
13/F, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Financial and Operating Highlights

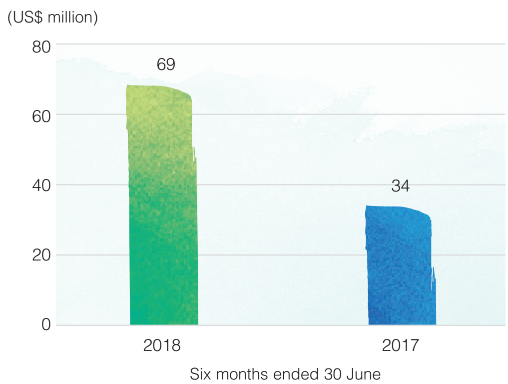
REVENUE



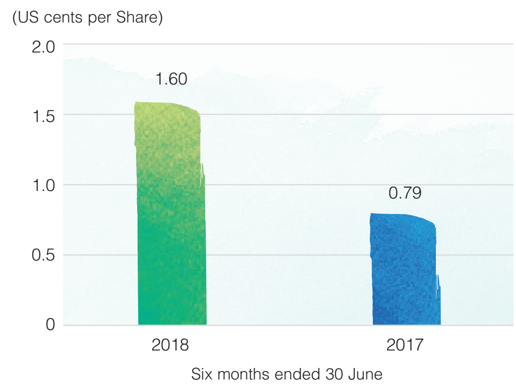
EBITDA[1]



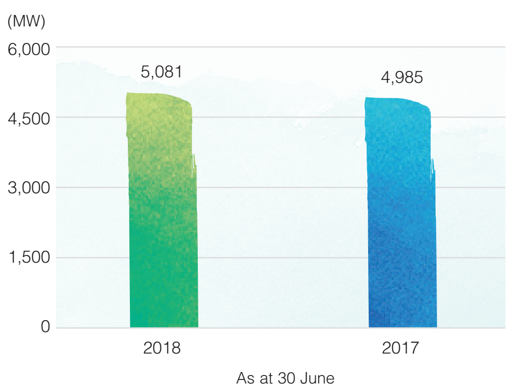
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



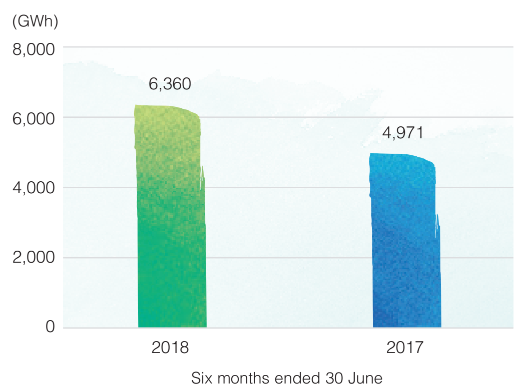
EPS



ATTRIBUTABLE INSTALLED CAPACITY



ELECTRICITY SALES



Note:

1. EBITDA is calculated by adding depreciation and amortization to the operating profit.

Management Discussion and Analysis

I. INDUSTRY OVERVIEW

In the first half of 2018, the China economy continued to maintain its steady tendency. The country's power supply was loose in whole while the increase of electricity consumption of society accelerated. As at 30 June 2018, the total power consumption in PRC was 3,229.1 TWh, representing a year-on-year growth rate of 9.4%. The power supply in PRC continued to optimize, with contribution from the newly commissioned installed capacity of non-fossil energy reaching a record high. From January to June, the electricity generated from the nationwide scale of wind power and solar power reached 191.7 TWh and 81.7 TWh respectively, representing a growth of 28.6% and 63.2% as compared to the same period of last year respectively. In the first half of 2018, the newly commissioned installed capacity of wind power and solar power amounted to 7.53 GW and 25.81 GW respectively, increased by 1.52 GW and 2.19 GW respectively as compared to the same period of last year.

2018 is the year of gradation of the 13th Five Year Plan. In the first half year, the government pushed forward the implementation of various policies and initiated pilot schemes, thus the energy system reform is entering into a new climax.

Qingyun Zaoyuan Wind Project

Wulan Solar Project

Anqiu Huangminshan
Wind Project

Management Discussion and Analysis

On 18 May 2018, National Energy Administration issued the "Notice Regarding the Requirement of Wind Power Construction Management in 2018"（《關於2018年度風電建設管理有關要求的通知》）("**Wind Power 518 New Policy**"). In order to foster reasonable, orderly, healthy, high-quality and sustainable development of the currently steady and positive wind power industry, six requirements were suggested in the Wind Power 518 New Policy: (1) planning and fore-warning requirements shall be strictly implemented; (2) consumption work shall be listed as a priority; (3) electricity output and consumption conditions shall be strictly implemented; (4) competitive form of wind power projects allocation shall be implemented; (5) the wind power investment environment shall be improved; (6) near in-full wind power projects shall be actively implemented. Amongst those, the highlight of the New Policy is that "competitive tender and competitive price" shall be implemented to all of the subsequent projects.

On 31 May 2018, the National Development and Reform Commission, Ministry of Finance and National Energy Administration jointly issued the "Notice Regarding the Photovoltaic Power-related Matters in 2018" (《關於2018年光伏發電有關事項的通知》) ("**Photovoltaic 531 New Policy**"). The Photovoltaic 531 New Policy clearly outlined the scale of ordinary plants, distributed plants, Photovoltaic Poverty Alleviation and the 4th batch of Photovoltaic Annual Lead, lowered the photovoltaic benchmark on-grid tariff and required that competitive allocation of resources and prices shall be implemented in all ordinary photovoltaic plants.

The Wind Power 518 New Policy and Photovoltaic 531 New Policy (collectively as the "**New Policies**") are introduced due to the inordinate insufficiency of the Renewable Energy Subsidy. The issuance of the two New Policies implies the PRC top-level re-design on the wind power and photovoltaic industries, symbolizes the full entrance of those industries into a new era of competitive-pricings, "De-subsidy" and "Marketization".

Upon the issuance of the New Policies, feedback from the industry has been vigorous. As a highly marketable renewable energy investment corporate, the Group is also faced with the opportunities and challenges brought by the policy changes. The implementation of the competitive form of projects allocation, added to the gradual cease of subsidies and bonus and continual reduction of policies and governmental interferences causes market forces to carry on to exert its impact in greater terms. In turn, the market competition grows more drastic gradually, thus accelerates the industry upgrading. In the short run, the New Policies brings an enormous strike to the wind power and photovoltaic industries. However, in the long run, the competitive form of allocation forces the industries owners to upgrade their businesses, thus leading the industries into a whole new era of consolidation. The whole industry will enter a healthy path for development. Only by taking active actions and development can we snatch the opportunities for early birds.

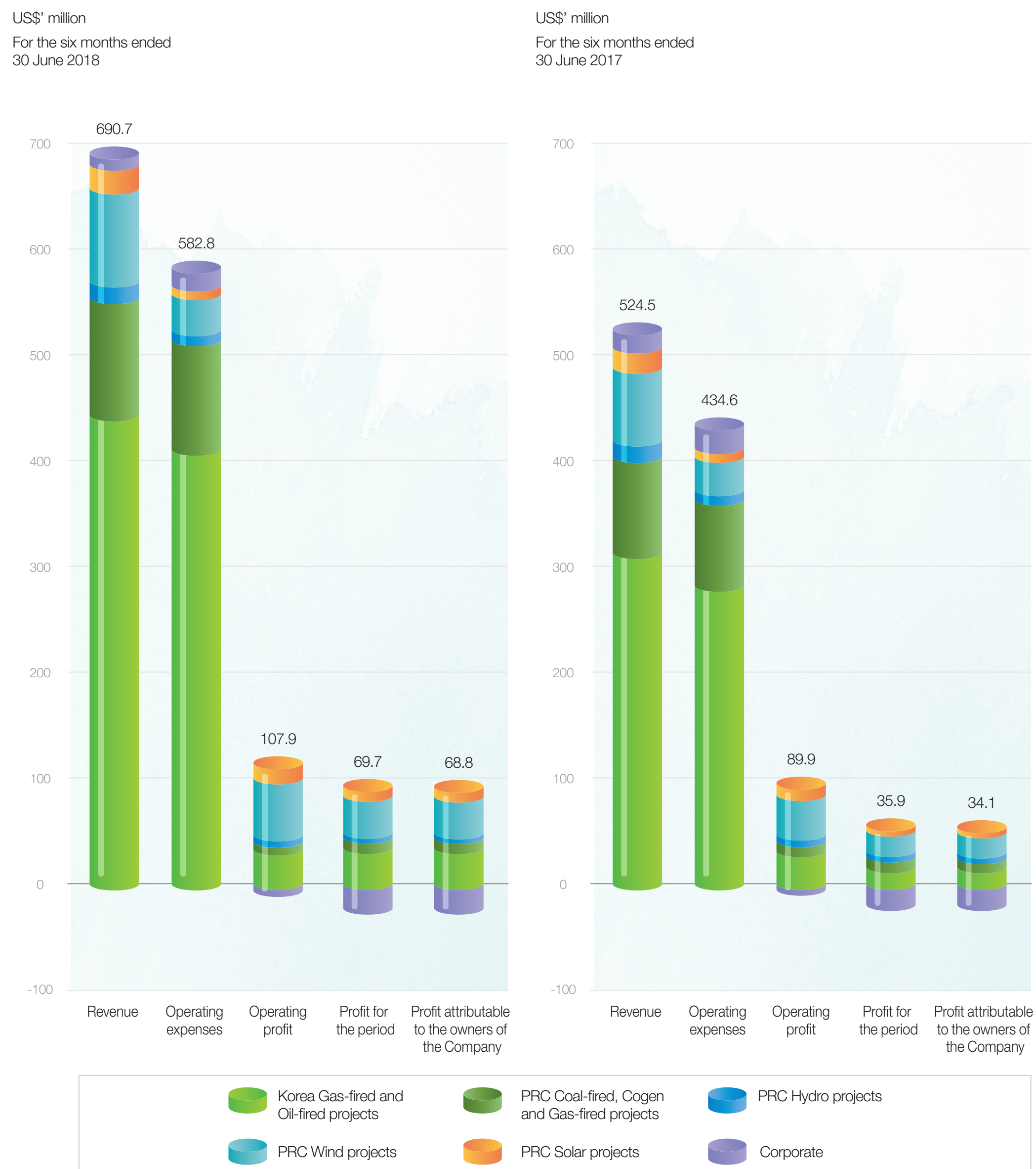
In respect of Korean power market, an energy structure transformation is undergone and it is expected that renewable energy and gas-fired power plant will increase in the future. The competition is intensified in the power market upon the commissioning of new power plants and in addition with the rising price of natural gas, the profitability of Korean gas-fired power generation companies was affected.

