ANNUAL REPORT 2018

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

Natural Energy Powering Nature

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

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)

Corporate Information

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)

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)

Corporate Information

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

AUDITOR

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

Corporate Information

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

Major Events in 2018

2018

February

- The wind power plant construction in Ninghai Yishi, Zhejiang Province was awarded "National Water and Soil Conservation Ecological Civilisation Project"

March

- Published 2017 annual results
- Organized 2017 annual results conference and, following which, held 2017 annual results non-deal roadshow

May

- Convened 2018 annual general meeting

August

- Published 2018 interim results
- Organized 2018 interim results conference and, following which, held 2018 interim results non-deal roadshow

- Achieved full on-grid connection for the wind power project in Anqiu Huangminshan, Shandong Province, with an installed capacity of 59.4 MW

Major Events in 2018

September

- Achieved full on-grid connection for the project of poverty alleviation in Chayou Zhongqi, Inner Mongolia Autonomous Region with an installed capacity of 30.0 MW

November

- Two informatization projects were awarded the 2018 Electricity Innovation Special Prizes by the China Electricity Council

2018年度电力创新奖
证 书
项目名称：风电场站无线信号覆盖的设计与实现
项目类别：信息化类
奖励等级：二等奖
获 奖 者：中国广核新能源控股有限公司
证书号：PIA-2018-X-2239-D01

2018年度电力创新奖
证 书
项目名称：新能源备件联储平台的研究与实现
项目类别：信息化类
奖励等级：二等奖
获 奖 者：中国广核新能源控股有限公司
证书号：PIA-2018-X-2232-D01

December

- Mr. Li Yilun, the President, was awarded the "Top Ten People in the New Energy Industry of 2018"

Chairman's Statement

Chen Sui
Chairman

Chairman's Statement

The Group will adhere to the basic principles of "Safety First", "Quality Foremost" and "Pursuing Excellence" in the course of business development and carry on the mission of "developing clean energy to benefit mankind".

Dear Honourable Shareholders,

The 2018 National Energy Work Conference highlighted that efforts should be made to build a clean and low-carbon green industrial system with a focus on green development, by steadily developing the construction of onshore wind power projects, accelerating the development of offshore wind power and distributed wind power, promoting the construction of photovoltaic power generation projects in an orderly manner and pushing ahead the development of distributed energy. At the Chinese Renewable Energy Conference held in November 2018, the National Energy Administration pointed out that the strategic planning for the expansion of clean energy industry and the supportive policy for the development of clean energy should be implemented unswervingly.

The development of energy system reform has sought progress amidst stability and entered a new phrase. In 2018, the installed capacity of renewable energy expanded steadily, while the consumption level of wind power and photovoltaic power has significantly improved from last year. As at 31 December 2018, the installed capacity of China's renewable energy reached 728 GW, representing an increase of 12% when compared with last year. Among which, installed capacity of wind power amounted to 184 GW and installed capacity of photovoltaic power reached 175 GW, representing an increase of 12.4% and 33.9% respectively. The curtailment rate of wind and solar power decreased by 5% and 2.8% as compared with that for the same period last year.

BUSINESS DEVELOPMENT

As the platform of non-nuclear clean and renewable power projects of China General Nuclear Power Corporation ("**CGN**"), the Group has followed the latest industry policies to ride on the trend.

In May 2018, the relevant authorities of China successively promulgated "Wind Power 518 New Policy and "Photovoltaic Power 531 New Policy", indicating that a new horizon has been opened up for wind power and photovoltaic industry where price competition centering on subsidy cut and market-oriented reform took place. This provided policy protection for a reasonable, healthy and stable growth of wind power and photovoltaic industry in the future. The Group actively developed wind power and solar power business. For the wind power business, we possessed professional and efficient project development capabilities with a focus on wind resources analysis that ensures the optimised utilization of wind resources and a well-established micro-site selection system. In respect of solar power business, the Group has years of project construction experience, along with the operation and maintenance capabilities for scientific projects as well as advanced technical research and development capabilities.

Brand promotion is a strong driver to quality development. In 2018, under the leadership of the Group, the concerted effort of our staff has taken our position in the new energy industry and our social influence to the next level. In December 2018, Mr. Li Yilun, the President of the Company, was awarded the "Top Ten People in the New Energy Industry of 2018".

OPERATING RESULTS

As at 31 December 2018, the attributable installed capacity of the Group's power plants reached 5,274.5 MW, representing a year-on-year increase of 312.1 MW or 6.3%. Electricity sales reached approximately 12,643.0 GWh, representing a year-on-year increase of 16.4%. The revenue of the Group amounted to approximately US$1.36 billion, representing a year-on-year increase of approximately 22.5%. Profit attributable to shareholders amounted to approximately US$88.2 million, representing a year-on-year increase of 42.5%. Basic earnings per share of the Group reached approximately US$2.06 cents (equivalent to HK$16.04 cents per share). The Board recommended a final dividend of US$0.51 cents per share (equivalent to HK$4.01 cents per share) for 2018.

FUTURE PROSPECT

With continuous deepening of the national electric power system reform, the new energy industry is experiencing significant transformation and turmoil, while facing both opportunities and challenges. The Group will adhere to the basic principles of "Safety First", "Quality Foremost" and "Pursuing Excellence" in the course of business development and carry on the mission of "developing clean energy to benefit mankind". The Group will also continue to explore clean and renewable energy market, strengthen its core competitiveness, prioritize environmental protection, soil and water conservation, and safety and quality management of projects, increase market share and enhance asset efficiency, thereby creating greater value for the shareholders and society.

Chen Sui
Chairman

20 March 2019

President's Statement

Li Yilun
President

President's Statement

Looking forward, the Group will stay on track for high-quality and innovative development to enhance its overall competitiveness, devoted to strengthen cost control, optimize various systems and mechanisms, and boost project efficiency on an ongoing basis, so as to reward the shareholders with outstanding operating results.

Dear Honourable Shareholders,

2018 is a critical transitional year for the implementation of the "Thirteenth Five-year Plan". Under the leadership of the Board of the Company and with the concerted efforts of all staff, the Company adhered to its strategic planning when upholding the basic principles of "Safety First", "Quality Foremost" and "Pursuing Excellence" along with the core value of "Doing Things Right in One Go". Meanwhile, it continued to work towards high-quality and innovative development by improving business management, with an endeavor to contribute to the new energy business.

INDUSTRY LANDSCAPE

At the 2019 National Energy Work Conference held in December 2018, it was emphasized that the deepening of the supply-side structural reform would remain the main theme, with a goal to accelerate the establishment of a clean, low-carbon, safe and efficient energy system through the market-oriented reform as well as the energy production and consumption revolution.

In 2018, the clean energy industry grew steadily and the renewable energy planning and industrial policies system further optimized, which brought the installed capacity of renewable energy to over 700 GW. In 2018, domestic power generation from renewable energy increased year-on-year by 170 TWh to 1,870 TWh, which accounted for 26.7% of total power generation, in which, wind power generation reached 366 TWh, representing a year-on-year increase of 20.2%, and photovoltaic power generation amounted to 178 TWh, representing a year-on-year increase of 50.8%.

BUSINESS DEVELOPMENT AND OPERATION MANAGEMENT

As the platform of non-nuclear clean and renewable power projects of CGN, the Group fully capitalized on its own advantages and leveraged the high-quality energy resources, outstanding technology level and advanced management concepts to actively and steadily carry out all tasks in 2018.

Wind power and solar power generation projects achieved steady growth in 2018. 3 new wind power projects and 8 new solar power projects contributed to an additional 113.4 MW and 224.0 MW of total installed capacity respectively.

Safety management provides a solid foundation for high-quality development. Underpinned by advanced safety management philosophy and a comprehensive safety management system, all projects of the Group operated in a safe and steady manner. During the year ended 31 December 2018, there was no fatal accident, serious injury, major equipment damage, and the Group crossed the 1,000-day mark for cumulative days without death or serious injury.

In pursuit of high-quality development, we treat poverty alleviation as a part of our social responsibilities. The Group devoted great efforts in stability preservation and poverty relief. To fulfil social responsibilities and benefit the community, it newly added 2 photovoltaic poverty relief projects in Inner Mongolia Autonomous Region in 2018, with a total installed capacity of 90.0 MW.

The Group has maintained efficient and steady operation. In 2018, it outperformed many players in the new energy industry and received the "2018 Best PRC Wind Power Developer Award" from the Chinese Wind Energy Association. Two of its informatization projects, namely the "Research and Application of the New Energy Parts Connected Storage Platform" and the "Design and Application of Wireless Signal Coverage for Wind Farms", were awarded the second prize of 2018 Electricity Innovation Special Prizes by the China Electricity Council.

PROSPECTS

In 2018, the wind power and photovoltaic power business has entered into a new era of competitive resources allocation, while market-oriented transactions took up an increasing share in electricity transactions. The year 2019 is crucial for the high-quality development of the renewable energy industry, where the wind power and photovoltaic industries embrace great opportunities and challenges.

Looking forward, the Group will stay on track for high-quality and innovative development. With continuous forecast on industry trend and new energy policies, it aims to enhance its overall competitiveness and push forward the development of non-nuclear, clean and renewable energy. While focusing on the large-scale infrastructure projects in the "three northern regions", the offshore wind power project and the photovoltaic frontrunner project as key development aspects, it continuously enhances asset size, with efforts devoted to strengthen cost control, optimize various systems and mechanisms, and boost project efficiency on an ongoing basis, so as to reward the shareholders with outstanding operating results.

Li Yilun
President

20 March 2019

Distribution of Projects

Wind | Solar | Gas-fired | Hydro
Cogen | Coal-fired | Oil-fired | Steam

Henan

	Total Installed Capacity	Equity
Lankao Lanyang	10 MW	100%
Puguang	250 MW	100%
Jiyuan Juli	5.7 MW	100%

Gansu

	Total Installed Capacity	Equity
Beiba	199.5 MW	100%
Minqin I	49.5 MW	100%
Minqin II	49.5 MW	100%
Hongshagang	400 MW	100%
Daliangdong	47.5 MW	100%
Daliangbei	47.5 MW	100%
Liuyuan	49.5 MW	60%
Jinta	9 MW	100%
Dunhuang I	9 MW	100%
Dunhuang II	9 MW	100%

Qinghai

	Total Installed Capacity	Equity
Xitieshan I	10 MW	100%
Xitieshan II	30 MW	100%
Xitieshan III	60 MW	100%
Wulan	30 MW	100%
Ledu	30 MW	100%

Sichuan

	Total Installed Capacity	Equity
Mianyang	51 MW	75%

Guangxi

	Total Installed Capacity	Equity
Fushi I	54 MW	70%
Fushi II	18 MW	100%
Zuojiang	72 MW	60%

Guangdong

	Total Installed Capacity	Equity
Airport I	9.9 MW	100%
Airport II	4.5 MW	100%
Shangyang	2 MW	100%

Hunan

	Total Installed Capacity	Equity
Jiajia	6 MW	100%

Inner Mongolia

	Total Installed Capacity	Equity
Wuhai	50 MW	100%
Chayou Zhongqi	30 MW	53.67%
Chifeng New Golden Energy	60 MW	74%

Distribution of Projects

Korea

	Project	Total Installed Capacity	Equity
	Daesan I	507 MW	100%
	Yulchon I	577.4 MW	100%
	Yulchon II	946.3 MW	100%
	Yulchon Fuel Cell	4.8 MW (Phase I)	100%
		5.6 MW (Phase II)	100%
		5 MW (Phase III)	100%
		10 MW (Phase IV)	100%

Shandong

	Project	Total Installed Capacity	Equity
	Tangwangshan I	20.4 MW	100%
	Taipingshan I	49.3 MW	100%
	Linqu Longgang	48 MW	100%
	Liuwangzhuang	38.3 MW	100%
	Shagou I	49.5 MW	100%
	Tangwangshan II	49.5 MW	100%
	Anqiu Huangminshan	59.4 MW	100%
	Qingyun Zaoyuan	44 MW	87%
	Laoling Tieying	15 MW	100%
	Laoling Tieying II	20 MW	100%

Jiangsu

	Project	Total Installed Capacity	Equity
	Haian	27 MW	100%
	Nantong	48 MW	100%
	Siyang Beichuan	23.5 MW	100%

Shanghai

	Project	Total Installed Capacity	Equity
	Jinqiao	295 tons/hour	60%
	Tongce	4.5 MW	100%

Anhui

	Project	Total Installed Capacity	Equity
	Hefei Hi-tech Sinotrans	4.6 MW	100%

Zhejiang

	Project	Total Installed Capacity	Equity
	Ninghai Yishi	48 MW	100%
	Tuci	30 MW	100%
	Zhushan	45 MW	100%
	Jiaxing	10.6 MW	100%

Hubei

	Project	Total Installed Capacity	Equity
	Hanneng	176.5MW	60%
	Huangshi I	760 MW	49%
	Huangshi II	1,360 MW	49%

Financial and Operating Highlights

EBITDA[1]

(US$ million)

347

Increased by 14%
as compared with 2017

REVENUE

(US$ million)

1,358

Increased by 23%
as compared with 2017

NET PROFIT ATTRIBUTABLE TO OWNER OF THE COMPANY

(US$ million)

88

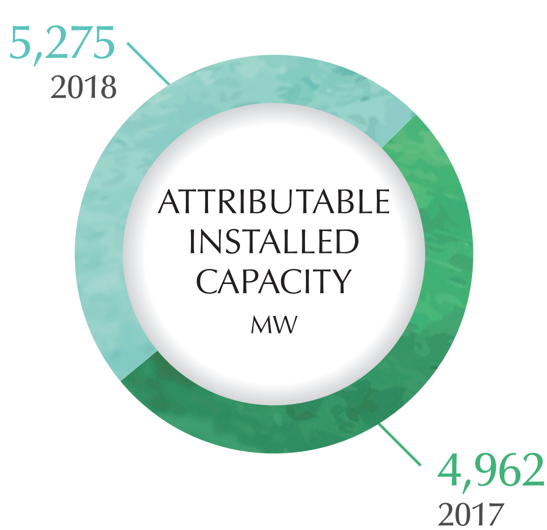
Increased by 43%
as compared with 2017

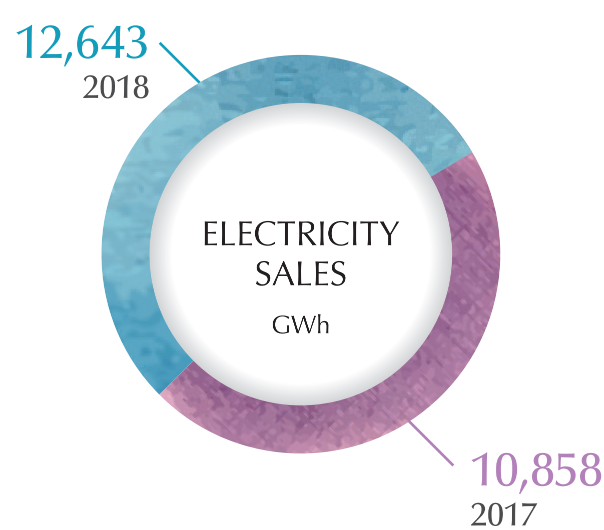
EPS

US cents per share

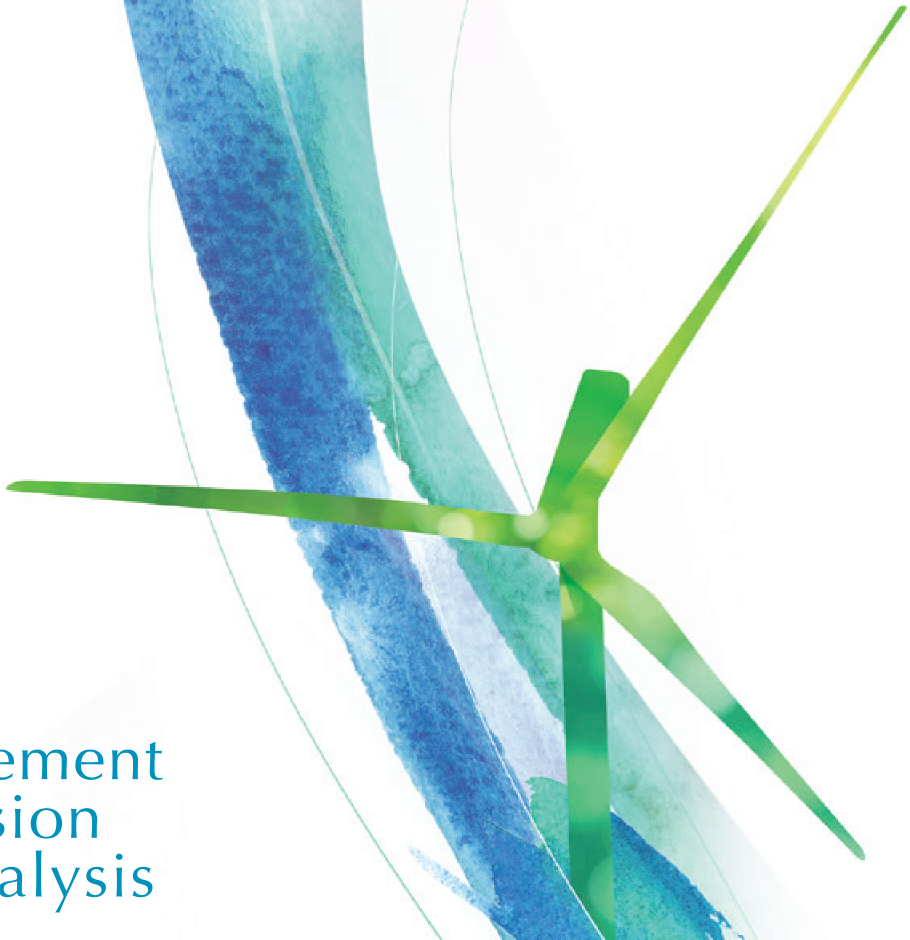
2.06

Increased by 43%
as compared with 2017





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



Management Discussion and Analysis

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, two autonomous regions and a municipality with wide geographical coverage and diversified business scope.

Chairman's Statement
President's Statement
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Biographies of Directors and Members of the General Manager Office
Report of the Directors
Corporate Governance Report

Management Discussion and Analysis

I. INDUSTRY OVERVIEW

In 2018, China's macro economy had been developing smoothly and achieving progress amidst stability. According to the data published by the National Energy Administration of the PRC, the installed capacity of the PRC amounted to 1,900 GW throughout the year, representing a year-on-year increase of 6.5%, while electricity consumption amounted to 6,845 TWh, representing a year-on-year increase of 8.5%.

The accumulated installed grid-connected wind power capacity for 2018 reached 184 GW, with a year-on-year increase of 12.4%, while the annual accumulated on-grid wind power generation amounted to 366 TWh, representing a year-on-year growth of 20.2%. The annual average curtailment rate of wind power amounted to 7%, representing a year-on-year decrease of 5%, showing a remarkable reduction in curtailment rate. In 2018, the accumulated installed grid-connected solar power capacity recorded 175 GW, with a year-on-year increase of 33.9%. The annual accumulated on-grid solar power generation amounted to 178 TWh, representing a year-on-year growth of 50.8%. The annual average curtailment rate of solar power amounted to 3%, representing a year-on-year decrease of 2.8%.

Under the guidance of national policy and planning, power investment gradually shifted its focus to clean energy with an accelerating transformation towards low-carbon energy structure. In 2018, China had introduced a number of policies to secure the development of renewable energy.

The Wind Power 518 New Policy and Photovoltaic 531 New Policy were introduced due to the inordinate insufficiency of the renewable energy subsidy. The promulgation of the two new policies implied that development of wind power and photovoltaic industries in the PRC has entered into a new era, where price competition centering on subsidy cut and market-oriented reform took place.

In June 2018, the Ministry of Finance, the NDRC and the National Energy Administration jointly issued the "Notice on Publication of the Renewable Energy Tariff Subsidies Catalogue (the Seventh Batch)"（《關於公佈可再生能源電價附加資金補助目錄（第七批）的通知》）, which provided policy support and subsidy to the renewable energy industry, with a view to easing the funding pressure faced by the enterprises and firmly supporting the development of the renewable energy industry in China through practical actions.

In October 2018, the "Action Plan on Clean Energy Consumption (2018-2020)"（《清潔能源消納行動計劃（2018-2020年）》） issued by the NDRC and National Energy Administration clearly stated that the objective of clean energy consumption work was to focus on basically solving the problem of clean energy consumption by 2020. The document pointed out the difficulties in clean energy consumption would be tackled with more devotion, bigger efforts and more effective measures, aiming at establishing a long-term mechanism for clean energy consumption.

In order to accelerate the construction of a clean, low-carbon, safe and efficient energy system as well as to promote the development and utilization of renewable energy, the Renewable-Sourced Electricity Quotas was introduced in PRC. In November 2018, the NDRC and National Energy Administration issued the "Circular on Operating the Renewable-Sourced Electricity Quotas (draft for comments)"（《關於實行可再生能源電力配額制的通知（徵求意見稿）》）, the third round of consultation draft on Renewable-Sourced Electricity Quotas and Examination Method in 2018, emphasizing the dedication to the consumption of renewable energy through quota system.

In January 2019, in an endeavour to boost the high-quality development of renewable energy and enhance the market competitiveness of wind power and photovoltaic power generation, the NDRC and National Energy Administration issued the "Notice on Actively Promoting Work Related to Unsubsidized Wind Power and Photovoltaic Power Generation Grid-Parity Projects"（《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》）to facilitate the requirements of the projects and supporting policy measures.

Management Discussion and Analysis

The future structural shifts in energy consumption will give top priority in making wind power and photovoltaic power as the key factors of future growth in clean energy. Enterprises are required to comply with the national strategy for renewable energy development and unswervingly promote the existing strategic objectives, while actively adapting to the new requirements under the new situation with strong confidence to hold on a clear strategic focus.

From 2018 onwards, with the introduction of offshore wind power planning in various locations, offshore wind power ushered in a golden period of development. In early 2018, "Guidelines for Energy Work in 2018" （《2018年能源工作指導意見》） published by the National Energy Administration stated the construction scale of the newly-commenced wind power projects for 2018 amounted to approximately 25 GW with newly commissioned installed capacity of approximately 20 GW, which aimed at promoting offshore wind power construction in an active and stable manner, as well as exploring the establishment of offshore wind power demonstration project in deep seas. According to the "13th Five-Year Plan", installed capacity of offshore wind power would be around 5 GW in 2020. It is hoped that, by 2020, the cost of offshore wind power would be close to that of onshore wind power.

In 2018, the newly commissioned installed capacity of offshore wind power amounted to 1,610 MW, bringing the accumulated installed capacity to 3,630 MW, while projects under construction reached approximately 11 GW. It is expected that the "13th Five-Year Plan" target could be fulfilled in advance. High-power wind turbines have become the direction of future development of offshore wind power. Currently, an offshore generation unit with the maximum single capacity in China achieved 8 MW and is soon to rise to 10 MW. Currently, the major provinces for developing offshore wind power, such as Guangdong, Fujian and Jiangsu, have explored various opportunities with "competitive pricing terms". It is foreseeable that offshore wind power generation will have a promising development prospect and huge market potential.

In addition, the GDP growth rate in the Korean market for 2018 was 2.7%, representing a significant slowdown in growth. The overall economic level has maintained in a slump and the unemployment rate continued to rise. As the Korean power market is undergoing a transformation of energy structure, it is expected that there would be an increase in renewable energy and natural gas power plants in the future. Against an increasingly intense competition in the power market caused by the operation of new power plants, coupled with the impact of rising natural gas prices, the profitability of Korean gas-fired power generation companies was affected.

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, two autonomous regions and a municipality with wide geographical coverage and diversified business scope. As of 31 December 2018, the operations in the PRC and Korea accounted for approximately 61.0% and 39.0% of our attributable installed capacity of 5,274.5 MW respectively. Clean and renewable energy projects (namely wind, solar, gas-fired, hydro and fuel cell projects) accounted for 66.5% of our attributable installed capacity; and conventional energy projects (namely coal-fired, oil-fired and cogen projects) accounted for 33.5% of our attributable installed capacity.

Management Discussion and Analysis

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

US$ million	**Korea Gas-fired and Oil-fired projects**	**PRC Coal-fired, Cogen and Gas-fired projects**	**PRC Hydro projects**	**PRC Wind projects**	**PRC Solar projects**	**Corporate**	**Total**
For the year ended 31 December 2018							
Revenue	**871.8**	**223.8**	**33.3**	**153.5**	**50.2**	**25.9**	**1,358.5**
Operating expenses	**(800.5)**	**(202.8)**	**(22.6)**	**(73.4)**	**(22.9)**	**(37.1)**	**(1,159.3)**
Operating profit	**71.3**	**21.0**	**10.7**	**80.1**	**27.3**	**(11.2)**	**199.2**
Profit for the year	**55.2**	**8.2**	**9.2**	**45.8**	**17.3**	**(44.4)**	**91.3**
Profit attributable to the owners of the Company	**55.2**	**6.3**	**8.7**	**45.1**	**17.3**	**(44.4)**	**88.2**

US$ million	Korea Gas-fired and Oil-fired projects	PRC Coal-fired, Cogen and Gas-fired projects	PRC Hydro projects	PRC Wind projects	PRC Solar projects	Corporate	Total
For the year ended 31 December 2017							
Revenue	663.6	206.7	33.6	129.4	38.0	37.2	1,108.5
Operating expenses	(601.2)	(187.5)	(20.1)	(65.0)	(17.2)	(51.3)	(942.3)
Operating profit	62.3	19.2	13.6	64.4	20.8	(14.1)	166.2
Profit for the year	30.6	36.4	10.4	31.3	12.9	(55.6)	66.0
Profit attributable to the owners of the Company	30.6	32.6	10.0	31.4	12.9	(55.6)	61.9

Korea Gas-fired and Oil-fired projects

The utilization hours of our Korea gas-fired plants increased from 4,124 hours to 4,911 hours in 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$871.8 million.

Net profit increased from US$30.6 million to US$55.2 million, which was mainly attributable to the non-recurring one-off post tax gains of approximately US$17.4 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 increase in sales of steam by US$11.7 million as a result of increase in both the number of tonnes sold and the weighted average tariff of the cogen projects. However, the profit dropped by US$28.2 million mainly due to one-off impairment loss and loss on disposal of property, plant and equipment of the cogen projects of US$23.4 million and US$2.9 million, respectively.

Management Discussion and Analysis

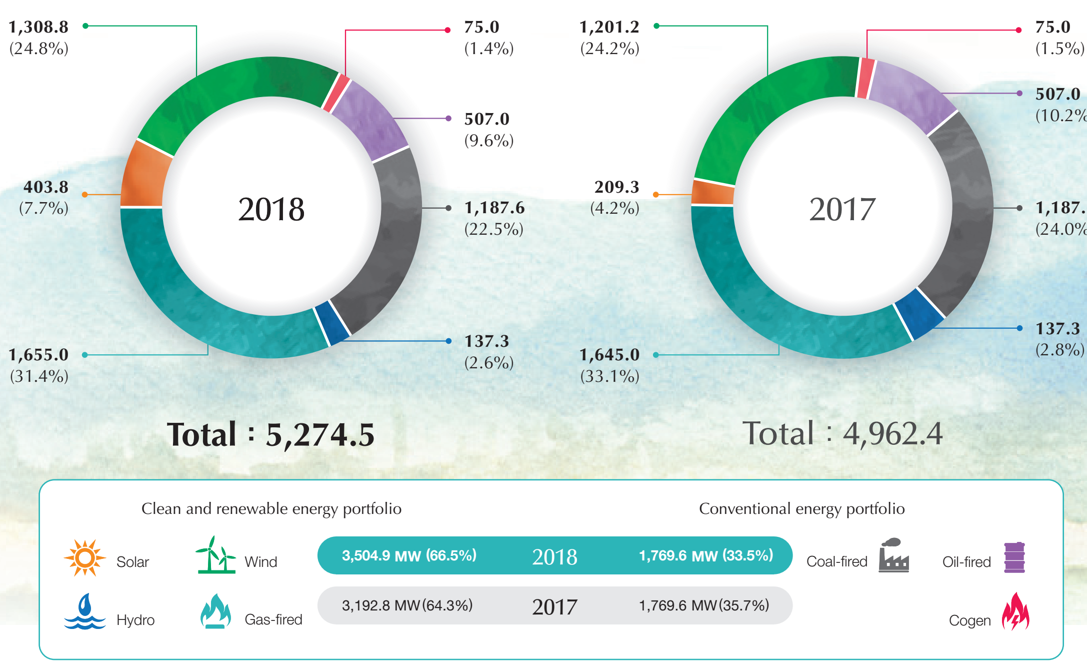
PRC Wind projects

In 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 amounting to US$21.4 million; (2) better wind resources and lower grid curtailment which led to the increase in average utilization hours from 1,619 hours to 1,894 hours as well as the increase in generation of gross electricity. Overall, the operating profit soared to US$80.1 million.

PRC Solar projects

The Group's newly commissioned installed capacity of solar projects amounted to 224.0 MW in 2018. The increase in revenue was mainly attributable to contribution from newly commissioned solar projects amounting to US$14.2 million. With stable operating expense, the operating profit amounted to US$27.3 million, representing an increase of US$6.5 million as compared with US$20.8 million in 2017.

The attributable installed capacity of the Group's power assets as of 31 December 2018 and 2017 by fuel type are set out as follows:



In 2018, there have been material changes in the environment of renewable energy market. Under the new situation, the Group strived to conduct forward-looking research of renewable energy policy. Throughout the year, the Group closely monitored and looked into the policy in relation to bidding prices, quota system and offshore wind power, with the purpose of providing effective guidance for the development.

Management Discussion and Analysis

Project Additions

As at 31 December 2018, the attributable installed capacity of the Group reached 5,274.5 MW, representing an increase of 312.1 MW or 6.3% from last year, among which, attributable installed capacity of wind power was 1,308.8 MW, representing a year-on-year increase of 9.0%, while that of solar power amounted to 403.8 MW with a year-on-year increase of 92.9%. As at 31 December 2018, the consolidated installed capacity of the Group's power plants reached 4,520.3 MW.

The Group pushed forward the development of wind power business steadily. In 2018, the newly commissioned installed capacity of wind power of the Company amounted to 113.4 MW, which included (1) the Anqiu Huangminshan wind power project in Shandong Province with a capacity of 59.4 MW; (2) the Qingyun Zaoyuan wind power project in Shandong Province with a capacity of 44.0 MW; and (3) the Lankao Lanyang distributed wind power project in Henan Province with a capacity of 10.0 MW.

In 2018, the Group further consolidated the development of solar power business with an additional total installed capacity of 224.0 MW in new projects, which included (1) two distributed rooftop photovoltaic power projects, Jiajia project in Hunan Province with a capacity of 6.0 MW and Tongce project in Shanghai City with a capacity of 4.5 MW; (2) the Ledu photovoltaic project with a capacity of 30.0 MW in Qinghai Province; (3) Laoling Tieying II Project with a capacity of 20.0 MW in Shandong Province; and (4) the Wuhai photovoltaic frontrunner project with a capacity of 50.0 MW in Inner Mongolia Autonomous Region.

Furthermore, in November 2018, the Group commenced commercial operation of the 10.0 MW Yulchon Fuel Cell Project (Phase IV) in Korea. The Group's Nantong cogen project in Jiangsu Province expanded installed capacity by 30.0 MW, and commenced commercial operation in January 2019.

