中广核 CGN

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

Interim Report 2019

Doing Things Right in One Go

CONTENTS

Corporate Information

REGISTERED OFFICE

Victoria Place
31 Victoria Street
Hamilton HM10
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1811

COMPANY'S WEBSITE

www.cgnne.com

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Chen Sui

President and Executive Director

Mr. Li Yilun

Corporate Information

Non-executive Directors

Mr. Yao Wei
Mr. Xing Ping

Independent Non-executive Directors

Mr. Leung Chi Ching Frederick
Mr. Yang Xiaosheng
Mr. Wang Minhao

Members of the Audit Committee

Mr. Leung Chi Ching Frederick *(Chairman)*
Mr. Yao Wei
Mr. Yang Xiaosheng

Members of the Remuneration Committee

Mr. Wang Minhao *(Chairman)*
Mr. Xing Ping
Mr. Yang Xiaosheng

Corporate Information

Members of the Nomination Committee

Mr. Chen Sui *(Chairman)*
Mr. Yang Xiaosheng
Mr. Wang Minhao

Members of the Investment and Risk Management Committee

Mr. Yao Wei *(Chairman)*
Mr. Xing Ping
Mr. Yang Xiaosheng

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
37/F, One Tai Koo Place
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

AUDITOR

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

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

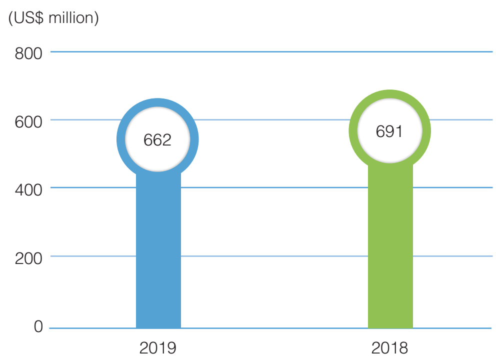
Bank of China (Hong Kong) Limited
9/F, Bank of China Tower
1 Garden Road
Hong Kong

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

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

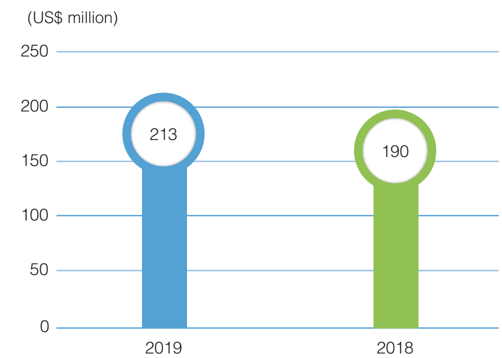
Financial and Operating Highlights

REVENUE



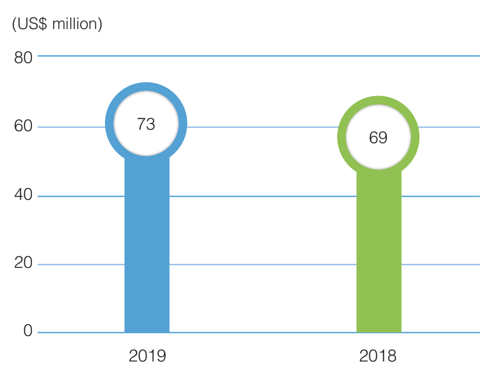
Six months ended 30 June

EBITDA[1]