Management Discussion and Analysis

II. BUSINESS REVIEW

The Group's portfolio of assets comprises wind, solar, gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell projects as well as a steam project, which are operating in the PRC and Korea power markets. Our business in the PRC covers 11 provinces, an autonomous region and a municipality with wide geographical coverage and diversified business scope. As of 30 June 2018, the operations in the PRC and Korea accounted for approximately 59.7% and 40.3% of our attributable installed capacity of 5,080.5 MW respectively. Clean and renewable energy projects (namely wind, solar, gas-fired, hydro and fuel cell projects) accounted for 65.2% of our attributable installed capacity; and conventional energy projects (namely coal-fired, oil-fired and cogen projects) accounted for 34.8% of our attributable installed capacity.

The following charts set out items selected by us from results of the Group (by fuel type):



Management Discussion and Analysis

Korea Gas-fired and Oil-fired projects

The utilization hours of our Korea gas-fired plants increased from 1,894 to 2,578 during the first half of 2018, which was mainly due to higher power demand caused by the extremely cold weather and higher demand from clean energy. This led to higher dispatch and increased revenue to US$443.0 million. Net profit increased from US$16.0 million to US$34.0 million, which was mainly attributable to the non-recurring one-off post tax gains of approximately US$17.8 million arising from the sale of carbon emission quota.

PRC Coal-fired, Cogen and Gas-fired projects

The increase in revenue is mainly due to (1) increase in electricity generation of the coal-fired projects which is evidenced by the increase in utilization hours from 1,784 to 2,044 and; (2) increase in steam sold by 166,000 tonnes, as well as increase in weighted average tariff of the cogen projects. To support the increase in generation, coal consumption increased accordingly. With the standard coal price kept increasing consistently, the operating costs became higher.

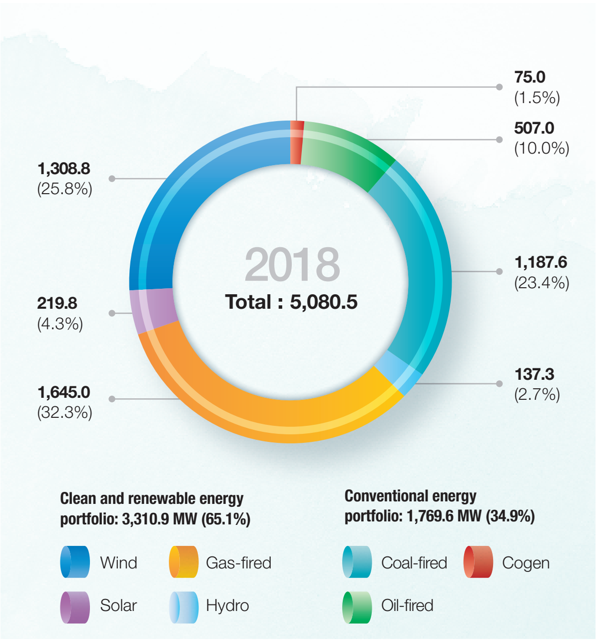
PRC Wind projects

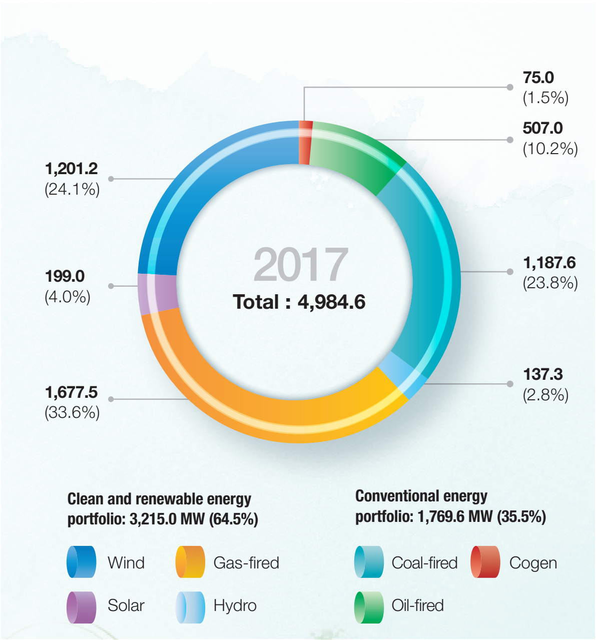
In the first half of 2018, the Group's newly commissioned installed capacity of wind projects amounted to 113.4 MW. The increase in revenue was mainly attributable to (1) contribution from newly commissioned wind projects amounted to US$11.3 million in the first half of 2018; (2) significant improvement of dispatch volume by the wind projects with lower gird curtailment, which led to increase in average utilization hours from 833 to 1,052. Overall, the operating profit soared to US$53.7 million.

PRC Solar projects

Starting from the second half of 2017, the Group's newly commissioned installed capacity amounted to 20.75 MW. The increase in revenue was mainly attributable to contribution from newly commissioned solar projects amounted to US$1.3 million. With stable operating expense, the operating profit amounted to US$14.4 million, representing an increase of US$3.6 million as compared with US$10.8 million in the first half of 2017.

The attributable installed capacity of the Group's power assets as of 30 June 2018 and 2017 by fuel type are set out as follows (MW):





Management Discussion and Analysis

In the second half of 2017 and the first half of 2018, the Company's newly commissioned attributable installed capacity amounted to 10.25 MW and 118.18 MW respectively. As at 30 June 2018, the Group's attributable installed capacity reached 5,080.5 MW, representing an increase of 95.9 MW or 1.9% from the same period of last year, which included an attributable installed capacity of wind power of 1,308.8 MW, representing an increase of 9.0% from the same period of last year; whereas the attributable installed capacity of solar power amounted to 219.8 MW, representing an increase of 10.5% from the same period of last year. As at 30 June 2018, the consolidated installed capacity of the Group's power plants reached 4,296.8 MW.

In terms of wind power business development, in the first half of 2018, the Company's newly commissioned installed capacity of wind power amounted to 113.4 MW, which included: (1) the Company's wholly-owned subsidiary 濰坊中廣核能源有限公司's Anqiu Huangminshan Wind Project (安丘黃皿山風電項目), comprising a newly commissioned installed capacity of 59.4 MW, with 27 wind power units of 2.2 MW each and the project is located in the Wushan Town, Southwest of Anqiu City, Weifang, Shandong Province; (2) the Qingyun Zaoyuan Wind Project (慶雲棗園風電項目) by the Company's subsidiary 德州安務能源有限公司, which the Company owned 87% interest. A total of 20 wind power generator units of 2.2 MW each were installed, comprising a total installed capacity of 44 MW. The said project is located in Changjia Town, Dezhou City of Shandong Province.

In terms of solar power business, in the first half of 2018, the newly commissioned installed capacity of solar power amounted to 10.5 MW, which included the Jiajia Solar Project (加加光伏項目) by the Company's wholly owned subsidiary 中廣核新能源(長沙)有限公司. The said project comprised a total installed capacity of 6 MW, which are rooftop distributed photovoltaic power stations located in Ningxiang, Hunan Province.

As at 30 June 2018, the Group's attributable installed capacity of gas-fired power reduced as compared to the same period of last year for the reason that upon the commencement of the related liquidation procedure, the Group no longer had controlling power over the Weigang Power Project, which has an attributable installed capacity amounting to 32.5 MW. Please refer to the "Gain on Deconsolidation of a Subsidiary" under the Management Discussion and Analysis disclosed in the 2017 Annual Report dated 21 March 2018 and the announcement of the Company dated 21 December 2017.

As of 30 June 2018, the net electricity generated by the Group's consolidated power generation projects amounted to 6,359.5 GWh, representing an increase of 27.9% from 4,970.6 GWh for the six months ended 30 June 2017. The increase in net electricity generation was mainly due to (1) higher dispatch volume of the Korea gas-fired projects arising from increase in demand of clean energy in Korea; and (2) higher dispatch volume of the wind projects with lower grid curtailment. The net electricity generated by wind power projects and solar power projects reached 1,301.2 GWh and 152.5 GWh, representing growth rates of 36.2% and 3.3% respectively.

The total steam sold by the Group amounted to 1,744,000 tonnes, representing an increase of 166,000 tonnes with a growth rate of 10.5% as compared with the six months ended 30 June 2017. The increase was mainly due to higher in local demand.

The following table sets out the average utilization hour applicable to our power projects:

Average utilization hour by fuel type [(1)]

	For the six months ended 30 June	
	2018	2017
PRC Wind Projects [(2)]	**1,052**	833
PRC Solar Projects [(3)]	**737**	745
PRC Coal-fired Projects [(4)]	**2,044**	1,784
PRC Cogen Projects [(5)]	**2,585**	2,760
PRC Hydro Projects [(6)]	**1,785**	1,820
Korea Gas-fired Projects [(7)]	**2,578**	1,894

Management Discussion and Analysis

Notes:

(1) Average utilization hour is the gross electricity generated in a specified period divided by the average installed capacity in the same period.

(2) Average utilization hours of the PRC wind projects operating in the Shandong Province, the Zhejiang Province, the Gansu Province and the Henan Province were 1,374, 1,023, 921 and 1,490, respectively in the first half of 2018. Average utilization hour for the PRC wind power projects increased mainly due to the following two reasons: i) domestic wind power curtailment became less frequent in the first half of 2018; and ii) the average speed of wind in Shandong Province was higher than that of last year.

(3) Average utilization hours of the PRC solar projects operating in the Western region, the Central region and the Eastern region of the PRC were 800, 485 and 590 respectively in the first half of 2018. Average utilization hour for the PRC solar power projects decreased slightly mainly because of unstable weather in the Eastern and Central regions in the first half of 2018.

(4) Average utilization hour of the PRC coal-fired projects increased in the first half of 2018 due to increase in electricity generation arising from shortened period of repair and maintenance.

(5) Average utilization hour of the PRC cogen projects decreased mainly due to the change in operation focus from electricity generation to steam generation which enjoys a stronger increment in tariff.