Safety Management

Upholding the belief that safety is the first priority, the Group paid close attention to safety by continuously enhancing operational management, maintaining equipment quality and improving controlling level to ensure a safe and stable operation of each project site. The Group actively promoted standardisation of production safety. Through the optimization of operational procedure, elimination of potential safety hazards and unification of safety signs, the safety management level was enhanced as a whole to ensure a stable safety environment of the Company.

Onshore Development of Preliminary Projects

The Group continued to optimise the development layout of wind power and solar power, thereby maintaining sustainable development and preparing for resources reservation. In 2018, there was a total installed capacity of over 1,000 MW in respect of additional wind power projects which have been approved and not yet commenced construction. All these projects were located in the regions that were not subject to grid curtailment. It is expected that the total newly installed capacity in 2019 will keep steady growth.

Management Discussion and Analysis

Offshore Wind Power

In 2018, the development of offshore wind power in China has progressed steadily. Under the strong policy support and driven by positive factors, such as the deregulation of wind power construction in various provinces, many provinces successively developed offshore wind power. As at 31 December 2018, the offshore wind power projects of the Company and entrusted to be managed by the Company, which have been approved but not yet commenced construction, has accumulated over 8,000 MW, which are located in Guangdong Province, Jiangsu Province and Zhejiang Province. The Company will manage the construction of its projects and the pace of their operation in accordance with the national policies and the Company's overall strategy.

Electricity Generation

The electricity sales (GWh) of the projects of the Group are set out as follows:

	For the year ended 31 December	
	2018	2017
PRC wind projects	**2,405.0**	1,976.3
PRC solar projects	**406.2**	295.2
PRC coal-fired, cogen and gas-fired projects	**1,644.0**	1,643.0
PRC hydro projects	**818.9**	775.3
Korea gas-fired projects	**7,368.9**	6,168.5
Total	**12,643.0**	10,858.3

As of 31 December 2018, the electricity sales by the Group's consolidated power generation projects amounted to 12,643.0 GWh, representing an increase of 16.4% from 10,858.3 GWh as compared with that of last year. The increase in electricity sales 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 better wind resources and lower grid curtailment. The electricity sales by wind power projects and solar power projects reached 2,405.0 GWh and 406.2 GWh, representing growth rates of 21.7% and 37.6%, respectively.

The total steam sold by the Group amounted to 3,238,000 tonnes, representing an increase of 36,000 tonnes with a growth rate of 1.1% as compared with last year. The increase was mainly due to higher local demand.

Management Discussion and Analysis

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

Average utilization hour by fuel type(1)

	For the year ended 31 December	
	2018	2017
PRC Wind Projects(2)	**1,894**	1,619
PRC Solar Projects(3)	**1,418**	1,458
PRC Coal-fired Projects(4)	**4,617**	4,028
PRC Cogen Projects(5)	**5,183**	5,485
PRC Hydro Projects(6)	**4,310**	4,080
Korea Gas-fired Projects(7)	**4,911**	4,124

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 for the year ended 31 December 2018 for the PRC wind projects in the Shandong Province, the Zhejiang Province, the Gansu Province and the Henan Province were 2,191, 2,064, 1,740 and 2,517, respectively. Average utilization hours for the PRC wind power projects increased mainly due to the following two reasons: i) better overall wind resources which led to increase in the total volume of electricity generation; and ii) the improvement in the situation of domestic wind power curtailment in 2018.

(3) The average utilization hours for the year ended 31 December 2018 for the PRC solar projects in the Western Region, the Central Region and the Eastern Region of the PRC were 1,512, 1,022 and 1,170, respectively. Average utilization hours for the PRC solar power projects decreased slightly mainly due to the following two reasons: i) the situation of domestic solar power curtailment in the Central Region slightly worsened in 2018; and ii) the newly installed capacity was mainly commissioned in the second half of 2018, during which the sunshine period is relatively shorter.

(4) Average utilization hour for the PRC coal-fired projects increased in 2018 due to increase in electricity generation arising from increase in local demand.

(5) Average utilization hour for the PRC cogen projects decreased mainly due to decrease in local demand, which led to decrease in total volume of electricity generation.

(6) Average utilization hour for the PRC hydro projects increased due to better water resources in the Guangxi province in 2018.

(7) Our Korea gas-fired power projects had higher utilization hour in 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.

Management Discussion and Analysis

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 Group for the periods indicated below:

Weighted average tariff (inclusive of VAT)(1)

		For the year ended 31 December	
	Unit	**2018**	2017
PRC Wind Projects(2)	RMB per kWh	**0.50**	0.53
PRC Solar Projects(3)	RMB per kWh	**0.94**	1.02
PRC Coal-fired Projects(4)	RMB per kWh	**0.45**	0.45
PRC Cogen Projects(4)(5)	RMB per kWh	**0.47**	0.46
PRC Hydro Projects(6)	RMB per kWh	**0.32**	0.34
Korea Gas-fired Projects(7)	KRW per kWh	**121.16**	104.98
Weighted average tariff-steam (inclusive of VAT)			
PRC Cogen Projects(8)	RMB per ton	**228.10**	176.90

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 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 decreased in 2018 due to keen competition of involvement in electricity bid trading.

(4) The weighted average tariffs for our PRC coal-fired and PRC cogen projects remained stable in 2018.

(5) The weighted average tariff for our PRC cogen projects excludes steam tariff.

(6) The tariff of peak season from May to October in 2018 was adjusted downwards by 10% by the Guangxi local government, which led to decrease in weighted average tariff.

(7) The weighted average tariff for Korea gas-fired projects includes the tariff for the 25.4 MW fuel cell projects owned by Yulchon I Power Project. The increase in weighted average tariff for our Korea gas-fired projects was in line with the increase in Korean gas price.

(8) The weighted average tariff of steam increased in 2018, which was in line with the increase in PRC coal price.

Management Discussion and Analysis

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

	Unit	For the year ended 31 December 2018	2017
PRC weighted average standard coal price(1)(2)	RMB per ton	**842.0**	785.0
Korea weighted average gas price(1)(3)	KRW per Nm^3	**594.6**	516.8

Notes:

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

(3) Our Korea weighted average gas price in 2018 increased compared to 2017 due to the increase in the prices known as the Japanese Crude Cocktail, which are calculated with reference to the average prices of crude oil imported into Japan and are an important determinant of natural gas prices in Korean markets. Yulchon I Power Project's power purchase agreement ("**PPA**") allows us to pass on the fuel cost fluctuations of the tariff to our customers in accordance with the laws.

Revenue and segment information

The Group has three reportable segments as follows:

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

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

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

Management Discussion and Analysis

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

For the year ended 31 December 2018

	Power plants in the PRC *US$'000*	**Power plants in Korea** *US$'000*	**Management companies** *US$'000*	**Total** *US$'000*
Segment revenue – external	**461,269**	**871,770**	**25,448**	**1,358,487**
Segment results	**67,571**	**70,970**	**1,212**	**139,753**
Unallocated other income				**93**
Unallocated operating expenses				**(2,975)**
Unallocated finance costs				**(34,627)**
Unallocated other gains and losses				**5,975**
Share of results of associates				**16,819**
Profit before tax				**125,038**

For the year ended 31 December 2017

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	407,861	663,536	37,163	1,108,560
Segment results	86,519	39,850	1,779	128,148
Unallocated other income				388
Unallocated operating expenses				(8,282)
Unallocated finance costs				(35,021)
Unallocated other gains and losses				(9,948)
Share of results of associates				19,268
Profit before tax				94,553

Segment revenue for power plants in the PRC increased by 13.1%, which was mainly attributable to increase in revenue from wind, solar, coal-fired, cogen and gas-fired projects.

Segment revenue for power plants in Korea increased by 31.4%, it was mainly due to the higher power demand caused by the extremely cold weather and higher demand from clean energy.

The Group provides management services to certain subsidiaries of CGN starting from May 2014. The decrease in segment revenue from the management companies by 31.5% was mainly because the entrustment agreement with CGN in relation to certain overseas assets was not renewed in 2018.

Segment results for power plants in the PRC decreased by 21.9%, which was mainly due to the one-off impairment loss of approximately US$23.4 million in respect of property, plant and equipment of the cogen projects.

Segment results for power plants in Korea increased by 78.1%, which was mainly due to one-off gains of approximately US$23.0 million from the sale of carbon emission quota.

Management Discussion and Analysis

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2018 **US$'000**	2017 US$'000
Segment assets		
Power plants in the PRC	**2,522,366**	2,170,194
Power plants in Korea	**1,400,257**	1,340,191
Management companies	**2,433**	2,565
Total segment assets	**3,925,056**	3,521,950
Interests in associates	**163,983**	168,111
Unallocated		
– Others	**50,029**	59,556
Consolidated assets	**4,139,068**	3,740,617
Segment liabilities		
Power plants in the PRC	**1,489,425**	1,107,696
Power plants in Korea	**881,850**	845,983
Management companies	**534**	908
Total segment liabilities	**2,371,809**	1,954,587
Unallocated		
– Bank borrowings	**100,000**	–
– Bond payables	**–**	354,858
– Derivative financial instruments	**–**	9,957
– Loans from fellow subsidiaries	**700,000**	450,000
– Others	**12,975**	10,840
Consolidated liabilities	**3,184,784**	2,780,242

The increase in both segment assets and liabilities for power plants in the PRC in 2018 was mainly due to acquisitions of subsidiaries, as well as increase in property, plant and equipment.

The increase in both segment assets and liabilities for power plants in Korea in 2018 was mainly due to the development of the new biomass project.

Collection of Renewable Energy Subsidy

The Group attached great importance to the application, approval and collection of renewable energy tariff subsidy. The receipt of subsidy will positively affect the cash flow of the Company and reduce operation cost. In addition, the Group fully leveraged the voluntary subscription policy of the green certificate to seek opportunities for green certificate trading, striving to carry out green certificate sales with a reasonable price in a proactive and secure manner, so as to realize partial receipt of tariff subsidy.

In the future, the Renewable-Sourced Electricity Quotas together with the green certificate trading will replace the implementation of certain subsidy policies and further alleviate the existing inordinate insufficiency of national new energy subsidy, which will be beneficial to the sustainable development of the industry. The Group closely followed up latest changes in policies, in order to adjust the collection strategy of receivables of the Company.

Management Discussion and Analysis

Social Responsibility

In 2018, in active response to the State's call, the Group strengthened its efforts in poverty alleviation and social responsibility fulfillment. It has initiated two photovoltaic poverty alleviation and power generation projects, Chayou Zhongqi project and Chifeng New Golden Energy project in Inner Mongolia Autonomous Region, with a total installed capacity of 30.0 MW and 60.0 MW respectively, in an effort to increase the income of poor households.

The Group established a new power plant, Siyang Beichuan in Jiangsu Province with a total installed capacity of 31.0 MW, the first fishing-photovoltaic power project of the Group. Capitalizing on the resourceful local water resources, the project developed a fish farm underneath the photovoltaic panels, demonstrating an integration of power generation and aquaculture development that fully took advantage of the land nature and planning, with an aim to create employment opportunities and generate income to the local residents while improving their living standard. As at 31 December 2018, the Siyang Beichuan project in Jiangsu Province has started on-grid connection and commenced power generation, with an installed capacity of 23.5 MW. It is expected to achieve full on-grid connection in 2019.

Brand Promotion: Recognitions and Awards

The Group adheres to the core value of "Doing Things Right in One Go" and embraces the value at all aspects, such as project development, project construction and production operation.

In February 2018, the wind power plant construction of the Group in Ninghai Yishi, Zhejiang Province was awarded "National Water and Soil Conservation Ecological Civilisation Project". During the project construction, the impacts on the environment were minimized through meticulous construction. Completion of project will improve the overall environment and landscape by building a "garden-style" wind power plant. Through creating high quality and high standard environment, the project has become premium resources of the local tourism and culture. In the future, the Group will actively fulfill social responsibility to realize a harmonious development among the enterprises, the local and the environment, in a view of nurturing a beautiful China with blue skies and clean water.

In November 2018, the Group received the "2018 Best PRC Wind Power Developer Award" from the Chinese Wind Energy Association in a recognition of the active development in the Group's wind power business. In the same month, two informatization projects of the Group were awarded the 2018 Electricity Innovation Special Prizes by the China Electricity Council, showing the persistent effort of the Group in the development of informatized and intelligent production and operation, as well as the promotion of informanization and industrialization integration management system.

In December 2018, Mr. Li Yilun, the President of the Group, was awarded the "Top Ten People in the New Energy Industry of 2018". The rising brand influence of the Group was an achievement under the concerted effort of all staff, reflecting the implementation of our core values.

Management Discussion and Analysis

III. OPERATING RESULTS AND ANALYSIS

In 2018, the revenue of the Group amounted to approximately US$1,358.5 million, representing an increase of approximately 22.5% compared with last year. The profit attributable to the owners of the Company amounted to approximately US$88.2 million, representing an increase of approximately US$26.3 million or 42.5% as compared with last year.

In 2018, the profit of the Group amounted to approximately US$91.3 million, representing an increase of approximately US$25.3 million or 38.3% as compared with approximately US$66.0 million of last year.

Revenue

In 2018, the revenue of the Group amounted to approximately US$1,358.5 million, representing an increase of 22.5% compared with approximately US$1,108.6 million of last year. 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 improvement of wind curtailment situations.

Operating Expenses

In 2018, the operating expenses of the Group amounted to approximately US$1,159.3 million, representing an increase of approximately 23.0% compared with approximately US$942.3 million of last year. 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 has led to the increase in operating costs.

Operating Profit

In 2018, the operating profit, which is equal to revenue minus operating expenses, of the Group amounted to approximately US$199.2 million, representing an increase of approximately US$33.0 million or 19.9% compared with approximately US$166.2 million of last year. The increase in operating profit was mainly due to (1) the significant improvement of dispatch volume by the wind projects with better wind resources and lower grid curtailment; and (2) contribution from newly operating wind and solar projects.

Other Income

Other income mainly represented income on sales of carbon emission quota, interest income, government grants and the refund of value added tax. In 2018, other income of the Group amounted to approximately US$41.3 million, representing an increase of approximately US$26.8 million or 184.8% compared with approximately US$14.5 million of last year. The significant increase in other income was mainly due to the non-recurring one-off gains of approximately US$23.0 million from the sale of carbon emission quota of the Korea projects.

Other gains and losses

In 2018, other losses of the Group amounted to approximately US$22.1 million, representing an increase of approximately US$14.6 million or 194.7% compared with approximately US$7.5 million of last year. The increase in other losses was mainly attributable to the non-recurring one-off impairment losses of approximately US$23.4 million in respect of property, plant and equipment of the PRC cogen projects, which was offset by gain on fair value of derivative financial instruments of approximately US$6.0 million.

Finance Costs

In 2018, the finance costs of the Group amounted to approximately US$110.2 million, representing an increase of approximately US$8.5 million or 8.4% compared with approximately US$101.7 million of last year. The increase in finance costs was mainly attributable to the increase in weighted average balances of bank borrowings.

Management Discussion and Analysis

Share of Results of Associates

In 2018, the share of results of associates amounted to approximately US$16.8 million, representing a decrease of approximately US$2.5 million or 13.0% compared with approximately US$19.3 million of last year. The decrease in profit of the associates was mainly due to the increase in standard coal price in the PRC.

Income Tax Expenses

In 2018, the income tax expenses of the Group amounted to approximately US$33.8 million, representing an increase of approximately US$5.2 million or 18.2% compared with approximately US$28.6 million of last year.

Liquidity and Capital Resources

The Group's bank balances and cash slightly increased from US$242.8 million as at 31 December 2017 to US$246.8 million as at 31 December 2018. The increase was primarily due to increase in net cash generated from operations.

Net Debt/Equity Ratio

The Group's net debt/equity ratio increased from 2.25 as at 31 December 2017 to 2.58 as at 31 December 2018 due to the increase in bank borrowings.

Dividend

At the Board meeting held on 20 March 2019, the Board recommended the payment of a final dividend for the year ended 31 December 2018 of 0.51 US cents per Share (equivalent to 4.01 HK cents per Share), totalling US$22.1 million (equivalent to HK$172.0 million), which is calculated based on 4,290,824,000 Shares in issue on 20 March 2019. Payout ratio of the proposed dividend is 25%.

Earnings per Share

	Year ended 31 December	
	2018	2017
	US cents	*US cents*
Earnings per Share, basic and diluted – calculated based on the weighted average number of ordinary shares for the year	**2.06**	1.44
Earnings per Share, basic and diluted – calculated based on the number of ordinary shares outstanding at year end	**2.06**	1.44

Management Discussion and Analysis

	Year ended 31 December	
	2018	2017
	US$'000	*US$'000*
Earnings for the purpose of calculating basic and diluted earnings per Share (profit for the year attributable to owners of the Company)	**88,211**	61,872
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per Share	**4,290,824**	4,290,824
Number of ordinary shares outstanding at year end	**4,290,824**	4,290,824

Trade Receivables

	As at 31 December	
	2018	2017
	US$'000	*US$'000*
Trade receivables	**310,025**	255,787
Less: allowance for doubtful debts	**(1,550)**	(346)
	308,475	255,441

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

	As at 31 December	
	2018	2017
	US$'000	*US$'000*
0 – 60 days	**159,815**	174,826
61 – 90 days	**11,101**	8,099
91 – 120 days	**26,646**	32,595
121 – 180 days	**57,785**	39,852
Over 180 days	**53,128**	69
	308,475	255,441

Management Discussion and Analysis

Trade Payables

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

	As at 31 December	
	2018	2017
	US$'000	*US$'000*
0 – 60 days	**105,878**	104,280
61 – 90 days	**1,472**	1,643
Over 90 days	**57,712**	5,223
Total	**165,062**	111,146

The average credit period on purchases of goods is 32 (2017: 26) days for the year ended 31 December 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$3,164.7 million as at 31 December 2018, which was mainly due to the additions of property, plant and equipment during the year.

Current assets increased from US$785.0 million as at 31 December 2017 to US$974.4 million as at 31 December 2018, which was mainly attributable to the increase in pledged bank deposits, trade receivables and other receivables and prepayments.

Current liabilities decreased from US$850.6 million as at 31 December 2017 to US$805.5 million as at 31 December 2018, which was mainly due to settlement of bond payables.

Non-current liabilities increased from US$1,929.6 million as at 31 December 2017 to US$2,379.3 million as at 31 December 2018, which was mainly due to increase in loans from fellow subsidiaries and 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$1,964.9 million as at 31 December 2018. Details of bank borrowings are as follows:

	As at 31 December	
	2018	2017
	US$'000	*US$'000*
Secured	**1,728,830**	1,548,923
Unsecured	**236,115**	47,824
	1,964,945	1,596,747
The maturity profile of bank borrowings is as follows:		
Within one year	**347,345**	179,032
More than one year but not exceeding two years	**271,637**	151,241
More than two years but not exceeding five years	**523,216**	496,015
Over five years	**822,747**	770,459
	1,964,945	1,596,747
Less: Amounts due for settlement within one year shown under current liabilities	**(347,345)**	(179,032)
Amounts due for settlement after one year	**1,617,600**	1,417,715

As at 31 December 2018, the Group had committed unutilized banking facilities of US$1,737.9 million.

All bank borrowings at the end of the reporting period 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 year ended 31 December 2018. The analysis of bank borrowings with fixed interest rate and floating interest rate is analysed below:

	As at 31 December	
	2018	2017
	US$'000	*US$'000*
Fixed rate	**419,421**	226,803
Floating rate	**1,545,524**	1,369,944
	1,964,945	1,596,747

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 has become matured on 19 August 2018. As 19 August 2018 was a Sunday, the Company effected payment for the redemption of the bonds in full on 20 August 2018, such that the carrying amount of the bond payables became nil as at 31 December 2018.

Management Discussion and Analysis

Loans from Fellow Subsidiaries

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

During 2018, the Company has drawn (i) the loan from CGN Finance Co., Ltd, a fellow subsidiary of the Company, amounting to RMB300.0 million, which is unsecured, interest bearing at 4.57% per annum, repayable in 2019 and shown as current liability as at 31 December 2018 and (ii) the loan from CGNPC Huasheng Investment Limited, a fellow subsidiary of the Company, amounting to US$250.0 million, which are unsecured, interest bearing at 3 months London Interbank Offered Bank plus 1.3% per annum and repayable in 2021 and shown as non-current liability as at 31 December 2018.

Capital Expenditures

The Group's capital expenditure increased by US$388.9 million to US$498.0 million in 2018 from US$109.1 million in 2017.

Contingent Liabilities

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

Pledged Assets

The Group pledged certain property, plant and equipment, land use rights, trade receivables, bank deposits and restricted cash for credit facilities granted to the Group. As at 31 December 2018, the total book value of the pledged assets amounted to US$2,681.9 million.

Employees and Remuneration Policy

As at 31 December 2018, the Group had about 1,917 full-time employees, with the majority 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. 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, 3.12% for national health insurance (7.38% of the national health insurance contribution for long term care insurance), 0.9% for unemployment insurance, 1.05% (Seoul Office)/0.78% (Yulchon)/0.78% (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 (Cap. 485). 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.

In the PRC and Korea, we cannot reduce the existing level of contributions by the forfeited contributions made by the employers on behalf of the employees who leave the defined contribution schemes before the vesting period. As such, no forfeited contribution was used to reduce both years' level of contributions and no forfeited contribution was available at 31 December 2018 and 2017 to reduce future years' contributions in the PRC and Korea. In Hong Kong, we have utilized HK$319,454 of the forfeited contributions to reduce the current year's level of contributions for the year ended 31 December 2018 (HK$311,000 for the year ended 31 December 2017). As at 31 December 2018 and 2017, no material forfeited contribution was available to reduce the contribution payable in future years in Hong Kong.

The remuneration of senior management is determined by making reference to the performance of individuals and the Group and market trends. Remuneration of senior management (excluding directors) for the year ended 31 December 2018 were within the following bands:

	No. of senior management
HK$0 to HK$500,000 (Equivalent to US$0 to US$64,000)	3
HK$500,001 to HK$1,000,000 (Equivalent to US$64,001 to US$128,300)	0
HK$1,000,001 to HK$1,500,000 (Equivalent to US$128,301 to US$192,400)	3
HK$2,500,001 to HK$3,000,000 ((Equivalent to US$320,701 to US$384,900)	1
Total	7

Management Discussion and Analysis

Environmental Policies and Performance

PRC

Wind and Solar Projects

In order to protect and improve the living environment and the ecosystem, and to achieve energy conservation and emission reduction, the Group carries out eco-management initiatives pursuant to the Environmental Protection Law of the People's Republic of China（《中華人民共和國環境保護法》）, Water and Soil Conservation Law of the People's Republic of China（《中華人民共和國水土保持法》）and other environmental laws and regulations. The Group performs detailed analysis, identification and screening of major environmental factors for wind power and solar power projects and power plants, and then worked out specific environmental protection requirements to cope with potential and adverse environmental impact. The Group adopts effective environment protection plans and measures for each aspect of the wind power and solar power projects in accordance with their nature, size and location. We are making progress in environmental protection and striving for the harmony between green power and our mother nature.

Qingyun Zaoyuan Wind Project

Ledu Solar Project

Zuojiang Hydro Project

Hydro Projects

The hydro projects of the Group strictly comply with the environmental protection requirements of the local government. Being a renewable and clean energy resource, hydro projects almost discharge no pollutant. The requirements of the local government on hydro projects concern waste disposal, noise control, flow control and ecological protection.

Our requirements on waste disposal are implemented according to GB8978-1996 standard, we have achieved grade one standard in waste disposal with all indices up to standard. In respect of our requirements on noise control, they are implemented according to GBZ/T189.8-2007 "Work Place Physical Agents Measurement, Part VIII: Noise（《工作場所物理因素測量第8部分：噪音》）", GBZ2.2-2007 "Occupational Exposure Limits for Hazardous Agents in the Workplace, Part II：Physical Agents（《工作場所有害因素職業病接觸限制第2部分：物理因素》）" and Provision 20 of Order No.47 of State Administration of Work Safety, as well as the relevant requirements set out in the Laws on the Prevention and Control of Occupational Diseases（《職業病防治法》）, all monitoring results are of the required standard, and there are no external complaints arising from noise emission. In respect of the flow control requirements for environmental protection, they are implemented according to the water resources distribution plan "One Station One Strategy" of local water authority, and there were no accidents caused by power generation flow change during the year ended 31 December 2018.

Management Discussion and Analysis

Thermal Projects (coal-fired, oil-fired, gas-fired including cogen)

The environmental protection systems and facilities of our power projects complied with applicable national and local environmental protection regulations. Environmental management in all of our operating project companies met the relevant international standards and have been accredited with ISO14001 (environmental management system) certification. In addition, most of our power projects have their own environmental protection office and staff responsible for monitoring and operating its environmental protection equipment. Other than the "Continuous Emission Monitoring system (CEMS)", another "Remote Emissions Monitoring Systems (REMS)" are also equipped in all coal fired projects to continuously monitor power projects emissions at the relevant project companies. The Company has continued to invest substantially in energy saving and environmental upgrading facilities at the projects to comply with the regulations and emissions reduction. By the end of 2015, all de-sulfurizationation, de-nitration and particulate matter removal facilities have been installed and put into service as planned. Since 2016 some coal-fired power plants (Nantong in Jiangsu and Puguang in Henan) have started and completed the "Ultra low emission" technical improvement to further reduce the emission of NOx and SO_2, and have been receiving the environmental tariff rebate from the Government. The Jinqiao Steam Project in Shanghai, in complying with the local government environmental requirements, has completed its technical modification project in 2017 to switch to natural gas as the production fuel and has effectively reduced its air emission. The Group is of the view that the Group is not in material breach of any applicable environmental laws or regulations for the year ended 31 December 2018.

Air emissions of all existing thermal power plants in the PRC have to meet a more stringent new national emissions regulation, which became effective on 1 January 2015. According to the PRC Air Pollution Prevention Law(《中華人民共和國大氣污染防治法》), a penalty of up to RMB100,000 is levied for non-compliance. Furthermore, according to the PRC Environmental Protection Law(《中華人民共和國環境保護法》), an additional penalty of up to RMB100,000 is further levied for non-compliance. The environmental laws and regulations also impose fines on enterprises which violate such laws, regulations or decrees and provide for other sanctions including the possible closure of any power projects which fail to rectify activities that cause environmental damage. For the year ended 31 December 2018, the Company had not received any sanctions to cease operation or rectification to environmental damages.

Korea

The Group is committed to the establishment of good standards of environmental protection and management practices. The environmental policies and facilities of our power projects in Korea are in compliance with the applicable national and local environmental protection regulations in Korea. Our power projects in Korea have their own environmental protection offices and staffs responsible for monitoring and operating its environmental protection equipment. Environmental monitoring system required by the applicable national and local environmental protection regulations are equipped in our power projects in Korea. Environmental management in our operating project companies meet the relevant international standards and have been accredited with ISO14001 (environmental management system) certification.

In addition, our power projects in Korea have passed the relevant supervisory inspections by the local government for air emission levels and environmental management. The Group is of the view that the Group is not in material breach of applicable environmental laws or regulations for the year ended 31 December 2018.

Major Customers and Suppliers

Our primary customers are the electricity offtakers for our projects. Our primary suppliers are the fuel providers for our projects. Our largest customer is Korea Power Exchange ("**KPX**") and our largest supplier is Korea Gas Corporation ("**KOGAS**").

KPX is a non-profit, neutral and independent organization in South Korea's power industry. KPX ensures the reliability of power supply by coordinating the flow of electricity in all regions of South Korea. To secure future power reliability, KPX runs a sophisticated national planning process for generation and transmission expansion by active cooperation and coordination with the Korea government. KPX has become our largest customer since the combined cycle of Yulchon II Power Project commenced operations and we have maintained a business relationship with KPX since 2009.

KOGAS is an independent third party supplier of gas for Yulchon I Power Project, Yulchon I Fuel Cell Projects and Yulchon II Power Project in Korea. KOGAS is a publicly listed company on the Korean Exchange that engages in the production and distribution of gas in Korea. KOGAS was incorporated by the Korean government in 1983 and is the sole wholesale supplier of natural gas in Korea.

Management Discussion and Analysis

Other Update on the Properties in the PRC with Title Defects

Mianyang Sanjiang Meiya Hydropower Company Limited (綿陽三江美亞水電有限公司) have already obtained the construction works planning permit (建設工程規劃許可證) and would apply for the construction works commencement permit (建築工程施工許可證) once the bidding process for constructor(s) selection has been completed.

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.

Management Discussion and Analysis

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 Power Co., Ltd., an indirectly wholly-owned company of the Company, 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 US$29.2 million, EUR10.8 million (equivalent to approximately US$13.3 million) and CAD165.8 million (equivalent to approximately US$125.4 million) respectively. Please refer to the announcement of the Company dated 3 July 2018 for further details.

V. PROSPECTS

The new energy industry is facing both opportunities and challenges. However, the determination of China to promote the transformation towards green and low carbon energy has never wavered. China will subsequently boost the implementation of the Renewable-Sourced Electricity Quotas and increase the consumption of clean energy through various methods. With the standardized development and technological advancement of wind power and photovoltaic power, China will endeavor to commence the development and construction of the bidding-pricing, parity-pricing and low-pricing projects.

With the grid parity project gradually replacing the subsidized project to become an inevitable trend for the development of the new energy industry in China, the market players who adopt business models with technological innovation, quality and efficiency enhancement and cost reduction may gain room for development in the era of grid parity.

The Group actively responds to the changes arising from the new situation, where price competition takes place. With a focus on price competition, the Group strives to excel and achieve breakthrough in the businesses such as bidding projects, grid parity bases, photovoltaic frontrunner projects, major bases and offshore wind power, etc.

Adhering to the concept of innovative development, the Group increased its effort in the technological advancement and management innovation and actively obtained development rights in new projects. Having realized the intense competition arising from the market-oriented tariff, the Group established a more efficient decision-making and purchasing system to adapt to the market requirements of bidding with high concentration, fast pace and short cycle, thereby improving the competitiveness in bidding. The Group proactively regained the foothold in the "three northern regions" through active participation in bidding, so as to secure quality resources reservation. Meanwhile, it focused on the window period for the development of offshore wind power to seize resources, obtain approval, compete for tariff, and closely monitor the reserves of quality assets in the market, thus exploring a long-term path towards high quality and innovative development.

With the implementation of competitive allocation measures for the wind power projects in various provinces, such as Guangdong, Fujian and Jiangsu, the offshore wind power industry will enter into a new era of comprehensive pricing competition in 2019. Subsequently, the offshore wind power industry will trend towards scaled development. Under the new era of comprehensive pricing competition, technological advancement will also speed up. The Group will spare no effort in achieving the objectives of "reducing cost and enhancing effectiveness to compete for resources, optimizing measures to facilitate the construction". First of all, the Group will strengthen the technological innovation and enhance the system. Secondly, it will optimize the technology to increase the power generation efficiency and reduce the amount of work. Thirdly, it will carry out in-depth research and analysis on the approved projects to facilitate the construction.

Management Discussion and Analysis

The implementation of the quota system will establish a long-term mechanism to address the renewable energy consumption problem, which will effectively increase the proportion of renewable energy consumption, reduce wind and solar power curtailment and benefit renewable energy power generation enterprises as a whole. The Group continued its concern on the policy direction of quota system, enabling the renewable energy to enjoy the advantage of low marginal costs in the market competition of power generation while realizing a healthy and sustainable development of renewable energy under the force of the market.