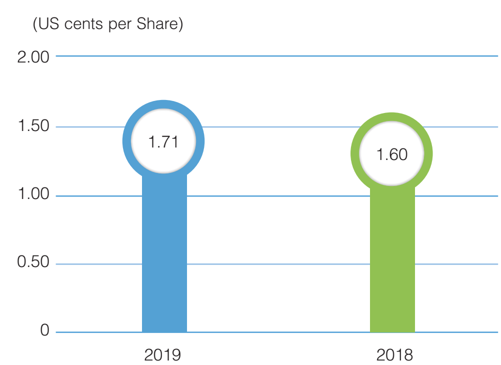
Six months ended 30 June

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



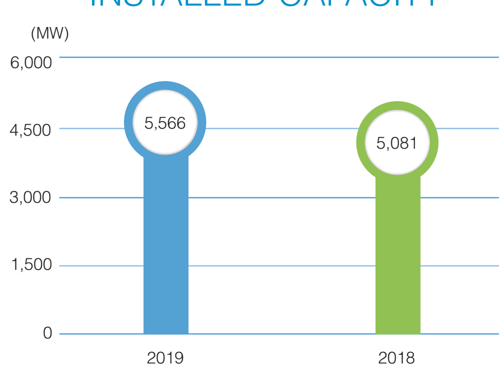
Six months ended 30 June

EPS



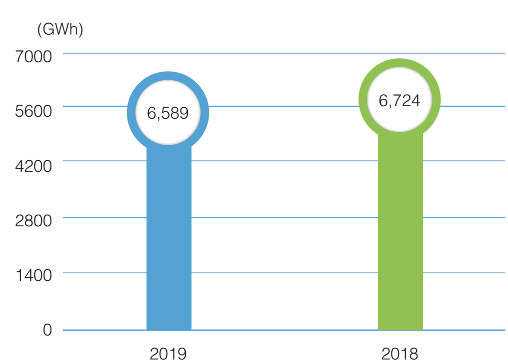
Six months ended 30 June

ATTRIBUTABLE INSTALLED CAPACITY



As at 30 June

POWER GENERATION



Six months ended 30 June

Note:

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

Management Discussion and Analysis

I. INDUSTRY OVERVIEW

In the first half of 2019, the country's power supply and demand maintained a general balance and electricity consumption of the society registered a steady growth. From January to June 2019, the total power consumption in the PRC was 3,398.0 TWh, representing a growth rate of 5.0% as compared to the same period of last year.

As the electricity sector continued its path towards green and low carbon development, there was a rapid increase in electricity generation from non-fossil energy. From January to June, the electricity generated from the nation's wind power and solar power reached 214.5 TWh and 106.3 TWh respectively, representing a growth of 11.5% and 29.1% as compared to the same period of last year respectively.

The wind power and photovoltaic power industries in China have steered their focus on large-scale development to high-quality development, with realization of wind power and photovoltaic grid parity being their major development mission.

Kezuo Zhongqi Solar Project

Haorun Wind Project

Management Discussion and Analysis

The policies on photovoltaic power and wind power tariffs were officially announced in 2019. In April 2019, the National Development and Reform Commission of the PRC ("**NDRC**") issued the Notice on Issues about the Improvement of On-Grid Tariff Mechanism for Photovoltaic Power Generation (《關於完善光伏發電上網電價機制有關問題的通知》) to confirm the 2019 on-grid tariff mechanism for photovoltaic power generation that apart from the distributed plants for poverty alleviation and household use, all distributed and centralized photovoltaic power plants have to participate in the competitive bidding. In May 2019, the NDRC issued the Notice on Improving the Policies for Wind Power On-Grid Tariff (《關於完善風電上網電價政策的通知》) to confirm the guidance tariffs for onshore and offshore wind power in 2019 and 2020. The on-grid tariff of newly approved centralized onshore wind power projects and offshore wind power projects are all to be determined through competitive bidding and shall not exceed the guidance tariffs set for the resource areas where the projects are located.

Upon three consultations of the quota system in 2018, the weight of responsible consumption of renewable energy replaced the measurement in the quota system. In May 2019, the NDRC and the National Energy Administration jointly promulgated the Notice on Establishment of a Sound Guaranteed Consumption Mechanism for Renewable Energy (《關於建立健全可再生能源電力消納保障機制的通知》) to propose the development of a sound guaranteed consumption mechanism for renewable energy. The focus of the mechanism is to determine the weight of responsible consumption of renewable energy in each provincial administrative region and ultimately to form a long-term development system led by renewable energy consumption in promotion of a clean, low-carbon, safe and efficient energy system.