(6) Average utilization hour of the PRC hydro projects remained stable in the first half of 2018.

(7) Our Korea gas-fired power projects had higher utilization hour in the first half of 2018 mainly due to the higher electricity generation by Yulchon I Power Project & Yulchon II Power Project as a result of the extremely cold weather during winter and the increase in demand of clean energy in Korea.

The table below sets out the weighted average tariffs (inclusive of value-added tax ("**VAT**")) applicable to our projects in the PRC and Korea for the periods indicated:

Weighted average tariff – Electricity (inclusive of VAT) *(1)*

		For the six months ended 30 June	
	Unit	**2018**	2017
PRC Wind Projects *(2)*	RMB per kWh	**0.51**	0.56
PRC Solar Projects *(3)*	RMB per kWh	**1.07**	1.01
PRC Coal-fired Projects	RMB per kWh	**0.43**	0.43
PRC Cogen Projects *(4)*	RMB per kWh	**0.47**	0.46
PRC Hydro Projects	RMB per kWh	**0.35**	0.36
Korea Gas-fired Projects *(5)*	KRW per kWh	**114.71**	108.23

Management Discussion and Analysis

Weighted average tariff – Steam (inclusive of VAT)

PRC Cogen Projects [6]	RMB per ton	**226.51**	202.21

Notes:

(1) The weighted average tariffs are affected not only by the change in the tariff for each project but also the change in net power generation for each project.

(2) The weighted average tariff of our PRC wind projects decreased in the first half of 2018 mainly due to increase in distribution of electricity through the electricity bid trading market.

(3) The weighted average tariff of our PRC solar projects increased in the first half of 2018 due to higher tariff from newly operating projects starting form the second half of 2017.

(4) The weighted average tariff of our PRC cogen projects excludes steam tariff.

(5) The weighted average tariff for Korea gas-fired projects includes the tariff for the 15.4 MW fuel cell projects owned by Yulchon I Power Project. The increase in weighted average tariff of Korea gas-fired projects in the first half of 2018 was in line with the increase in Korea gas price.

(6) The increase in the weighted average tariff of steam in the first half of 2018 was in line with the increase in PRC coal price.

The following table sets out the weighted average gas and standard coal prices (inclusive of VAT) applicable to our projects in the PRC and Korea for the periods indicated:

		For the six months ended 30 June	
	Unit	**2018**	2017
PRC weighted average standard coal price [1][2]	RMB per ton	**847.88**	780.93
Korea weighted average gas price [1][3]	KRW per Nm^3	**573.86**	528.91

Notes:

(1) The weighted average standard coal prices and the weighted average gas prices are weighted based on the consumption of gas or coal in each applicable period.

(2) The PRC weighted average standard coal price in the first half of 2018 increased compared to the first half of 2017 due to increase in market coal price.

(3) Our Korea weighted average gas price in the first half of 2018 increased compared to the first half of 2017 due to the increase in market gas prices, as indicated by the Japanese Crude Cocktail, a measurement of average prices of crude oil imported into Japan and an important determinant of natural gas prices in Korean markets. Yulchon I Power Project's power purchase agreement ("**PPA**") allows us to contractually incorporate fuel cost fluctuations in the tariff charged to our customers.

Management Discussion and Analysis

III. OPERATING RESULTS AND ANALYSIS

In the first half of 2018, the revenue of the Group amounted to US$690.7 million, representing an increase of 31.7% compared with US$524.5 million of the first half of 2017. The profit attributable to the owners of the Company amounted to US$68.8 million, representing an increase of US$34.7 million or 101.8% as compared with US$34.1 million of the first half of 2017.

In the first half of 2018, the profit for the period of the Group amounted to US$69.7 million, representing an increase of US$33.8 million or 94.2% as compared with US$35.9 million of the first half of 2017.

Revenue

In the first half of 2018, the revenue of the Group amounted to US$690.7 million, representing an increase of 31.7% compared with US$524.5 million of the first half of 2017. The increase in revenue was mainly attributable to (1) the higher electricity generation by Yulchon I & II Power Projects as a result of the extremely cold weather during winter and the increase in demand of clean energy in Korea; and (2) the higher dispatch volume by the wind projects with improved grid curtailment.

Operating Expenses

In the first half of 2018, the operating expenses of the Group amounted to US$582.8 million, representing an increase of 34.1% compared with US$434.6 million of the first half of 2017. The increase in operating expenses was mainly due to the increase in gas consumption of our Yulchon I & II Power Projects which was in line with the increase in electricity generation. In addition, the consistent increase in coal price and coal consumption of the coal-fired and cogen projects have led to the increase in operating costs.

Operating Profit

In the first half of 2018, the operating profit, which is equal to revenue minus operating expenses, of the Group amounted to US$107.9 million, representing an increase of US$18.0 million or 20.0% compared with US$89.9 million of the first half of 2017. The increase in operating profit was mainly caused by (1) the significant improvement of dispatch volume by the wind projects with lower gird curtailment; and (2) contribution from newly operating wind and solar projects.

Other Income

Other income mainly represented income from sales of carbon emission quota, interest income, government grants and the refund of value added tax. In the first half of 2018, the other income of the Group amounted to US$30.3 million, representing an increase of US$24.9 million compared with US$5.4 million of the first half of 2017. The significant increase in other income was mainly due to the non-recurring one-off gains of approximately US$23.4 million from sale of carbon emission quota of the Korea projects.

Finance Costs

In the first half of 2018, the finance costs of the Group amounted to US$53.1 million, representing an increase of 5.1% compared with US$50.5 million of the first half of 2017. The increase in finance costs was mainly attributable to the increase in weighted average balances of bank borrowings and loans from related companies.

Share of Results of Associates

In the first half of 2018, the share of results of associates amounted to US$5.7 million, representing an increase of US$0.6 million compared with US$5.1 million in the first half of 2017. The increase in profit of the associates was mainly due to the increase in electricity generation during the period.

Income Tax Expenses

In the first half of 2018, the income tax expenses of the Group amounted to US$21.8 million, representing an increase of US$9.5 million compared with US$12.3 million of the first half of 2017.

Management Discussion and Analysis

Liquidity and Capital Resources

The Group's bank balances and cash increased from US$242.8 million as at 31 December 2017 to US$382.8 million as at 30 June 2018, primarily due to the cash generated from operations and proceeds from loan from a fellow subsidiary received during the current period.

Net Debt/Equity Ratio

The Group's net debt/equity ratio increased from 2.25 as at 31 December 2017 to 2.29 as at 30 June 2018 due to the increase in net debt (which equals to total debt less available cash) as a result of increase in bank borrowings and loan from a fellow subsidiary.

Interim Dividend

The Board resolved not to declare an interim dividend for the six months ended 30 June 2018.

Earnings per Share

	For the six months ended 30 June	
	2018	2017
	US cents	*US cents*
Earnings per share, basic and diluted – calculated based on the number of ordinary shares for the period	**1.60**	0.79
	US$'000	*US$'000*
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**68,789**	34,107
	'000	*'000*
Number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**4,290,824**	4,290,824

Trade Receivables

	As at	
	30 June 2018	31 December 2017
	US$'000	*US$'000*
Trade receivables	**316,984**	255,787
Less: allowance for bad and doubtful debts	**(346)**	(346)
	316,638	255,441

The Group allows a credit period from 30 to 90 days throughout the period to its trade customers. Approximately 59% (31 December 2017: 69%) of the trade receivables are neither past due nor impaired as at 30 June 2018. The management considers that these receivables have good credit rating under the credit review policy used by the Group.

The following is an ageing analysis of trade receivables net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the revenue recognition date.

	As at	
	30 June 2018	31 December 2017
	US$'000	*US$'000*
0 – 60 days	**173,177**	174,826
61 – 90 days	**13,148**	8,099
91 – 180 days	**33,291**	32,595
181 – 270 days	**28,794**	39,852
Over 270 days	**68,228**	69
	316,638	255,441

Trade Payables

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	As at	
	30 June 2018	31 December 2017
	US$'000	*US$'000*
0 – 60 days	**129,056**	104,280
61 – 90 days	**8,067**	1,643
Over 90 days	**16,591**	5,223
Total	**153,714**	111,146

The average credit period on purchases of goods was 42 days (31 December 2017: 26 days) for the six months ended 30 June 2018. The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

Financial Position

Non-current assets increased from US$2,955.6 million as at 31 December 2017 to US$3,034.7 million as at 30 June 2018. It was mainly due to the addition of property, plant and equipment and increase in other assets during the six months ended 30 June 2018.

Current assets increased from US$785.0 million as at 31 December 2017 to US$1,028.6 million as at 30 June 2018. It was mainly attributable to the increase in cash and bank deposits and short-term deposits.

Current liabilities increased from US$850.6 million as at 31 December 2017 to US$1,153.0 million as at 30 June 2018, which was mainly due to the drawing of loan from a fellow subsidiary and increase in short term bank borrowings.

Non-current liabilities slightly decreased from US$1,930.0 million as at 31 December 2017 to US$1,920.8 million as at 30 June 2018, which was mainly attributable to the decrease in long term bank borrowings.

Management Discussion and Analysis

Bank Borrowings

The Group's total bank borrowings increased from US$1,596.7 million as at 31 December 2017 to US$1,682.8 million as at 30 June 2018. Details of bank borrowings are as follows:

	As at	
	30 June 2018 *US$'000*	31 December 2017 *US$'000*
Secured	**1,496,969**	1,548,923
Unsecured	**185,835**	47,824
	1,682,804	1,596,747
The maturity profile of bank borrowings is as follows:		
Within one year	**273,492**	179,032
More than one year but not exceeding two years	**179,677**	151,241
More than two years but not exceeding five years	**501,078**	496,015
Over five years	**728,557**	770,459
	1,682,804	1,596,747
Less: Amounts due for settlement within one year shown under current liabilities	**(273,492)**	(179,032)
Amounts due for settlement after one year	**1,409,312**	1,417,715

As at 30 June 2018, the Group had committed unutilised banking facilities of US$1,346.3 million.