The Group will also continue to develop and acquire clean and renewable power generation projects with solid returns to develop its core capacity in the business operation and maintenance of the wind power and solar power, with the aim of enhancing the competitiveness and market position of the Group in the non-nuclear clean energy sector. The Group will continue to seize the policy and industry opportunities with a relentless effort to improve the project profitability and competitiveness, so as to reward shareholders with excellent outcome.

EVENT OCCURRING AFTER THE REPORTING PERIOD

No other important event or transaction affecting the Group has taken place after 31 December 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 31 December 2018, the net proceeds have been fully utilised and the unutilised amount became nil.

Use of net proceeds from global offering

	Percentage to total amount	Net proceeds *(HK$ million)*	Utilised amount (up to 31 December 2018) *(HK$ million)*	Unutilised amount (up to 31 December 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	1,966.1	–

Biographies of Directors and Members of the General Manager Office

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

(1) Mr. CHEN Sui（陳遂）

Mr. CHEN Sui（陳遂）, aged 54, is the Chairman and a non-executive Director. Mr. Chen has been a Director and the Chairman since 3 January 2014. He was re-designated from a non-executive Director to an executive Director on 26 January 2015 and was further re-designated as a non-executive Director on 12 July 2016. He is principally responsible for overall corporate strategies planning and business development of the Group. Mr. Chen also serves as the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the strategy development committee of the Company (which has been cancelled on 26 June 2018) (the "**SDC**"). Mr. Chen Sui serves as the non-employee representative supervisor of the supervisory committee and chairman of the supervisory committee of CGN Power Co., Ltd.（中國廣核電力股份有限公司）(a company listed on the Stock Exchange, Stock Code: 1816) ("**CGN Power**") with effect from 24 May 2017, the assistant president of China General Nuclear Power Corporation（中國廣核集團有限公司）("**CGN**") with effect from 23 January 2018, and the chairman of CGN Energy Service Co., Ltd.（中廣核節能產業發展公司）with effect from 30 March 2017. Mr. Chen has been the chairman of the trade union of CGN since 10 October 2018 and a director representing ordinary employees of CGN since 22 October 2018. Mr. Chen was 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) from 30 July 2018 to 8 October 2018. He resigned as a director of CGN Europe Energy Co., Ltd.（中廣核歐洲能源公司）on 16 April 2018. Mr. Chen has almost 30 years of experience in strategic planning, renewable energy development, construction, operation management and energy conservation management. He has previously served as an assistant to the head of infrastructure planning division of the planning department of CGN, deputy general manager and manager of new energy development department of CGN Energy Development Co., Ltd.（中廣核能源開發有限責任公司）, general manager of CGN Wind Power Company, Limited（中廣核風電有限公司）("**CGN Wind Energy**"). Prior to joining CGN, Mr. Chen worked as project manager and department manager of the business enterprise department of China Energy Conservation Investment Corporation（中國節能投資公司）, general manager of Beijing Guotou Energy Conservation Company（北京國投節能公司）under China Energy Conservation Investment Corporation. Mr. Chen received the qualification of Senior Engineer from the Senior Specialized Technical Services Qualification Committee for China Energy Conservation Investment Corporation（中國節能投資公司高級專業技術職務評審委員會）in December 2000. Mr. Chen obtained a Bachelor Degree in Engineering with a concentration in liquid rocket engine from National University of Defense Technology（國防科學技術大學）in July 1987 and a Master Degree in Management Engineering from Shanghai Jiao Tong University（上海交通大學）in November 1996.

PRESIDENT AND EXECUTIVE DIRECTOR

(2) Mr. LI Yilun（李亦倫）

Mr. LI Yilun（李亦倫）, aged 46, was appointed as the President and executive Director and a member of the SDC on 22 January 2018. Mr. Li joined the Company in January 2015 and served as the senior vice president. Mr. Li is also currently serving as an executive director and general manager of CGN Wind Energy. Prior to joining the Company, Mr. Li held several positions in Inner Mongolia Wind Power Corporation（內蒙古風電公司）from July 1997 to June 2006, including operation inspector, supervisor and deputy head of infrastructure department, and head of production and technical department, as well as plant manager of wind power plant in Huitengxile（輝騰錫勒風電廠）. He was the deputy director of Huanghai Wind Power Preparatory Office of Suzhou Nuclear Power Research Institute（蘇州熱工研究院有限公司）from June 2006 to April 2007. From April 2007 to March 2012, he served several positions in CGN Wind Power Company Limited（中廣核風力發電有限公司） ("**CGN Wind Power**") including deputy general manager of the Eastern China Branch, acting general manager of Jilin Branch, general manager of the Northeast China Branch and the assistant to the general manager of CGN Wind Power. Since March 2012, Mr. Li has been working in CGN Wind Energy. He was the deputy general manager from March 2012 to January 2015 and he was the deputy secretary to the Communist Party Committee from January 2015 to January 2018, and he has been the general manager since January 2015. Mr. Li obtained a Bachelor Degree in Engineering majoring in Power System and Automation from China Agricultural University（中國農業大學）in July 1997, and a Master Degree in Engineering majoring in Safety Technology and Engineering from Chinese University of Mining and Technology（中國礦業大學）in August 2005. Mr. Li holds profession qualification as a senior engineer in the People's Republic of China ("**PRC**").

Biographies of Directors and Members of the General Manager Office

NON-EXECUTIVE DIRECTORS

(3) Mr. YAO Wei（姚威）

Mr. YAO Wei（姚威）, aged 43, has been a non-executive Director and a member of the audit committee of the Company (the "**Audit Committee**") and the investment and risk management Committee of the Company (the "**IRM Committee**") since 22 January 2018, and was appointed as the chairman of the IRM Committee on 26 June 2018. Mr. Yao joined the Company in January 2015. Prior to his appointment as a non-executive Director, he was the chief accountant of the Company. Mr. Yao Wei is currently serving as the deputy general manager (in charge of overall operation) of finance department of CGN. Prior to joining the Company, Mr. Yao held several positions in the finance department of Guangdong Nuclear Power Joint Venture Co., Ltd.（廣東核電合營有限公司）from July 1997 to March 2003. From March 2003 to May 2007, he served in several positions in Daya Bay Nuclear Power Operations and Management Co., Ltd.（大亞灣核電運營管理有限責任公司）including accountant of finance department, deputy director and director of fixed asset in asset division of finance department, and the head of the internal control unit of account division of the finance department; From May 2007 to September 2011, he served in several positions in the finance department in CGN including budget management director of budget division, tax management manager, senior tax management manager and head of comprehensive finance division. He served as the chief accountant of CGN Wind Power from September 2011 to March 2015 and the chief accountant of CGN Solar Energy Development Co., Ltd.（中廣核太陽能開發有限公司）from May 2014 to October 2017. Mr. Yao obtained a bachelor's degree in economics (Accounting) from Zhongnan University of Economics and Law（中南財經大學）in June 1997. He holds professional qualifications as Certified Public Accountant in the PRC. Mr. Yao Wei is currently also a director of Guangdong Oriental Millennium Renewable Energy Industry Fund Management Co., Ltd.（廣東東方盛世可再生能源產業基金管理有限公司）, a company incorporated in the PRC and approved by the Guangdong Provincial Government. He resigned as a director of Edra Power Holdings Sdn. Bhd. (a company incorporated in Malaysia), CGN Energy International Holdings Co., Limited respectively with effect from 25 April 2018 and 3 September 2018. He has been a director of CGN Capital Holdings Co., Ltd.（中廣核資本控股有限公司）since 7 June 2018.

(4) Mr. XING Ping（邢平）

Mr. XING Ping（邢平）, aged 54, is a non-executive Director. Mr. Xing has been a Director since 9 April 2013. Mr. Xing serves as a member of the IRM Committee, and was appointed as a member of the remuneration committee of the Company (the "**Remuneration Committee**") on 26 June 2018. Mr. Xing has over 27 years of experience in corporate governance, investment and risk management, having previously served as the senior audit director and chief engineer of China Nuclear Power Engineering Co., Ltd.（中廣核工程有限公司）and senior engineer at Lingao Nuclear Power Co., Ltd.（嶺澳核電有限公司）. Mr. Xing received the qualification of Senior Engineer from CGN in December 2000 and the qualification of Registered Supervision Engineer（國家註冊監理工程師）from the Ministry of Personnel（人事部）(former name of the Ministry of Human Resources and Social Security（人力資源與社會保障部）) and the Ministry of Construction（建設部）(former name of the Ministry of Housing and Urban-Rural Development（住房和城鄉建設部）) of the People's Republic of China in December 1997. Mr. Xing graduated from China Three Gorges University（三峽大學）(formerly known as Gezhou Ba Hydro Power Engineering Institute（葛洲壩水電工程學院）) in July 1986, majoring in power automation. Mr. Xing was appointed as chairman of the investment and risk management committee on the board of directors of CGN Europe Energy Co., Ltd.（中廣核歐洲能源公司）with effect from 18 October 2016. He resigned as a director of CGN Europe Energy Co., Ltd.（中廣核歐洲能源公司）and CGN Energy Development Co., Ltd.（中廣核能源開發有限責任公司）with effect from 3 May 2018 and 5 June 2018 respectively.

Biographies of Directors and Members of the General Manager Office

INDEPENDENT NON-EXECUTIVE DIRECTORS

(5) Mr. LEUNG Chi Ching Frederick（梁子正）

Mr. LEUNG Chi Ching Frederick（梁子正）, aged 60, has been an independent non-executive Director since 17 September 2014. Mr. Leung also serves as the chairman of the Audit Committee. Mr. Leung has over 30 years of professional and industrial experience in management, corporate governance, corporate finance, banking and accounting. Mr. Leung was appointed as an independent non-executive director and a member of the audit committee and nomination committee of China Logistics Property Holdings Co., Ltd (a company listed on the Stock Exchange, stock code: 1589) on 14 June 2016. He was previously an executive director, chief finance officer and company secretary of Skyworth Digital Holdings Limited ("**Skyworth**") (a company listed on the Stock Exchange, Stock Code: 751). In his almost nine years of services in Skyworth, he was mainly responsible for the company's successful resumption of trading of its shares and strengthening of its internal controls, accounting system, corporate governance and investor relations management. In 2011 and 2013, Skyworth was awarded by Asia Money as the Best Managed Medium Cap Company in China of 2011 and by Forbes as Asia's Fabulous 50 of 2013, respectively. Furthermore, Mr. Leung accumulated 14 years' working experience in Deloitte Touche Tohmatsu. He left Deloitte Touche Tohmatsu in June 1999 as a principal of corporate finance. Mr. Leung obtained a Bachelor Degree of Science in Business Administration (major in Accounting) from the University of The East in the Philippines in November 1981. He became an associate member of the Hong Kong Institute of Certified Public Accountants in April 1997 and has been its fellow member since October 2013. Also, he has been a member of the American Institute of Certified Public Accountants since December 1996. He has been a member of the Hong Kong Securities and Investment Institute since April 1999 and has been its fellow member since November 2015. In addition, he has been a founding member of the Hong Kong Independent Non-Executive Director Association since November 2015.

Mr. Leung was previously a non-executive director of Richly Field China Development Limited ("**Richly Field**") (a company listed on the Stock Exchange, Stock Code: 313), which was incorporated in the Cayman Islands and continued in Bermuda with limited liability. He joined Richly Field as an independent non-executive director on 2 May 2003 and was appointed as an executive director on 3 March 2004. He was re-designated as a non-executive director on 1 May 2005 and he resigned from the directorship on 4 March 2006. Since his resignation as a non-executive director of Richly Field on 4 March 2006, Mr. Leung has no involvement in any matters relating to Richly Field. During Mr. Leung's tenure of directorship with Richly Field, Richly Field and its then subsidiaries were engaged in the building construction and maintenance industry including building work, design and construction and building maintenance in Hong Kong. As disclosed in the public announcements made by Richly Field, a winding up petition was served on it on 30 June 2006 by a public accounting firm for an unpaid service fee of approximately HK$593,000. On 18 December 2006, the winding up petition for Richly Field was heard in the High Court of Hong Kong and winding up order was made against Richly Field. On 29 May 2007, the High Court of Hong Kong made an order to appoint joint and several liquidators and committee of inspection of Richly Field. The winding up order against Richly Field was permanently stayed effective on 23 July 2008 and the joint and several liquidators were discharged with effect from 23 July 2008.

(6) Mr. Yang Xiaosheng（楊校生）

Mr. Yang Xiaosheng（楊校生）, aged 66, was appointed as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the IRM Committee on 26 June 2018. Mr. Yang is currently the president of Chinese Wind Energy Equipment Association（中國農業機械協會風電設備分會）. He is also currently an independent non-executive director of three listed companies, namely Xinjiang Goldwind Science & Technology Co., Ltd.（新疆金風科技股份有限公司）(a company listed on the Stock Exchange, Stock Code: 2208), Shandong Laiwu Jinlei Wind Power Technology Co., Ltd.（山東萊蕪金雷風電科技股份有限公司）(a company listed on the Shenzhen Stock Exchange, Stock Code: 300443) and Titan Wind Energy (Suzhou) Co,. Ltd.（天順風能（蘇州）股份有限公司）(a company listed on the Shenzhen Stock Exchange, Stock Code: 002531). He has previously served as a deputy director of the energy and electricity generation sub-department of the Ministry of Energy（能源部農電司新能源發電處）, a deputy general manager and chief engineer of China Fulin Windpower Development Corp.（中國福霖風能開發公司）and a chief engineer of Longyuan Power Group Limited（龍源電力集團公司）from May 1988 to January 2007. From June 2007 to April 2012, he served several positions in China Longyuan Power Group Corporation Limited（龍源電力集團股份有限公司）including the chief engineer, manager of the development department, technical development department and safety production department, a director of preparatory office of wind energy research centre, technical information department, renewable energy research and development centre and Jiangsu Longyuan Offshore Wind Power Project. He also served as a committee member of the Beijing Direct Committee of the Chinese Community Party Longyuan Power Group Company（中共龍源電力集團公司）from July 2006 to December 2010. Mr. Yang was the general manager of the Suzhou Longyuan Bailu Wind Power Vocational Technology Training Center Co., Ltd.（蘇州龍源白鷺風電職業技術培 訓中心有限公司）from July 2007 to April 2012. Mr. Yang graduated from Wuhan Polytechnic University（武漢工學院）of Electronic Engineering in January 1982 and obtained a Postgraduate Degree in Electricity from China Agricultural University（北京農業工程大學）in October 1986.

Biographies of Directors and Members of the General Manager Office

(7) Mr. Wang Minhao（王民浩）

Mr. Wang Minhao（王民浩）, aged 60, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee on 26 June 2018. Mr. Wang is currently the deputy general manager and a member of Party Standing Committee of Power Construction Corporation of China（中國電力建設集團（股份）有限公司）(acting as the vice president and legal representative of China Renewable Energy Engineering Institute（水電水利規劃設計總院）from September 2011 to April 2014) and the chairman and the legal representative of the Powerchina Water Environment Governance Co., Ltd.（中電建水環境治理技術有限公司）from December 2015. He participated in the design of the Longyangxia and Daxia Hydropower Stations and served as the vice president of Northwest Engineering Corporation（西北勘測設計院）in 1993. He was the deputy general manager of China Hydropower Engineering Consulting Group Co.（中國水電顧問集團公司）, and the deputy general manager of China Water Conservancy & Hydropower Consulting Co., Ltd.（中國水利水電工程咨詢有限公司）from March 2000 to September 2011. Mr. Wang graduated from Xi'an University of Technology（西安理工大學）(formerly known as Shaanxi Institute of Mechanical Engineering（陝西機械學院）) of Hydraulic Engineering and obtain a Master Degree in Engineering from Xi'an University of Technology（西安理工大學）in April 2003. He was a registered structural engineer.

GENERAL

Save as disclosed above,

(1) the Directors did not hold any directorship in other listed public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years prior to the date of this report and does not hold any other positions with the Company or other members of the Group; and

(2) the Directors do not have other relationship with any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Biographies of Directors and Members of the General Manager Office

SENIOR MANAGEMENT

(1) Mr. LI Yilun（李亦倫）

Mr. LI Yilun（李亦倫）is the President of the Company. See " President and Executive Director" in this report for details of Mr. Li's biography.

(2) Mr. LI Jing（李靖）

Mr. LI Jing（李靖）, aged 53, is currently the Deputy General Manager of the Company. Mr. Li joined the Company in January 2015. Prior to joining the Company, Mr. Li served in the design division of nitrogenous fertiliser factory of Nanning Chemical Industry Co., Ltd.（南化公司氮肥廠）from July 1987 to February 1992; manager office of the engineering department of Lingao Nuclear Power Co., Ltd. from February 1992 to June 1994; the production department of Guangdong Nuclear Power Joint Venture Co., Ltd. from July 1994 to March 2003; and the maintenance department of Daya Bay Nuclear Power Operations and Management Co., Ltd from March 2003 to August 2004. From September 2004 to May 2010, he held several positions in the commissioning department of China Nuclear Power Engineering Co., Ltd., including the head of commissioning division for nuclear islands, manager assistant and head of commissioning division for nuclear islands, manager assistant and director of the commissioning manager office. From May 2010 to June 2011, he was the deputy general manager of safety and engineering management department and from June 2011 to May 2014, he was the deputy general manager and general manager of safety and information management department. Mr. Li served as deputy general manager of safety and quality assurance department of CGN from January 2013 to January 2015, and concurrently as deputy general manager of safety and quality assurance department of CGN Power since May 2014. He obtained a bachelor's degree in engineering majoring in chemical engineering from Nanjing College of Chemical Engineering（南京化工學院）in July 1987, and a Master Degree in Engineering majoring in industrial engineering from Huazhong University of Science and Technology（華中科技大學）in February 2001. Mr. Li holds professional qualification as a senior engineer.

(3) Mr. LIU Luping（劉路平）

Mr. LIU Luping（劉路平）, aged 55, is currently the Deputy General Manager of the Company. Mr. Liu joined the Company in January 2014 and served as the senior vice president and the chief engineer of the Company. Currently, he is principally responsible for the works in the department of integrated energy management, legal department, national solar thermal research & development center, design management and technology and economy department technology committee as well as research institute of the Company. He is also in charge of several regional branches of the Company. Mr. Liu has over 30 years of experience in technological research and design, construction management and investment management in the renewable energy sectors including hydraulic-and-hydro power, wind power, solar energy. Prior to that, Mr. Liu worked at Hydrochina Corporation Zhongnan Engineering Corporation（中國水電顧問集團中南勘測設計研究院）for 29 years, where he started as a Technician in July 1984 and his last role held was vice director. Mr. Liu obtained the Senior Economist（高級經濟師）qualification from Zhongnan Engineering Corporation（國家電力公司中南勘測設計研究院）in December 1998, the State Registered Supervision Engineer（國家註冊監理工程師）qualification from the Ministry of Personnel and the Ministry of Construction of the PRC（中華人民共和國人事部和建設部）in May 1998, the Professor Level Senior Engineer（教授級高級工程師）qualification from Hydrochina Corporation（中國水電工程顧問集團公司）in December 2003 and the Senior Project Manager（高級項目管理師）qualification from Occupational Skills Testing Authority of the Ministry of Labour and Social Security（勞動和社會保障部職業技能鑒定中心）in July 2006. He has also won several Provincial Science and Technology Progress Awards（省部級科技進步獎）. Mr. Liu obtained a Bachelor Degree in Solid Mechanics from Central Institute of Technology（華中工學院）(currently known as Huazhong University of Science and Technology（華中科技大學）) in July 1984 and an EMBA degree from Huazhong University of Science and Technology in December 2008.

(4) Mr. Zhang Chaoqun（張超群）

Mr. Zhang Chaoqun（張超群）, aged 51, is currently the Deputy General Manager of the Company, and served as the general manager of the merger and acquisition department of the Company. Prior to joining the Company, Mr. Zhang has worked for Henan Xinyang Pingqiao Power Station（河南信陽平橋電廠）and Henan Xinyang Huayu Power Station（河南信陽華豫電廠）from September 1989 to January 1997. He has worked for Datang Xinyang Huayu Power Generation Co., Ltd.（大唐信陽華豫發電有限責任公司）from January 1997 to April 2007, and served successively as manager of Engineering Department and manager of General Department. From April 2007 to January 2012, he has successively worked at the initial business planning division of the planning department and the new projects development division of central region at China Nuclear Power Engineering Co., Ltd.（中廣核工程有限公司）and served as project manager of central China. From February 2012 to August 2016, he worked for the Southwest Branch (the "**Southwest Branch**") of CGN Wind Energy Limited（中廣核風電有限公司）, and served successively as deputy general manager and general manager. From March 2014 to August 2016, he was also the general manager of the Sichuan Branch (the "**Sichuan Branch**") of CGN Wind Energy Limited（中廣核風電有限公司）. Mr. Zhang was appointed as the general manager of the Yunnan Branch of the Company from August 2016 to December 2017. From August 2016 to March 2017, he also served as the general manager of Sichuan Branch of CGN Wind Energy Limited（中廣核風電有限公司）. Mr. Zhang obtained a bachelor's degree of science in Chinese language and literature education from Xinyang Normal University（信陽師範學院）in 1997.

Biographies of Directors and Members of the General Manager Office

(5) Mr. JIANG Xi Cheng（蔣錫成）

Mr. JIANG Xicheng, aged 55, joined the Company in January 2016, and is currently the secretary to the discipline inspection commission of the Company. Mr. Jiang served at the No. 5 Sub-factory of the China Nuclear Industry 404 Plant from September 1982 to April 1984; worked at the Public Security Bureau of Gansu Mining Area（甘肅礦區）from April 1984 to November 1991, and later at the Daya Bay Branch of the Shenzhen Public Security Bureau from November 1991 to December 2007. He successively held various positions including the head of disciplinary inspection office under the party work department, the assistant manager of the legal and audit inspection department and the deputy manager of the inspection and audit department of China Nuclear Power Engineering Co., Ltd.（中廣核工程有限公司）from December 2007 to July 2015, and worked as the deputy secretary to the disciplinary commission of CGN Wind Energy from October 2015 to December 2015. Mr. Jiang graduated from Gansu Radio and TV University（甘肅廣播電視大學）and obtained the diploma in law in July 1991, and graduated from Xi'an Political College with a bachelor's degree in law in July 2003.

(6) Mr. LIU Chao（劉超）

Mr. LIU Chao（劉超先生）, aged 42, was appointed as the chief accountant of the Company in January 2018. Mr. Liu joined the Company in August 2016 and served as the general manager of finance department. He is currently serving as the chief accountant of CGN Wind Energy. Prior to joining the Company, Mr. Liu was the cost accountant of finance department of Xuzhou Wei Yang Food Co., Ltd.（徐州維揚食品有限公司）from July 1998 to August 2000. From May 2003 to August 2005, Mr. Liu served as the project manager of the audit department of Shinewing Certified Public Accountants（信永中和會計師事務所）. From September 2005 to March 2010, Mr. Liu was the manager of the finance and audit department of China United Tally Co., Ltd.（中聯理貨有限公司）. From March 2010 to April 2012, he was the deputy general manager of the finance department of China Wind Power Group Limited（中國風電集團有限公司）. Mr. Liu served as deputy manager and general manager of the finance department of CGN Wind Energy from May 2012 to June 2015, and he has been the chief accountant since June 2015. Mr. Liu obtained a Bachelor Degree in Economic majoring in Business Administration from Anhui University of Science and Technology（安徽理工大學）in June 1998, and a Master Degree in Economic majoring in Economics and Finance from Beijing Information Science and Technology University（北京資訊科技大學）in May 2003. Mr. Liu holds professional qualifications as Certified Public Accountant in the PRC, and he is a member of the Association of Chartered Certified Accountants (ACCA).

(7) Mr. LEE Kin（李健）

Mr. LEE Kin（李健）, aged 46, joined the Company on 1 June 2007 as the controller. He has been the company secretary of the Company since 26 January 2015. He has experience in public accounting and several industries including energy, media and ports. He has over 20 years of experience in areas of accounting, internal control, financing, investor relations and corporate strategy. Mr. Lee obtained a Bachelor Degree in Engineering from the Chinese University of Hong Kong in 1994, Master of Business Administration from the University of Warwick, United Kingdom in 2004 and Master of Corporate Governance (with distinction) from the Hong Kong Polytechnic University in 2013. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA), the Association of Chartered Certified Accountants (ACCA), the Hong Kong Institute of Chartered Secretaries (HKICS) and the Institute of Chartered Secretaries and Administrators (ICSA), a member of the Chartered Institute of Management Accountants (CIMA), and a Chartered Financial Analyst (CFA) respectively. He is currently a school manager of Hong Kong Baptist University, a council member of ACCA, a council member of HKICS and the chairman of the Youth Committee of the Hong Kong Chinese Enterprises Association as well as the member of Social Enterprise Advisory Committee. Mr. Lee was appointed as accounting expert by the Ministry of Finance, PRC in June 2016. He is the former chairman of the ACCA – Hong Kong branch (2015-16).

Report of the Directors

The directors (the "**Directors**") of the CGN New Energy Holdings Co., Ltd. (the "**Company**") are pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company and its subsidiaries (the "**Group**") are engaged in the generation and supply of electricity and steam, construction and operation of power stations and other associated facilities in the PRC and Korea.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the "Management Discussion and Analysis" section of this Annual Report, which forms part of this report of the Directors.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income in the annual report.

The board of Directors of the Company (the "**Board**") recommends that 0.51 US cents (equivalent to 4.01 HK cents) per share of the Company be distributed as final dividends for the year ended 31 December 2018. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Thursday, 30 May 2019 (the "**2019 AGM**"), is expected to be paid on Friday, 21 June 2019 to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Monday, 10 June 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2019 AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on Friday, 24 May 2019.

For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 5 June 2019 to Monday, 10 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Tuesday, 4 June 2019.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 179 to 180. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2018 are set out in note 36 to the consolidated financial statements.

Report of the Directors

PRE-EMPTIVE RIGHTS

The shares of the Company (the "**Shares**") are subject to the rights, privileges and restrictions set forth in the memorandum of association and bye-laws of the Company (the "**Bye-laws**") and are not subject to any pre-emptive or similar rights under the Companies Act 1981 of Bermuda or pursuant to the Bye-laws.

ISSUE AND LISTING OF SHARES

The Company completed its global offering and the Shares were first listed on the Stock Exchange on 3 October 2014. 1,189,024,000 ordinary Shares of the Company were issued in the global offering. Net proceeds from the global offering (including the proceeds from the exercise of the over-allotment option) was approximately HK$1,966.1 million (after deducting the underwriting fees and commissions and other listing-related expenses). Please refer to the section headed "Management discussion and analysis" in the annual report for more details of the use of proceeds as at 31 December 2018.

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

On 20 August 2018, the Company effected payment for the redemption of the US$350.0 million 4.0% unsecured bonds (the "**Bonds**", which were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) in full at maturity. The aggregate amount of consideration paid by the Company in relation to the redemption was US$357,000,000, which comprised of principal amount of US$350,000,000 and interest coupon amount of US$7,000,000. Subsequent to the completion of the redemption, the Bonds were cancelled and the listing of the Bonds was withdrawn from the Stock Exchange.

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2018 are set out in note 44 to the consolidated financial statements and in the consolidated statement of changes in equity on page 87, respectively.

DISTRIBUTABLE RESERVES

The aggregate amount of reserves available for distribution to equity shareholders of the Company as of 31 December 2018 was approximately US$32.1 million.

DIVIDEND POLICY

The Board has adopted a dividend policy. Below is a summary of the policy:

1. The profit distribution policy of the Company aims to safeguard the interests of Shareholders as well as the sustainable development of the Company, ensure the continuity and stability of profit distribution policy in compliance with relevant requirements of laws, regulations and bye-laws of the Company.

2. The payment and amount of dividends will depend on the specific operation results of the Company, general financial position, cash flow position, future operating and capital needs, amount of distributable profit, restrictions under loan covenants, tax considerations, general economic conditions, applicable laws and regulations as well as other factors that the Board considers relevant.

3. The declaration of final dividend shall be recommended to Shareholders by the Board based on the above situations, and will be implemented after being voted and approved in general meeting of the Company.

4. The declaration, payment and amount of interim dividend shall be determined by the Board and implemented based on the above situations from time to time.

Report of the Directors

LARGEST CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the Group's five largest customers accounted for approximately 79% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 42% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 93% of the Group's total purchases, while the largest supplier for the year accounted for approximately 83% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors or their respective close associates (as defined in the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) or any of the Shareholders who owns more than 5% of the Company's number of issued Shares has any interest in any of the Group's five largest customers or suppliers.

DIRECTORS

The Directors since 1 January 2018 and up to the date of this report were:

Chairman and Non-executive Director:

Mr. Chen Sui

President and Executive Director:

Mr. Lin Jian (resigned with effect from 22 January 2018)
Mr. Li Yilun (appointed with effect from 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)

Under the Bye-laws, the existing Directors are subject to retirement by rotation and re-election at the annual general meetings of the Company.

In accordance with bye-law 84 of the Bye-laws, Mr. Yao Wei, Mr. Xing Ping and Mr. Leung Chi Ching Frederick will retire by rotation at the 2019 AGM and, being eligible, have offered themselves for re-election.

The retiring Directors, if re-elected, will hold office from the date of re-election to the conclusion of the annual general meeting of the Company to be held in 2022, subject to earlier determination in accordance with the Bye-laws and/or any applicable laws and regulations.

The Company has received, from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election or election at the 2019 AGM has or will have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2018 or at any time during the year ended 31 December 2018.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACT OF SIGNIFICANCE

Other than the continuing connected transactions as stated in the section headed "Continuing connected transactions" of this report, no contract of significance between the Company or its subsidiaries and the controlling shareholder of the Company or its subsidiaries subsisted at the end of the year ended 31 December 2018 or at any time during the year ended 31 December 2018.

TAXATION

Under present Bermuda law, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its members, other than members ordinarily resident in Bermuda. Further, no such tax is imposed by withholding or otherwise on any payment to be made to or made by the Company.

STAMP DUTY

Under present Bermuda law, the Company is exempt from all stamp duties in Bermuda except on transactions involving "Bermuda property". This term relates, essentially, to real and person property physically situated in Bermuda, including the shares of local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from stamp duty in Bermuda.

Report of the Directors

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SECURITIES

As of 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which will be 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 interest or 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, 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)*	233,334 share options	0.01%
Lin Jian (resigned on 22 January 2018)	Beneficial owner *(Note i)*	233,334 share options	0.01%
Li Yilun (appointed on 22 January 2018)	Beneficial owner *(Note i)*	210,000 share options	0.01%
Yao Wei (appointed on 22 January 2018)	Beneficial owner *(Note i)*	210,000 share options	0.01%

Notes:

(i) Details of the share options granted to the Directors are set out on page 152 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 31 December 2018.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had or were deemed 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 Stock Exchange under the provisions of Division 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 [(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%

Report of the Directors

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 Limited), 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 31 December 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 Limited and CGN Energy International represented the same block of Shares.

(2) CGNPC International Limited directly holds 70.59% of the total issued share capital of CGN Energy International, which directly held 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 Limited 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 annual report, 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.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 24 November 2015 for the purpose of enabling the Company to (i) establish incentive and mechanism that is in line with market practice and satisfies the Company's development strategy needs so as to facilitate long-term development of the Company and maximise Shareholders' value, and (ii) optimise the remuneration structure of core employees of the Company such that the competitiveness of the Company's remuneration system may be enhanced, which will in turn attract and retain core management and technical staff to serve the Company for a long period of time. No share options were exercised nor cancelled and 9,916,666 share options were lapsed during the year ended 31 December 2018.