In May 2019, the National Energy Administration issued the Notice on Matters related to the Development of Wind Power and Photovoltaic Power Generation Projects in 2019 (《關於2019年風電、光伏發電項目建設有關事項的通知》), the primary principle of which is to strictly regulate the competition among subsidized projects. Projects in need of national subsidies are to be selected through competitions under strict regulations. With on-grid tariff being an important competition condition, projects requiring low intensity or strong reducing level of subsidies are given priority in development.

The sharp changes in the industry policies will subvert the original development pattern relied upon by the industry for survival, causing enormous impacts on the strategic deployment, project development, technology evaluation, investment approval, project construction, production operation and maintenance of investment enterprises. While the wind power and photovoltaic power industries are ushering in a modest profit era led by grid parity and competitive bidding mechanisms, cost leadership strategy has become the competition strategy of power generation enterprises to maximize their investment returns in the market.

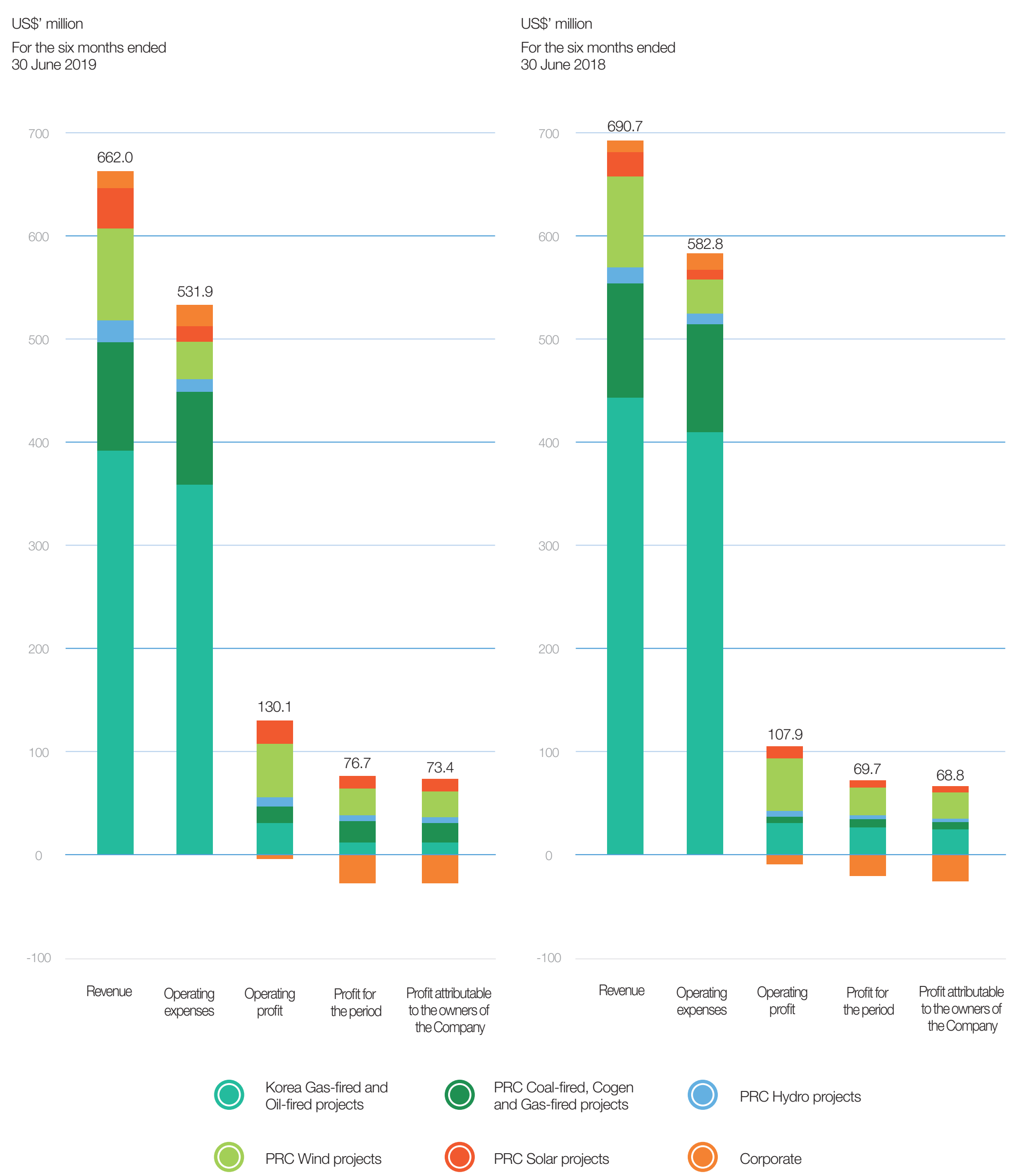
In respect of Korean power market, it is undergoing an energy structure transformation and it is expected that the number of renewable energy and gas-fired power plants will increase in the future. As the competition is intensified in the power market upon the commissioning of new power plants, coupled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