All bank borrowings at the end of the reporting periods are denominated in the functional currency of the respective group entities that include RMB, USD and KRW. The bank borrowings of the Group carry interest rates which range from 1.75% to 6.62% (31 December 2017: 1.75% to 5.15%) per annum during the six months ended 30 June 2018. The analysis of bank borrowings with fixed interest rate and floating interest rate is analysed below:

	30 June 2018 *US$'000*	31 December 2017 *US$'000*
Fixed rate	**202,219**	226,803
Floating rate	**1,480,585**	1,369,944
	1,682,804	1,596,747

Management Discussion and Analysis

Bond Payables

The Company issued bonds in an aggregate principal amount of US$350.0 million on 19 August 2013 priced at 99.686% of the principal amount that carries interest at 4% per annum and interest is payable semi-annually in arrears and its maturity date is on 19 August 2018, unless redeemed earlier. The carrying amount of the bond payables was US$355.0 million as at 30 June 2018. As 19 August 2018 was a Sunday, the Company has effected payment for the redemption of the bonds in full on 20 August 2018.

Loans from Fellow Subsidiaries

Loan from China Clean Energy Development Limited, a fellow subsidiary of the Company, amounting to US$450.0 million as at 30 June 2018 and 31 December 2017, is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 30 June 2018 and 31 December 2017.

In the first half of 2018, the Group has drawn a loan from CGN Finance Co., Ltd., a fellow subsidiary of the Company, amounted to US$152.9 million. The loan is unsecured, interest bearing at 4.35% per annum and repayable in a year. It is shown as current liability as at 30 June 2018.

Capital Expenditures

The Group's capital expenditures increased by US$131.4 million to US$148.1 million in the first half of 2018 from US$16.7 million in the first half of 2017, mainly due to the increased capital expenditures incurred by the wind power projects and the Korea biomass energy project.

Contingent Liabilities

As at 30 June 2018 and 31 December 2017, the Group had no material contingent liabilities.

Pledged Assets

The Group pledged certain property, plant and equipment, trade receivables, prepaid lease payments and bank deposits for credit facilities granted to the Group. As at 30 June 2018, the total book value of the pledged assets amounted to US$1,335.5 million.

Employees and Remuneration Policy

As at 30 June 2018, the Group had about 1,344 full-time employees, the majority of which were based in China. The Group provides its employees with salaries and bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes.

Employees located in China are covered by the mandatory social security schemes required by local practice and regulations of the PRC, which are essentially defined contribution schemes. The Group is required by the PRC law to contribute a certain percentage of the average salaries of the employees to various schemes in accordance with the respective regulatory requirements of each city in China. The PRC government is directly responsible for the payment of the benefits to these employees.

In Korea, the Group is required by law to contribute 4.5% of the employees' monthly average salaries for the national pension, 3.06% for national health insurance (6.55% of the national health insurance contribution for long term care insurance), 0.9% for unemployment insurance, 0.86% (Seoul Office)/0.76% (Yulchon)/0.76% (Daesan) for the industrial accident compensation insurance and 0.06% for a wage claim guarantee fund.

In Hong Kong, the Group participates in a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Employees contribute 5.0% of their relevant income to the mandatory provident fund scheme and the Group contributes 10.0% of each employee's monthly base salary.

Management Discussion and Analysis

IV. RISK FACTORS AND MANAGEMENT

Risks Relating to the Industry

Our power projects are located in the PRC and Korea, both of which have undergone, and may continue to undergo, regulatory changes. Governmental regulations affect all aspects of our power project operations, including the amount and timing of electricity generation, the setting of tariffs, compliance with power grid controls, dispatch directives and environmental protection. Regulatory changes in the PRC and Korea can affect, among other things, dispatch policies, clean and renewable energy and environmental compliance policies and tariffs, and may result in a change of tariff setting procedures or mandatory installation of costly equipment and technologies to reduce environmental pollutants.

Further, the solar power projects are highly dependent on solar illumination conditions, and the wind power projects are dependent particularly on wind conditions. Extreme wind or weather conditions could lead to downtime of the wind power projects. Illumination conditions and wind conditions vary across seasons and locations, and could be unpredictable and are out of our control.

Risk Relating to Fuel Cost

The non-renewable energy power projects of the Group require supplies of coal, oil and gas as fuel. Fuel costs represent a significant portion of our operating expenses and the operating expenses of our associates. The extent to which our profit is ultimately affected by the cost of fuel depends on our ability to pass through fuel costs to our customers as set out under the relevant regulatory guidelines and the terms of our PPA for a particular project, as we currently do not hedge our exposure to fuel price fluctuations. Our fuel costs are also affected by the volume of electricity generated because the coal consumption rate of coal-fired and cogen power projects decrease when we generate more electricity as a result of economies of scale. In the PRC, government tariff regulations limit our ability to pass through changes in fuel costs. In Korea, while our Yulchon I Power Project is able to pass through our exposure to fuel price fluctuations through fuel cost pass through provisions in the tariff formula, our Yulchon II Power Project and Daesan I Power Project receive payments based on the system marginal price, which is influenced by market demand and supply, and may not fully reflect the power plants' respective fuel price fluctuations. Our diversified generation portfolio enables us to diversify the risks that we would face to utilize a single resource for electricity generation. In particular, our exposure to several fuel types mitigates risks such as price increases in or the availability of any particular fuel source.

Interest Rate Risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt with floating interest rates based on market prevailing rates. We undertake debt obligations to support asset acquisition and general corporate purposes including capital expenditures and working capital needs. Certain of our indebtedness is calculated in accordance with floating interest rate or interest that are subject to adjustment by our lenders. We periodically review the ratio of debt with floating interest rates to debt with fixed rates, taking into account the potential impact on our profit, interest coverage and cash flows.

Foreign Exchange Risk

The functional currency of the Company is US dollars, and our reportable profit is affected by fluctuations in foreign currency exchange rates. We collect most of our revenue from our projects in Renminbi and Korean Won, some of which are converted into foreign currencies to (1) purchase foreign-made equipment and parts for repair and maintenance, (2) make investments in certain joint ventures or acquire interests from other companies, (3) pay out dividends to the shareholders of our project companies, and (4) service our outstanding debt. By managing and monitoring the risks of foreign currency, we ensure that appropriate measures are adopted effectively in a timely manner.

On 3 July 2018, CGN Daesan entered into a set of foreign exchange hedging contracts with Shinhan Bank and KEB Hana Bank, respectively, to hedge against USD/EUR/CAD currency risks, in respect of the principal amount of approximately USD29.2 million, EUR10.8 million (equivalent to approximately USD13.3 million) and CAD165.8 million (equivalent to approximately USD125.4 million) respectively.

Management Discussion and Analysis

As disclosed in the announcement of the Company dated 23 April 2018, CGN Daesan entered into the EPC Contract with an independent contractor in relation to engineering, procurement and construction work of its biomass power plant in a total consideration of KRW295 billion (equivalent to approximately USD277 million, inclusive of all taxes required to be paid by the counterparty under the EPC Contract other than custom duties). As disclosed in the announcement of the Company dated 26 June 2018, CGN Daesan entered into the Fuel Supply Agreement in relation to the supply of 315,000 metric tons per annum of industrial wood pellets to CGN Daesan commencing in 2021. In light of such contracts for construction and the expected fuel cost of the first two years of operation, CGN Daesan has entered into the FX Hedging Contracts to provide an effective way to hedge against the foreign currencies fluctuation risk.

The Company will continue to monitor exchange rate trends and take appropriate measures to hedge against risks in foreign currency exchange if and when it becomes economical to do so.

V. PROSPECTS

In review of the first half of 2018, the global indefinite risks persisted and material changes occurred in the global energy framework. The structural de-carbonization of world energy continues to pace up where non-fossil energy gradually becomes the main force of world energy development. The proportion of clean energy is expected to keep increasing.

The continued part of "Renewable-Sourced Electricity Quotas and Examination Method"（《可再生能源電力配額及考核辦法》） will be implemented. It is expected that the Green Power Certificate System shall be initiated at a proper time in 2018 to regulate transactions mandatorily. The implementation of the said quota system can increase the proportion of renewable energy efficiently, remediate the wasted wind power and solar power problem and is beneficial to raising corporates' environmental awareness. In all, it is advantageous to the green development of the society.

Though there were tremendous changes in policies and market recently, wind power and photovoltaic industry remains the main force in energy revolution in future. The Company would make great efforts to develop distributed solar projects and dispersed wind power projects according to those changes in policies, and initiatively plan to return to "Northern, Northeast and Northwest China" base and actively take part in bidding. The Company would also monitor the window period of developing offshore wind power closely in order to capture resources, approvals and tariff.

The Group continues to acquire clean and renewable power generation projects from China General Nuclear Power Corporation, Ltd. ("**CGN**"). Meanwhile, it shall keep seeking for other quality ones to strengthen the core operational ability in our wind power and solar power businesses, endeavour in enhancing the Group's competitiveness and position in the non-nuclear clean energy industry. As disclosed in the Company's 2017 Annual Report dated 21 March 2018, the Company intends to acquire 51% of the registered capital in CGN Wind Power Company, Limited through its subsidiary ("**Possible Acquisition**"). If the Possible Acquisition is materialized, it will enhance the Company's focus on clean and renewable power projects in the PRC and the installed capacity of clean energy of the Group is expected to account for more than 80% of the total installed capacity of the Group and the geographical presence of the Company in the PRC is further diversified. Meanwhile, the Group shall stay close to the opportunities in new policies and in the industry, make remitted effort in raising the profitability in projects and reward the society and shareholders with outstanding results.

EVENT OCCURRING AFTER THE REPORTING PERIOD

On 3 July 2018, CGN Daesan entered into a set of foreign exchange hedging contracts with Shinhan Bank and KEB Hana Bank, respectively, to hedge against the foreign currencies fluctuation risk in relation to EUR/USD/CAD against KRW.

On 20 August 2018, the Company has effected payment for the final redemption of the bonds in full.

For details, please refer to the announcement of the Company dated 3 July 2018 regarding the foreign exchange hedging contracts and the announcement of the Company dated 20 August 2018 regarding the final redemption of bonds at maturity.

Save as disclosed above, no other important event or transaction affecting the Group has taken place after 30 June 2018.

Other Information

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2018.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own Code for Securities Transactions by Directors (the "**Code**"), the stipulations of which are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), as a code of conduct for dealing in securities of the Company by the directors of the Company (the "**Directors**").

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards in respect of securities transactions by the Directors set out in the Model Code and the Code during the six months ended 30 June 2018.