(1) Eligible Participants to the Share Option Scheme

The Board may, at its absolute discretion and on such terms as it may think fit, grant options (the "**Options**") to any eligible participants (the "**Eligible Participants**") to subscribe at a price calculated in accordance with paragraph (8) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Participants to any Options shall be determined by the Directors from time to time on the basis of his/her contribution to the development and growth of the Group in the opinion of the Directors.

(2) Maximum number of shares available for exercise

The total number of new Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other effective share option schemes (if any) of the Company must not in aggregate exceed 10% of the total number of issued Shares of the same class as at the date of approval of the Share Option Scheme which is 429,082,400 Shares (the "**Scheme Mandate Limit**"), representing 10% of the issued share capital of the Company as at the date of this annual report.

The Company may at any time as the Board thinks fit seek approval from the Shareholders to refresh the Scheme Mandate Limit save that the total number of new Shares in respect of which Options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 10% of the total number of Shares in issue as at the date on which the Shareholders approve the refreshment of the Scheme Mandate Limit and the maximum number of new Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the total number of Shares in issue from time to time.

The total number of options available for grant under the scheme is 420,139,066, representing 9.79% of the issued share capital of the Company as at the date of this annual report.

Report of the Directors

(3) Maximum entitlement of each Eligible Participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme and any other effective share option scheme(s) (if any) of the Company to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of issued Shares of the same class.

Grant of options to connected persons

Pursuant to Rule 17.04 of the Listing Rules:

(a) Any grant of Options to an Eligible Participant who is a Director, chief executive or substantial Shareholder (as defined under the Listing Rules) of the Company or their respective associates (including a discretionary trust whose discretionary objects include a Director, chief executive or a substantial Shareholder of a company beneficially owned by any Director, chief executive or substantial Shareholder) must be approved by the independent non-executive Directors.

(b) Where the Board proposes to grant any Option to an Eligible Participant who is a substantial Shareholder or its associates (including a discretionary trust whose discretionary objects include a substantial Shareholder or a company beneficially owned by any substantial Shareholder) would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

  i. representing in aggregate more than 0.1% of the total number of Shares in issue; and

  ii. having an aggregate value, based on the closing price of the Shares at the date of each grant, over HK$5,000,000.00,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its Shareholders containing all those terms as required under the Listing Rules. All connected persons of the Company must abstain from voting at such general meeting (except that any connected person may vote against the relevant resolution provided that his intention to do so has been stated in this circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

No Eligible Participant is granted with options in excess of the individual limit during the year ended 31 December 2018.

(4) Time of exercise of option

An Option may be exercised at any time during a period of 3 years from the date after the completion of the minimum period for which the Option must be held as described in paragraph (5) below.

Report of the Directors

(5) Exercisable period

Subject to the fulfilment of the exercise conditions as described in paragraph (6) below, the Options are exercisable (subject as provided below) during each Exercisable Period specified below for up to the number of Shares specified below:

Maximum number of Shares	Exercisable Period
approximately one-third of the Shares fall to be issued on exercise of the Options*	the first business day after 24 months from the offer date to the last business day in the 60th month after the offer date
approximately an additional one-third of the Shares fall to be issued on exercise of the Options*	the first business day after 36 months from the offer date to the last business day in the 72th month after the offer date
approximately the remaining one-third of the Shares fall to be issued on exercise of the Options*	the first business day after 48 months from the offer date to the last business day in the 84th month after the offer date

**Note:* The Board may at its absolute discretion determine the exact number of the Shares fall to be issued on exercise of the Options.

(6) Exercise conditions

The Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any Option, any performance targets or conditions that must be satisfied before the Option can be exercised as part of the terms and conditions of any Option.

(7) Offer of Options

The Company and Eligible Participants shall enter into a share option agreement upon the offer to set out the rights and obligations of both parties. Share option agreement shall contain information among others, names, number of identification card, address, correspondence, and any other matters. Eligible Participants shall pay HK$1.00 to the Company as the nominal consideration upon acceptance of the offer.

(8) Exercise price for Shares

The exercise price for Shares issuable under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of a Share on the offer date.

(9) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing from the date on which the Share Option Scheme is adopted by the Shareholders, unless otherwise terminated under the terms of the Share Option Scheme.

Report of the Directors

As of 31 December 2018, options to subscribe for 8,943,334 shares of the Company were outstanding, details of which are set out in note 35 to the consolidated financial statements and below:

		Number of Share Options								
Grantee	Date of grant	as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	as at 31 December 2018	Exercise price per share	Closing price per share immediately before the date of grant	Exercise period
								(HK$)	*(HK$)*	
Chen Sui	8 December 2015	466,667	–	–	233,333	–	233,334	1.612	1.640	*Note*
Lin Jian (resigned on 22 January 2018)	8 December 2015	466,667	–	–	233,333	–	233,334	1.612	1.640	*Note*
Li Yilun (appointed on 22 January 2018)	8 December 2015	420,000	–	–	210,000	–	210,000	1.612	1.640	*Note*
Yao Wei (appointed on 22 January 2018)	8 December 2015	420,000	–	–	210,000	–	210,000	1.612	1.640	*Note*
Employees	8 December 2015	17,086,666	–	–	9,030,000	–	8,056,666	1.612	1.640	*Note*
		18,860,000	–	–	9,916,666	–	8,943,334			

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.

DIRECTORS' INTERESTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report regarding Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate of the Group.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report regarding Share Option Scheme, the Company has not entered into any equity-link agreement during the year and no equity-link agreement subsisted as at the end of the year.

PERMITTED INDEMNITY PROVISION

The Bye-laws provide that each Director is entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged directors' and officers' liability insurance coverage for the Directors and officers of the Company and its subsidiaries.

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONTINUING CONNECTED TRANSACTIONS

The Group had entered into a number of transactions with connected parties which, upon the listing of the Shares on the Stock Exchange, became connected persons of the Company under the Listing Rules. The Company has complied with the disclosure requirement prescribed in Chapter 14A of the Listing Rules. Details of the continuing connected transactions are as follows:

(A) With CGN and its subsidiaries, excluding the Group (the "CGN Group")

Non-exempt continuing connected transactions subject to reporting, announcement and independent shareholders' approval requirements

1(a) Financial Services (CGNPC Huasheng) Framework Agreement

On 12 September 2014, CGNPC Huasheng Investment Limited ("**CGNPC Huasheng**") and the Company entered into the financial services (CGNPC Huasheng) framework agreement (the "**Financial Services (CGNPC Huasheng) Framework Agreement**") in relation to the deposit arrangement in Hong Kong provided by CGNPC Huasheng to the Group, which was effective from 12 September 2014 to 29 May 2015, being the date of the first annual general meeting of the Company after its listing. The renewal of the Financial Services (CGNPC Huasheng) Framework Agreement was approved by the independent shareholders of the Company at the first annual general meeting of the Company and the terms of the Financial Services (CGNPC Huasheng) Framework Agreement became effective from 30 May 2015 and shall continue up to and including 31 December 2017. Further renewal of the Financial Services (CGNPC Huasheng) Framework Agreement was approved by the independent shareholders of the Company at the special general meeting of the Company held on 18 December 2017 and the terms of the Financial Services (CGNPC Huasheng) Framework Agreement became effective from 1 January 2018 and shall continue up to and including 31 December 2020.

CGNPC Huasheng is a wholly-owned subsidiary of CGN, the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Financial Services (CGNPC Huasheng) Framework Agreement were disclosed in the prospectus of the Company dated 19 September 2014 (the "**Prospectus**") and the circulars of the Company dated 20 April 2015 and 30 November 2017.

1(b) Financial Services (CGN Finance) Framework Agreement

On 12 September 2014, CGN Finance Investment Limited ("**CGN Finance**") and the Company entered into the financial services (CGN Finance) framework agreement (the "**Financial Services (CGN Finance) Framework Agreement**", together with the Financial Services (CGNPC Huasheng) Framework Agreement, the "**Financial Services Framework Agreements**") in relation to the deposit arrangement in the PRC provided by CGN Finance to the Group, which was effective from 12 September 2014 to 29 May 2015, being the date of the first annual general meeting of the Company after its listing. The renewal of the Financial Services (CGN Finance) Framework Agreement was approved by the independent shareholders of the Company at the first annual general meeting of the Company and the term of the Financial Services (CGN Finance) Framework Agreement became effective from 30 May 2015 and shall continue up to and including 31 December 2017. Further renewal of the Financial Services (CGN Finance) Framework Agreement was approved by the independent shareholders of the Company at the special general meeting of the Company held on 18 December 2017 and the terms of the Financial Services (CGN Finance) Framework Agreement became effective from 1 January 2018 and shall continue up to and including 31 December 2020.

CGN Finance is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Financial Services (CGN Finance) Framework Agreement were disclosed in the Prospectus and the circulars of the Company dated 20 April 2015 and 30 November 2017.

General

As the nature of the services to be provided to the Group under the Financial Services Framework Agreements are similar, the estimated annual cap for the maximum outstanding balance of deposits to be placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreements, together with the relevant interest received, for the year ended 31 December 2018 have been aggregated and amounted to US$524 million. The actual maximum outstanding balance of deposits placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreement, together with the relevant interest received for the year ended 31 December 2018 were US$376 million.

Non-exempt continuing connected transactions subject to reporting and announcement requirements

2(a) New Entrustment Agreement

On 29 December 2016, China Solar, CGN and the Company entered into a new entrustment agreement (the "**New Entrustment Agreement**"), pursuant to which CGN shall entrust certain rights of CGN as indirect shareholder of each of the Target Companies to the Company. The term of the New Entrustment Agreement is from 1 January 2017 to 31 December 2017.

CGN is a controlling shareholder of the Company and China Solar is its wholly-owned subsidiary. Therefore, both of them are connected persons of the Company under the Listing Rules.

Further details of the New Entrustment Agreement were disclosed in the announcement of the Company dated 29 December 2016.

Upon expiry of the term, the New Entrustment Agreement was not renewed for the year ended 31 December 2018.

2(b) Operation and Management Services (CGN Energy) Framework Agreement

On 20 August 2014, CGN Energy Development Co., Ltd. ("**CGN Energy**") and the Company entered into the operation and management services (CGN Energy) framework agreement (the "**Operation and Management Services (CGN Energy) Framework Agreement**"), pursuant to which the Company has agreed to provide, or procure a subsidiary of the Group to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Energy has interest. The initial term of this agreement is from 1 May 2014 to 31 December 2016. The Company has served a notice to CGN Energy in accordance with the terms of the Operation and Management Services (CGN Energy) Framework Agreement to renew such agreement for a term of three years from 1 January 2017 to 31 December 2019. Save for the renewal of the term of the agreement, the principal terms of the renewed Operation and Management Services (CGN Energy) Framework Agreement shall remain the same as the original Operation and Management Services (CGN Energy) Framework Agreement (including the calculation of the management fees).

CGN Energy is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Operation and Management Services (CGN Energy) Framework Agreement were disclosed in the Prospectus and the announcement of the Company dated 29 December 2016.

Report of the Directors

2(c) Operation and Management Services (Huamei Holding) Framework Agreement

On 15 September 2014, Huamei Holding Company Limited ("**Huamei Holding**") and the Company entered into the operation and management services (Huamei Holding) framework agreement (the "**Operation and Management Services (Huamei Holding) Framework Agreement**", together with the Operation and Management Services (CGN Energy) Framework Agreement, the "**Operation and Management Services Framework Agreements**"), pursuant to which the Company has agreed to provide, or procure a subsidiary of the Group to provide, operation and management services to power projects (whether in operation or under construction) in which a subsidiary of the group of companies which were transferred to CGN Energy International as part of the reorganization of the Group as described in the Prospectus under Huamei Holding has interest. The initial term of this agreement is from 15 September 2014 to 31 December 2016. The Company has served a notice to Huamei Holding in accordance with the terms of the Operation and Management Services (Huamei Holding) Framework Agreement to renew such agreement for a term of three years from 1 January 2017 to 31 December 2019. Save for the renewal of the term of the agreement, the principal terms of the renewed Operation and Management Services (Huamei Holding) Framework Agreement shall remain the same as the original Operation and Management Services (Huamei Holding) Framework Agreement (including the calculation of the management fees).

Huamei Holding is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Operation and Management Services (Huamei Holding) Framework Agreement were disclosed in the Prospectus and the announcement of the Company dated 29 December 2016.

2(d) Operation and Management Services (Solar Energy) Framework Agreement

On 17 June 2015, the Company entered into the Operation and Management Services (Solar Energy) Framework Agreement (the "**Operation and Management Services (Solar Energy) Framework Agreement**") with CGN Solar Energy Development Co., Ltd. ("**CGN Solar Energy**"), pursuant to which the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Solar Energy has interest. The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project. The term of this agreement is from 17 June 2015 to 31 December 2017. The Company has served a notice to CGN Solar Energy in accordance with the terms of the Operation and Management Services (Solar Energy) Framework Agreement to renew such agreement for a term of three years from 1 January 2018 to 31 December 2020. Save for the renewal of the term of the agreement, the principal terms of the renewed Operation and Management Services (Solar Energy) Framework Agreement shall remain the same as the original Operation and Management Services (Solar Energy) Framework Agreement (including the calculation of the management fees).

CGN Solar Energy is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Operation and Management Services (Solar Energy) Framework Agreement were disclosed in the announcement of the Company dated 17 June 2015 and the circular of the Company dated 30 November 2017.

Report of the Directors

2(e) Operation and Management Services (Wind Energy) Framework Agreement

On 17 June 2015, the Company entered into the Operation and Management Services (Wind Energy) Framework Agreement (the "**Operation and Management Services (Wind Energy) Framework Agreement**", together with the Operation and Management Services (Solar Energy) Framework Agreement, the "**O&M Agreements**") with CGN Wind Power Company, Limited (中廣核風電有限公司) ("**CGN Wind Energy**"), pursuant to which the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Wind Energy has interest. The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project. The term of this agreement is from 17 June 2015 to 31 December 2017. The Company has served a notice to CGN Wind Energy in accordance with the terms of the Operation and Management Services (Wind Energy) Framework Agreement to renew such agreement for a term of three years from 1 January 2018 to 31 December 2020. Save for the renewal of the term of the agreement, the principal terms of the renewed Operation and Management Services (Wind Energy) Framework Agreement shall remain the same as the original Operation and Management Services (Wind Energy) Framework Agreement (including the calculation of the management fees).

CGN Wind Energy is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Operation and Management Services (Wind Energy) Framework Agreement were disclosed in the announcement of the Company dated 17 June 2015 and the circular of the Company dated 30 November 2017.

General

As the nature of the services to be provided under the two Operation and Management Services Framework Agreements and the O&M Agreements are similar, the annual cap for the management fees receivable under the Operation and Management Services Framework Agreements and the O&M Agreements for the year ended 31 December 2018 were determined on an aggregate basis and amounted to US$42 million. The actual management fees recognised under the Operation and Management Services Framework Agreements and the O&M Agreement for the year ended 31 December 2018 were US$25.0 million.

Report of the Directors

(B) General

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions of the Group as mentioned above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2018 and have confirmed that the continuing connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better (as defined in the Listing Rules); and

3. in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has confirmed that the continuing connected transactions:

1. have been approved by the Board;

2. were, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

3. were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

4. have not exceeded the cap.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business are provided under note 43 to the financial statements, and none of which constitutes a discloseable connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

Report of the Directors

NON-COMPETITION DEED

The Company entered into a deed of non-competition (the "**Non-Competition Deed**") with CGN on 15 September 2014 under which CGN agreed not to, and agreed to procure its subsidiaries (other than the Group) not to, compete with the Group in its non-nuclear power business (save for the retention of the existing Retained Business (as defined in the Prospectus) of the CGN Group or any future business which the CGN Group has carried on pursuant to the terms of the Non-Competition Deed) and granted the Company with a right to acquire the Retained Business of the CGN Group and a right to acquire a new business or equity investment opportunity directed to the Group according to the terms of the Non-Competition Deed.

The Company has received a confirmation from CGN confirming to the Company on its compliance with the relevant non-competing procedures set out in the Non-Competition Deed and having protected the right granted to the Company under the Non-Competition Deed, to invest in or acquire the relevent projects during the year ended 31 December 2018.

During the year ended 31 December 2018, the independent non-executive Directors (the "**Disinterested Directors**"), being the Directors other than those who are also directors and senior management personnel of the CGN Group, had reviewed several business or investment opportunities offered by or referred to by the CGN Group pursuant to the Non-Competition Deed. The Disinterested Directors considered the opportunities taking into account, inter alia, the following:

(a) whether the investment would create or would likely create competition with the principal business of the Group;

(b) the business and financial performance and potential of the subject investment opportunities;

(c) the feasibility and viability for the Group to acquire, invest or take on the subject investment opportunities (in terms of the availability of management, financial and business resources and expertise);

(d) the terms and conditions of the acquisition of or taking on the subject investment opportunities;

(e) the financial budget and business plan of the Group for undertaking the investment opportunities in the relevant year;

(f) result of a cost-benefit analysis for the Group to acquire, invest or take on the subject investment opportunities, and whether the subject investment opportunities are consistent with the business development strategy of the Group, and whether it is likely to create any strategic or synergy value to the Group's existing business;

(g) the likely risks associated with the subject investment opportunities should we acquire, take on, operate or participate in such subject investment opportunities; and

(h) the equity internal rate of return and/or the expected internal rate of return of the investment opportunities.

As a result, we had not exercised any right to acquire or invest in those investment opportunities.

The Disinterested Directors have reviewed compliance by CGN and confirm that based on the confirmations and information provided by CGN, CGN was in compliance with the Non-Competition Deed during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the date of this report, so far as the Directors were aware, none of the Directors, and their respective close associates had interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Report of the Directors

EMOLUMENT POLICY

We determined the emoluments of our directors and employees based on their respective performance, working experience, roles and responsibilities as well as market factors. We offer our executive Directors and senior management members, who are also employees of our Company, various compensation in the form of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other benefits in kind. We provide our employees with salaries and discretionary bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes, housing and other benefits in kind.

WAIVER OF EMOLUMENTS

Save as Mr. Wang Minhao, one of the independent non-executive Directors, who has agreed to waive his annual director's emoluments for the year ended 31 December 2018, other independent non-executive Directors receive compensation based on their responsibilities (including being members or chairman of Board committees).

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and within the knowledge of the Directors, the Company has sufficient public float as required under Rule 8.08 of the Listing Rules.

DONATIONS

During the year ended 31 December 2018, the Group made charitable and other donations amounting to approximately HK$2,333,000 (2017: HK$153,000).

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chen Sui
Chairman

Hong Kong, 20 March 2019

Corporate Governance Report

The board (the "**Board**") of directors (the "**Directors**") of the Company considers effective corporate governance is a key component in the sustained development of the Company and its subsidiaries (the "**Group**") and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices to the conduct and growth of the Group's business.

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code throughout the year ended 31 December 2018.

Corporate Governance Framework of the Company

Corporate Governance Report

THE BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, risk management and internal control systems, and monitoring of the performance of the senior management. The Directors make decisions objectively in the interests of the Company. As at the date of this report, the Board comprises seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. Members of the Board during the year ended 31 December 2018 and up to the date of this report are as follows:

Chairman and Non-executive Director:

Mr. Chen Sui

President and Executive Director:

Mr. Lin Jian (resigned with effect from 22 January 2018)
Mr. Li Yilun (appointed with effect from 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)

Biographical details and relationships among members of the Board as at the date of this report are set out in the section headed "Biographies of Directors and Members of the General Manager Office" in the annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

During the year, the non-executive Director (including the independent non-executive Directors) provided the Company with a diverse range of expertise and a balance of skills, and brought independent judgments in issues pertinent to strategic direction, development, performance and risk management through their contribution at the Board meetings and committee meetings.

Corporate Governance Report

Chairman and President

As at the date of this report, Mr. Chen Sui is the chairman of the Company and Mr. Li Yilun is the president of the Company. The roles of the chairman and chief executive are served by different individuals to achieve a balance of authority and power, which is in compliance with the code provision A.2.1 of the CG Code. Mr. Chen Sui is principally responsible for overall corporate strategies planning and business development of the Group, while Mr. Li Yilun is principally responsible for leading and managing all the activities of the Group to achieve the goals and objectives set by the Board, identifying and recommending the short, medium and long-term business strategies, directing and executing the Group's plans and budgets, directing and organizing the Group's material, human and economic resources to deliver the corporate results, identifying and developing business opportunities to grow the Group.

Appointments, re-election and removal of Directors

Each Director has entered into a service contract or an appointment letter with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company (the "**Bye-laws**"). Mr. Yao Wei, Mr. Xing Ping and Mr. Leung Chi Ching Frederick will retire by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election, in accordance with bye-law 84 of the Bye-laws.

Number of meetings and Directors' attendance

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

Board meetings in each year are scheduled in advance to facilitate maximum attendance of Directors.

The calendar of regular Board meetings (the "**Board Meetings**"), Board committees meetings and general meeting for the year ended 31 December 2018 is shown below:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board			✓		✓			✓			✓	
Nomination Committee	✓		✓			✓						
Remuneration Committee	✓		✓			✓						
Audit Committee			✓					✓			✓	
Investment and Risk Management Committee			✓	✓	✓						✓	
Strategy Development Committee (cancelled on 26 June 2018)			✓		✓							
General Meeting					✓							✓

During the year ended 31 December 2018, the Board has held four meetings.

During the year ended 31 December 2018, the Company has held two general meetings.

Corporate Governance Report

The table below sets forth the number of the Board Meetings and Board Committees meetings (as defined below) and general meeting attended by each Director during the year ended 31 December 2018:

	Attendance/Number of meetings						
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Investment and Risk Management Committee**	**Strategy Development Committee (cancelled on 26 June 2018)**	**General Meeting**
Chairman and Non-executive Director:							
Mr. Chen Sui	4/4	3/3				2/2	1/2
President and Executive Director:							
Mr. Lin Jian (resigned on 22 January 2018) *(Note i)*	N/A					N/A	N/A
Mr. Li Yilun (appointed on 22 January 2018)	3/4					0/2	0/2
Non-executive Directors:							
Mr. Yin Engang (resigned on 22 January 2018) *(Note ii)*	N/A			N/A	N/A		N/A
Mr. Zhang Chengbai (resigned on 26 June 2018) *(Note iii)*	2/2					2/2	1/1
Mr. Yao Wei (appointed on 22 January 2018)	1/4			3/3	2/4		0/2
Mr. Wang Hongxin (resigned on 26 June 2018) *(Note iii)*	2/2						1/1
Mr. Dai Honggang (resigned on 26 June 2018) *(Note iii)*	2/2		1/3		3/3	2/2	1/1
Mr. Xing Ping	4/4				4/4		1/2
Independent Non-executive Directors:							
Mr. Leung Chi Ching Frederick	4/4			3/3			2/2
Mr. Fan Ren Da Anthony (resigned on 26 June 2018) *(Note iv)*	2/2	2/3	3/3	1/1			1/1
Mr. Wang Susheng (resigned on 26 June 2018) *(Note iv)*	2/2					2/2	0/1
Mr. Zhang Dongxiao (resigned on 26 June 2018) *(Note iv)*	2/2	3/3	3/3				0/1
Mr. Yang Xiaosheng (appointed on 26 June 2018) *(Note v)*	2/2			1/2	1/1		1/1
Mr. Wang Minhao (appointed on 26 June 2018) *(Note v)*	0/2						0/1

Corporate Governance Report

Notes:

i. Mr. Lin Jian resigned as the Company's President and an executive Director on 22 January 2018. For the year ended 31 December 2018, no Board meeting and general meeting was held before his resignation taking effect.

ii. Mr. Yin Engang resigned as a non-executive Director on 22 January 2018. For the year ended 31 December 2018, no Board meeting and general meeting was held before his resignation taking effect.

iii. Mr. Zhang Chengbai, Mr. Wang Hongxin and Mr. Dai Honggang resigned as a non-executive Director on 26 June 2018. For the year ended 31 December 2018, two Board meetings and one general meeting were held before their resignation taking effect.

iv. Mr. Fan Ren Da Anthony, Mr. Wang Susheng and Mr. Zhang Dongxiao resigned as an independent non-executive Director on 26 June 2018. For the year ended 31 December 2018, two Board meetings and one general meeting were held before their resignation taking effect.

v. Mr. Yang Xiaosheng, Mr. Wang Minhao was appointed as an independent non-executive Director on 26 June 2018. For the year ended 31 December 2018, two Board meetings and one general meeting were held after their appointment taking effect.

Corporate Governance

The Board has carried out its duties and responsibilities as set out in D.3 of the CG Code including the development of policies and practices on corporate governance, monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to the employees of the Company and the Directors, the compliance with the CG Code of the Company and the disclosure in this report.

Training and support for Directors

In accordance with code provision A.6.5 of the CG Code with regards to continuous professional development, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Upon appointment to the Board, all newly appointed Directors have been provided with necessary induction training and materials to ensure that they have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

To further ensure that all Directors are adequately informed about the Company's business and operations as well as his responsibilities under relevant laws, rules and regulations, the Company Secretary regularly provides all Directors regarding the Company's most recent performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time. The Company has organised a training on director's duties of listed Companies for Directors in August 2018.

Corporate Governance Report

The Directors received the following training for the year ended 31 December 2018 according to the records provided by the Directors:

	TYPES OF TRAINING:		
Directors	**Attendance for trainings/seminars/ meetings in respect of the Company's business or duties of Directors**	**Reading of materials in respect of updates on the Company's business, duties and responsibilities of Directors and regulatory requirements**	**Visit to power plants and facilities and their respective management personnel**
Chairman and Non-executive Director:			
Mr. Chen Sui	✓	✓	✓
President and Executive Director:			
Mr. Lin Jian (resigned with effect from 22 January 2018)	✓	✓	✓
Mr. Li Yilun (appointed with effect from 22 January 2018) *(Note)*	✓	✓	✓
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)	✓	✓	✗

Note:

Mr. Li Yilun and Mr. Yao Wei were the Senior Management of the Company before their appointment as Directors of the Company and have received various training provided by the Company, including the types of trainings above-mentioned.

Corporate Governance Report

Directors' insurance

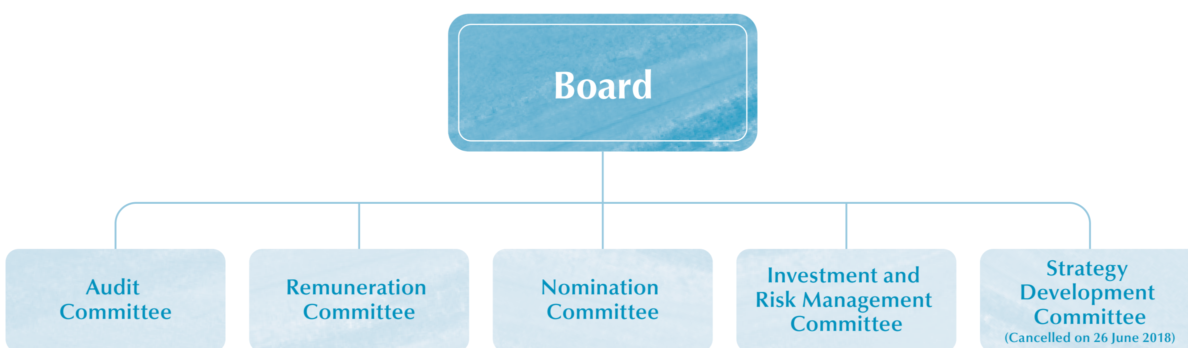
The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

Compliance with the Model Code for Directors' securities transactions

The Company has adopted its own Code for Securities Transactions by Directors (the "**Company Code**"), which are on terms 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. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code and the Company Code during the year ended 31 December 2018.

BOARD COMMITTEES

The Board has established an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**"), a nomination committee (the "**Nomination Committee**"), an investment and risk management committee (the "**Investment and Risk Management Committee**") (collectively, the "**Board Committees**"). The strategy development committee (the "**Strategy Development Committee**") has been cancelled on 26 June 2018. The terms of reference of the Board Committees are posted on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Members of the Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.



Corporate Governance Report

Audit Committee

As of 31 December 2018, the Audit Committee was chaired by Mr. Leung Chi Ching Frederick (independent non-executive Director), and the members are Mr. Yao Wei (non-executive Director) (appointed on 22 January 2018) and Mr. Yang Xiaosheng (independent non-executive Director) (appointed on 26 June 2018). Mr. Yin Engang (former non-executive Director) and Mr. Fan Ren Da Anthony (former independent non-executive Director) have resigned on 22 January 2018 and 26 June 2018, respectively.

The majority of the members of the Audit Committee are independent non-executive Directors. The major duties of the Audit Committee are as follows:

Relationship with the Company's external auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to consider the plan for each year's audit submitted by the external auditors and discuss the same at a meeting if necessary;

(c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(d) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

(e) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the financial information of the Company

(f) to monitor integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

(g) in regard to (f) above:

  (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

  (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, internal auditors or external auditors;

Corporate Governance Report

Oversight of the Company's financial reporting system and internal control systems

(h) to review the Company's financial controls, internal control systems and risk management;

(i) to discuss the internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(j) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(k) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(l) to review the Group's financial and accounting policies and practices;

(m) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(o) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(p) to act as the key representative body for overseeing the Company's relations with the external auditor;

(q) to review the continuing connected transactions to ensure compliance with the terms approved by shareholders of the Company (the "**Shareholders**");

(r) to establish whistleblowing policies and systems to allow employees and others who have dealings with the Company (such as customers and suppliers) to raise their concerns in secret to the Audit Committee about any possible improper matters regarding the Company;

(s) to report to the Board on the above matters; and

(t) to consider other topics, as defined by the Board.

The terms of reference of the Audit Committee adopted by the Company are in line with the provisions of the CG Code, a copy of which was posted on the website of the Company and the Stock Exchange, respectively.

During the year ended 31 December 2018, three Audit Committee meetings were held, inter alia, to review the 2017 annual results, the 2018 interim results and the internal control of the Group. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Audit Committee was held on 14 March 2019 to consider the audited financial statements of the Group for the year ended 31 December 2018, the external auditor's independence and objectivity, the effectiveness of the audit process and the Group's internal control system, which covers all material controls, including financial, operational and compliance controls and risk management functions.

Corporate Governance Report

Remuneration Committee

With effect from 26 June 2018 and as of 31 December 2018, the Remuneration Committee was chaired by Mr. Wang Minhao (independent non-executive Director) and other members were Mr. Xing Ping (non-executive Director) and Mr. Yang Xiaosheng (independent non-executive Director). Before 26 June 2018, the Remuneration Committee consisted of Mr. Zhang Dongxiao (former independent non-executive Director), Mr. Dai Honggang (former non-executive Director) and Mr. Fan Ren Da Anthony (former independent non-executive Director). Mr. Zhang Dongxiao served as the chairman of the Remuneration Committee.

The majority of the members of the Remuneration Committee are independent non-executive Directors. The major duties of the Remuneration Committee are as follows:

(a) to assess, review and make recommendations once a year or as and when required, to the Board in respect of the remuneration packages and overall benefits for the Directors;

(b) to make recommendations to the Board in relation to all consultancy agreements and service contracts or any variations, renewals or modifications thereof, entered into between the Company and the Directors or any associate company of any of them;

(c) to consider what details of the remuneration/benefits of the Directors should be reported in the Company's annual reports and accounts in addition to those required by law and how those details should be presented;

(d) to make recommendations to the Board on the policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(e) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(f) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

(g) to make recommendations to the Board on the remuneration of non-executive Directors;

(h) to consider salaries paid by comparable companies, time commitment and responsibilities as well as employment conditions of other positions in the Group;

(i) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive;

(j) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(k) to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

The terms of reference of the Remuneration Committee adopted by the Company are in line with the provisions of the CG Code, a copy of which was posted on the website of the Company and the Stock Exchange, respectively.