Management Discussion and Analysis

II. BUSINESS REVIEW

The Group's portfolio of assets comprises wind, solar, gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell projects as well as a steam project, which are operating in the PRC and Korea power markets. Our business in the PRC covers 15 provinces, two autonomous regions and a municipality with wide geographical coverage and diversified business scope. As of 30 June 2019, the operations in the PRC and Korea accounted for approximately 63.1% and 36.9% of our attributable installed capacity of 5,566.2 MW respectively. Clean and renewable energy projects (namely wind, solar, gas-fired, hydro and fuel cell projects) accounted for 67.7% of our attributable installed capacity; and conventional energy projects (namely coal-fired, oil-fired and cogen projects) accounted for 32.3% of our attributable installed capacity.

The following charts sets out the results of the Group (by fuel type):



Management Discussion and Analysis

Korea Gas-fired and Oil-fired projects

The utilization hours of our Korea gas-fired plants decreased from 2,578 hours to 2,168 hours during the first half of 2019, which was mainly due to higher reserve margins in Korea and lower demand for electricity. In addition, as a result of certain transmission line problems in some power companies of Korea operated by third parties in June 2018, more dispatch orders were allocated to our plants, which contributed to a higher level of power generation as well as revenue for the corresponding period in 2018. Profit attributable to the owners of the Company decreased from US$34.0 million to US$16.4 million, which was mainly attributable to the non-recurring one-off post tax gains of approximately US$17.8 million arising from the sale of carbon emission quota recorded during the corresponding period in 2018.

PRC Coal-fired, Cogen and Gas-fired projects

The increase in operating profit from US$7.1 million to US$16.1 million is mainly due to decrease in coal costs of the coal-fired and cogen projects as a result of decrease in market coal price. The substantial increase in profit for the period from US$10.1 million to US$28.5 million is mainly attributable to the substantial improvement of the results of associates as a result of both increase in local electricity demand and decrease in coal price.