REVIEW OF INTERIM RESULTS

The Group's interim results and the unaudited consolidated interim financial report for the six months ended 30 June 2018 have been reviewed by the audit committee of the Company.

DIRECTORS' OR CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in options relating to ordinary Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of securities held/interested	Approximate percentage of interests held *(Note ii)*
Chen Sui	Beneficial owner *(Note i)*	466,667 share options	0.01%
Lin Jian (resigned on 22 January 2018)	Beneficial owner *(Note i)*	466,667 share options	0.01%
Li Yilun (appointed on 22 January 2018)	Beneficial owner *(Note i)*	420,000 share options	0.01%
Yao Wei (appointed on 22 January 2018)	Beneficial owner *(Note i)*	420,000 share options	0.01%

Notes:

(i) Details of the share options granted to the Directors are set out on page 24 under "Share Option Scheme" in this report.

(ii) The approximate percentage of interests held was calculated on the basis of 4,290,824,000 ordinary Shares in issue as at 30 June 2018.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executive of the Company, as of 30 June 2018, the following persons, other than the Directors and the chief executive of the Company, had or were deemed or taken to have interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Approximate % of Shareholding
China General Nuclear Power Corporation ("**CGN**") *(1)(2)(3)*	Interests in controlled corporation (long position)	3,130,096,000	72.95%
CGNPC International Limited ("**CGNPC International**") *(2)(3)*	Interests in controlled corporation (long position)	3,101,800,000	72.29%
CGN Energy International Holdings Co., Limited ("**CGN Energy International**") *(3)*	Beneficial owner (long position)	3,101,800,000	72.29%

Notes:

(1) CGN indirectly holds 100% of the total issued share capital of CGN Energy International. As informed by CGN, CGN was deemed to be interested in 3,130,096,000 Shares, in which 3,101,800,000 Shares were held directly by CGN Energy International (a controlled corporation of CGNPC International), and 28,296,000 Shares were held by certain other companies that are controlled directly or indirectly by CGN. There could be a difference between the shareholding of CGN in the Company as at 30 June 2018 and the disclosure of interest information disclosed on the website of the Stock Exchange, as the disclosure of interest information disclosed on the website of the Stock Exchange represents information disclosed by CGN pursuant to its obligation under Section 336 of the SFO only. For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against CGNPC International and CGN Energy International represented the same block of Shares.

(2) CGNPC International directly holds 70.59% of the total issued share capital of CGN Energy International, which directly holds approximately 72.29% of the issued share capital of the Company, and indirectly holds 29.41% of the total issued share capital of CGN Energy International , through its wholly-owned subsidiary Gold Sky Capital Limited. Accordingly, CGNPC International is deemed to have an interest in all Shares held by CGN Energy International.

(3) Save as disclosed in the section headed "Biographies of Directors and Members of the General Manager Office" in the 2017 annual report of the Company, as of the date of this report, none of the Directors is a director or employee of a company which had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CHANGES OF MEMBER OF BOARD OF DIRECTORS AND INFORMATION OF DIRECTORS

The following changes took effect from 22 January 2018:

1. Mr. Lin Jian has resigned as the President and executive Director and a member of the Strategy Development Committee (the "**SDC**") of the Company;

2. Mr. Yin Engang has resigned as a non-executive Director, a member of the Audit Committee (the "**AC**") and the Investment and Risk Management Committee (the "**IRMC**") of the Company;

3. Mr. Li Yilun has been appointed as the President and executive Director and a member of the SDC; and

4. Mr. Yao Wei has been appointed as a non-executive Director, a member of the AC and the IRMC.

Other Information

The following changes took effect from 26 June 2018:

1. Mr. Zhang Chengbai has resigned as a non-executive Director and a member of the SDC;
2. Mr. Wang Hongxin has resigned as a non-executive Director;
3. Mr. Dai Honggang has resigned as a non-executive Director, a member of the Remuneration Committee (the "**RC**") of the Company and the chairman of the IRMC as well as the SDC;
4. Mr. Fan Ren Da Anthony has resigned as an independent non-executive Director, a member of the AC, the RC and the Nomination Committee (the "**NC**") of the Company;
5. Mr. Wang Susheng has resigned as an independent non-executive Director and a member of the SDC;
6. Mr. Zhang Dongxiao has resigned as an independent non-executive Director, the chairman of the RC and a member of the NC;
7. Mr. Yang Xiaosheng has been appointed as an independent non-executive Director, a member of the AC, the RC, the NC and IRMC;
8. Mr. Wang Minhao has been appointed as an independent non-executive Director, the chairman of the RC and a member of the NC;
9. Mr. Yao Wei has been appointed as the chairman of the IRMC;
10. Mr. Xing Ping has been appointed as a member of the RC; and
11. The SDC has been cancelled.

Lists of members of the Board of Directors and its committees are set out on page 2 and 3 in this report.

Saved as the above changes, the changes in information of the Directors subsequent to the date of the 2017 annual report of the Company, which required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Chen Sui, the Chairman and non-executive director of the Company has been appointed as the chairman of CGN Nuclear Technology Development Co.,Ltd. (中廣核核技術發展股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: 000881) with effect from 30 July 2018.

Mr. Yao Wei, the non-executive Director has been appointed as the director of CGN Energy International Holdings Co., Limited with effect from 1 February 2018 and has resigned as a director of Edra Power Holdings Sdn. Bhd., a company incorporated in Malaysia with effect from 25 April 2018.

Mr. Xing Ping, the non-executive Director has resigned as a director of CGN Europe Energy Co., Ltd. (中廣核歐洲能源公司) with effect from 3 May 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

USE OF PROCEEDS

The Company was listed on the Main Board of the Stock Exchange on 3 October 2014. Net proceeds from the global offering (including the proceeds from the exercise of the overallotment option) were approximately HK$1,966.1 million (after deducting the underwriting fees and commissions and other listing-related expenses). On 27 December 2017, the Board resolved to reallocate the unutilised proceeds with a view to deploy its financial resources more effectively to enhance the operational and financial efficiency of the Group. For details, please refer to the announcement of the Company dated 27 December 2017. As at 30 June 2018, the unutilised proceeds of approximately HK$335.0 million were deposited into bank.

Other Information

Use of net proceeds from global offering

	Percentage to total amount	Net proceeds *(HK$ million)*	Utilised amount (up to 30 June 2018) *(HK$ million)*	Unutilised amount (up to 30 June 2018) *(HK$ million)*
Acquisition of clean and renewable power projects from CGN, the parent company of the Company	70%	1,376.3	1,376.3	–
Acquisition of operational power projects and development of greenfield projects acquired from independent third parties	1%	12.2	12.2	–
Repayment of bond with maturity date on 19 August 2018	17%	335.0	–	335.0
Working capital and other general corporate purpose	7%	144.4	144.4	–
Payment of interest expense from third-party borrowings and loan from fellow subsidiaries	5%	98.2	98.2	–
		1,966.1	1,631.1	335.0

Other Information

SHARE OPTION SCHEME

As at 30 June 2018, the Company had 18,180,000 share options (the "**Options**") outstanding under the share option scheme of the Company adopted on 24 November 2015 (the "**Share Option Scheme**").

Particulars of the Options outstanding under the Share Option Scheme at the beginning and at the end of the financial period for the six months ended 30 June 2018 and the Options granted, exercised, lapsed or cancelled under the Share Option Scheme are set out as below:

		Number of Share Options								
Grantee	**Date of grant**	**as at 1 January 2018**	**Granted during the six months ended 30 June 2018**	**Exercised during the six months ended 30 June 2018**	**Lapsed during the six months ended 30 June 2018**	**Cancelled during the six months ended 30 June 2018**	**as at 30 June 2018**	**Exercise price per share** *(HK$)*	**Closing price per share immediately before the date of grant** *(HK$)*	**Exercise period**
Chen Sui	8 December 2015	466,667	–	–	–	–	466,667	1.612	1.640	*Note*
Lin Jian (resigned on 22 January 2018)	8 December 2015	466,667	–	–	–	–	466,667	1.612	1.640	*Note*
Li Yilun (appointed on 22 January 2018)	8 December 2015	420,000	–	–	–	–	420,000	1.612	1.640	*Note*
Yao Wei (appointed on 22 January 2018)	8 December 2015	420,000	–	–	–	–	420,000	1.612	1.640	*Note*
Employees	8 December 2015	17,086,666	–	–	680,000	–	16,406,666	1.612	1.640	*Note*
		18,860,000	–	–	680,000	–	18,180,000			

Note: Subject to the fulfilment of the exercise conditions and the expiry of two years from the date of grant, the options are exercisable during each period specified below for up to the number of shares specified below:

(a) on the first business day after 24 months from the date of grant to the last business day in the 60th month after the date of grant, approximately one third of the Options granted will be exercisable; (b) on the first business day after 36 months from the date of grant to the last business day in the 72nd month after the date of grant, approximately an additional one-third of the Options granted will be exercisable; and (c) on the first business day after 48 months from the date of grant to the last business day in the 84th month after the date of grant, approximately one third of the remaining Options granted will be exercisable.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CGN NEW ENERGY HOLDINGS CO., LTD.
中國廣核新能源控股有限公司
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CGN New Energy Holdings Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 26 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 US$'000 (Unaudited)	 2017 US$'000 (Unaudited)
Revenue	3	**690,717**	524,527
Operating expenses:			
Coal, oil and gas		**420,775**	283,481
Depreciation of property, plant and equipment		**80,719**	68,175
Repair and maintenance		**20,096**	18,717
Staff costs		**31,470**	36,506
Others		**29,751**	27,726
Total operating expenses		**582,811**	434,605
Operating profit		**107,906**	89,922
Other income		**30,313**	5,420
Other gains and losses		**690**	(1,731)
Finance costs		**(53,127)**	(50,470)
Share of results of associates		**5,651**	5,071
Profit before tax		**91,433**	48,212
Income tax expenses	4	**(21,768)**	(12,275)
Profit for the period	5	**69,665**	35,937
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign subsidiaries and associates		**(25,164)**	37,576
Reclassification adjustments for amounts transferred to profit or loss			
– release of hedging reserve		**(66)**	(62)
– deferred tax credit arising on release of hedging reserve		**16**	15
Other comprehensive (expenses) income for the period		**(25,214)**	37,529
Total comprehensive income for the period		**44,451**	73,466
Profit for the period attributable to:			
Owners of the Company		**68,789**	34,107
Non-controlling interests		**876**	1,830
		69,665	35,937
Total comprehensive income for the period attributable to:			
Owners of the Company		**43,422**	71,376
Non-controlling interests		**1,029**	2,090
		44,451	73,466
Earnings per share			
– Basic *(US cents)*	7	**1.60**	0.79
– Diluted *(US cents)*	7	**1.60**	0.79