During the year ended 31 December 2018, three Remuneration Committee meetings were held, inter alia, to review the remuneration structure and packages of the Directors and senior management, the Board restructuring. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Remuneration Committee was held on 13 March 2019 to consider and review, among others, the Group's policy and structure for all Directors' and senior management's remuneration and the current remuneration packages of the Directors and senior management of the Company.

Corporate Governance Report

Nomination Committee

As of 31 December 2018, the Nomination Committee was chaired by Mr. Chen Sui (chairman and non-executive Director), and the members were Mr. Yang Xiaosheng (independent non-executive Director) (appointed on 26 June 2018) and Mr. Wang Minhao (independent non-executive Director) (appointed on 26 June 2018). Mr. Zhang Dongxiao (former independent non-executive Director) and Mr. Fan Ren Da Anthony (former independent non-executive Director) have resigned from the office of the committee member on 26 June 2018.

The majority of the members of the Nomination Committee are independent non-executive Directors. The major duties of the Nomination Committee are as follows:

(a) to review the structure, size, composition and diversity (including gender, age, cultural and education background, ethnicity, skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the corporate strategy of the Company;

(b) to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to assessing the balance of skills, knowledge and experience as well as diversification of Board members, and based on the assessment results, to prepare a description of the roles and capabilities required for individual appointments;

(c) to identify individuals suitably qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) to assess the independence of independent non-executive Directors;

(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the president of the Company;

(f) to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board;

(g) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Bye-laws or imposed by the Listing Rules or applicable law; and

(h) to review the Board's diversity policy, as appropriate; and review the measurable objectives that the Board has set for implementing the Board's diversity policy.

The terms of reference of the Nomination Committee adopted by the Company are in line with the provisions of the CG Code, a copy of which was posted on the website of the Company and the Stock Exchange, respectively.

Where vacancy on the Board exists, the Nomination Committee will carry out a selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations, and select or make recommendations to the Board on the selection of candidates for directorship.

The Board has also adopted a board diversity policy. Below is a summary of the policy:

"The Board recognises that board diversity is an essential element contributing to the sustainable development of the Company and enhances Board effectiveness and corporate governance. In determining the optimum composition of the Board, all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Board aims to maintain a Board which has an appropriate mix of diversity, skills, experience and expertise, as well as a balanced composition of executive and non-executive directors (including independent non-executive directors) so as to maintain independent element in the Board."

The Company has an unwavering commitment to talent as a prime resource for development. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, industry experience, skills, knowledge and length of service in related business areas.

Corporate Governance Report

During the year ended 31 December 2018, three Nomination Committee meetings were held, inter alia, to review the structure, size composition and diversity of the Board and to consider, nominate and recommend appointment and reappointment of Directors. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Nomination Committee was held on 13 March 2019 to consider and review, among others, the composition of the Board, succession planning for the Directors and the Board's diversity policy.

As at the date of this report, the following table and paragraph illustrates the composition and diversity of the Board in terms of four objective criteria, namely (i) age group, (ii) cultural and educational background, (iii) professional experience and (iv) industry experience, skills and knowledge.

Age group				Cultural and educational background			Professional experience			
40 to 45	46 to 50	51 to 55	56 to 60	Bachelor's degree holder	Master's degree holder	Doctoral degree holder	Engineering	Accounting, Economics and Finance	Law	Others
18%	18%	46%	18%	55%	27%	18%	27%	45%	10%	18%

In addition to the above table, each of the Directors has at least one of the following industry experience, skills or knowledge:

(a) Experience of new energy-related industry;

(b) Strategic planning;

(c) Investment and risk management;

(d) Corporate management (including internal control, operations, assets and other aspects);

(e) Legal and compliance;

(f) Financial (including accounting, finance, corporate finance, tax, etc.);

(g) Negotiation and execution of commercial contracts;

(h) Public management and venture management;

(i) Environmental protection;

(j) Experience in management of listed companies;

(k) Familiarity with the business environment of China; and

(l) Familiarity with the business environment of Hong Kong and the international business environment.

The Nomination Committee considers that the existing composition of the Board is diversified, taking into account the nature and scope of the Group's operations, specific needs as well as the different background of our Directors. Furthermore, the Nomination Committee recommends that the diversity of the Board in terms of (i) cultural and educational background, (ii) professional experience, and (iii) industry experience, skills and knowledge should be maintained, and that the Board should adopt these criteria as the basis for the selection and assessment of candidates for Directors by the Nomination Committee in the future.

Corporate Governance Report

Investment and Risk Management Committee

As of 31 December 2018, the Investment and Risk Management Committee was chaired by Mr. Yao Wei (non-executive Director) (appointed on 22 January 2018), and the members were Mr. Xing Ping (non-executive Director) and Mr. Yang Xiaosheng (independent non-executive Director) (appointed on 26 June 2018). Mr. Yin Engang (former non-executive Director) and Mr. Dai Honggang (former independent non-executive Director) have resigned as the committee members on 22 January 2018 and 26 June 2018 respectively.

All of the members of the Investment and Risk Management Committee are non-executive Directors. The major duties of the Investment and Risk Management Committee are as follows:

(a) to review major investment and strategy and objectives of project financing of the Company;

(b) to review any major investment, financing proposal and operating project matters of the Company that are subject to approval by the Board in accordance with the "Board of Directors Delegation of Authority Manual";

(c) to review the development and objectives of the Company's risk management system;

(d) to supervise the soundness, reasonableness and effectiveness of the risk management system, and instruct the comprehensive risk management of the Company;

(e) to study the risks of significant matters in major investment and financing activities and operation management of the Company and make necessary recommendations to the Board;

(f) to study the significant investigation results and feedbacks from the management concerning the risk management of the Company; and

(g) to handle other matters in relation to investment or risk management as delegated by the Board.

The terms of reference of Investment and Risk Management Committee adopted by the Company in line with the provisions of the CG Code, a copy of which was posted on the website of the Company and the Stock Exchange respectively.

During the year ended 31 December 2018, four Investment and Risk Management Committee meetings were held to review the proposed investment project of the Group. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Investment and Risk Management Committee was held on 14 March 2019 to consider and review, among others, the effectiveness, development and objectives of the Group's risk management system.

Corporate Governance Report

Strategy Development Committee (Cancelled)

The Strategy Development Committee of the Company has been cancelled on 26 June 2018. Before its cancellation, it consists of Mr. Chen Sui (chairman and non-executive Director), Mr. Dai Honggang (former non-executive Director), Mr. Wang Susheng (former independent non-executive Director), Mr. Zhang Chengbai (former non-executive Director) and Mr. Lin Jian (former President and executive Director) who resigned as the member of the Strategy Development Committee on 22 January 2018. Mr. Li Yilun was appointed as a member of the Strategy Development Committee on 22 January 2018. Mr. Dai Honggang served as the chairman of the Strategy Development Committee.

The majority of the members of the Strategy Development Committee are non-executive Directors. The major duties of the Strategy Development Committee are as follows:

(a) to research and recommend on the business objective and mid to long term development strategy of the Company;

(b) to research and recommend on significant investment and financing plans which are required by the Laws of the Company to be approved by the Board;

(c) to research and recommend on significant capital operation and asset operation which are required by the Laws of the Company to be approved by the Board;

(d) to research and recommend on other significant matters affecting the development of the Company; and

(e) to review and monitor the implementation of the matters mentioned in (a) to (d) above.

During the year ended 31 December 2018, two Strategy Development Committee meetings were held to review the operation and investment plans of the Company. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report.

Company Secretary

Mr. Lee Kin, the company secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. Lee Kin was appointed as the Company Secretary on 26 January 2015. Mr. Lee Kin complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during his term of office in the year ended 31 December 2018. The biographical details of Mr. Lee Kin is set out in the section headed "Biographies of Directors and Members of the General Manager Office" in this report.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2018. The Directors have selected suitable accounting policies and applied them consistently, adopted appropriate International Financial Reporting Standards, International Accounting Standards amendments to standards and the related interpretations, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about their reporting responsibilities is set out in the section headed "Independent Auditor's Report" in this report.

Corporate Governance Report

External auditor's remuneration

Deloitte Touche Tohmatsu ("**Deloitte**") has been appointed as the Company's external auditor since 1995. The Audit Committee has been notified of the scope, nature and the service charges of the audit and non-audit services performed by Deloitte and considered that these audit and non-audit services have no adverse effect on the independence of Deloitte. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of Deloitte.

The remuneration paid to Deloitte in respect of audit and non-audit services for the year ended 31 December 2018 is set out below:

Type of services provided by Deloitte	**Amount of fees** *HK$'000*
Audit services	8,348
Non-audit services	979
Total	9,327

The major non-audit services provided by Deloitte mainly include issuance of comfort letter in relation to a major transaction, filing of local income tax report and provision of tax advisory services.

Risk management and Internal control

The Board has the responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, and overseeing management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems on an ongoing basis. The Board should ensure that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors have reviewed the effectiveness of the Group's internal control and risk management systems. The internal control system includes a defined management structure with segregation of duties and the implementation and continuous review of an internal control manual. The Board, through the Audit Committee, engaged external professional service providers to conduct annual reviews on the Group's internal control system and make recommendations for strengthening such systems. The results of the review for the year ended 31 December 2018 have been reported to the Audit Committee and the Board. No material deficiencies have been identified so far and there were no significant areas of concern which may affect the Shareholders.

A framework has been established for prudent and effective controls to enable risks to be identified, evaluated and managed. Procedures have been designed for the management of financial, strategic and operational risk management functions. The procedures provide reasonable assurance against material untrue statement or losses and to monitor the risks existing in the course of arriving at the Group's objectives.

The Board is satisfied that, based on information furnished to it and on its own observations, the risk management and internal control systems are effective and adequate.

The Company is aware of its disclosure obligations under the Listing Rules and the Inside Information provisions under the Securities and Futures Ordinance and has put in place the proper procedure to ensure that any perceived inside information would be announced to the investing public on a timely basis.

Corporate Governance Report

The Company has an internal audit function.

The Audit Committee, inter alia, reviews the financial controls, risk management and internal controls systems of the Group and any significant internal control issues identified by the internal audit department, external auditors and management. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions and internal audit function and their training programmes and budgets.

The Investment and Risk Management Committee reviews the development and objective of the Company's risk management system.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enable the Shareholders and investors to make appropriate investment decisions.

Shareholders are provided with contact details of the Company's public relations firm and share registrar, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company.

Shareholders or investors can contact the public relations firm of the Company, Wonderful Sky Financial Group Limited, to make enquiry or to provide suggestions, of which the contact details are as follows:

Tel: (852) 3970 2131
Fax: (852) 3102 0210
Email: cgnne@wsfg.hk

In addition, Shareholders can contact Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, if they have any enquiries about their shares of the Company and dividends.

The members of the Board and the Board Committees and Deloitte are expected to be present to answer the Shareholders' questions in annual general meetings of the Company (the "**AGM**"). Meeting circulars are distributed to all Shareholders before AGM and special general meetings of the Company (the "**SGM**") in accordance with the timeline requirement as laid down in the Listing Rules and the Bye-laws.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, financial information and other information are posted.

ANNUAL GENERAL MEETING

The Company's AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. The 2018 AGM was held on 31 May 2018 at Boardroom 3 and 4, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong.

Corporate Governance Report

Resolutions passed at the 2018 AGM

Separate resolutions were proposed at the 2018 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions is set out below:

	Resolutions proposed at the 2018 AGM	Percentage of Votes in Favour
1.	To receive and consider the audited consolidated financial statements of the Company, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2017	100%
2.	To declare a final dividend for the year ended 31 December 2017	100%
3.(a)	To re-elect Mr. Chen Sui as a non-executive Director	99.95%
3.(b)	To re-elect Mr. Li Yilun as an executive Director	99.99%
3.(c)	To re-elect Mr. Yao Wei as a non-executive Director	99.95%
3.(d)	To re-elect Mr. Dai Hongang as a non-executive Director	99.97%
3.(e)	To re-elect Mr. Xing Ping as a non-executive Director	99.99%
3.(f)	To re-elect Mr. Zhang Dongxiao as an independent non-executive Director	100%
3.(g)	To authorise the Board to fix the remuneration of the Directors	100%
4.	To re-appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorize the Board to fix their remuneration	100%
5.	To grant a general mandate to the Directors to repurchase Shares	99.99%
6.	To grant a general mandate to the Directors to issue Shares	98.06%
7.	To extend the Issue Mandate by adding thereto the number of Shares repurchased by the Company pursuant to the Repurchase Mandate	98.06%

Accordingly, all resolutions put to shareholders at the 2018 AGM were passed. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Convening of SGM and requisition by the Shareholders

The following procedures are subject to the Company's bye-laws, the Bermuda Companies Act 1981, applicable legislation and regulation and the Company's policy on shareholders' rights.

Corporate Governance Report

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office at Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary of the Company, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

Procedures for making proposals by the Shareholders other than a proposal of a person for election as director

The following procedures are subject to the Company's bye-laws, the Bermuda Companies Act 1981, applicable legislation and regulation and the Company's policy on shareholders' rights.

The Company holds an AGM every year, and may hold a general meeting known as a special general meeting whenever necessary. Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the shareholder(s) concern and deposited at the Company's registered office at Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition. If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid or the shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

Procedures for Shareholders to propose a Person for Election as a Director

The following procedures are subject to the Company's bye-laws, the Bermuda Companies Act 1981, applicable legislation and regulation and the Company's policy on the procedures for shareholders to propose a person for election as a director.

1. If a shareholder of the Company who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the shareholder himself/herself) for election as a director (the "**Candidate**") at that meeting, he/she can deposit a written notice at the Company's principal place of business in Hong Kong at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

2. In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected.

Corporate Governance Report

3. A sample form of the notice to be executed and signed by the shareholder(s) for such proposal can be found from the website of the Company.

4. A sample form of the notice to be executed and signed by the Candidate can also be found from the website of the Company setting out, amongst other things, his/her willingness to be elected together with the information of the Candidate as required by Rule 13.51(2) of the Listing Rules as follows:

   (i) full name and age;

   (ii) positions held with the Company and/or other members of the Company (if any);

   (iii) experience including (i) other directorships held in the past three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications;

   (iv) length or proposed length of service with the Company;

   (v) relationships with any directors, senior management, substantial shareholders or controlling shareholders (as defined under the Listing Rules) of the Company, or an appropriate negative statement;

   (vi) interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, or an appropriate negative statement; and

   (vii) a declaration made by the Candidate in respect of the information required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements nor there are any other matters relating to that Candidate's standing for election as a director that should be brought to the attention of the shareholders of the Company.

5. The period for lodgement of the written notice will commence no earlier than the day after the despatch of the notice of the general meeting and end no later than seven (7) clear days prior to the date of such general meeting. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed Candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the shareholders at least fourteen (14) clear days and not less than ten (10) business days prior to the general meeting.

6. Shareholders who have enquires about the above procedures or have enquires to put to the Board may write to the Company Secretary at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year, a special resolution was passed by the Shareholders at the SGM held on 18 December 2018 for amending the Bye-laws in order to integrate the reinforcement of the leadership of the Communist Party of China with the corporate governance of the Company. Details of the amendments were set out in the circular of the Company dated 23 November 2018 and an up-to-date version of the Bye-laws is available on the websites of the Stock Exchange and the Company.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS 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)

OPINION

We have audited the 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 83 to 178, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the involvement of significant management judgments in determining the recoverable amounts of groups of cash-generating units to which goodwill has been allocated as disclosed in note 4 to the consolidated financial statements. As set out in note 17 to the consolidated financial statements, as at 31 December 2018, the Group has goodwill of approximately US$169,976,000 relating to groups of cash-generating units comprising subsidiaries engaged in generating and supplying electricity through solar energy and wind energy in the Peoples' Republic of China (the "**PRC**"), which are tested for impairment annually. As disclosed in note 17 to the consolidated financial statements, the management has concluded that there is no impairment in respect of the goodwill. The recoverable amounts are based on value in use calculations using discounted cash flow model, which require significant assumptions and estimates with respect to the discount rates and the forecasted cash flows, in particular the budgeted sales and gross margins, taking into account the management expectations for the power industry in the PRC.	Our procedures in relation to impairment assessment of goodwill included: • Understanding the key assumptions used by the management in the impairment assessment model and changes in the business environment affecting the power industry in the PRC; • Reviewing the methodology of the impairment assessment model; • Evaluating the accuracy of the management's forecasts by comparing the actual results of those cash-generating units to the previously forecasted results; • Assessing and challenging the management's key assumptions and estimates, which include the budgeted sales and gross margins, using our knowledge of the power industry, policies of other comparable companies and the Group's historical experience and future operating plans; and • Testing discount rates applied in the forecast by comparing to economic and industry data.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Revenue	5	**1,358,487**	1,108,560
Operating expenses:			
Coal, oil and gas		**829,596**	619,829
Depreciation of property, plant and equipment		**144,473**	134,299
Repair and maintenance		**44,742**	40,179
Staff costs		**67,652**	76,389
Others		**72,843**	71,634
Total operating expenses		**1,159,306**	942,330
Operating profit		**199,181**	166,230
Other income	6	**41,337**	14,459
Other gains and losses	7	**(22,141)**	(7,521)
Finance costs	8	**(110,158)**	(101,708)
Share of results of associates		**16,819**	19,268
Gain on deconsolidation of a subsidiary	41	**–**	3,825
Profit before tax		**125,038**	94,553
Income tax expense	9	**(33,767)**	(28,587)
Profit for the year	10	**91,271**	65,966
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(84,037)**	125,763
Fair value loss on hedging instruments designated as cash flow hedge		**(4,850)**	–
Deferred tax credit arising on fair value loss on hedging instruments		**1,174**	–
Reclassification adjustments for amounts transferred to profit or loss			
– release of hedging reserve		**(129)**	(126)
– deferred tax credit arising on release of hedging reserve		**31**	31
– release of cumulative gain of translation reserve included in profit or loss upon deconsolidation of a subsidiary	41	**–**	(3,825)
Other comprehensive (expenses) income for the year		**(87,811)**	121,843
Total comprehensive income for the year		**3,460**	187,809

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Profit for the year attributable to:			
Owners of the Company		**88,211**	61,872
Non-controlling interests		**3,060**	4,094
		91,271	65,966
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**4,850**	179,534
Non-controlling interests		**(1,390)**	8,275
		3,460	187,809
Earnings per Share	*13*		
– Basic *(US cents)*		**2.06**	1.44
– Diluted *(US cents)*		**2.06**	1.44

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**2,676,298**	2,471,558
Prepaid lease payments	*16*	**48,258**	51,004
Goodwill	*17*	**169,976**	178,492
Interests in associates	*18*	**163,983**	168,111
Deferred tax assets	*19*	**22,503**	25,366
Other non-current assets	*20*	**83,698**	61,046
		3,164,716	2,955,577
CURRENT ASSETS			
Inventories	*21*	**31,474**	33,723
Prepaid lease payments	*16*	**3,087**	3,343
Trade receivables	*22*	**308,475**	255,441
Contract assets	*23*	**20,962**	–
Other receivables and prepayments	*24*	**165,915**	134,462
Amounts due from associates	*25*	**13,126**	12,615
Amounts due from fellow subsidiaries	*25*	**10,688**	9,732
Tax recoverable		**729**	453
Derivative financial instruments	*26*	**16**	–
Pledged bank deposits	*27*	**166,847**	92,446
Short-term bank deposits	*27*	**6,247**	–
Bank balances and cash	*27*	**246,786**	242,825
		974,352	785,040
CURRENT LIABILITIES			
Trade payables	*28*	**165,062**	111,146
Other payables and accruals	*29*	**221,515**	170,660
Amounts due to fellow subsidiaries	*25*	**3,001**	5,561
Amounts due to non-controlling shareholders – due within a year	*25*	**8,997**	8,709
Loan from a fellow subsidiary – due within a year	*30*	**43,711**	–
Bank borrowings – due within one year	*31*	**347,345**	179,032
Bond payables – due within one year	*32*	**–**	354,858
Government grants	*33*	**824**	658
Deferred connection charges		**–**	89
Contract liabilities	*34*	**2,058**	–
Tax payable		**12,730**	9,975
Derivative financial instruments	*26*	**270**	9,957
		805,513	850,645

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 US$'000	2017 US$'000
NET CURRENT ASSETS (LIABILITIES)		**168,839**	(65,605)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,333,555**	2,889,972
NON-CURRENT LIABILITIES			
Amount due to a non-controlling shareholder			
– due after one year	25	**909**	896
Loans from fellow subsidiaries			
– due after one year	30	**700,000**	450,000
Bank borrowings – due after one year	31	**1,617,600**	1,417,715
Government grants	33	**9,924**	11,190
Deferred connection charges		**–**	116
Contract liabilities	34	**73**	–
Deferred tax liabilities	19	**45,906**	49,680
Derivative financial instruments	26	**4,859**	–
		2,379,271	1,929,597
NET ASSETS		**954,284**	960,375
CAPITAL AND RESERVES			
Share capital	36	**55**	55
Reserves		**865,775**	875,839
Equity attributable to owners of the Company		**865,830**	875,894
Non-controlling interests		**88,454**	84,481
TOTAL EQUITY		**954,284**	960,375

The consolidated financial statements on pages 83 to 178 were approved and authorised for issue by the board of directors on 20 March 2019 and are signed on its behalf by:

Chen Sui
DIRECTOR

Li Yilun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owner of the Company									
	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Other non-distributable reserves US$'000 (Note)	Hedging reserve US$'000	Translation reserve US$'000	Accumulated profits US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2017	55	250,406	1,047	12,151	925	(51,235)	497,409	710,758	101,078	811,836
Profit for the year	–	–	–	–	–	–	61,872	61,872	4,094	65,966
Exchange difference arising on translation of foreign operations	–	–	–	–	–	121,582	–	121,582	4,181	125,763
Release of hedging reserve	–	–	–	–	(126)	–	–	(126)	–	(126)
Deferred tax credit arising on release of hedging reserve *(note 19)*	–	–	–	–	31	–	–	31	–	31
Release of cumulative gain included in profit or loss upon deconsolidation of a subsidiary *(note 41)*	–	–	–	–	–	(3,825)	–	(3,825)	–	(3,825)
Total comprehensive (expenses) income for the year	–	–	–	–	(95)	117,757	61,872	179,534	8,275	187,809
Dividend declared and paid *(note 12)*	–	–	–	–	–	–	(20,167)	(20,167)	–	(20,167)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(8,172)	(8,172)
Transfer of other non-distributable reserves	–	–	–	1,111	–	–	(1,111)	–	–	–
Effects of share options *(note 35)*	–	–	985	–	–	–	–	985	–	985
Capital contribution from non - controlling interests	–	–	–	–	–	–	–	–	1,454	1,454
Deconsolidation of a subsidiary *(note 41)*	–	–	–	(2,276)	–	–	7,060	4,784	(18,154)	(13,370)
At 31 December 2017	55	250,406	2,032	10,986	830	66,522	545,063	875,894	84,481	960,375
Profit for the year	-	-	-	-	-	-	88,211	88,211	3,060	91,271
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(79,587)	-	(79,587)	(4,450)	(84,037)
Fair value loss on hedging instruments designated as cash flow hedge	-	-	-	-	(4,850)	-	-	(4,850)	-	(4,850)
Deferred tax credit arising on fair value loss on hedging instruments *(note 19)*	-	-	-	-	1,174	-	-	1,174	-	1,174
Release of hedging reserve	-	-	-	-	(129)	-	-	(129)	-	(129)
Deferred tax credit arising on release of hedging reserve *(note 19)*	-	-	-	-	31	-	-	31	-	31
Total comprehensive (expenses) income for the year	-	-	-	-	(3,774)	(79,587)	88,211	4,850	(1,390)	3,460
Dividend declared and paid *(note 12)*	-	-	-	-	-	-	(15,447)	(15,447)	-	(15,447)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(4,663)	(4,663)
Transfer of other non-distributable reserves	-	-	-	943	-	-	(943)	-	-	-
Effects of share options *(note 35)*	-	-	533	-	-	-	-	533	-	533
Acquisition of a subsidiary *(note 40)*	-	-	-	-	-	-	-	-	3,191	3,191
Capital contribution from non - controlling interests	-	-	-	-	-	-	-	-	6,835	6,835
At 31 December 2018	55	250,406	2,565	11,929	(2,944)	(13,065)	616,884	865,830	88,454	954,284

Note: 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 converting the statutory reserves into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
OPERATING ACTIVITIES			
Profit before tax		**125,038**	94,553
Adjustments for:			
Amortisation of deferred connection charges		**(88)**	(71)
Bargain purchase gain on acquisition of subsidiaries	40	**(25)**	–
Change in fair value of derivative financial instruments		**(5,975)**	9,957
Depreciation of property, plant and equipment		**144,473**	134,299
Finance costs		**110,158**	101,708
Gain on deconsolidation of a subsidiary	41	**–**	(3,825)
Impairment loss (reversal of impairment loss) recognised on trade and other receivables		**1,465**	(319)
Impairment loss of property, plant and equipment	15	**23,442**	–
Interest income		**(4,716)**	(4,212)
Loss on disposal of property, plant and equipment		**3,948**	1,052
Recognition of government grants		**(1,836)**	(1,877)
Release of prepaid lease payments		**3,250**	3,489
Share of results of associates		**(16,819)**	(19,268)
Share-based payment expense	35	**533**	985
Operating cash flows before movements in working capital		**382,848**	316,471
Decrease in other non-current assets		**1,916**	6,298
Decrease in inventories		**679**	1,582
Increase in trade receivables		**(66,268)**	(35,752)
Increase in contract assets		**(20,962)**	–
Increase in other receivables and prepayments		**(36,708)**	(3,784)
(Increase) decrease in amounts due from fellow subsidiaries		**(956)**	779
Increase in trade payables		**59,030**	18,105
Increase (decrease) in other payables and accruals		**15,023**	(7,883)
Increase in amounts due to fellow subsidiaries		**–**	1,433
Increase in deferred connection charges		**–**	123
Increase in contract liabilities		**2,084**	–
Increase in government grants		**1,284**	2,889
Cash generated from operations		**337,970**	300,261
Income taxes paid		**(29,377)**	(19,436)
NET CASH FROM OPERATING ACTIVITIES		**308,593**	280,825
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(494,525)**	(109,127)
Placement of pledged bank deposits		**(166,847)**	(92,446)
Placement of deposits for acquisition of property, plant and equipment		**(27,100)**	(33,798)
Placement of short-term bank deposits		**(6,247)**	–
Net cash outflow on acquisition of subsidiaries		**(3,136)**	(483)
Addition of prepaid lease payments		**(2,942)**	(5)
Acquisition of interest in an associate		**(729)**	–
Withdrawal of pledged bank deposits		**92,446**	72,398
Increase in construction costs payable		**35,562**	38,907
Dividends received from associates		**11,360**	19,074
Interest received		**4,716**	4,212
Proceeds from disposal of property, plant and equipment		**2,440**	54
Net cash outflow from deconsolidation of a subsidiary	41	**–**	(22,049)
NET CASH USED IN INVESTING ACTIVITIES		**(555,002)**	(123,263)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 *US$'000*	2017 *US$'000*
FINANCING ACTIVITIES		
Redemption of bond	**(350,000)**	–
Repayment of bank borrowings	**(238,960)**	(212,635)
Interest paid	**(115,016)**	(101,330)
Dividends paid to shareholders	**(15,447)**	(20,167)
Dividends paid to non-controlling shareholders	**(4,663)**	(7,473)
Settlement of derivative financial instruments	**(3,982)**	–
Repayment to fellow subsidiaries	**(2,293)**	(213)
New bank borrowings raised	**683,579**	120,372
Loans from fellow subsidiaries	**295,223**	–
Capital contribution from non-controlling shareholders	**6,835**	1,454
Advance from non-controlling shareholders	**650**	120
Repayment of loan from fellow subsidiaries	**–**	(39,579)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**255,926**	(259,451)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,517**	(101,889)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**242,825**	326,514
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(5,556)**	18,200
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**246,786**	242,825

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL

CGN New Energy Holdings Co., Ltd. (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in October 2014. The registered office of the Company is at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is at 15/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. Its immediate holding company is CGN Energy International Holdings Co., Limited, a company incorporated in Hong Kong with limited liability, and its ultimate holding company is China General Nuclear Power Corporation ("**CGN**"), a state-owned enterprise established in the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the generation and supply of electricity and steam, construction and operation of power stations and other associated facilities in the PRC and Republic of Korea ("**Korea**").

These consolidated financial statements are presented in United States dollar ("**US$**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

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

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

2.1 IFRS 15 Revenue from Contracts with Customers

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

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.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- 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 income (provision of management services to power plants operated by CGN and its subsidiaries)

Information about the Group's performance obligations and the accounting policies resulting from the application of IFRS 15 are disclosed in notes 5 and 3 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

2.1 IFRS 15 Revenue from Contracts with Customers *(Continued)*

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		US$'000	*US$'000*	*US$'000*
CURRENT ASSETS				
Trade receivables		255,441	(4,845)	250,596
Contract assets	*(a)*	–	4,845	4,845
CURRENT LIABILITIES				
Other payables and accruals		170,660	(1,730)	168,930
Deferred connection charges		89	(89)	–
Contract liabilities	*(b)*	–	1,819	1,819
NON-CURRENT LIABILITIES				
Deferred connection charges		116	(116)	–
Contracts liabilities		–	116	116

Notes:

(a) As at 1 January 2018, tariff income receivables of US$4,845,000 which were pending the approval for the registration in the Renewable Energy Tariff Subsidy Catalogue pursuant to Cai Jian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (the "**Catalogue**") from the relevant government authorities were reclassified as contract assets.

(b) As at 1 January 2018, deposits received in advance from customers of US$1,730,000 and connection charges received in advance from customers of US$205,000 were reclassified as contract liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

2.1 IFRS 15 Revenue from Contracts with Customers *(Continued)*

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

The following table summarises the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for the line items affected. Line items that were not affected by the changes have not been included.

	Notes	As reported	Adjustments	Amounts without application of IFRS 15
		US$'000	*US$'000*	*US$'000*
CURRENT ASSETS				
Trade receivables		308,475	20,962	329,437
Contract assets	*(a)*	20,962	(20,962)	–
CURRENT LIABILITIES				
Other payables and accruals		221,515	1,823	223,338
Deferred connection charges		–	235	235
Contract liabilities	*(b)*	2,058	(2,058)	–
NON-CURRENT LIABILITIES				
Deferred connection charges		–	73	73
Contracts liabilities		73	(73)	–

Notes:

(a) As at 31 December 2018, tariff income receivables of US$20,962,000 which were pending the approval for the registration in the Catalogue from the relevant government authorities were reclassified as contract assets.

(b) As at 31 December 2018, deposits received in advance from customers of US$1,823,000 and connection charges received in advance from customers of US$308,000 were reclassified as contract liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

2.2 IFRS 9 Financial Instruments

In the current year, 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 under ECL Model) 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.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

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

Accounting policies resulting from the application of IFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of IFRS 9

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 consolidated financial statements. 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. 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 Consolidated Financial Statements

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new IFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs in issue but not yet effective *(Continued)*

IFRS 16 *Leases (Continued)*

Under IAS 17, the Group has already recognised the prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item in which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of US$23,203,000 as disclosed in note 42(a). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of US$2,913,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units), that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

On disposal of the relevant cash-generating unit, or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash generating unit (or a cash-generating unit within group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described as "Investments in associates" below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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 or 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.