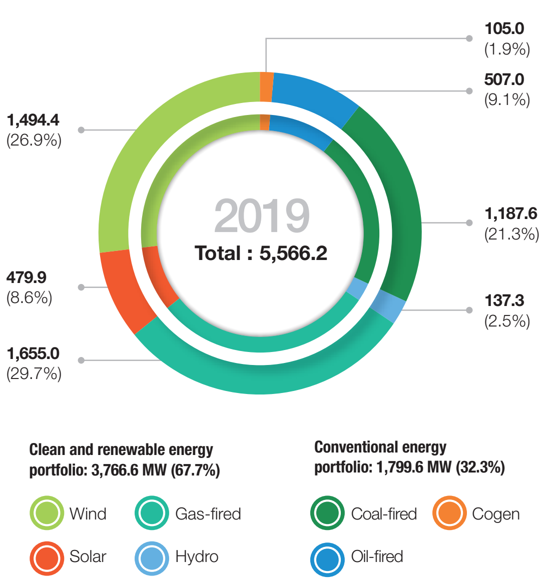
PRC Wind projects

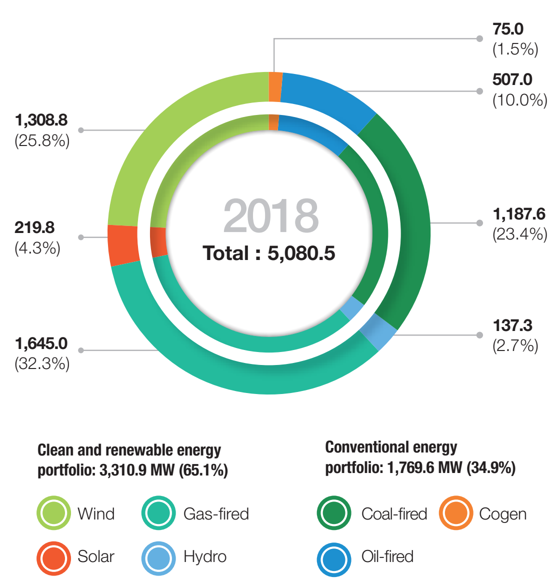
Starting from the second half of 2018, the Group's newly commissioned attributable installed capacity of wind projects amounted to 185.6 MW. The increase in revenue was mainly attributable to contribution from newly commissioned wind projects which amounted to US$7.7 million in the first half of 2019. With cost control measures in place, the operating profit and the profit for the period remained stable in the first half of 2019.

PRC Solar projects

Starting from the second half of 2018, the Group's newly commissioned attributable installed capacity amounted to 260.1 MW, which contributed US$19.2 million revenue in the first half of 2019. The substantial impact of the newly commissioned solar projects has also driven the operating profit to soar to US$23.4 million in the first half of 2019, representing an increase of US$9.0 million as compared with US$14.4 million in the first half of 2018.

The attributable installed capacity of the Group's power assets as at 30 June 2019 and 30 June 2018 by fuel type are set out as follows (MW):





Management Discussion and Analysis

Project Additions

As at 30 June 2019, the Group's attributable installed capacity reached 5,566.2 MW, representing an increase of 485.7 MW or 9.6% from the same period of last year, which included an attributable installed capacity of wind power of 1,494.4 MW, representing an increase of 185.6 MW or 14.2% from the same period of last year; whereas the attributable installed capacity of solar power amounted to 479.9 MW, representing an increase of 260.1 MW or 118.3% from the same period of last year. As at 30 June 2019, the consolidated installed capacity of the Group's power plants reached 4,820.0 MW.

In terms of wind power business development, during the first half of 2019, the Company's newly commissioned installed capacity of wind power amounted to 185.6 MW, including (1) the Haorun wind power project in Qinghai Province with a capacity of 50.0 MW; (2) the Yuzhou Changzhuang wind power project in Henan Province with a capacity of 76.0 MW ; (3) Ren County Phase I wind power project in Hebei Province with a capacity of 39.6 MW; and (4) the Fugou Caoli distributed wind power project in Henan Province with a capacity of 20.0 MW.

In terms of solar power business development, in the second half of 2018 and the first half of 2019, the newly commissioned installed capacity of solar power amounted to 213.5 MW and 84.2 MW respectively, including (1) the Zhenfeng photovoltaic project in Guizhou Province with a capacity of 30.0 MW; (2) the Ledu photovoltaic project in Qinghai Province with a capacity of 30.0 MW; (3) the Laoling Tieying II photovoltaic project in Shandong Province with a capacity of 20.0 MW; (4) two fishing-photovoltaic power projects, namely the Siyang Beichuan project in Jiangsu Province with a capacity of 31.0 MW and the Wenchang Liyang project in Hainan Province with a capacity of 16.8 MW; (5) the Wuhai photovoltaic frontrunner project with a capacity of 50.0 MW and three photovoltaic poverty alleviation projects, namely the Kezuo Zhongqi project with a capacity of 23.0 MW, the Chayou Zhongqi project with a capacity of 30.0 MW and the Chifeng New Golden Energy project with a capacity of 60.0 MW, in Inner Mongolia Autonomous Region; and (6) two distributed rooftop photovoltaic power projects, namely the XEMC project in Hunan Province with a capacity of 6.3MW and the Yan'an Airport project in Shaanxi Province with a capacity of 0.6 MW.