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	As at 30 June 2018 US$'000 (Unaudited)	As at 31 December 2017 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**2,531,187**	2,471,558
Prepaid lease payments		**50,201**	51,004
Goodwill		**178,353**	178,492
Interests in associates		**174,252**	168,111
Deferred tax assets		**24,491**	25,366
Other assets		**76,212**	61,046
		3,034,696	2,955,577
CURRENT ASSETS			
Inventories		**31,838**	33,723
Prepaid lease payments		**3,295**	3,343
Trade receivables	9	**316,638**	255,441
Other receivables and prepayments		**143,140**	134,454
Amounts due from non-controlling shareholders		**–**	8
Amounts due from associates	11	**12,615**	12,615
Amounts due from fellow subsidiaries	11	**20,025**	9,732
Tax recoverable		**3,642**	453
Pledged bank deposits	12	**55,560**	92,446
Short-term deposits	12	**59,089**	–
Bank balances and cash	12	**382,778**	242,825
		1,028,620	785,040
CURRENT LIABILITIES			
Trade payables	13	**153,714**	111,146
Other payables and accruals		**185,621**	170,660
Amounts due to fellow subsidiaries	11	**1,263**	5,561
Amounts due to non-controlling shareholders		**4,932**	6,370
Loan from a fellow subsidiary – due within one year	14	**152,922**	–
Advance from a non-controlling shareholder – due within one year		**2,337**	2,339
Bank borrowings – due within one year	15	**273,492**	179,032
Bond payables – due within one year		**355,045**	354,858
Contract liabilities – deferred connection charges		**43**	89
Government grants		**658**	658
Tax payable		**13,647**	9,975
Derivative financial instruments		**9,276**	9,957
		1,152,950	850,645
NET CURRENT LIABILITIES		**(124,330)**	(65,605)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,910,366**	2,889,972

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	As at 30 June 2018 US$'000 (Unaudited)	As at 31 December 2017 US$'000 (Audited)
NON-CURRENT LIABILITIES			
Advance from a non-controlling shareholder – due after one year		**895**	896
Loan from a fellow subsidiary – due after one year	14	**450,000**	450,000
Bank borrowings – due after one year	15	**1,409,312**	1,417,715
Contract liabilities – deferred connection charges		**116**	116
Government grants		**10,852**	11,190
Deferred tax liabilities		**49,671**	49,680
		1,920,846	1,929,597
NET ASSETS		**989,520**	960,375
CAPITAL AND RESERVES			
Share capital	16	**55**	55
Reserves		**904,035**	875,839
Equity attributable to owners of the Company		**904,090**	875,894
Non-controlling interests		**85,430**	84,481
TOTAL EQUITY		**989,520**	960,375

Condensed Consolidated Statement of Changes in Equity

At 30 June 2018

	Attributable to owners of the Company									
	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Other non-distributable reserves US$'000 (Note a)	Hedging reserve US$'000	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2017 (audited)	55	250,406	1,047	12,151	925	(51,235)	497,409	710,758	101,078	811,836
Profit for the period	–	–	–	–	–	–	34,107	34,107	1,830	35,937
Exchange difference arising on translation of foreign subsidiaries and associates	–	–	–	–	–	37,316	–	37,316	260	37,576
Release of hedging reserve	–	–	–	–	(62)	–	–	(62)	–	(62)
Deferred tax credit arising on release of hedging reserve	–	–	–	–	15	–	–	15	–	15
Total comprehensive (expenses) income for the period	–	–	–	–	(47)	37,316	34,107	71,376	2,090	73,466
Dividend recognised as distribution *(note 6)*	–	–	–	–	–	–	(20,167)	(20,167)	–	(20,167)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(4,094)	(4,094)
Recognition of equity-settled share-based payment	–	–	233	–	–	–	–	233	–	233
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,428	1,428
At 30 June 2017 (unaudited)	55	250,406	1,280	12,151	878	(13,919)	511,349	762,200	100,502	862,702
At 1 January 2018 (audited)	**55**	**250,406**	**2,032**	**10,986**	**830**	**66,522**	**545,063**	**875,894**	**84,481**	**960,375**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**68,789**	**68,789**	**876**	**69,665**
Exchange difference arising on translation of foreign subsidiaries and associates	**–**	**–**	**–**	**–**	**–**	**(25,317)**	**–**	**(25,317)**	**153**	**(25,164)**
Release of hedging reserve	**–**	**–**	**–**	**–**	**(66)**	**–**	**–**	**(66)**	**–**	**(66)**
Deferred tax credit arising on release of hedging reserve	**–**	**–**	**–**	**–**	**16**	**–**	**–**	**16**	**–**	**16**
Total comprehensive (expenses) income for the period	**–**	**–**	**–**	**–**	**(50)**	**(25,317)**	**68,789**	**43,422**	**1,029**	**44,451**
Dividend recognised as distribution *(note 6)*	**–**	**–**	**–**	**–**	**–**	**–**	**(15,447)**	**(15,447)**	**–**	**(15,447)**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(80)**	**(80)**
Recognition of equity-settled share-based payment	**–**	**–**	**221**	**–**	**–**	**–**	**–**	**221**	**–**	**221**
At 30 June 2018 (unaudited)	**55**	**250,406**	**2,253**	**10,986**	**780**	**41,205**	**598,405**	**904,090**	**85,430**	**989,520**

Note:

(a) Other non-distributable reserves principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the People's Republic of China (the "**PRC**"), under the relevant laws and regulations. Allocation to the statutory reserves shall be approved by the board of directors of the relevant subsidiaries. The appropriation to statutory reserves may cease if the balance of the statutory reserves has reached 50% of the registered capital of the respective subsidiaries. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when the statutory reserves are converted into capital, the balance of such reserves remaining unconverted must not be less than 25% of the registered capital of the referent subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**125,508**	103,792
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(148,133)**	(16,674)
Placement of short term deposits	**(59,089)**	–
Placement of pledged bank deposits	**(57,040)**	(108,700)
Addition of prepaid lease payments	**(837)**	–
Withdrawal of pledged bank deposits	**89,983**	72,398
Interest received	**1,565**	997
Proceeds from disposal of property, plant and equipment	**8**	–
Dividend received from an associate	**–**	8,792
NET CASH USED IN INVESTING ACTIVITIES	**(173,543)**	(43,187)
FINANCING ACTIVITIES		
New bank borrowings raised	**182,747**	43,441
Loan from a fellow subsidiary	**152,922**	–
Repayment of bank borrowings	**(63,058)**	(110,590)
Interest paid	**(52,940)**	(50,282)
Dividends paid to shareholders	**(15,447)**	(20,167)
Dividends paid to non-controlling shareholders	**(1,541)**	(4,094)
Capital contribution from non-controlling shareholders	**–**	1,428
Advance from non-controlling shareholders	**–**	192
Repayment to a fellow subsidiary	**–**	(39,792)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**202,683**	(179,864)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**154,648**	(119,259)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**242,825**	326,514
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(14,695)**	25,312
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**382,778**	232,567
Represented by:		
Bank balances and cash	**382,778**	232,567

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Stock Exchange.

As at 30 June 2018, the Company's ultimate and immediate holding companies are China General Nuclear Power Corporation ("**CGN**") and CGN Energy International Holdings Co., Limited respectively.

The Group had net current liabilities of approximately US$124 million as at 30 June 2018. Taking into account the financial resources of the Group, including the banking facilities and financing facilities granted by CGNPC Huasheng Investment Limited ("**CGNPC Huasheng**"), the fellow subsidiary of the Company, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group' s condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of electricity
- Tariff income (amount received from relevant government authorities for sales of electricity)
- Sales of steam
- Capacity charges
- Connection charges and others
- Management service fee (provision of management services to power plants operated by CGN and its subsidiaries)

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11 and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation – Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2.1.2 Summary of effects arising from initial application of IFRS 15

Revenue from the sale of electricity/steam and tariff income are recognised based upon output delivered. Under the transfer-of-control approach in IFRS15, revenue from sales of electricity/stream and tariff income is generally recognised upon transmission of electricity and steam to the customers, which is the point of time when the customer has the ability to direct the use of the output and obtain substantially all of the remaining benefits of the output. A receivable is recognised by the Group when the output is delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Capacity charges are payments from independent power purchasers for maintaining availability of some of the Group's power generators for dispatch of electricity, regardless of actual dispatch. Connection charges are one-off charges to new customers for connecting into a heat supply network approved by government. Management service fee income is recognised when the service is provided. The revenue from capacity charges, connection charges and management service are recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(Continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 *(Continued)*

Under IFRS 15, a contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Upon adoption of IFRS 15, advance from customers included in deferred connection charges amounting to US$159,000 was reclassified to contract liabilities as at the date of initial application, 1 January 2018.

As a result, other than reclassification of contact liabilities, the adoption of IFRS 15 does not have material impact on the amounts reported in the condensed consolidated financial statements.

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

In addition, the Group applied the hedge accounting requirements of IFRS 9 prospectively.

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. The application of IFRS 9 has had no material effect on classification and measurement of financial assets in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, amounts due from non-controlling shareholders/associates/fellow subsidiaries, pledged bank deposits, short-term deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for debtors with significant balances or collectively using a provision matrix based on its historical observed default rates which is adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(Continued)*

Impairment under ECL model *(Continued)*

Significant increase in credit risk (Continued)

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No additional impairment allowance was recognised at 1 January 2018 as the amount is considered not material.

Hedge accounting

The Group has elected to adopt the new general hedge accounting in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

As at 1 January 2018, the directors of the Company assessed the Group's existing hedging relationship and concluded that they will qualify as continuing hedging relationship on application of IFRS 9. Accordingly, there is no impact on the Group's current hedge designation and hedge accounting.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on geographical location are set out below.