A contract asset and contract liability relating to the same contract are accounted for the presented on a net basis.

Revenue from the sale of electricity or steam and tariff income are recognised based upon output delivered. Under the transfer-of-control approach in IFRS 15, revenue from sales of electricity or 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 Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) *(Continued)*

Variable consideration

In relation to the tariff income from sales of electricity, certain amounts are subject to the approval for the registration in the Catalogue by the PRC government. The relevant revenue from these tariff income are considered as variable consideration.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of electricity and steam are recognised based upon output delivered. Revenue is recognised upon transmission of electricity and steam to the customers.

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. The charges are recognised when the relevant dispatch requirements are met.

Connection charges are one-off charges to new customers for connecting into a heat supply network approved by government. The charges are deferred and recognised on a straight-line basis over the estimated service life of the customers which is estimated to be five years.

Management service fee income is recognised when the service is provided.

Income on technical service is recognised when technical service is provided.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest could be immaterial.

Revenue from sale of scrap materials is recognised when the materials are delivered and title has passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

In the case of an electricity supply or a power purchase contractual arrangement, where the fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys a right to use these assets, such contractual arrangement is accounted for as containing a finance lease or an operating lease, as applicable.

The Group as lessee

Operating lease payments including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC, national retirement benefit scheme in Korea and the Mandatory Provident Fund Scheme ("**MPF Scheme**") in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with the relevant rules and regulations in Korea, all employees with more than one year of service are entitled to lump-sum severance payments equal to one month's pay of service for each year based on their rate of latest salary and the length of service upon termination of their employment or retirement. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to retire at the end of the reporting period.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees render the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax asset against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment (other than construction in progress and freehold land), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is carried at cost, less any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress and freehold land) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building

When the Group makes payments for a property which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Impairment on tangible assets (other than financial assets and goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Share-based payment arrangements

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

All other financial assets are subsequently measured at FVTPL with the exception of derivatives designated in cash flow hedges.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, contract assets, other receivables, amounts due from associates/fellow subsidiaries, pledged bank deposits, short-term bank deposits and bank balances). 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 and contract assets. The ECL on these assets is assessed individually for debtors with significant balances 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, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase 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 at the reporting date with the risk of a default occurring on the financial instrument 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) ***(Continued)***

Significant increase in credit risk (Continued)

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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets write off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advise where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) ***(Continued)***

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the internal credit rating basis which takes account of the following factors:

– Nature of financial instruments (i.e. the Group's trade receivables, other receivables, and contract assets are each assessed as a separate group. Amounts due from associates/fellow subsidiaries are assessed for ECL on an individual basis);

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from fellow subsidiaries and associates, pledged bank deposits, short-term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period from 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method except derivative financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, amounts due to non-controlling shareholders and fellow subsidiaries, loans from fellow subsidiaries, bank borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness (under IFRS 9 since 1 January 2018)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Hedge accounting *(Continued)*

Assessment of hedging relationship and effectiveness (before application of IFRS 9 on 1 January 2018)

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument, for all of its hedging relationships involving forward contracts.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting (under IFRS 9 since 1 January 2018)

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Hedge accounting *(Continued)*

Discontinuation of hedge accounting (before application of IFRS 9 on 1 January 2018)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year from the end of each reporting period.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2018, the carrying amount of goodwill is US$169,976,000 (2017: US$178,492,000). Details of the value in use calculation are disclosed in note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	2018 Total *US$'000*	2017 Total *US$'000*
Types of goods and services					
Sales of electricity	238,200	736,476	–	974,676	739,699
Tariff income	110,022	–	–	110,022	91,498
Sales of steam	102,531	–	–	102,531	90,803
Capacity charges	10,429	133,059	–	143,488	146,312
Connection charges and others	87	2,235	–	2,322	3,085
Management service income	–	–	25,448	25,448	37,163
	461,269	871,770	25,448	1,358,487	1,108,560
Timing of revenue recognition					
At a point of time	450,753	736,476	–	1,187,229	922,000
Over time	10,516	135,294	25,448	171,258	186,560
	461,269	871,770	25,448	1,358,487	1,108,560

Performance obligations for contracts with customers

Sales of electricity or steam

Revenue from the sales of electricity or steam are recognised based upon output delivered. Under the transfer-of-control approach in IFRS 15, revenue from the sales of electricity or stream and tariff income is generally recognised upon transmission of electricity or 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. The Group allows a credit period from 30 to 90 days to its customer.

Tariff income from government authorities for sales of electricity

Tariff income is recognised at the same time as the relevant revenue from the sales of electricity is recognised, that is, upon the transmission of electricity to the customers. A receivable is recognised at the same time except for those which are pending the approval for the registration in the Catalogue from the relevant government authorities, which a contract asset is recognised. Due to the nature of receivables, there is no credit period and the directors expect that the receivables will be recovered within 12 months from the time they are recognised. Revenue are measured at the amounts based on the periodic electricity or steam consumption.

Capacity charges

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. Revenue is recognised over time when the relevant dispatch requirements are met. The credit period is normally 30 days to the independent power purchasers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

Performance obligations for contracts with customers *(Continued)*

Connection charges

Connection charges are one-off charges to new customers for connecting into a heat supply network approved by government. The charges are deferred and recognised on a straight-line basis over the estimated service life of the customers which is estimated to be five years. The charges received in advance from customers are classified as contract liabilities.

Management service income

Management service income is recognised when the service is provided. The revenue from capacity charges, connection charges and management service are recognised over time when the service is provided. The credit term is normally 30 days.

Transaction price allocated to the remaining performance obligation for contracts with customers

Contracts for capacity charges and management service typically having 3 to 20 years non-cancellable terms in which the Group bills fixed rates by reference to the progress towards complete satisfaction of the relevant performance obligations. The Group elected to apply the practical expedient by recognise revenue in the amount to which the Group has right to invoice. As permitted under IFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

Contracts for sales of electricity and steam typically having 20 years non-cancellable terms. As the revenue from sales of electricity and steam as well as the related tariff income involve variable consideration as it depends on future actual consumption, the revenue arising from these future sales have not been included in the transaction price for revenue recognition purposes.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and segment results

The executive director of the Company reviews the 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 the 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 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 operating and reportable segment:

For the year ended 31 December 2018

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	461,269	871,770	25,448	1,358,487
Segment results	67,571	70,970	1,212	139,753
Unallocated other income				93
Unallocated operating expenses				(2,975)
Unallocated finance costs				(34,627)
Unallocated other gains and losses				5,975
Share of results of associates				16,819
Profit before tax				125,038

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and segment results *(Continued)*

For the year ended 31 December 2017

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	407,861	663,536	37,163	1,108,560
Segment results	86,519	39,850	1,779	128,148
Unallocated other income				388
Unallocated operating expenses				(8,282)
Unallocated finance costs				(35,021)
Unallocated other gains and losses				(9,948)
Share of results of associates				19,268
Profit before tax				94,553

The accounting policies of the reportable segments are the same as the Group's accounting policies set out in note 3. Segment results represents the profit earned by each segment without allocation of certain other income, operating expenses, finance costs, other gains and losses and share of results of associates. This is the measure reported to the executive director of the Company for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	2018	2017
	US$'000	*US$'000*
Segment assets		
Power plants in the PRC	**2,522,366**	2,170,194
Power plants in Korea	**1,400,257**	1,340,191
Management companies	**2,433**	2,565
Total segment assets	**3,925,056**	3,512,950
Interests in associates	**163,983**	168,111
Unallocated		
– Others	**50,029**	59,556
Consolidated assets	**4,139,068**	3,740,617

	2018	2017
	US$'000	*US$'000*
Segment liabilities		
Power plants in the PRC	**1,489,425**	1,107,696
Power plants in Korea	**881,850**	845,983
Management companies	**534**	908
Total segment liabilities	**2,371,809**	1,954,587
Unallocated		
– Bank borrowings	**100,000**	–
– Bond payables	**–**	354,858
– Derivative financial instruments	**–**	9,957
– Loans from fellow subsidiaries	**700,000**	450,000
– Others	**12,975**	10,840
Consolidated liabilities	**3,184,784**	2,780,242

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, derivative financial instruments, and corporate assets of investment holding companies; and

- all liabilities are allocated to operating segments other than certain bank borrowings, bond payables, derivative financial instruments, certain other payables and accruals and loans from fellow subsidiaries of the Company and unallocated corporate liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2018

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Unallocated *US$'000*	Total *US$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets *(Note)*	**422,248**	**111,388**	**20**	**42**	**533,698**
Depreciation of property, plant and equipment	**96,705**	**47,186**	**17**	**565**	**144,473**
Release of prepaid lease payments	**3,250**	**–**	**–**	**–**	**3,250**
Loss on disposal of property, plant and equipment	**3,948**	**–**	**–**	**–**	**3,948**
Interest income	**2,721**	**1,887**	**15**	**93**	**4,716**
Finance costs	**50,407**	**25,124**	**–**	**34,627**	**110,158**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interests in associates	**163,983**	**–**	**–**	**–**	**163,983**
Share of results of associates	**16,819**	**–**	**–**	**–**	**16,819**
Income tax expense	**17,965**	**15,802**	**–**	**–**	**33,767**

Note: Non-current assets excluded financial assets and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2017

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Unallocated *US$'000*	Total *US$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets *(Note)*	151,347	5,212	–	152	156,711
Depreciation of property, plant and equipment	88,018	45,672	24	585	134,299
Release of prepaid lease payments	3,489	–	–	–	3,489
Loss (gain) on disposal of property, plant and equipment	582	(84)	–	554	1,052
Interest income	2,384	1,435	5	388	4,212
Finance costs	42,383	24,304	–	35,021	101,708
Gain on deconsolidation of a subsidiary	3,825	–	–	–	3,825
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interests in associates	168,111	–	–	–	168,111
Share of results of associates	19,268	–	–	–	19,268
Income tax expense	19,308	9,275	4	–	28,587

Note: Non-current assets excluded financial assets and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers from segment of power plants in Korea of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2018	2017
	US$'000	*US$'000*
Korea Electric Power Corporation ("**KEPCO**")	**304,810**	216,301
Korea Power Exchange	**566,960**	447,235

Non-current assets by geographical location

The Group operates in three principal geographical areas – the PRC, Korea and Hong Kong. The Group's information about its non-current assets *(Note)* by location of assets and its associates by location of the relevant associates' business operations are detailed below:

	2018	2017
	US$'000	*US$'000*
PRC	**2,053,374**	1,838,245
Korea	**1,083,125**	1,085,729
Hong Kong	**5,714**	6,237
	3,142,213	2,930,211

Note: Non-current assets excluded financial assets and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. OTHER INCOME

	2018	2017
	US$'000	*US$'000*
Compensation from insurance companies	**312**	314
Equipment rental income	**155**	104
Gain from bargain purchase of interest in a subsidiary *(note 40)*	**25**	–
Government grants *(note 33)*	**1,836**	1,877
Government subsidy on demolishment of property, plant and equipment	**–**	462
Income on sale of carbon emission quota	**22,996**	–
Income on sales of scrap materials	**3,055**	1,812
Income on technical service	**2,944**	3,019
Interest income	**4,716**	4,212
Value added tax refund	**4,054**	1,827
Others	**1,244**	832
	41,337	14,459

7. OTHER GAINS AND LOSSES

	2018	2017
	US$'000	*US$'000*
Change in fair value of derivative financial instruments	**5,975**	(9,957)
Impairment loss recognised in respect of property, plant and equipment *(note 15)*	**(23,442)**	–
Net foreign exchange (loss) gain	**(726)**	3,488
Net loss on disposal of property, plant and equipment	**(3,948)**	(1,052)
	(22,141)	(7,521)

8. FINANCE COSTS

	2018	2017
	US$'000	*US$'000*
Interest on:		
Bank borrowings	**76,897**	66,671
Loans from fellow subsidiaries	**24,119**	20,659
Bond payables *(note 32)*	**9,142**	14,378
	110,158	101,708

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

9. INCOME TAX EXPENSE

	2018	2017
	US$'000	*US$'000*
Current tax:		
Provision for the year	**32,615**	24,500
Overprovision in prior years	**(91)**	(345)
	32,524	24,155
Dividend withholding tax – current year	**248**	1,958
Deferred tax *(note 19)*:		
Current year	**995**	2,474
	33,767	28,587

The Company is exempted from taxation in Bermuda.

Current tax provision represents provision for the PRC Enterprise Income Tax ("**PRC EIT**") and Korean Corporate Income Tax ("**KCIT**").

Under the Law of the 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 years ended 31 December 2018 and 2017.

For the year ended 31 December 2018, a tax exemption of KRW35,248,000 (2017: KRW13,000,000), equivalent to approximately US$32,000 (2017: US$12,000) is granted to a Korean subsidiary under KCIT in relation to the installation of energy saving facilities.

Pursuant to Hong Kong tax law, the statutory income tax was calculated at a rate of 16.5% for the years ended 31 December 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 years ended 31 December 2018 and 2017. However, subsidiaries of the Group operating in these jurisdictions have not generated taxable income during both years and therefore, no tax provision has 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% for those non-PRC tax resident immediate holding companies incorporated in Hong Kong and other jurisdictions, when and if undistributed earnings are declared and to be paid 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 Consolidated Financial Statements

For the year ended 31 December 2018

9. INCOME TAX EXPENSE *(Continued)*

Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profit for the current year 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 reverse in the foreseeable future.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	US$'000	*US$'000*
Profit before tax	**125,038**	94,553
Tax at the PRC EIT of 25% (2017: 25%) *(Note)*	**31,260**	23,638
Tax effect of expenses not deductible for tax purpose	**18,384**	18,347
Tax effect of income not taxable for tax purpose	**(5,558)**	(4,625)
Tax effect of share of results of associates	**(4,205)**	(4,817)
Tax effect of preferential tax rates granted to certain PRC subsidiaries	**(7,179)**	(7,172)
Utilisation of tax losses previously not recognised	**(665)**	(111)
Tax effect of tax losses not recognised	**575**	2,035
Tax effect of gain on deconsolidation of a subsidiary not taxable for tax purpose	**–**	(956)
Withholding tax on distributable profits of subsidiaries and associates	**1,243**	2,924
Over provision in prior years	**(91)**	(345)
Effect of tax exemptions granted to a Korean subsidiary	**(32)**	(12)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**35**	(319)
Income tax expense for the year	**33,767**	28,587

Note: The tax rate represents the statutory tax rate of the operations in the jurisdiction where the operations of the Group are substantially based.

Details of deferred tax movement are set out in note 19.

10. PROFIT FOR THE YEAR

	2018	2017
	US$'000	*US$'000*
Profit for the year has been arrived at after charging (crediting):		
Release of prepaid lease payments	**3,250**	3,489
Impairment loss (reversal of impairment loss) recognised on trade and other receivables	**1,465**	(319)
Staff costs		
– salaries and allowances	**54,873**	61,760
– contribution to retirement benefits scheme, including directors' emoluments	**12,926**	14,629
Total staff costs, including directors' emoluments	**67,799**	76,389
Auditor's remuneration	**1,091**	1,600

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' emoluments

2018

Name	Directors' fee US$'000	Salaries and allowances US$'000	Performance related incentive payments US$'000 (Note)	Benefits in kind US$'000	Contributions to retirement benefits schemes US$'000	Total US$'000
Chairman and Non-executive Director						
Mr. CHEN Sui 陳遂	–	–	–	–	–	–
President and Executive Director						
Mr. LIN Jian 林堅 *(resigned on 22 January 2018)*	–	–	–	–	–	–
Mr. LI Yilun 李亦倫 *(appointed on 22 January 2018)*	–	–	–	–	–	–
Non-executive Director						
Mr. YIN Engang 尹恩剛 *(resigned on 22 January 2018)*	–	–	–	–	–	–
Mr. DAI Honggang 戴洪剛 *(resigned on 26 June 2018)*	–	–	–	–	–	–
Mr. XING Ping 邢平	–	–	–	–	–	–
Mr. WANG Hongxin 王宏新 *(resigned on 26 June 2018)*	–	–	–	–	–	–
Mr. ZHANG Chengbai 張承柏 *(resigned on 26 June 2018)*	–	–	–	–	–	–
Mr. YAO Wei 姚威 *(appointed on 22 January 2018)*	–	–	–	–	–	–
Independent Non-executive Director						
Mr. LEUNG Chi Ching Frederick 梁子正	51	–	–	–	–	51
Mr. FAN Ren Da Anthony 范仁達 *(resigned on 26 June 2018)*	25	–	–	–	–	25
Mr. WANG Susheng 王蘇生 *(resigned on 26 June 2018)*	19	–	–	–	–	19
Mr. ZHANG Dongxiao 張東曉 *(resigned on 26 June 2018)*	25	–	–	–	–	25
Mr. YANG Xiaosheng 楊校生 *(appointed on 26 June 2018)*	27	–	–	–	–	27
Mr. WANG Minhao 王民浩 *(appointed on 26 June 2018)*	–	–	–	–	–	–
	147	–	–	–	–	**147**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Directors' emoluments *(Continued)*

2017

Name	Directors' fee US$'000	Salaries and allowances US$'000	Performance related incentive payments US$'000 (Note)	Benefits in kind US$'000	Contributions to retirement benefits schemes US$'000	Total US$'000
Chairman and Non-executive Director						
Mr. CHEN Sui 陳遂	–	–	–	–	–	–
President and Executive Director						
Mr. LIN Jian 林堅	–	107	194	52	7	360
Non-executive Director						
Mr. XU Yuan 徐原 *(resigned on 16 August 2017)*	–	–	–	–	–	–
Mr. YIN Engang 尹恩剛	–	–	–	–	–	–
Mr. DAI Honggang 戴洪剛	–	–	–	–	–	–
Mr. WU Junfeng 吳俊峰 *(resigned on 10 November 2017)*	–	–	–	–	–	–
Mr. XING Ping 邢平	–	–	–	–	–	–
Mr. WANG Hongxin 王宏新 *(appointed on 16 August 2017)*	–	–	–	–	–	–
Mr. ZHANG Chengbai 張承柏 *(appointed on 10 November 2017)*	–	–	–	–	–	–
Independent Non-executive Director						
Mr. LEUNG Chi Ching Frederick 梁子正	51	–	–	–	–	51
Mr. FAN Ren Da Anthony 范仁達	51	–	–	–	–	51
Mr. WANG Susheng 王蘇生	38	–	–	–	–	38
Mr. ZHANG Dongxiao 張東曉	51	–	–	–	–	51
	191	107	194	52	7	551

Note: The performance related incentive payments are based on the Group's performance for the relevant previous years.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for the services as directors of the Company.

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

Save as Mr. Wang Minhao, one of the independent non-executive directors of the Company, who has agreed to waive his annual director's emoluments for the year ended 31 December 2018, neither the President nor any of the directors of the Company waived any emoluments during both years.

No emoluments were paid to the directors of the Company as an inducement to join for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Employees' remuneration

The five highest paid individuals did not include any directors of the Company for the years ended 31 December 2018 and 2017. The emoluments of the five individuals for the years ended 31 December 2018 and 2017 are as follow:

	2018	2017
	US$'000	*US$'000*
Salaries and allowances	**1,472**	1,559
Contributions to retirement benefits schemes	**53**	65
Performance related incentive payments *(Note)*	**506**	558
	2,031	2,182

Note: The performance related incentive payments are determined by the board of directors of the Company based on the Group's performance.

No benefits in kind and compensations of loss of office were paid to the individuals and no emoluments were paid to the individuals as an inducement to join for both years.

Their emoluments were within the following bands:

	No. of employees	
	2018	2017
HK$2,000,001 to HK$2,500,000 (Equivalent to US$255,001 to US$319,000)	**2**	–
HK$2,500,001 to HK$3,000,000 (Equivalent to US$319,001 to US$383,000)	**2**	2
HK$3,000,001 to HK$3,500,000 (Equivalent to US$383,001 to US$447,000)	**–**	2
HK$5,000,001 to HK$5,500,000 (Equivalent to US$638,001 to US$702,000)	**–**	1
HK$5,500,001 to HK$6,000,000 (Equivalent to US$702,001 to US$766,000)	**1**	–

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For the year ended 31 December 2018

12. DIVIDEND

For the year ended 31 December 2018

A final dividend in respect of the year ended 31 December 2017 of 0.36 US cent per ordinary share, in aggregate of US$15,447,000, was paid to the shareholders. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of 0.51 US cent per ordinary share, in aggregate of US$22,100,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

For the year ended 31 December 2017

A final dividend in respect of the year ended 31 December 2016 of 0.47 US cent per ordinary share, in aggregate of US$20,167,000, was paid to the shareholders. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of 0.36 US cent per ordinary share, in aggregate of US$15,447,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13. 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.

	2018	2017
	US$'000	*US$'000*
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**88,211**	61,872

	2018	2017
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,290,824**	4,290,824

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 for shares throughout the years ended 31 December 2018 and 2017.

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14. EMPLOYEE BENEFITS

Hong Kong

The Group participates in the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) for all qualifying employees in Hong Kong. Employees contribute 5.0% of their relevant income to the MPF Scheme and the Group contributes 10.0% of each employee's monthly base salary. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year ended 31 December 2018, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were approximately US$177,000 (2017: US$695,000).

The PRC

In accordance with the relevant rules and regulations of the PRC, the Group's PRC subsidiaries are required to make contributions to the retirement fund administered by the PRC government ranging from 10% to 22% of the total monthly basic salaries of the current employees. In addition, the Group's PRC subsidiaries are required by law to contribute 2% to 15% of basic salaries of the employees for social insurance in relating to staff welfare, housing, medical and education benefits. During the year ended 31 December 2018, the costs charged under such arrangements for the Group's PRC subsidiaries amounted to approximately US$11,867,000 (2017: US$13,201,000).

Korea

In accordance with the relevant rules and regulations in Korea, all employees with more than one year of service are entitled to lump-sum severance payments equal to one month's pay of service for each year based on their rate of latest salary and the length of service upon termination of their employment or retirement. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to retire at the end of the reporting period. In addition, the Group's Korean subsidiaries are required by law to contribute 0.06% to 4.5% of the average salaries of the employees for national pension, national health insurance, unemployment insurance, industrial accident compensation insurance and wage claim guarantee fund. During the year ended 31 December 2018, the cost charged under such arrangements for the Group's Korean subsidiaries amounted to approximately US$882,000 (2017: US$733,000). In the opinion of the directors of the Company, the accrual for such severance indemnities is adequate.

In the PRC and Korea, the Group cannot reduce the existing level of contributions by the forfeited contributions made by the employers on behalf of the employees who leave the defined contribution schemes before the vesting period. As such, no forfeited contribution was used to reduce both years' level of contributions and no forfeited contribution was available at 31 December 2018 and 2017 to reduce future years' contributions in the PRC and Korea. In Hong Kong, the Group has utilized US$41,000 of the forfeited contributions to reduce the current year's level of contributions for the year ended 31 December 2018 (US$40,000 for the year ended 31 December 2017). As at 31 December 2018 and 2017, no material forfeited contribution was available to reduce the contribution payable in future years in Hong Kong. The Group does not have any other significant post-retirement benefit plans.

Notes to the Consolidated Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Korea	Buildings	Electric and steam generating facilities	Office and electronic equipment	Motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST							
At 1 January 2017	69,632	608,470	2,371,700	11,135	4,182	6,896	3,072,015
Exchange differences	8,812	52,222	200,626	710	277	2,908	265,555
Acquisition of a subsidiary *(note 40)*	–	–	3,465	–	–	–	3,465
Additions	44	89	6,749	777	303	106,274	114,236
Disposals	–	(41)	(2,568)	(508)	(516)	–	(3,633)
Deconsolidation of a subsidiary *(note 41)*	–	(8,662)	(52,245)	(581)	(248)	–	(61,736)
Reclassification	–	1,877	(1,812)	(505)	445	(5)	–
Transfer	–	809	13,054	217	–	(14,080)	–
Transfer to other assets	–	(5)	(5,088)	(9)	–	(1,217)	(6,319)
At 31 December 2017	**78,488**	**654,759**	**2,533,881**	**11,236**	**4,443**	**100,776**	**3,383,583**
Exchange differences	**(3,572)**	**(27,871)**	**(123,256)**	**(368)**	**(366)**	**(3,778)**	**(159,211)**
Acquisition of subsidiaries *(note 40)*	**–**	**–**	**–**	**20**	**–**	**12,824**	**12,844**
Additions	**109**	**398**	**4,159**	**2,327**	**858**	**486,674**	**494,525**
Disposals	**–**	**(3,957)**	**(11,027)**	**(212)**	**(803)**	**–**	**(15,999)**
Transfer	**–**	**11,418**	**369,222**	**282**	**28**	**(380,950)**	**–**
At 31 December 2018	**75,025**	**634,747**	**2,772,979**	**13,285**	**4,160**	**215,546**	**3,715,742**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2017	–	174,405	577,770	6,912	3,053	–	762,140
Exchange differences	–	11,984	55,966	171	198	–	68,319
Provided for the year	–	27,159	105,639	992	509	–	134,299
Eliminated on disposals	–	(39)	(1,537)	(436)	(515)	–	(2,527)
Deconsolidation of a subsidiary *(note 41)*	–	(6,993)	(41,668)	(494)	(249)	–	(49,404)
Reclassification	–	736	(649)	(460)	373	–	–
Transfer to other assets	–	–	(802)	–	–	–	(802)
At 31 December 2017	**–**	**207,252**	**694,719**	**6,685**	**3,369**	**–**	**912,025**
Exchange differences	**–**	**(5,060)**	**(25,218)**	**(204)**	**(403)**	**–**	**(30,885)**
Provided for the year	**–**	**21,273**	**121,319**	**1,411**	**470**	**–**	**144,473**
Impairment loss recognised in profit or loss *(note)*	**–**	**2,267**	**21,060**	**114**	**1**	**–**	**23,442**
Eliminated on disposals	**–**	**(66)**	**(8,599)**	**(176)**	**(770)**	**–**	**(9,611)**
At 31 December 2018	**–**	**225,666**	**803,281**	**7,830**	**2,667**	**–**	**1,039,444**
CARRYING VALUES							
At 31 December 2018	**75,025**	**409,081**	**1,969,698**	**5,455**	**1,493**	**215,546**	**2,676,298**
At 31 December 2017	78,488	447,507	1,839,162	4,551	1,074	100,776	2,471,558

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15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, except for freehold land in Korea and construction in progress, are depreciated on a straight-line basis at the following useful lives:

Buildings	Over the shorter of the term of the lease, and 20 to 50 years
Electric and steam generating facilities	17 to 30 years
Office and electronic equipment	3 to 12 years
Motor vehicles	5 to 10 years

At 31 December 2018, the Group has not yet obtained the ownership certificates of certain buildings with carrying values of US$18,398,000 (2017: US$19,640,000).

At 31 December 2018 and 2017, certain amounts of the property, plant and equipment have been pledged as securities for the borrowings. Details are set out in note 31.

Note: During the year ended 31 December 2018, the Group recognised an impairment loss of US$23,442,000 on certain plant and equipment. Out of which, an impairment loss of US$18,361,000 is recognised with respect to the change of national land using plan by the PRC government, as a power plant located in the Jiangsu province is required to cease operation and close down. Negotiation with the PRC government for the compensation plan is in progress. The Group has performed an impairment assessment with recoverable amounts of the relevant assets determined on the basis of fair value less cost of disposal.

16. PREPAID LEASE PAYMENTS

	2018	2017
	US$'000	*US$'000*
Prepaid lease payments comprise:		
Medium-term lease	**51,345**	54,347
Analysed for reporting purposes as:		
Non-current asset	**48,258**	51,004
Current asset	**3,087**	3,343
	51,345	54,347

The amount represents the prepaid land use rights and is released to profit or loss on a straight-line basis, over 20 to 70 years which is equal to the original period stated in the land use rights certificates granted for usage to the Group.

During the year ended 31 December 2017, carrying amount of US$472,000 of the prepaid lease payments has been derecognised together with the deconsolidation of a subsidiary, as set out in note 41.

At 31 December 2018 and 2017, certain amounts of prepaid lease payments have been pledged as security of the borrowings. Details are set out in note 31.

Notes to the Consolidated Financial Statements

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17. GOODWILL

	US$'000
Cost and carrying value	
At 1 January 2017	167,582
Acquisition of a subsidiary *(note 40)*	628
Exchange difference	10,282
At 31 December 2017	178,492
Exchange difference	(8,516)
At 31 December 2018	**169,976**

Goodwill is allocated to the following cash-generating units or group of cash-generating units:

	2018 **US$'000**	2017 US$'000
Nantong (as defined below) *(note a)*	**844**	844
Wind Energy Subsidiaries (as defined below) *(note b)*	**116,906**	122,141
Solar Energy Subsidiaries (as defined below) *(note b)*	**51,625**	54,875
Tong Ce (as defined below) *(note c)*	**601**	632
	169,976	178,492

Notes:

(a) For the purpose of impairment testing, goodwill has been allocated to an individual cash-generating unit, comprising one subsidiary, namely Nantong Meiya Co-generation Co., Ltd. 南通美亞熱電有限公司 ("**Nantong**") in the coal-fired and co-generation unit. The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on a five-year period financial budget, which approved by senior management and discount rate of 13.27% (2017: 13.92%) as at 31 December 2018. Nantong's cash flows beyond the five-year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Since the recoverable amount of the cash-generating unit is higher than its carrying amount, the directors of the Company consider that the goodwill is not impaired. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Nantong to exceed the aggregate recoverable amount of Nantong.

(b) For the purpose of impairment testing, goodwill has been allocated to the subsidiaries under CGN Wind Power Company, Limited acquired in 2015 ("**Wind Energy Subsidiaries**") and subsidiaries under CGN Solar Energy Development Co., Ltd. acquired in 2015 ("**Solar Energy Subsidiaries**") which are considered as group of cash-generating units. The recoverable amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries have been determined based on value in use calculation. Goodwill impairment testing has been assessed for the Wind Energy Subsidiaries and Solar Energy Subsidiaries individually. That calculation uses cash flow projections based on a five-year period financial budget of the Group of Wind Energy Subsidiaries and Solar Energy Subsidiaries, which approved by management and discount rate of 7.47% and 8.44% (2017: 6.88% and 8.19%) as at 31 December 2018, respectively. The cash flows of the Wind Energy Subsidiaries and Solar Energy Subsidiaries beyond the five year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on past performance of the Wind Energy Subsidiaries and Solar Energy Subsidiaries and management's expectations for the market development. Since the recoverable amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries are higher than their respective carrying amounts, the directors of the Company consider that the goodwill is not impaired. Management believes that any reasonably possible change in the assumptions would not cause the carrying amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries to exceed their recoverable amounts.

(c) For the purpose of impairment testing, goodwill has been allocated to an individual cash-generating unit, comprising one subsidiary, namely 上海同策雲啟分布式能源有限公司 ("**Tong Ce**"). The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on a five-year period financial budget, which approved by senior management and discount rate of 13.27% (2017: 16.84%) as at 31 December 2018. Tong Ce's cash flows beyond the five-year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Since the recoverable amount of the cash-generating unit is higher than its carrying amount, the directors of the Company consider that the goodwill is not impaired. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tong Ce to exceed the aggregate recoverable amount of Tong Ce.