During the first half of 2019, the attributable installed capacity of the cogen projects of the Group increased by 30.0 MW, which was mainly due to completion of the expanded installed capacity of the Nantong cogen project in Jiangsu Province. Furthermore, the Group commenced commercial operation of the 10.0 MW Yulchon Fuel Cell Project (Phase IV) in Korea in November 2018.

The Company has been adhering to the principle of high-quality development and expedited project development. As at 30 June 2019, the capacity of projects under construction of the Company was approximately 400 MW, distributed in a number of provinces including Jiangsu Province, Henan Province, Jiangxi Province, Anhui Province etc. It is expected that the growth of new operating capacity in 2019 will be steady.

Onshore Development of Preliminary Projects

The policies on wind power and photovoltaic power industries experienced great changes in the first half of 2019. As grid parity and competitive bidding have become an inevitable trend in the new energy sector, all enterprises have to act as first movers for early deployment and new opportunities. The Company has followed in lockstep with the industry policies to facilitate development of large-scale bases and grid parity and competitive price bidding projects by taking actions and conducting promotion proactively. Favorable results have been achieved and resources reservation had been steadily increased. In the first half of 2019, the Company successfully won the bidding for 75 MW wind power projects. The Company's projects were included in the 2019 first batch of national indicative grid parity wind power and photovoltaic power projects with an installed capacity of 610 MW, among which photovoltaic power projects of 310 MW were filed, which provides a strong support to the onward sustainable development of the Company.

Management Discussion and Analysis

Offshore Wind Power

The offshore wind power development guidance opinions and the definite offshore wind power development plans have been expressly promulgated in the provinces with substantial offshore wind power projects in the PRC. The relevant enterprises have actively invested in offshore wind power, which accelerates the ongoing development of offshore projects. Offshore wind power is currently transiting from the "exploration model" to the "breakthrough model" and is ushering in a new era of competitive price bidding. In May 2019, the NDRC issued the Notice on Improving the Policies for Wind Power On-Grid Tariff（《關於完善風電上網電價政策的通知》）. For the inventories of offshore wind power project which were approved at the end of 2018 and will be all assembled and connected to the grid by the end of 2021, a tariff of RMB0.85 per kWh are guaranteed. Striving for early grid connection of the approved projects is now the goal of subsequent workstream.

As at 30 June 2019, the aggregate accumulated capacity of offshore wind power projects of the Company and those entrusted to be managed by the Company, which have been approved but not yet commenced construction, reached over 8,000 MW and were located in Guangdong Province, Jiangsu Province and Zhejiang Province. The Company's offshore wind power projects which have been approved but not yet commenced construction include the Rudong project H8# in Jiangsu Province with a capacity of 300 MW (with a shareholding of 60%) and Shengsi project 5#, 6# in Zhejiang Province with a capacity of 282 MW. The Company has formulated reasonable construction timelines for the projects and strived to complete grid connection within the designated construction periods in order to secure the high subsidized tariff and maximize its profit.

Electricity Generation

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

	For the six months ended 30 June	
	2019	2018
PRC wind projects	**1,565.2**	1,384.9
PRC solar projects	**419.3**	192.2
PRC coal-fired, cogen and gas-fired projects	**793.9**	816.9
PRC hydro projects	**472.9**	351.0
Korea gas-fired projects	**3,337.6**	3,978.8
Total	**6,588.9**	6,723.8

For the six months ended 30 June 2019, the electricity generated by the Group's consolidated power generation projects amounted to 6,588.9 GWh, representing a decrease of 2.0% from 6,723.8 GWh for the six months ended 30 June 2018. The decrease in electricity generation was mainly due to lower dispatch volume of the Korea gas-fired projects arising from higher reserve margins in Korea and lower demand for electricity. In June 2018, certain power providers in Korea operated by third parties encountered transmission issues. Accordingly, certain of their clients switched to use the Group's services in Korea, which caused a higher demand for electricity in June 2018. The electricity generated by wind power projects and solar power projects reached 1,565.2 GWh and 419.3 GWh, representing growth rates of 13.0% and 118.2% respectively. The increase in electricity generated was mainly contributed by the Group's newly commissioned wind and solar projects starting from the second half of 2018.