Segment revenue and segment results

The board of directors of the Company reviews operating results and financial information of the Group based on individual power plant, management companies and on a location basis. Each power plant and management company constitutes an operating segment. For certain operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, produce electricity and/or steam by using similar production processes and all of electricity and/or steam are distributed and sold to similar classes of customers, provide similar consulting services to customers, their segment information is aggregated into a single reportable operating segment. The Group has three reportable segments as follows:

(1) Power plants in the PRC – Generation and supply of electricity;

(2) Power plants in Republic of Korea ("**Korea**") – Generation and supply of electricity; and

(3) Management companies – Provision of management services to power plants operated by CGN and its subsidiaries.

The following is an analysis of the Group's revenue and results by reportable segment:

Six months ended 30 June 2018 (Unaudited)

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	237,488	442,988	10,241	690,717
Timing of revenue recognition				
At a point of time	237,441	372,926	–	610,367
Over time	47	70,062	10,241	80,350
	237,488	442,988	10,241	690,717
Segment results	60,439	44,136	488	105,063
Unallocated other income				3,187
Unallocated operating expenses				(5,789)
Unallocated finance costs				(17,369)
Other gains and losses				690
Share of results of associates				5,651
Profit before tax				91,433

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and segment results *(Continued)*

Six months ended 30 June 2017 (Unaudited)

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	194,358	313,087	17,082	524,527
Segment results	44,651	20,381	813	65,845
Unallocated other income				351
Unallocated operating expenses				(3,842)
Unallocated finance costs				(17,482)
Other gains and losses				(1,731)
Share of results of associates				5,071
Profit before tax				48,212

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of certain other income, other gains and losses, share of results of associates, certain operating expenses and certain finance costs. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products:

	Six months ended 30 June	
	2018 ***US$'000*** **(Unaudited)**	2017 *US$'000* (Unaudited)
Sales of electricity	**495,380**	348,842
Tariff income	**57,989**	47,813
Sales of steam	**56,998**	43,325
Capacity charges	**70,062**	67,430
Connection charges and others	**47**	35
Management service fee	**10,241**	17,082
	690,717	524,527

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	**20,018**	11,137
Dividend withholding tax – current period	**672**	740
Deferred tax:		
Current period	**1,078**	398
	21,768	12,275

The Company is exempted from taxation in Bermuda.

Current tax provision represents provision for PRC Enterprise Income Tax, Hong Kong Profits Tax and Korean Corporate Income Tax ("**KCIT**").

Under the Law of People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

Certain subsidiaries of the Group in the PRC are under the Western China Development Plan and a preferential tax rate of 15% is granted for an extended period from 2011 to 2020. As a result, the tax rate of 15% is used to calculate the amount of current taxation.

Pursuant to KCIT law, the statutory income tax of the Group's Korean subsidiaries was calculated at a rate of 24.2% of the estimated assessable profit for the six months ended 30 June 2018 and 2017.

Pursuant to Hong Kong tax law, the statutory income tax was calculated at a rate of 16.5% of the estimated assessable profit for the six months ended 30 June 2018 and 2017. Pursuant to the tax laws in Republic of Malta and in Mauritius, the statutory income tax was calculated at a rate of 35% and 15%, respectively, for the six months ended 30 June 2018 and 2017. However, subsidiaries of the Group operating in these jurisdictions had not generated taxable income during both periods and therefore, no tax provision had been made by the Group in relation to these subsidiaries.

The Group's subsidiaries and associates that are tax residents in the PRC are subject to the PRC dividend withholding tax ranging from 5% to 10%, when and if undistributed earnings are declared and to be paid to those non-PRC tax resident immediate holding companies incorporated in Hong Kong and other jurisdictions as dividends out of profits that arose on or after 1 January 2008.

The Group's subsidiaries that are tax residents in Korea are subject to a 10% Korean dividend withholding tax based on the PRC-Korea Tax Treaty when and if undistributed earnings are declared and to be paid to non-PRC or non-Korea residents as dividends out of profits.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. INCOME TAX EXPENSES *(Continued)*

Deferred tax has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the profit for the current period of the Group's Korean subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments	**1,677**	1,651
Change in fair value of the derivative financial instruments (included in other gains and losses)	**(681)**	2,057
Income from sale of carbon emission quota	**23,442**	–
Staff costs		
– salaries and wages	**26,770**	31,236
– retirement benefits scheme contributions, excluding directors	**4,700**	5,270
Total staff costs, excluding directors	**31,470**	36,506

6. DIVIDEND

During the six months ended 30 June 2018 and 30 June 2017, a final dividend of US$0.36 cent and US$0.47 cent per share, amounting to US$15,447,000 and US$20,167,000, respectively, in respect of the years ended 31 December 2017 and 31 December 2016 respectively was declared and paid.

Subsequent to the end of the reporting period, the board of directors resolved not to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data.

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**68,789**	34,107

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

7. EARNINGS PER SHARE *(Continued)*

	Six months ended 30 June	
	2018	2017
Number of shares:		
Number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**4,290,824,000**	4,290,824,000

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market prices of shares during the six months ended 30 June 2018 and 2017.

8. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2018, the Group acquired plant and equipment with aggregated cost of approximately US$148,133,000 (30 June 2017: approximately US$16,674,000).

For the six months ended 30 June 2018, the Group disposed of certain plant and machinery with aggregated carrying amount of approximately US$101,000 (30 June 2017: approximately US$13,000) for cash proceeds of approximately US$8,000 (30 June 2017: nil), resulting in a loss on disposal of approximately US$93,000 (30 June 2017: loss of approximately US$13,000).

9. TRADE RECEIVABLES

	30 June 2018	31 December 2017
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade receivables	**316,984**	255,787
Less: allowance for bad and doubtful debts	**(346)**	(346)
	316,638	255,441

The Group allows a credit period from 30 to 90 days throughout the period to its trade customers. Approximately 59% (31 December 2017: 69%) of the trade receivables are neither past due nor impaired as at 30 June 2018. The management considers that these receivables have good credit rating under the credit review policy used by the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

9. TRADE RECEIVABLES *(Continued)*

The following is an ageing analysis of trade receivables net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the revenue recognition date.

	30 June 2018 ***US$'000*** **(Unaudited)**	31 December 2017 *US$'000* (Audited)
0 – 60 days	**173,177**	174,826
61 – 90 days	**13,148**	8,099
91 – 180 days	**33,291**	32,595
181 – 270 days	**28,794**	39,852
Over 270 days	**68,228**	69
	316,638	255,441

Included in the Group's trade receivable balance are debtors with aggregated carrying amount of approximately US$130,313,000 (31 December 2017: approximately US$90,507,000) as at 30 June 2018, which are past due as at the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these past due receivables is 183 days (31 December 2017: 85 days) as at 30 June 2018.

Ageing of trade receivables which are past due but not impaired

	30 June 2018 ***US$'000*** **(Unaudited)**	31 December 2017 *US$'000* (Audited)
Past due for:		
1 – 90 days	**33,291**	50,586
91 – 180 days	**28,794**	39,852
Over 180 days	**68,228**	69
Total	**130,313**	90,507

Details of the impairment assessment are set out in Note 10.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

10. IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES

As part of the Group's credit risk management, the Group applies debtors' aging for its PRC customers because these customers consist of a large number of grid companies with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. For its Korea customers with significant balances, the management assess the expected loss individually. At 30 June 2018, additional loss allowance for trade receivables were not material.

In addition, certain trade receivables amounting to US$130,313,000 are past due as at the end of the reporting period. These amounts represent the tariff premium receivable from relevant government authorities pursuant to Cai Jian [2012] No. 102 Notice on the Interim Measures for administration of Subsidy Funds for Tariff Premium of Renewable Energy (《可再生能源電價附加補助資金管理暫行辦法》) jointly issued by the Ministry of Finance, the National Department and Reform Commission and the National Energy Administration in March 2012. The tariff premium has been approved by relevant government authorities and is expected to be recovered within one year. Based on the historical settlement record, the directors of the Company consider the receivables is not credit impaired at 30 June 2018.

Movement in the allowance for bad and doubtful debts

	30 June 2018	31 December 2017
	US$'000	*US$'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**346**	1,420
Exchange differences	**–**	87
Allowance for bad and doubtful receivables	**–**	95
Amounts recovered during the period/year	**–**	(414)
Amounts written off during the period/year	**–**	(842)
At end of the period/year	**346**	346

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Accordingly, the directors of the Company believe that no further allowance is required in excess of the existing allowance for bad and doubtful debts.

11. AMOUNTS DUE FROM (TO) ASSOCIATES/FELLOW SUBSIDIARIES

As at 30 June 2018 and 31 December 2017, all amounts are non-trade nature, unsecured, non-interest bearing and recoverable/repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

12. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/SHORT-TERM DEPOSITS

Bank balances carry interest at market rates which range from 0% to 1.84% (31 December 2017: 0% to 1.72%) per annum as at 30 June 2018. The pledged bank deposits carry interest at market rates ranging from 0.1% to 1.84% (31 December 2017: 0.1% to 1.68%) per annum as at 30 June 2018.

Included in the cash balance, approximately US$14,395,000 (31 December 2017: approximately US$45,333,000) deposits has been made to CGNPC Huasheng. These deposits are unsecured, interest bearing within a range from 0.01% to 0.25% (31 December 2017: 0.01% to 1.72%) per annum and recoverable on demand. As the Group can withdraw these deposits without giving any notice and without suffering any penalty, the directors of the Company consider that these deposits made to CGNPC Huasheng is qualified as cash and cash equivalents.

As at 30 June 2018, approximately US$347,821,000 (31 December 2017: approximately US$179,831,000) of the bank and cash balance are deposited in CGN Finance Co., Ltd ("**CGN Finance**") , a fellow subsidiary established in the PRC with limited liability and a non-banking financial institution subject to the regulations of the People's Bank of China and the China Banking Regulatory Commission, in the PRC.

Pledged bank deposits are pledged to banks to secure bank borrowings granted to the Group, and it cannot be withdrawn prior to the approval of relevant banks.

Short-term bank deposits with maturity of more than three months carry interest at market rates of 1.69% to 1.84% per annum.

13. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 June 2018 *US$'000* **(Unaudited)**	31 December 2017 *US$'000* (Audited)
0 – 60 days	**129,056**	104,280
61 – 90 days	**8,067**	1,643
Over 90 days	**16,591**	5,223
Total	**153,714**	111,146

The average credit period on purchases of goods is 42 days (31 December 2017: 26 days) for the six months ended 30 June 2018. The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

14. LOANS FROM FELLOW SUBSIDIARIES

As at 30 June 2018, the loan from CGN Finance amounting to approximately US$152,922,000 (31 December 2017: Nil) is unsecured, interest bearing at 4.35% per annum and repayable in a year. It is shown as current liability as at 30 June 2018.