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18. INTERESTS IN ASSOCIATES

	2018 US$'000	2017 US$'000
Cost of unlisted investment in associates	147,005	146,276
Share of post-acquisition profits net of dividends received, and exchange realignment	16,978	21,835
	163,983	168,111

The other shareholders of the associates are state-owned enterprises of Hubei province.

As at 31 December 2018 and 2017, the Group has interests in the following associates:

Name of associates	Place of establishment and principle place of business	Legal form	Registered and paid up capital	Proportion of ownership interest and voting right held by the Group 2018	2017	Principal activities
Hubei Huadian Xisaishan Power Generation Co., Ltd. ("**Hubei Huadian**") 湖北華電西塞山發電有公司	The PRC	Sino-foreign equity joint venture	RMB950,000,000	**49%**	49%	Generation and supply of electricity
Hubei Xisaishan Power Generation Co., Ltd. ("**Hubei Xisaishan**") 湖北西塞山發電有限公司	The PRC	Sino-foreign cooperative joint venture	RMB945,000,000	**49%**	49%	Generation and supply of electricity
Jiangxi United Energy Co., Ltd. ("**Jiangxi United**") 江西聯合能源有限公司	The PRC	Sino-foreign cooperative joint venture	RMB5,000,000	**16.89%** *(Note)*	N/A	Generation and supply of electricity

Note: The board of directors considered the Group has a significant influence over Jiangxi United as they have nominated a representative on the board of directors and participated in policy-making processes.

All associates are accounted for using the equity method in the consolidated financial statements.

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18. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

(a) Hubei Xisaishan

	2018 ***US$'000***	2017 *US$'000*
Current assets	**81,036**	51,206
Non-current assets	**190,695**	224,010
Current liabilities	**(127,757)**	(125,711)
Non-current liabilities	**(918)**	(1,188)
Revenue	**195,832**	170,886
Profit and total comprehensive income for the year	**12,851**	15,135
Dividends received from associate during the year	**7,042**	6,121

Reconciliation of the above summarised financial information to the carrying amount of the interest in Hubei Xisaishan recognised in the consolidated financial statements:

	2018 ***US$'000***	2017 *US$'000*
Net assets of the associate	**143,056**	148,317
Proportion of the Group's ownership interest in Hubei Xisaishan	**49%**	49%
Carrying amount of the Group's interest in Hubei Xisaishan	**70,097**	72,675

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18. INTERESTS IN ASSOCIATES *(Continued)*

(b) Hubei Huadian

	2018	2017
	US$'000	*US$'000*
Current assets	**85,661**	90,960
Non-current assets	**493,089**	542,265
Current liabilities	**(231,893)**	(255,591)
Non-current liabilities	**(159,949)**	(186,114)
Revenue	**442,557**	355,378
Profit and total comprehensive income for the year	**21,510**	24,188
Dividends received from associate during the year	**4,318**	12,953

Reconciliation of the above summarised financial information to the carrying amount of the interest in Hubei Huadian recognised in the consolidated financial statements:

	2018	2017
	US$'000	*US$'000*
Net assets of the associate	**186,908**	191,520
Proportion of the Group's ownership interest in Hubei Huadian	**49%**	49%
	91,585	93,845
Goodwill	**1,591**	1,591
Carrying amount of the Group's interest in Hubei Huadian	**93,176**	95,436

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18. INTERESTS IN ASSOCIATES *(Continued)*

(c) Jiangxi United

	2018	2017
	US$'000	*US$'000*
Current assets	**2,136**	–
Non-current assets	**4,382**	–
Current liabilities	**(275)**	–
Non-current liabilities	**(2,040)**	–
Revenue	**347**	–
Loss and total comprehensive expense for the year	**(66)**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Jiangxi United recognised in the consolidated financial statements:

	2018	2017
	US$'000	*US$'000*
Net assets of the associate	**4,203**	–
Proportion of the Group's ownership interest in Jiangxi United	**16.89%**	–
Carrying amount of the Group's interest in Jiangxi United	**710**	–

Notes to the Consolidated Financial Statements

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19. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Withholding tax on distributable profits	Accelerated tax depreciation	Revaluation of prepaid lease payments	Fair value adjustment of property, plant and equipment	Deferred connection charges	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2017	(33,815)	(2,308)	(9,372)	23,309	36	(530)	(22,680)
Exchange differences	386	138	27	1,249	28	6	1,834
Deconsolidation of a subsidiary *(note 41)*	–	(1,025)	–	–	–	–	(1,025)
Credit to hedging reserve	–	–	–	–	–	31	31
(Charge) credit to profit or loss	(1,315)	382	197	(1,725)	(13)	–	(2,474)
At 31 December 2017	(34,744)	(2,813)	(9,148)	22,833	51	(493)	(24,314)
Exchange differences	(416)	(82)	–	(764)	(13)	(14)	(1,289)
Credit to hedging reserve	–	–	–	–	–	1,205	1,205
Credit (charge) to profit or loss	2,239	1,072	200	(2,713)	197	–	995
At 31 December 2018	(32,921)	(1,823)	(8,948)	19,356	235	698	(23,403)

Notes to the Consolidated Financial Statements

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19. DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2018	2017
	US$'000	*US$'000*
Deferred tax assets	**22,503**	25,366
Deferred tax liabilities	**(45,906)**	(49,680)
	(23,403)	(24,314)

As at 31 December 2018, the Group has unused tax losses of approximately US$9,111,000 (2017: approximately US$13,868,000), available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses will be expired at various times within a period of five years from the year of origination.

20. OTHER NON-CURRENT ASSETS

	2018	2017
	US$'000	*US$'000*
Deposits for acquisition of property, plant and equipment	**67,787**	40,687
Prepaid insurance expenditure and usage right of electricity transmission facilities *(Note)*	**854**	1,069
Prepayment for maintenance	**1,918**	7,849
Others	**13,139**	11,441
	83,698	61,046

Note: Included in the balance, approximately US$350,000 (2017: US$450,000) as at 31 December 2018 represents the prepayment for usage right of electricity transmission facilities made to KEPCO.

21. INVENTORIES

	2018	2017
	US$'000	*US$'000*
Coal and oil	**10,498**	11,083
Spare parts and supplies	**20,976**	22,640
	31,474	33,723

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22. TRADE RECEIVABLES

	2018 US$'000	2017 US$'000
Trade receivables	**310,025**	255,787
Less: allowance for credit losses	**(1,550)**	(346)
	308,475	255,441

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to US$308,475,000 and US$255,441,000, respectively.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the revenue recognition dates.

	2018 US$'000	2017 US$'000
0 – 60 days	**159,815**	174,826
61 – 90 days	**11,101**	8,099
91 – 120 days	**26,646**	32,595
121 – 180 days	**57,785**	39,852
Over 180 days	**53,128**	69
	308,475	255,441

As at 31 December 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$137,559,000, which are past due as at the end of the reporting period and is not considered as in default because these receivables are tariff premium receivables 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 the relevant government authorities and expected to be recovered within one year. Based on the historical settlement record, the directors of the Company consider the receivables are not credit-impaired and not considered as in default as detailed in Note 38(b). The Group does not hold any collateral over these balances. The average age date of these past due receivables is 169 days (2017: 85 days) as at 31 December 2018.

As at 31 December 2017, included in the Group's trade receivable balance were debtors with aggregate amount of US$90,507,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

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22. TRADE RECEIVABLES *(Continued)*

Aging of trade receivables which were past due but not impaired

	2017
	US$'000
Past due for:	
1 – 90 days	50,586
91 – 180 days	39,852
Over 180 days	69
Total	90,507

Certain trade receivables amounting to US$90,507,000 were past due as at 31 December 2017. These amounts represent the tariff premium receivables. The tariff premium has been approved by the relevant government authorities and 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 for the year ended 31 December 2017.

The Group has assessed individual cases and provided allowance for doubtful debts when the management considers the receivables are unlikely to recover in the foreseeable future.

Movement in the allowance for doubtful debts

	2017
	US$'000
At beginning of the year	1,420
Exchange differences	87
Impairment losses recognised	95
Amounts recovered during the year	(414)
Amounts written off during the year	(842)
At end of the year	346

At at 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$346,000 as the management of the Group considered the receivables are unlikely to recover in the foreseeable future.

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in note 38(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

23. CONTRACT ASSETS

	31 December 2018	1 January 2018
	US$'000	*US$'000*
		(Note)
Tariff income from sales of renewable energy	**20,962**	4,845

Note: The amounts in this column are after the adjustments from the application of IFRS 15.

The contract assets represented tariff income receivables from sales of renewable energy to the local state grid in the PRC, which the amount are pending approval for the registration in the Catalogue by the relevant government authorities.

The contract assets are transferred to trade receivables when the Group's respective operating renewable firms are registered in the Catalogue. The amounts are expected to be settled within the Group's normal operation cycle.

The significant increase in amounts are mainly due to (i) business combination and (ii) the commencement of the operation of power plant upon completion of constructions.

24. OTHER RECEIVABLES AND PREPAYMENTS

The balance includes value-added tax receivables of US$95,611,000 (2017: US$71,732,000) and other miscellaneous deposits and prepayments.

25. AMOUNTS DUE FROM (TO) ASSOCIATES/FELLOW SUBSIDIARIES/ NON-CONTROLLING SHAREHOLDERS

As at 31 December 2018 and 2017, all amounts are non-trade nature, unsecured, non-interest bearing and recoverable/ repayable on demand, except for an amount due to non-controlling shareholder of US$909,000 (2017: US$896,000) is repayable in 2032 and is therefore shown as non-current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	***US$'000***	*US$'000*	*US$'000*
Foreign currency forward contracts	**16**	**5,129**	–	9,957
Analysed for reporting purposes as:				
Non-current	**–**	**4,859**	–	–
Current	**16**	**270**	–	9,957
	16	**5,129**	–	9,957

The major terms of the foreign currency forward contracts are as follows:

Notional amounts	**Maturity**	**Exchange rate**
At 31 December 2018		
Buy Euro ("**EUR**") 9,677,160	Range from 30 April 2019 to 26 February 2021	Range from EUR1:KRW1,324.08 to EUR1:KRW1,366.64
Buy US$20,701,577	Range from 30 April 2019 to 26 February 2021	Range from US$1:KRW1,080.11 to US$1:KRW1,112.40
Buy Canadian dollar ("**CAD**") 165,718,000	Range from 21 July 2020 to 30 August 2022	Range from CAD1:KRW822.67 to CAD1:KRW840.80
At 31 December 2017		
Sell RMB495,495,000	14 August 2018	US$1:RMB7.0785
Sell RMB495,530,000	14 August 2018	US$1:RMB7.0790

The amounts recognised for the foreign currency forward contracts do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

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

Bank balances carry interest at market rates which range from 0% to 1.88% (2017: 0% to 1.72%) per annum as at 31 December 2018. The pledged bank deposits carry interest at market rates ranging from 0.1% to 1.88% (2017: 0.1% to 1.68%) per annum as at 31 December 2018.

Included in the bank balances, deposits of US$39,840,000 (2017: US$45,333,000) has been made to CGNPC Huasheng. These deposits are unsecured, interest bearing at market rates ranging from 0.01% to 0.25% (2017: 0.01% to 1.72%) 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 qualified as cash and cash equivalents.

As at 31 December 2018, bank balances and cash of US$204,235,000 (2017: US$179,831,000) 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.

Short-term bank deposits are bank deposits carry at fixed deposit rate at 1.75% per annum with maturity period for more than three months.

Pledged bank deposits are pledged to banks to secure bank borrowings granted to the Group *(note 31)*, and it cannot be withdrawn prior to the approval of the relevant banks.

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28. TRADE PAYABLES

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

	2018	2017
	US$'000	*US$'000*
0 – 60 days	**105,878**	104,280
61 – 90 days	**1,472**	1,643
Over 90 days	**57,712**	5,223
Total	**165,062**	111,146

The average credit period on purchases of goods is 32 (2017: 26) days for the year ended 31 December 2018. The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

29. OTHER PAYABLES AND ACCRUALS

	2018	2017
	US$'000	*US$'000*
Construction costs payable	**160,695**	125,133
Staff costs payable	**9,459**	10,657
Accrued interest expense on borrowings	**2,091**	1,579
Value-added tax payable	**14,628**	12,080
Other accruals	**34,642**	21,211
	221,515	170,660

30. LOANS FROM FELLOW SUBSIDIARIES

As at 31 December 2018, the amounts represent (i) loan from CGN Finance of RMB300,000,000 (equivalent to US$43,711,000) (2017: nil), which is unsecured, interest bearing at 4.57% per annum and repayable in 2019; (ii) loan from CGNPC Huasheng Investment Limited ("**CGNPC Huasheng**") of US$250,000,000 (2017: nil), which is unsecured, interest bearing at 3 months London Interbank Offered Rate plus 1.3% per annum and repayable in 2021 and (iii) loan from China Clean Energy Development Limited ("**China Clean Energy**") of US$450,000,000 (2017: US$450,000,000), which is unsecured, interest bearing at 4.5% per annum and repayable in 2025.

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31. BANK BORROWINGS

	2018 US$'000	2017 US$'000
Secured	**1,728,830**	1,548,923
Unsecured	**236,115**	47,824
	1,964,945	1,596,747

The maturity profile of bank borrowings is as follows:

	2018 US$'000	2017 US$'000
Within one year	**347,345**	179,032
More than one year but not exceeding two years	**271,637**	151,241
More than two years but not more than five years	**523,216**	496,015
Over five years	**822,747**	770,459
	1,964,945	1,596,747
Less: Amounts due for settlement within one year shown under current liabilities	**(347,345)**	(179,032)
Amounts due for settlement after one year	**1,617,600**	1,417,715

The exposure of the fixed-rate borrowings are as follows:

	2018 US$'000	2017 US$'000
Fixed-rate borrowings		
Within one year	**192,737**	30,761
More than one year but not exceeding two years	**14,052**	3,479
More than two years but not more than five years	**49,879**	46,685
Over five years	**162,753**	145,878
	419,421	226,803

The exposure of the variable-rate borrowings are as follows:

	2018 US$'000	2017 US$'000
Variable-rate borrowings		
Within one year	**154,608**	148,271
More than one year but not exceeding two years	**257,585**	147,762
More than two years but not more than five years	**473,337**	449,330
Over five years	**659,994**	624,581
	1,545,524	1,369,944

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31. BANK BORROWINGS *(Continued)*

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% (2017: 1.75% to 5.15%) per annum during the year ended 31 December 2018.

As at 31 December 2018 and 2017, the variable-rate bank borrowings of the Group carry interest at the PRC's lending rate less certain margin, South Korean Government Treasury Bond Rate, One Year Corporate Bond Rate plus 1.2% (2017: 1.2%), or Three Year Corporate Bond Rate plus 1.2% (2017: 1.2%). The maturities of these borrowings are ranging from within twelve months from the reporting period end to 2029 and 2030.

Included in the Group's secured bank borrowings, US$134,084,000 (2017: US$188,339,000) and US$43,996,000 (2017: US$17,047,000) are guaranteed by the Group's fellow subsidiaries, CGN Wind Power Company, Limited ("**CGN Wind Energy**") and CGN Solar Energy Development Co., Ltd., respectively.

An amount of US$20,929,000 (2017: US$25,980,000) of the unsecured bank borrowings is guaranteed by CGN Wind Energy.

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

	2018	2017
	US$'000	*US$'000*
Property, plant and equipment	**2,337,958**	1,128,486
Prepaid lease payments	**23**	25
Trade receivables	**177,047**	95,452
Bank deposits	**166,847**	92,446
	2,681,875	1,316,409

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

32. BOND PAYABLES

On 19 August 2013, the Company issued a bond in an aggregate principal amount of US$350,000,000 (the "**Bond**"). The Bond was priced at 99.686% of the principal amount of the Bond which is listed on the Stock Exchange. The Bond carried interest at 4% per annum and interest was payable semi-annually in arrears and matured on 19 August 2018.

The Bond is matured and fully redeemed during the year. The movement of the liability component in the Bond during the year is set out below:

	US$'000
As at 1 January 2017	354,480
Interest expenses charged *(note 8)*	14,378
Payment of interest	(14,000)
As at 31 December 2017	354,858
Interest expenses charged *(note 8)*	9,142
Payment of interest	(14,000)
Redemption of bond	(350,000)
As at 31 December 2018	–

33. GOVERNMENT GRANTS

The government grants consists of (i) subsidies of RMB8,520,000 (2017: RMB19,478,000), equivalent to US$1,284,000 (2017: US$2,889,000) given by the PRC government to certain subsidiaries of the Group in the PRC for operating cost and environmental protection. Out of the subsidies, an amount of RMB6,523,000 (2017: RMB1,335,000), equivalent to US$983,000 (2017: US$198,000) does not have specific conditions attached to the incentives and other income is recognised upon receipt and an amount of RMB1,353,000 (2017: RMB7,019,000), equivalent to US$204,000 (2017: US$1,041,000) has been approved from the government and recognised as other income and (ii) grants of RMB4,303,000 (2017: RMB4,303,000), equivalent to US$649,000 (2017: US$638,000), arising from the acquisition of one of the subsidiaries in 2015, which represent grants received from government in the PRC in respect of a project for the construction of property, plant and equipment and such government grants are still subject to the approval from the government. The movement of the government grants during the year is set out below:

	2018	2017
	US$'000	*US$'000*
As at 1 January	**11,848**	10,179
Exchange difference	**(548)**	657
Receipt of government grants	**1,284**	2,889
Recognition as other income *(note 6)*	**(1,836)**	(1,877)
As at 31 December	**10,748**	11,848
Analysed for reporting purposes as:		
Current	**824**	658
Non-current	**9,924**	11,190
	10,748	11,848

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For the year ended 31 December 2018

34. CONTRACT LIABILITIES

	31 December 2018 US$'000	1 January 2018 US$'000 (Note)
Advance payments received from customers		
– Sales of steam	**1,823**	1,730
– Connection charges	**308**	205
	2,131	1,935
Analysed for reporting purposes as:		
Current	**2,058**	1,819
Non-current	**73**	116
	2,131	1,935

Note: The amounts in this column are after the adjustments from the application of IFRS 15.

Contract liabilities other than those that are not expected to be settled within the Group's normal operating cycle are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales of steam

The Group receives deposits from the customers before the generation of steam activity commences, this gives rise to contract liabilities at the start of the contract, until the goods, i.e. steam is supplied to the customers.

Connection charges

Connection charges are one-off charges to new customers for connecting into a heat supply network approved by government. The estimated service life of the connection is five years. This gives rise to contract liabilities at the start of a contract, until the revenue recognised on a straight-line basis over the estimated service life.

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35. SHARE OPTION SCHEMES

The Company's share option scheme (the "**2015 Scheme**"), was adopted pursuant to a resolution passed on 24 November 2015 for the primary purpose of providing incentives to directors and eligible employees. The 2015 Scheme will remain in force for a period of 10 years commencing from the date on which the 2015 Scheme is adopted by the shareholders. Under the 2015 Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The exercise price in relation to each share option was determined by the board of directors at its absolute discretion and was not less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees was required to pay HK$1 as consideration for the grant of share options in accordance with the 2015 Scheme.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, were subject to approval in advance by the Independent Non-executive directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

On 8 December 2015 and 30 December 2015, 34,450,000 share options and 1,160,000 share options have been granted to certain eligible participants. At 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the 2015 Scheme was 8,943,334 representing 0.21% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 2015 Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of adoption of the 2015 Scheme, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Subject to satisfaction of the relevant vesting condition, the share options are exercisable during each period specified below for up to the number of shares specified (i) 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, (ii) 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 (iii) 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 the remaining one-third of the options granted will be exercisable.

The following tables disclose details of the share options held by directors, employees and other eligible participants under the 2015 Scheme and movements in such holdings during the years ended 31 December 2018 and 2017:

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35. SHARE OPTION SCHEMES *(Continued)*

2018

Grantees	At 1.1.2018	Reclassified during the year	Forfeited during the year *(Note a)*	Lapsed during the year *(Note a)*	At 31.12.2018 *(Note b)*	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$
	Number of share options								
Directors of the Company									
Mr. CHEN Sui 陳遂	233,333	–	–	(233,333)	–	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
Mr. LIN Jian 林堅 (resigned on 22 January 2018)	233,333	(233,333)	–	–	–	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	(233,334)	–	–	–	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
Mr. LI Yilun 李亦倫 (appointed on 22 January 2018)	–	210,000	–	(210,000)	–	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	–	210,000	–	–	210,000	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	933,334	(46,667)	–	(443,333)	443,334				
Other employees of the Group	8,963,333	23,333	(486,666)	(8,500,000)	–	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	8,963,333	23,334	(486,667)	–	8,500,000	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	17,926,666	46,667	(973,333)	(8,500,000)	8,500,000				
	18,860,000	–	(973,333)	(8,943,333)	8,943,334				
Exercisable	–				–				

35. SHARE OPTION SCHEMES *(Continued)*

2017

Grantees	At 1.1.2017	Forfeited during the year *(Note a)*	Lapsed during the year *(Note a)*	At 31.12.2017 *(Note b)*	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*
	Number of share options							
Directors of the Company								
Mr. CHEN Sui 陳遂	233,333	–	(233,333)	–	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	233,333	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
Mr. LIN Jian 林堅	233,333	–	(233,333)	–	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	233,333	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	1,400,000	–	(466,666)	933,334				
Other employees of the Group	10,320,000	(1,356,666)	(8,963,334)	–	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	10,320,000	(1,356,667)	–	8,963,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	10,320,000	(1,356,667)	–	8,963,333	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	193,333	(193,333)	–	–	30.12.2015	30.12.2015 to 29.12.2017	30.12.2017 to 29.12.2020	1.712
	193,333	(193,333)	–	–	30.12.2015	30.12.2015 to 29.12.2018	30.12.2018 to 29.12.2021	1.712
	193,334	(193,334)	–	–	30.12.2015	30.12.2015 to 29.12.2019	30.12.2019 to 29.12.2022	1.712
	31,540,000	(4,650,000)	(8,963,334)	17,926,666				
	32,940,000	(4,650,000)	(9,430,000)	18,860,000				
Exercisable	–			–				

Notes:

a. Among the lapsed share-options during the current year, 8,943,333 (2017: 9,430,000) share options were lapsed due to the failure of fulfilling the performance conditions set out in the share option scheme and 973,333 (2017: 4,650,000) share options were forfeited by employees who have left the Company.

b. One-third of total share options granted will be exercisable after 2 years, 3 years and 4 years from the date of grant.

The Group recognised the total expense of US$533,000 for the year ended 31 December 2018 (2017: US$985,000) in relation to share options granted by the Company.

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36. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 cent each		
Authorised:		
At 1 January 2017, 31 December 2017 and 2018	250,000,000,000	25,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 2018	4,290,824,000	429
		US$'000
Shown in the consolidated financial statements as		55

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of debt, which includes amounts due to fellow subsidiaries, amounts due to non-controlling shareholders, loans from fellow subsidiaries and bank borrowings, as disclosed in notes 25, 30 and 31, respectively, net of pledged bank deposits, short-term bank deposits, cash and cash equivalents, and equity attributable to owner of the Company, comprising issued capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

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38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 US$'000	2017 US$'000
Financial assets		
Financial assets at amortised cost	**776,314**	–
Financial assets at FVTPL (derivatives)	**16**	–
Loans and receivables (including cash and cash equivalents)	**–**	649,797
Financial liabilities		
Amortised cost	**3,071,587**	2,687,227
Derivatives that are designated and effective as hedging instruments carried at fair value	**4,766**	–
Financial liabilities at FVTPL (derivatives)	**363**	9,957

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from associates, amounts due from (to) fellow subsidiaries, derivative financial instruments, short-term bank deposits, pledged bank deposits, bank balances and cash, trade payables, other payables, amounts due to non-controlling shareholders, loans from fellow subsidiaries, and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose them primarily to the financial risks of changes in interest rates and foreign currency exchange rate. The Group would enter into a variety of derivative financial instruments, if applicable, to manage their exposure to interest rate and foreign currency risk, including:

- Interest rate swaps to mitigate the risk of rising interest rates; and
- Foreign currency forward contract to hedge the exchange rate risk related to US$, EUR and CAD.

(i) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable rate bank borrowings, pledged bank deposits and bank balances. The Group would use interest rate swaps to reduce exposure to interest rate fluctuations associated with floating-rate debt. Pledged bank deposits and bank balances are with counterparties of high credit quality. Therefore, the risk of non-performance by the counterparties is considered negligible.

The Group is also exposed to fair value interest rate risk in relation to short-term bank deposits, fixed rate loans from fellow subsidiaries and bank borrowings (see notes 27, 30 and 31, respectively for details).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

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38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(i) Interest rate risk management *(Continued)*

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank borrowings, pledged bank deposits and bank balances (excluding bank balances carrying interest rate below 0.1%) at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 10 basis points for pledged bank deposits and bank balances (excluding bank balances carrying interest rate below 0.10%) and 50 basis points for variable-rate bank borrowings increase or decrease are used during the year for the Group when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower for pledged bank deposits and bank balances (excluding bank balances carrying interest rate below 0.1%), with all other variables held constant, the Group's post-tax profit for the years ended 31 December 2018 would have increased/decreased by approximately US$310,000 (2017: US$251,000).

If interest rates had been 50 basis points higher/lower for variable-rate bank borrowings, with all other variables held constant, and taking into account of the capitalisation effect, the Group's post-tax profit for the years ended 31 December 2018 would have decreased/increased by approximately US$5,796,000 (2017: US$5,137,000).

(ii) Foreign currency risk management

The Group's exposure to currency risk attributable to the bank balances and payables which are denominated in the currencies other than the functional currency of the entities to which they related. The management manages and monitors this exposure to ensure approximate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the entities to which they related at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
HK$	**2,727**	4,529	**121**	840
RMB	**1,668**	2,228	**22,810**	5,650

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38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(ii) Foreign currency risk management *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on a 10% increase/decrease in functional currency of respective entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in post-tax profit, where functional currency of respective foreign entities had weakened 10% against the relevant foreign currency. For a 10% strengthening of functional currency of respective entities against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year.

If currency rate of US$ had been 10% weakened/strengthened to RMB for respective RMB denominated monetary assets and liabilities, the Group's post-tax profit for the year ended 31 December 2018 would have increased/decreased by approximately US$1,586,000 (2017: US$257,000).

For the exposure of HK$ against US$, there will be no significant impact as HK$ is pegged with US$. Accordingly, no foreign currency sensitivity analysis is presented.

Foreign exchange forward contracts

In the current year, the Group has designated certain forward contracts as a hedge of the future purchases by its renewable energy plant in Korea, which will purchase raw material for the operation of renewable energy plant, having KRW as its functional currency when part of payments are composed of CAD under the milestone payment schedule. The Group's policy has been reviewed and, due to the increased volatility in CAD, it was decided to hedge its purchase of raw material for foreign currency forward risk.

For the hedges of firm commitment, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(ii) Foreign currency risk management *(Continued)*

Foreign exchange forward contracts (Continued)

The following table details the foreign currency forward contracts designated as cash flow hedge outstanding at the end of the reporting period.

2018	Notional value: Foreign currency *CAD'000*	Notional value: Local currency *KRW'000*	Change in fair value for recognising hedge ineffectiveness *US$'000*	Carrying amount of the hedging instruments liabilities *US$'000*
Cash flow hedges				
Buy CAD (sell KRW)	165,718	137,594,238	–	4,766

No hedged item was recognised as at 31 December 2018, since the purchase of raw material has not started, no obligation to settle exist. As at 31 December 2018, the aggregate amount of US$3,676,000 losses under foreign exchange forward contracts deferred in the cash flow hedge reserve relating to these future purchase transactions. The purchases will first take place in 2020 at which time the amount deferred in equity will be removed from equity and included in the carrying amount of the raw materials. It is anticipated that the raw materials will be consumed for the generation of electricity and sold within 12 months after purchases.

(iii) Other price risk

The Group was exposed to other price risk in relation to its foreign currency forward contracts. The directors of the Company considered the Group's exposure to other price risk on these derivatives was insignificant. Accordingly, no other price risk sensitivity analysis is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, amounts due to non-controlling shareholders and loans from fellow subsidiaries and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on derivatives instruments that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives as they are held for hedging purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	**Repayable on demand or less than 3 months**	**3 months to 1 year**	**1 – 2 years**	**2 – 5 years**	**Over 5 years**	**Total undiscounted cash flows**	**Carrying amount**
	%	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***
As at 31 December 2018								
Non-derivative financial liabilities								
Trade payables	**–**	**107,350**	**57,712**	**–**	**–**	**–**	**165,062**	**165,062**
Other payables and accruals	**–**	**184,962**	**–**	**–**	**–**	**–**	**184,962**	**184,962**
Amounts due to fellow subsidiaries	**–**	**3,001**	**–**	**–**	**–**	**–**	**3,001**	**3,001**
Amounts due to non-controlling shareholders	**–**	**8,997**	**–**	**–**	**–**	**909**	**9,906**	**9,906**
Loans from fellow subsidiaries	**4.31%**	**7,817**	**66,167**	**29,275**	**316,767**	**487,125**	**907,151**	**743,711**
Bank borrowings								
Fixed-rate	**4.16%**	**2,127**	**199,117**	**14,052**	**49,879**	**162,754**	**427,929**	**419,421**
Variable-rate	**4.54%**	**28,111**	**173,744**	**302,262**	**523,832**	**664,177**	**1,692,126**	**1,545,524**
		342,365	**496,740**	**345,589**	**890,478**	**1,314,965**	**3,390,137**	**3,071,587**
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow		**–**	**13,165**	**2,570**	**121,106**	**–**	**136,841**	**136,841**
– outflow		**–**	**(12,895)**	**(2,523)**	**(116,294)**	**–**	**(131,712)**	**(131,712)**
		–	**270**	**47**	**4,812**	**–**	**5,129**	**5,129**

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2017								
Non-derivative financial liabilities								
Trade payables	–	107,378	3,768	–	–	–	111,146	111,146
Other payables and accruals	–	159,310	–	–	–	–	159,310	159,310
Amounts due to fellow subsidiaries	–	5,561	–	–	–	–	5,561	5,561
Amounts due to non-controlling shareholders	–	8,709	–	–	–	896	9,605	9,605
Loans from fellow subsidiaries	4.50	5,062	15,188	20,250	81,000	490,500	612,000	450,000
Bank borrowings								
Fixed-rate	4.52	2,329	37,749	10,928	75,955	151,421	278,382	226,803
Variable-rate	4.73	32,501	172,627	199,819	500,772	647,269	1,552,988	1,369,944
Bond payables	4.18	8,595	355,408	–	–	–	364,003	354,858
		329,445	584,740	230,997	657,727	1,290,086	3,092,995	2,687,227
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow		–	(350,000)	–	–	–	(350,000)	(350,000)
– outflow		–	359,957	–	–	–	359,957	359,957
		–	9,957	–	–	–	9,957	9,957

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest-rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables, contract assets, other receivables, amounts due from associates and fellow subsidiaries, pledged bank deposits, short-term bank deposits and bank balances.

The Group has been largely dependent on a small number of customers which are state-owned enterprises for a substantial portion of its business. Most of the power plants of the Group sell the electricity generated to their respective sole customer who is the principal grid company where the power plant is located. The failure of these customers to make required payments could have a substantial negative impact on the Group's profits. The Group has concentration of credit risk as 92% (2017: 92%) of the total trade receivables was due from 26 (2017: 33) state-owned enterprises as at 31 December 2018. The Group's remaining customers individually contribute to less than 10% of the total trade receivables of the Group. 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 receivables. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually.

The Group applies the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Expected loss rate of these receivables are assessed to be low, because these debtors are state-owned and have good repayment history.