The total steam sold by the Group amounted to 1,734,000 tonnes, representing a slight decrease of 0.6% as compared with the six months ended 30 June 2018.

Management Discussion and Analysis

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

Average utilization hour by fuel type (1)

	For the six months ended 30 June	
	2019	2018
PRC Wind Projects (2)	**1,065**	1,052
PRC Solar Projects (3)	**777**	737
PRC Coal-fired Projects (4)	**2,443**	2,044
PRC Cogen Projects (5)	**2,205**	2,585
PRC Hydro Projects (6)	**2,408**	1,785
Korea Gas-fired Projects (7)	**2,168**	2,578

Notes:

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

(2) Average utilization hours of the PRC wind projects operating in Shandong Province, Zhejiang Province, Gansu Province, Henan Province and Qinghai Province were 1,122 hours, 846 hours, 1,049 hours, 1,364 hours and 1,020 hours respectively in the first half of 2019. Average utilization hour for the PRC wind power projects increased slightly mainly due to improvement in domestic wind power curtailment in Gansu Province in the first half of 2019, which is slightly offset by the unstable wind resources available in other provinces.

(3) Average utilization hours of the PRC solar projects operating in the Western region, the Central region and the Eastern region of the PRC were 850 hours, 375 hours and 553 hours respectively in the first half of 2019. Average utilization hour for the PRC solar power projects increased mainly because of the improvement in domestic solar power curtailment in the Western region in the first half of 2019, which is slightly offset by the unstable solar resources available in other provinces.

(4) Average utilization hour of the PRC coal-fired projects increased in the first half of 2019 due to substantial increase in electricity generation arising from increase in demand for electricity from the associates.

(5) Average utilization hour of the PRC cogen projects decreased mainly due to the gradual decrease of electricity generation of a PRC cogen project which has been closed in April 2019.

(6) Average utilization hour of the PRC hydro projects increased substantially in the first half of 2019 mainly due to better water resources in Guangxi Zhuang Autonomous Region.

(7) Our Korea gas-fired power projects had lower utilization hour in the first half of 2019 mainly due to the lower electricity generation by Yulchon I Power Project & Yulchon II Power Project as a result of the higher reserve margins in Korea and lower demand for electricity. In June 2018, certain power providers in Korea operated by third parties encountered transmission issues. Accordingly, certain of their clients switched to use the Group's services in Korea, which caused a higher demand for electricity in June 2018.

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 periods indicated:

Weighted average tariff – Electricity (inclusive of VAT) [(1)]

		For the six months ended 30 June	
	Unit	**2019**	2018
PRC Wind Projects [(2)]	RMB per kWh	**0.49**	0.51
PRC Solar Projects [(3)]	RMB per kWh	**0.84**	1.06
PRC Coal-fired Projects	RMB per kWh	**0.44**	0.43
PRC Cogen Projects [(4)]	RMB per kWh	**0.48**	0.47
PRC Hydro Projects	RMB per kWh	**0.33**	0.35
Korea Gas-fired Projects [(5)]	KRW per kWh	**126.86**	114.71

Weighted average tariff – Steam (inclusive of VAT) [(1)]

PRC Cogen Projects [(6)]	RMB per ton	**225.45**	222.50

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. The VAT of electricity in the PRC decreased from 16% to 13% starting from April 2019, meanwhile the VAT of steam in the PRC decreased from 10% to 9% starting from April 2019.

(2) The weighted average tariff of our PRC wind projects decreased in the first half of 2019 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 the first half of 2019 due to keen competition in electricity bid trading. In addition, the tariff of newly commissioned solar projects is generally lower, which therefore led to the drop in weighted average tariff.