As at 30 June 2018, the loan from China Clean Energy Development Limited ("**China Clean Energy**"), a fellow subsidiary of the Company, amounting to US$450,000,000 (31 December 2017: US$450,000,000), is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 30 June 2018 and 31 December 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

15. BANK BORROWINGS

	30 June 2018 US$'000 (Unaudited)	31 December 2017 US$'000 (Audited)
Secured	**1,496,969**	1,548,923
Unsecured	**185,835**	47,824
	1,682,804	1,596,747
The maturity profile of bank borrowings is as follows:		
Within one year	**273,492**	179,032
More than one year but not exceeding two years	**179,677**	151,241
More than two years but not more than five years	**501,078**	496,015
Over five years	**728,557**	770,459
	1,682,804	1,596,747
Less: Amounts due for settlement within one year shown under current liabilities	**(273,492)**	(179,032)
Amounts due for settlement after one year	**1,409,312**	1,417,715

All bank borrowings at the end of the reporting period are denominated in the functional currency of the respective group entities. The bank borrowings of the Group carry interest rates which range from 1.75% to 6.62% (31 December 2017: 1.75% to 5.15%) per annum during the six months ended 30 June 2018.

Included in the Group's secured bank borrowings, US$152,216,000 (31 December 2017: US$188,339,000) and US$16,618,000 (31 December 2017: US$17,047,000) are guaranteed by the Group's fellow subsidiaries, CGN Wind Power Company Ltd ("**CGN Wind Power**") and CGN Solar Energy Development Co., Ltd ("**CGN Solar Energy**"), respectively.

Included in the Group's unsecured bank borrowings, US$42,277,000 (31 December 2017: US$25,980,000) are guaranteed by CGN Wind Power.

The Group pledged the following assets to banks for credit facilities granted to the Group:

	30 June 2018 US$'000 (Unaudited)	31 December 2017 US$'000 (Audited)
Property, plant and equipment	**1,157,944**	1,128,486
Prepaid lease payments	**24**	25
Trade receivables	**121,942**	95,452
Bank deposits	**55,560**	92,446
	1,335,470	1,316,409

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

16. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.0001 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	250,000,000,000	25,000
Issued and fully paid:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	4,290,824,000	429
		US$'000
Shown in the condensed consolidated financial statements as		55

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The directors of the Company would engage an independent valuer, whenever necessary, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will engage an independent valuer to perform the valuation and to determine the appropriate valuation techniques and inputs to the model. The findings of the valuation would be reported to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities regularly. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

The Group's derivative financial instruments represent foreign currency forward contracts amounting to approximately US$9,276,000 (31 December 2017: US$9,957,000) are measured at fair value at the end of the reporting period and grouped into Level 2 based on the degree to which the fair value is observable.

Major terms of the foreign currency forward contracts as follows:

Notional amounts	Maturity	Exchange rate
Sell RMB495,495,000	14 August 2018	US$1: RMB7.0785
Sell RMB495,530,000	14 August 2018	US$1: RMB7.0790

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from price).

Fair value are estimated based on forward exchange rates from observable forward exchange rates at the end of the reporting period and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised costs approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

18. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

	30 June 2018 **_US$'000_** **(Unaudited)**	31 December 2017 _US$'000_ (Audited)
Minimum lease payments under operating leases during the period/year in respect of premises	**4,556**	4,134

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	30 June 2018 **_US$'000_** **(Unaudited)**	31 December 2017 _US$'000_ (Audited)
Within one year	**5,167**	5,353
In the second to fifth year inclusive	**9,788**	8,817
Over five years	**6,281**	1,549
	21,236	15,719

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for two to ten years.

In accordance with the power purchase agreement ("**PPA**") entered into between CGN Korea Holdings Co., Ltd. ("**CGN Korea**") and Korea Electric Power Corporation ("**KEPCO**") in 1996 (the PPA was subsequently transferred from CGN Korea to CGN Yulchon Generation Company Limited upon the restructuring of the Group's operations in South Korea in July 2009), CGN Korea was required to construct electricity transmission facilities for connection of CGN Korea's power plant ("**Yulchon Plant**") to the power grid of KEPCO and CGN Korea was obligated under the PPA to sell such facilities to KEPCO within six months of commencing operation of Yulchon Plant. CGN Korea constructed electricity transmission facilities with a net book value of US$2,862,000, which was subsequently disposed of to KEPCO in 2005 for an amount approximate to US$1,365,000, resulting in a loss on disposal of approximately KRW1,707 million (equivalent to US$1,497,000) in 2005. The sales proceeds had been fully settled as of 31 December 2008.

In connection with such disposition of the electricity transmission facilities to KEPCO in 2005, CGN Korea has a right of use of the facilities for 20 years, which is the term of the PPA. Accordingly, it is considered as a sale and leaseback transaction and results in an operating lease. The difference between the net book value of the facilities and the related proceeds of approximately US$1,497,000 was considered as future lease payments and was recorded as long-term prepaid expenses. The carrying value of the long-term prepaid expenses as at 30 June 2018 is approximately KRW438 million (equivalent to US$392,000) (31 December 2017: approximately KRW481 million (equivalent to US$450,000)). These long-term prepaid expenses are to be amortised over the term of the PPA.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

18. COMMITMENTS *(Continued)*

(a) Operating lease commitments *(Continued)*

The Group as lessor

The Group has signed long-term electricity supply contracts with power purchasers since 2005 which, among other matters, require the Group to make some of its generation capacity available for a fixed capacity charge for 20 years.

At the end of each reporting period, the Group had contracted with lessees for future minimum lease payments in respect of leasing of generation capacity to power purchasers as follows:

	30 June 2018	31 December 2017
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within one year	**41,391**	43,223
In the second to fifth year inclusive	**165,568**	172,894
After five years	**82,784**	108,058
	289,743	324,175

(b) Capital commitments

	30 June 2018	31 December 2017
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**93,641**	137,090

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

18. COMMITMENTS *(Continued)*

(c) Acquisition of Xinjiang Project

On 22 December 2011, the Company entered into a joint development agreement with an independent third party being the vendor and an individual who is a director of the target company (the "**Target Company**") (collectively, the "**Parties**"), upon the satisfaction of certain conditions, to acquire 100% equity interest of the Target Company at a consideration of RMB 10 million (the "**Proposed Acquisition**").

The Target Company, through its 93% shareholding in the project company (the "**Project Company**"), owns the right to develop a wind farm project in the north eastern part of Xinjiang Autonomous Region of the PRC (the "**Xinjiang Project**"). The other 7% interest in the Project Company is owned by an independent third party.

At 30 June 2018, the Proposed Acquisition is still subject to final negotiation between the Parties.

19. RELATED PARTY DISCLOSURES

The Company is ultimately controlled by CGN, which is a state-owned enterprise under the direct supervision of the State Council of the PRC.

Apart from details of the balances with related parties disclosed in the condensed consolidated statement of financial position and other details disclosed elsewhere in the condensed consolidated financial statements, the Group also entered into the following significant transactions with related parties during the period:

Name of related company	*Notes*	Nature of transactions	Six months ended 30 June **2018** ***US$'000*** **(Unaudited)**	 2017 *US$'000* (Unaudited)
Hubei Xisaishan Power Generation Co. Ltd	(i)	Management service fee income	**27**	97
CGN Finance	(ii)	Interest income	**585**	472
CGN Energy Development Ltd ("**CGN Energy**") and its subsidiaries	(ii)	Management service fee income	**–**	568
CGNPC Huasheng	(ii)	Interest income	**75**	341
		Interest expense	**–**	113
Huamei Holding Company Limited ("**Huamei Holding**") and its subsidiaries	(ii)	Management service fee income	**3,294**	2,366
CGN Wind Power	(ii)	Management service fee income	**5,736**	6,844
CGN Solar Energy	(ii)	Management service fee income	**1,120**	1,147
China Clean Energy	(ii)	Interest expense	**10,182**	10,182
China Solar Energy Investment Limited	(ii)	Management service fee income	**–**	6,060

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

19. RELATED PARTY DISCLOSURES *(Continued)*

Notes:

(i) Hubei Xisaishan Power Generation Co. Ltd. is an associate of the Group.

(ii) CGN Finance, CGN Energy and its subsidiaries, China Clean Energy, CGNPC Huasheng, CGN Wind Power, CGN Solar Energy, China Solar Energy Investment Limited and Huamei Holding and its subsidiaries are fellow subsidiaries of the Company.

The Group has entered into various transactions including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. A majority of the bank deposits and about 60.8% (31 December 2017: 55.6%) of borrowings of the Group are with the PRC government-related entities as at 30 June 2018.

Also, the Group's transactions with other PRC government-related entities include sales of electricity to local power bureau and a state-owned entity. About 26% (31 December 2017: 29%) of its sales of electricity and capacity charges are to the PRC government-related entities for the six months ended 30 June 2018.

Certain directors have also been employed by CGN and its subsidiaries and the payments of their emoluments were borne by CGN and its subsidiaries for the period.

Compensation of key management personnel

The remunerations of directors and other key management for the periods ended 30 June 2018 and 2017 were as follows:

	2018 ***US$'000*** **(Unaudited)**	2017 *US$'000* (Unaudited)
Short-term benefits	**649**	695
Post-employment benefits	**50**	55
Benefits in kind	**3**	26
	702	776

The remuneration of directors and key executives is determined by having regard to the performance of individuals and the Group and market trends.

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following events took places:

(a) On 3 July 2018, CGN Daesan Power Co., Ltd, an indirect wholly-owned subsidiary of the Company, entered into a set of foreign hedging contracts with Shinhan Bank and KEB Hana Bank, respectively, to hedge against the foreign exchange risk in relation to European dollars/United State dollars/Canadian dollars against Korean won.

Further details of the transaction are set out in the Company's announcement dated 3 July 2018.

(b) On 20 August 2018, the Company has effected payment for the redemption of the bond payment in full. The redemption is funded by the Group's long-term internal resources.

Further details of the redemption are set out in the Company's announcement dated 20 August 2018.