For other receivables and amounts due from associates and fellow subsidiaries, the Group measures the loss allowance equal to 12-month ECL. The Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. The credit risk on other receivables and amounts due from associates and fellow subsidiaries are limited because the counterparties have no historical default record and the directors of the Company expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

During the year ended 31 December 2018, no material impairment allowance on trade receivables and other receivables is provided based on the ECL assessment. Impairment allowance of US$1,465,000 was made on credit impaired debtors for trade and other receivables.

The credit risk on short-term bank deposits, pledged bank deposits and bank balances are limited because the counterparties are reputable banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value

Measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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 the independent valuer to perform the valuation and determine the appropriate valuation techniques and inputs to the model whenever necessary. The findings of the valuation will 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 below.

Fair value measurements for financial instruments measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these instruments are determined:

	Fair value as at					
	2018		2017			
Financial assets/liabilities	**Assets**	**Liabilities**	Assets	Liabilities	**Fair value hierarchy**	**Valuation technique and key inputs**
	US$'000	***US$'000***	*US$'000*	*US$'000*		
Foreign currency forward contracts *(note 26)*	**16**	**5,129**	–	9,957	Level 2	Quoted forward exchange rates and yield curves derived from quoted exchange rate matching maturities of the contract

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).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	**Loans from fellow subsidiaries**	**Dividend payable**	**Amounts due to fellow subsidiaries**	**Amounts due to non-controlling shareholders**	**Bond payables**	**Derivative financial instruments**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(note 31)	*(note 30)*		*(note 25)*	*(note 25)*	*(note 32)*	*(note 26)*	
At 1 January 2017	1,552,210	489,579	–	4,341	8,223	354,480	–	2,408,833
Financing cash flows *(Note)*	(158,934)	(60,238)	(20,167)	(213)	(7,353)	(14,000)	–	(260,905)
Increase in amounts due from fellow subsidiaries	–	–	–	1,433	–	–	–	1,433
Dividend declared	–	–	20,167	–	8,172	–	–	28,339
Change in fair value of derivative financial instruments	–	–	–	–	–	–	9,957	9,957
Interest expenses recognised	66,671	20,659	–	–	–	14,378	–	101,708
Foreign exchange translation	136,800	–	–	–	563	–	–	137,363
At 31 December 2017	1,596,747	450,000	–	5,561	9,605	354,858	9,957	2,426,728
Financing cash flows *(Note)*	367,722	271,104	(15,447)	(2,293)	(4,013)	(364,000)	(3,982)	249,091
Dividend declared	–	–	15,447	–	4,663	–	–	20,110
Change in fair value of derivative financial instruments	–	–	–	–	–	–	(5,975)	(5,975)
Interest expenses recognised	76,897	24,119	–	–	–	9,142	–	110,158
Foreign exchange translation	(76,421)	(1,512)	–	(267)	(349)	–	–	(78,549)
At 31 December 2018	1,964,945	743,711	–	3,001	9,906	–	–	2,721,563

Note: The cash flows from bank borrowings, loans from fellow subsidiaries, dividend payable, amounts due to fellow subsidiaries, amounts due to non-controlling shareholders, bond payables and derivative financial instruments make up the net amount of proceeds and repayments in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements

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40. ACQUISITION OF SUBSIDIARIES

2018

During the year ended 31 December 2018, the Group acquired the following subsidiaries:

i. On 5 February 2018, the Group entered into an equity transfer agreement with an independent third party to acquire its 100% equity interests in Qinghai Runfeng New Energy Co., Ltd. and its wholly-owned subsidiary, Dachaidan Haorun New Energy Co., Ltd., which are engaged in generation and supply of electricity at nil consideration. All the conditions were fulfilled and the completion took place on 19 April 2018.

ii. On 5 February 2018, the Group entered into an equity transfer agreement with two independent third parties to acquire 100% equity interests in Liaoning Golden Energy Co., Ltd. and its wholly-owned subsidiary, Chifeng New Golden Energy Co., Ltd. ("**Chifeng New Golden**"), (collectively referred to as "**Liaoning Golden**") which are engaged in generation and supply of electricity at nil consideration. All the conditions were fulfilled and the completion took place on 14 May 2018.

iii. On 28 February 2018, the Group entered into an equity transfer agreement with an independent third party to acquire its 100% equity interests in Suqian Tianchen Power Co., Ltd. and its wholly-owned subsidiary, Siyang Beichuan Power Engineering Co., Ltd. ("**Siyang Beichuan Power**"), (collectively referred to as "**Suqian Tianchen**") which are engaged in generation and supply of electricity at nil consideration. All the conditions were fulfilled and the completion took place on 31 March 2018.

iv. On 30 September 2018, the Group entered into an equity transfer agreement with an independent third party to acquire its 51% equity interests in Gaoyou Ruixuan New Energy Technology Co., Ltd. and its wholly-owned subsidiary, Baoying Rongbaoda Wind Power Co., Ltd., (collectively referred to as "**Gaoyou Ruixuan**") which are engaged in generation and supply of electricity at a total consideration of approximately RMB22,870,000 (equivalent to US$3,296,000). All the conditions were fulfilled and the completion took place on 31 October 2018.

Included in the amounts are the non-controlling interests of the subsidiary acquired recognised at the respective acquisition dates that were measured with reference to the non-controlling interests' proportionate share of the fair value of the net assets at those dates and the non-controlling interests of those acquired subsidiary.

A bargain purchase gain of US$25,000 is recognised on the acquisition of Gaoyou Ruixuan. The introduction of the Group as the new controlling shareholder of Gaoyou Ruixuan was expected to strengthen its capital base, meet its working capital requirements and facilitate its future business development and expansion. In the opinion of the directors of the Company, the above are the key factors leading to the recognition of the bargain purchase gain.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

2018 *(Continued)*

The contribution to the Group's revenue or financial performance of the above acquired subsidiaries for the year ended 31 December 2018 are as follows:

- Included in the profit for the year ended 31 December 2018 were revenue of US$873,000, and profit of US$599,000 attributable to the additional businesses generated by Liaoning Golden.

  No pro forma information for the acquisition of Liaoning Golden is prepared as the acquisition was completed in May 2018 and the directors of the Company are of the opinion that there is no significant changes to the Group's revenue or profit for the year had the acquisition been completed on 1 January 2018.

- Included in the profit for the year ended 31 December 2018 were revenue of US$1,042,000, and profit of US$535,000 attributable to the additional businesses generated by Suqian Tianchen.

  No pro forma information for the acquisition of Suqian Tianchen is prepared as the acquisition was completed in March 2018 and the directors of the Company are of the opinion that there is no significant changes to the Group's revenue or profit for the year had the acquisition been completed on 1 January 2018.

The directors of the Company are of the opinion that the other subsidiaries acquired had no significant contribution to the Group's revenue or financial performance for the year ended 31 December 2018.

2017

On 1 December 2017, 中廣核新能源投資（深圳）有限公司, a wholly-owned subsidiary of the Company entered into a framework agreement with two independent third parties to acquire their entire equity interests in Tong Ce which is engaged in generation and supply of electricity at a total consideration of approximately RMB8,433,000 (equivalent to US$1,284,000). Consideration will be settled by 3 instalments, the Group has to pay RMB3,240,000 (equivalent to US$493,000), RMB4,693,000 (equivalent to US$715,000) and RMB500,000 (equivalent to US$76,000) by 31 December 2017, 31 January 2018 and 28 February 2018, respectively. The consideration payable is recognised under other payables as at 31 December 2017. All the conditions of the acquisition were fulfilled and the completion of the acquisition took place on 25 December 2017. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was US$628,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

2017 *(Continued)*

As the Group is positioned to focus on development and operation of non-nuclear clean and renewable power generation projects, the Group intended to acquire clean and renewable power generation projects with solid returns from independent third parties. The directors of the Company considered that the acquisition was in line with the Group's strategy and the Group would enjoy the stable returns from Tong Ce through the acquisition.

Goodwill arose in the acquisition of Tong Ce because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Tong Ce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

	Gaoyou Ruixuan	Others	2018 Total	2017 Total
	US$'000	*US$'000*	***US$'000***	*US$'000*
Consideration transferred				
Cash	3,296	–	**3,296**	1,284
Assets acquired and liabilities recognised at the date of acquisition are as follows:				
Property, plant and equipment	6,455	6,389	**12,844**	3,465
Trade receivables *(note)*	–	–	**–**	353
Other receivables and prepayments	1,275	2	**1,277**	–
Tax recoverable	–	–	**–**	494
Bank balances and cash	5	155	**160**	10
Trade and other payables	(1,223)	(6,546)	**(7,769)**	(3,666)
	6,512	–	**6,512**	656
(Gain from bargain purchase) goodwill arising on acquisition				
Consideration transferred	3,296	–	**3,296**	1,284
Add: non-controlling interests	3,191	–	**3,191**	–
Less: net assets acquired	(6,512)	–	**(6,512)**	(656)
	(25)	–	**(25)**	628
Net cash outflow (inflow) arising on acquisition				
Cash consideration paid	3,296	–	**3,296**	493
Less: bank balances and cash acquired	(5)	(155)	**(160)**	(10)
	3,291	(155)	**3,136**	483

Note: The fair value of trade receivables at the date of acquisition amounted to US$353,000 which represented the gross contractual amounts acquired at the date of acquisition.

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41. DECONSOLIDATION OF A SUBSIDIARY

2017

On 21 December 2017, the Group entered into a dissolution and assets distribution agreement with Baosteel, the non-controlling interest of Shanghai Wei Gang Energy Co., Ltd. ("**Weigang**"), to voluntarily dissolve Weigang which is engaged in generation and supply of electricity. On the same date, the Group and Baosteel has jointly set up the dissolution panel to take over the control of Weigang in order to execute the liquidation procedures. Upon the formation of the dissolution panel, the Group no longer had controlling power to govern the financial and operating policies of Weigang so as benefit from its activities. Accordingly the Group recognised a gain on deconsolidation of approximately US$3,825,000 arising from release of cumulative translation difference of Weigang.

Stated in the liquidation agreement, the Group is entitled to receive approximately RMB137,780,000 (approximately equivalent to US$21,089,000) from the dissolution panel upon the liquidation of Weigang and such balance is recognised under other receivables as current asset as the management of the Group expects such balance can be settled within one year from the end of the reporting period. Included in the consideration receivables, RMB31,260,000 (equivalent to approximately US$4,784,000) is the additional compensation from Baosteel, which equal to the excess of the net assets value attributable to the Group, and such gain will be treated as an equity transaction as the capital contribution from non-controlling shareholder.

	At 21 December 2017 *US$'000*
The net assets at the date of deconsolidation were as follows:	
Property, plant and equipment *(note 15)*	12,332
Prepaid lease payments *(note 16)*	472
Inventories	385
Other receivables	64
Amount due from a shareholder	231
Amount due to a related company	(168)
Deferred tax liabilities *(note 19)*	(1,025)
Other payables	(36)
Bank balances and cash	22,049
Net assets deconsolidated	34,304

Gain on deconsolidation of Weigang:

	US$'000
Cash consideration receivables, net of transaction cost of US$155,000	20,934
Cumulative exchange gain in respect of the net assets of Weigang	3,825
Net assets deconsolidated	(34,304)
Non-controlling interests deconsolidated	18,154
	8,609
Represented by:	
Gain on deconsolidation recognised in profit or loss	3,825
Gain on deconsolidation recognised in equity	4,784
	8,609

Net cash outflow arising from the deconsolidation:

	US$'000
Bank balances and cash deconsolidated	(22,049)

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42. COMMITMENTS

(a) Operating commitments

The Group as lessee

	2018	2017
	US$'000	*US$'000*
Minimum lease payments under operating leases during the year in respect of premises	**4,307**	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:

	2018	2017
	US$'000	*US$'000*
Within one year	**5,770**	5,353
In the second to fifth year inclusive	**8,818**	8,817
Over five years	**8,615**	1,549
	23,203	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 KEPCO in 1996 (the PPA was subsequently transferred from CGN Korea to CGN Yulchon Generation Co., Ltd 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 approximately 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 approximately 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 31 December 2018 is approximately KRW393 million (equivalent to approximately US$350,000) (2017: approximately KRW481 million (equivalent to approximately US$450,000)) *(note 20)*. These long-term prepaid expenses are to be amortised over the term of the PPA.

Notes to the Consolidated Financial Statements

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42. COMMITMENTS *(Continued)*

(a) Operating 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 as follows:

	2018	2017
	US$'000	*US$'000*
Within one year	**41,258**	43,223
In the second to fifth year inclusive	**165,034**	172,894
After five years	**61,888**	108,058
	268,180	324,175

(b) Capital commitments

	2018	2017
	US$'000	*US$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**466,544**	137,090

(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 RMB10 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 31 December 2018, the Proposed Acquisition is still subject to final negotiation between the Parties.

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43. 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 consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related company	*Notes*	**Nature of transactions**	**2018** ***US$'000***	2017 *US$'000*
Hubei Xisaishan	*i*	Management service fee income	**–**	51
CGN Finance	*ii*	Interest expense	**610**	15
		Interest income	**1,964**	1,263
CGN Energy Development Co., Ltd. ("**CGN Energy**") and its subsidiaries	*ii*	Management service fee income	**1,612**	7,817
CGNPC Huasheng	*ii*	Interest income	**17**	387
		Interest expense	**3,587**	113
Huamei Holding Company Limited ("**Huamei Holding**") and its subsidiaries	*ii*	Management service fee income	**5,927**	5,413
CGN LLP Energy Services (Shenzhen) Company Limited (中廣核中電能源服務深圳有限公司)	*ii*	Consultancy service expense	**–**	140
China Clean Energy	*ii*	Interest expense	**20,531**	20,531
CGN Wind Energy	*ii*	Management service fee income	**14,732**	10,465
CGN Solar Energy Development Co., Ltd.	*ii*	Management service fee income	**2,759**	1,905
China Solar Energy Investment Limited	*ii*	Management service fee income	**–**	11,512

Notes:

(i) Hubei Xisaishan is an associate of the Group.

(ii) CGN Finance, CGN Energy and its subsidiaries, CGN LLP Energy Services (Shenzhen) Company Limited, CGNPC Huasheng, Huamei Holding and its subsidiaries, China Clean Energy, CGN Wind Energy, CGN Solar Energy Development Co., Ltd. and China Solar Energy Investment Limited 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 the PRC government-related entities in its ordinary course of business. A majority of the bank deposits and 60.1% (2017: 55.6%) of borrowings of the Group are with the PRC government-related entities as at 31 December 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 29% (2017: 29%) of its sales of electricity and capacity charges are to the other PRC government-related entities for the year ended 31 December 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 years ended 31 December 2018 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

43. RELATED PARTY DISCLOSURES *(Continued)*

Compensation of key management personnel

The remuneration of directors and other key management during the year were as follows:

	2018	2017
	US$'000	*US$'000*
Short-term benefits	**925**	1,391
Post-employment benefits	**102**	109
Benefits in kind	**–**	52
	1,027	1,552

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**355**	464
Investments in subsidiaries *(Note (a))*	**1,301,053**	1,318,413
	1,301,408	1,318,877
CURRENT ASSETS		
Other receivables and prepayments	**544**	690
Amounts due from fellow subsidiaries	**5,231**	8,220
Bank balances and cash	**39,767**	45,570
	45,542	54,480
CURRENT LIABILITIES		
Other payables and accruals	**6,080**	9,246
Amounts due to fellow subsidiaries	**4,867**	3,956
Amounts due to subsidiaries	**8,835**	172,940
Bond payables – due within one year	**–**	354,858
Derivative financial instruments	**–**	9,957
	19,782	550,957
NET CURRENT ASSETS/(LIABILITIES)	**25,760**	(496,477)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,327,168**	822,400
NON-CURRENT LIABILITIES		
Loans from fellow subsidiaries	**700,000**	450,000
Bank borrowings – due after one year	**100,000**	–
	800,000	450,000
NET ASSETS	**527,168**	372,400
CAPITAL AND RESERVES		
Share capital	**55**	55
Reserves *(Note (b))*	**527,113**	372,345
TOTAL EQUITY	**527,168**	372,400

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Notes:

a. Investments in subsidiaries

Details of the Company's principal operating subsidiaries at 31 December 2018 and 2017 are as follows:

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2018	2017	
Indirect							
Guangxi Rongjiang Meiya Company Limited* 廣西融江美亞有限公司	The PRC	15 September 1999	Sino-foreign equity joint venture	Registered capital of RMB48,000,000 and paid-up capital of RMB48,000,000	**55%**	55%	Investment in dam and other associated facilities
Guangxi Rongjiang Meiya Hydropower Company Limited* 廣西融江美亞水電有限公司	The PRC	15 September 1999	Sino-foreign equity joint venture	Registered capital of RMB72,000,000 and paid-up capital of RMB72,000,000	**80%**	80%	Generation and supply of electricity
Guangxi Rongyuan Hydropower Company Limited* 廣西融源水電有限公司	The PRC	4 January 2011	Foreign investment enterprise with limited liability	Registered capital of RMB38,000,000 and paid-up capital of RMB38,000,000	**100%**	100%	Generation and supply of electricity
Guangxi Zuojiang Meiya Hydropower Company Limited 廣西左江美亞水電有限公司	The PRC	8 October 1998	Sino-foreign equity joint venture	Registered capital of RMB345,596,455 and paid-up capital of RMB345,596,455	**60%**	60%	Generation and supply of electricity
Haian Meiya Cogeneration. Co., Ltd 海安美亞熱電有限公司	The PRC	20 December 2002	Foreign investment enterprise with limited liability	Registered capital of US$11,920,000 and paid-up capital of US$11,920,000	**100%**	100%	Generation and supply of steam, electricity and other related products
Mianyang Sanjiang Meiya Hydropower Company Limited* 綿陽三江美亞水電有限公司	The PRC	25 October 2002	Sino-foreign cooperative joint venture	Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000	**75%**	75%	Generation and supply of electricity
CGN Daesan Power Co., Ltd.	Korea	8 April 2009	Joint stock company	Issued capital of KRW3,430,000,000 and paid-up capital of KRW3,430,000,000	**100%**	100%	Generation and supply of electricity from an oil-fired combined cycle power plant
CGN Yulchon Generation Co., Ltd.	Korea	28 July 2009	Joint stock company	Issued capital of KRW18,044,400,000 and paid-up capital of KRW18,044,400,000	**100%**	100%	Generation and supply of electricity from a gas-fired combined cycle power plant
Nantong	The PRC	13 March 1997	Foreign investment enterprise with limited liability	Registered capital of US$16,800,000 and paid-up capital of US$16,800,000	**100%**	100%	Generation and supply of electricity and steam and other related products
Nanyang General Light Electric Co., Ltd. 南陽普光電力有限公司	The PRC	1 January 1997	Sino-foreign cooperative joint venture	Registered capital of RMB476,667,000 and paid-up capital of RMB476,667,000	**59.5%**	59.5%	Generation and supply of electricity and other related services
Shanghai Meiya Jinqiao Energy Co., Ltd. 上海美亞金橋能源有限公司	The PRC	14 July 1995	Sino-foreign equity joint venture	Registered capital of RMB98,000,000 and paid-up capital of RMB98,000,000	**60%**	60%	Generation and supply of steam
Wuhan Han-Neng Power Development Co., Ltd. 武漢漢能電力發展有限公司	The PRC	11 October 1995	Sino-foreign equity joint venture	Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000	**60%**	60%	Generation and supply of electricity

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Notes: (Continued)

a. Investments in subsidiaries *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2018	2017	
CGN New Energy (Dezhou) Co., Ltd.* 中廣核新能源(德州)有限公司	The PRC	29 December 2014	Foreign investment enterprise with limited liability	Registered capital of US$13,710,000 and paid-up capital of US$13,710,000	**100%**	100%	Generation and supply of electricity
CGN (Zhejiang Xiangshan) Wind Power Co., Ltd* 中廣核(浙江象山)風力發電 有限公司	The PRC	11 July 2011	Foreign investment enterprise with limited liability	Registered capital of RMB134,610,000 and paid-up capital RMB134,610,000	**100%**	100%	Generation and supply of electricity
CGN (Zhejiang Ninghai) Wind Power Co., Ltd.* 中廣核(浙江寧海)風力發電 有限公司	The PRC	19 December 2013	Foreign investment enterprise with limited liability	Registered capital of RMB79,600,000 and paid-up capital RMB79,600,000	**100%**	100%	Generation and supply of electricity
Anqiu Taipingshan Wind Power Co., Ltd* 安丘太平山風電有限公司	The PRC	10 December 2008	Foreign investment enterprise with limited liability	Registered capital of RMB187,889,991 and paid-up capital RMB187,889,991	**100%**	100%	Generation and supply of electricity
Yishui Tangwangshan Wind Power Co., Ltd* 沂水唐王山風力發電有限公司	The PRC	23 November 2009	Foreign investment enterprise with limited liability	Registered capital of RMB71,375,034 and paid-up capital RMB71,375,034	**100%**	100%	Generation and supply of electricity
CGN Linqu Wind Power Company Limited Co., Ltd* 中廣核(臨朐)風力發電有限公司	The PRC	29 December 2009	Foreign investment enterprise with limited liability	Registered capital of RMB75,040,000 and paid-up capital RMB75,040,000	**100%**	100%	Generation and supply of electricity
CGN Linqu Longgang Wind Power Co., Ltd* 中廣核臨朐龍崗風力發電 有限公司	The PRC	28 June 2013	Foreign investment enterprise with limited liability	Registered capital of RMB77,074,180 and paid-up capital RMB77,074,180	**100%**	100%	Generation and supply of electricity
CGN Yishui Wind Power Co., Ltd* 中廣核沂水風力發電有限公司	The PRC	2 April 2011	Foreign investment enterprise with limited liability	Registered capital of RMB91,125,000 and paid-up capital RMB91,125,000	**100%**	100%	Generation and supply of electricity
Yishui Longshan Wind Power Co., Ltd* 沂水龍山風力發電有限公司	The PRC	13 August 2013	Foreign investment enterprise with limited liability	Registered capital of RMB88,546,800 and paid-up capital RMB88,546,800	**100%**	100%	Generation and supply of electricity
CGN Gansu Minqin Wind Power Co., Ltd* 中廣核甘肅民勤風力發電有限公司	The PRC	4 March 2011	Foreign investment enterprise with limited liability	Registered capital of RMB162,200 and paid-up capital RMB162,200	**100%**	100%	Generation and supply of electricity
CGN Gansu Minqin (II) Wind Power Co., Ltd* 中廣核甘肅民勤第二風力發電有限公司	The PRC	24 October 2013	Foreign investment enterprise with limited liability	Registered capital of RMB549,760 and paid-up capital RMB549,760	**100%**	100%	Generation and supply of electricity
CGN Gansu Guazhou Wind Power Co., Ltd* 中廣核甘肅瓜州風力發電有限公司	The PRC	18 November 2011	Foreign investment enterprise with limited liability	Registered capital of RMB165,480 and paid-up capital RMB165,480	**100%**	100%	Generation and supply of electricity
CGN Gansu Guazhou (II) Wind Power Co., Ltd* 中廣核甘肅瓜州第二風力發電有限公司	The PRC	15 November 2013	Foreign investment enterprise with limited liability	Registered capital of RMB287,000 and paid-up capital RMB287,000	**100%**	100%	Generation and supply of electricity

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Notes: (Continued)

a. Investments in subsidiaries *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2018	2017	
Guazhou Tianrun Wind Power Co., Ltd* 瓜州天潤風電有限公司	The PRC	6 March 2009	Foreign investment enterprise with limited liability	Registered capital of RMB98,100,000 and paid-up capital RMB98,100,000	**60%**	60%	Generation and supply of electricity
CGN Solar Dunhuang Co., Ltd* 中廣核太陽能敦煌有限公司	The PRC	8 September 2011	Foreign investment enterprise with limited liability	Registered capital of RMB97,970,000 and paid-up capital RMB97,970,000	**100%**	100%	Generation and supply of electricity
CGN Solar Jinta Co., Ltd* 中廣核太陽能金塔有限公司	The PRC	6 December 2011	Foreign investment enterprise with limited liability	Registered capital of RMB36,360,000 and paid-up capital RMB36,360,000	**100%**	100%	Generation and supply of electricity
CGN Solar (Dachaidan) Development Co., Ltd* 中廣核太陽能(大柴旦)開發有限公司	The PRC	15 January 2010	Foreign investment enterprise with limited liability	Registered capital of RMB492,931,000 and paid-up capital RMB492,931,000	**100%**	100%	Generation and supply of electricity
CGN Solar Wulan Co., Ltd* 中廣核太陽能烏蘭有限公司	The PRC	29 August 2012	Foreign investment enterprise with limited liability	Registered capital of RMB100,000,000 and paid-up capital RMB100,000,000	**100%**	100%	Generation and supply of electricity
CGN Solar (Jiaxing) Co., Ltd.* 中廣核太陽能(嘉興)有限公司	The PRC	9 July 2013	Foreign investment enterprise with limited liability	Registered capital of RMB30,500,000 and paid-up capital RMB30,500,000	**100%**	100%	Generation and supply of electricity
CGN Solar (Shenzhen) Co., Ltd* 中廣核太陽能(深圳)有限公司	The PRC	17 August 2011	Foreign investment enterprise with limited liability	Registered capital of RMB43,400,000 and paid-up capital RMB43,400,000	**100%**	100%	Generation and supply of electricity
Weifang CGN Energy Co. Ltd.* 濰坊中廣核能源有限公司	The PRC	26 August 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB153,760,000 and paid-up capital RMB80,000,000	**100%**	100%	Generation and supply of electricity
Dezhou Anwin Energy Co., Ltd.* 德州安務能源有限公司	The PRC	15 November 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB113,530,000 and paid-up capital RMB113,530,000	**87%**	87%	Generation and supply of electricity
Jiyuan CGN New Energy Co., Ltd.* 濟源中廣核新能源有限公司	The PRC	21 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in solar and wind power project
CGN New Energy (Ledu) Co., Ltd.* 中廣核新能源(樂都)有限公司	The PRC	15 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in wind power and solar power project

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Notes: (Continued)

a. Investments in subsidiaries *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2018	2017	
CGN Wuhai New Energy Co., Ltd.* 中廣核烏海新能源有限公司	The PRC	23 February 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Operation and development in generation of electricity of new energy
Lankao CGN New Energy Co., Ltd.* 蘭考中廣核新能源有限公司	The PRC	21 March 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in wind power and new energy project
CGN (Hefei) New Energy Co., Ltd.* 中廣核(合肥)新能源有限公司	The PRC	27 April 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Research and development in solar and wind power project
CGN New Energy (Zhangsha) Co., Ltd.* 中廣核新能源(長沙)有限公司	The PRC	27 April 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Generation of electricity
Tong Ce	The PRC	5 July 2016	Foreign investment enterprise with limited liability	Registered capital of RMB50,000,000 and paid up capital of RMB50,000,000	**100%**	100%	Technical transfer, consultation and services
CGN (Chahar Right Wing Middle Banner) New Energy Co., Ltd.* 中廣核(察哈爾右翼中旗)新能源投資有限公司	The PRC	24 November 2017	Sino-foreign equity joint venture	Registered capital of RMB500,000 and paid up capital of RMB500,000	**56.67%**	56.67%	Development in generation of new energy project
Chifeng New Golden	The PRC	14 October 2016	Sino-foreign equity joint venture	Registered capital of RMB10,000 and paid up capital of RMB10,000	**74%**	N/A	Generation of electricity and sale of electricity equipments
Siyang Beichuan Power	The PRC	28 July 2016	Foreign investment enterprise with limited liability	Registered capital of RMB41,726,000 and paid up capital of RMB41,726,000	**100%**	N/A	Engineering design and technology development

* *English names are for identification purpose only.*

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Notes: (Continued)

b. Reserves

	Share premium *US$'000*	**Share option reserve** *US$'000*	**Capital reserve** *US$'000 (Note)*	**Accumulated profits** *US$'000*	**Total equity** *US$'000*
At 1 January 2017	250,406	1,047	–	33,172	284,625
Profit for the year and total comprehensive income	–	–	–	28,963	28,963
Effects of share options *(note 35)*	–	985	–	–	985
Deemed capital contribution	–	–	77,939	–	77,939
Dividend declared and paid *(note 12)*	–	–	–	(20,167)	(20,167)
At 31 December 2017	250,406	2,032	77,939	41,968	372,345
Profit for the year and total comprehensive income	**–**	**–**	**–**	**5,576**	**5,576**
Effects of share options *(note 35)*	**–**	**533**	**–**	**–**	**533**
Deemed capital contribution	**–**	**–**	**164,106**	**–**	**164,106**
Dividend declared and paid *(note 12)*	**–**	**–**	**–**	**(15,447)**	**(15,447)**
At 31 December 2018	**250,406**	**2,565**	**242,045**	**32,097**	**527,113**

Note: The capital reserve represented the difference between the investment cost and the carrying value of certain subsidiaries arising from the internal group reorganisation.

Financial Summary

	2014 *US$'000*	2015 *US$'000*	2016 *US$'000*	2017 *US$'000*	**2018** ***US$'000***
Revenue	1,379,552	1,151,905	1,074,448	1,108,560	**1,358,487**
Operating expenses:					
Coal, oil and gas	996,629	729,336	587,176	619,829	**829,596**
Depreciation of property, plant and equipment	94,752	109,478	143,429	134,299	**144,473**
Repair and maintenance	23,525	27,889	38,729	40,179	**44,742**
Staff costs	60,394	62,943	69,237	76,389	**67,652**
Others	54,351	63,359	58,480	71,634	**72,843**
Total operating expenses	1,229,651	993,005	897,051	942,330	**1,159,306**
Operating profit	149,901	158,900	177,397	166,230	**199,181**
Other income	13,096	18,630	14,281	14,459	**41,337**
Other gains and losses	1,713	(1,652)	2,631	(7,521)	**(22,141)**
Finance costs	(63,274)	(76,799)	(115,172)	(101,708)	**(110,158)**
Share of results of associates	42,572	63,313	22,113	19,268	**16,819**
Share of results of a joint venture	21,016	–	–	–	**–**
Gain on disposal of subsidiaries, associates and a joint venture	96,343	–	–	–	**–**
Gain on deconsolidation/disposal of a subsidiary	–	–	18,675	3,825	**–**
Initial public offering expenses	(4,087)	–	–	–	**–**
Profit before tax	257,280	162,392	119,925	94,553	**125,038**
Income tax expense	(39,568)	(39,978)	(28,893)	(28,587)	**(33,767)**
Profit for the year	217,712	122,414	91,032	65,966	**91,271**
Profit for the year attributable to:					
Owners of the Company	202,203	103,879	79,472	61,872	**88,211**
Non-controlling interests	15,509	18,535	11,560	4,094	**3,060**
	217,712	122,414	91,032	65,966	**91,271**
Earnings per share, basic and diluted *(US cents)*	5.97	2.42	1.85	1.44	**2.06**

Financial Summary

	2014	2015	2016	2017	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*	***US$'000***
ASSETS AND LIABILITIES					
Total assets	2,486,934	3,852,868	3,498,621	3,740,617	**4,139,068**
Total liabilities	1,670,844	3,003,315	2,686,785	2,780,242	**3,184,784**
NET ASSETS	816,090	849,553	811,836	960,375	**954,284**
Equity attributable to owners of the Company	709,048	741,732	710,758	875,894	**865,830**
Non-controlling interests	107,042	107,821	101,078	84,481	**88,454**
TOTAL	816,090	849,553	811,836	960,375	**954,284**