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

(5) The weighted average tariff for Korea gas-fired projects includes the tariff for the 25.4 MW fuel cell projects owned by Yulchon I Power Project. The increase in weighted average tariff of Korea gas-fired projects in the first half of 2019 was in line with the increase in Korea gas price during the same period.

(6) The increase in the weighted average tariff of steam in the first half of 2019 was in line with the increase in PRC gas price during the same period.

Management Discussion and Analysis

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

		For the six months ended 30 June	
	Unit	**2019**	2018
PRC weighted average standard coal price (1) (2)	RMB per ton	**815.47**	847.88
Korea weighted average gas price (1) (3)	KRW per Nm^3	**613.42**	573.86

Notes:

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

(2) The PRC weighted average standard coal price in the first half of 2019 decreased compared to the first half of 2018 due to decrease in market coal price.

(3) Our Korea weighted average gas price in the first half of 2019 increased compared to the first half of 2018 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.

Social Responsibility

The Company has been earnestly fulfilling its corporate social responsibility and taking the initiative to lead the healthy development of the industry. In May 2019, the Company and Energy Magazine（《能源》雜誌社）jointly held the 2019 China Wind Power Industry Innovation and Development Forum with a theme of "Technological innovation leading a new trend in the era of competitive bidding and grid parity for wind power". It aimed at gathering together the wind power industry experts and mainstream enterprise representatives to discuss the development path of wind power in this new era.

Brand Promotion: Recognitions and Awards

Adhering to the basic principles of "Safety First", "Quality Foremost" and "Pursuing Excellence" and the core value of "Doing Things Right in One Go", the Company has determined its path of pursuing high-quality development.

In May 2019, the Company's Wuhai photovoltaic infrastructure project with a capacity of 50.0 MW in Inner Mongolia Autonomous Region won the "2019 China Quality Power Project", which is the first photovoltaic power project located in a mountain area in China winning such award. In May, the Company won three awards in the 5th HKIRA IR Awards 2019 organized by the Hong Kong Investor Relations Association (HKIRA), namely the "Best IR by Chairman/CEO" award, the "Best IR Company" award and the "Best Investor Meeting" award, which fully demonstrated the recognition across sectors of the Company's excellent performance in the capital market of Hong Kong over the past year. In June, the Company received the "Best Board Secretary" award in the 2019 China Financial Market Listed Companies Awards.

Management Discussion and Analysis

III. OPERATING RESULTS AND ANALYSIS

In the first half of 2019, the revenue of the Group amounted to US$662.0 million, representing a decrease of 4.2% compared with US$690.7 million of the first half of 2018. The profit attributable to the owners of the Company amounted to US$73.4 million, representing an increase of US$4.6 million or 6.7% as compared with US$68.8 million of the first half of 2018.

In the first half of 2019, the profit for the period of the Group amounted to US$76.7 million, representing an increase of US$7.0 million or 10.0% as compared with US$69.7 million of the first half of 2018.

Revenue

In the first half of 2019, the revenue of the Group amounted to US$662.0 million, representing a decrease of 4.2% compared with US$690.7 million of the first half of 2018. Revenue derived from Korea amounted to US$391.2 million, representing a decrease of 11.7% as compared with US$443.0 million of the first half of 2018. The decrease in revenue was mainly attributable to the lower electricity generation by Yulchon I & II Power Projects as a result of the higher reserve margins in Korea and lower demand for electricity. Revenue derived from the power projects in the PRC amounted to US$257.0 million, representing an increase of 8.2% as compared with US$237.5 million of the first half of 2018, mainly attributable to the increased utilization hours and newly commissioned installed capacity.

Operating Expenses

In the first half of 2019, the operating expenses of the Group amounted to US$531.9 million, representing a decrease of 8.7% compared with US$582.8 million of the first half of 2018. The decrease in operating expenses was mainly due to the decrease in gas consumption of our Yulchon I & II Power Projects which was in line with the decrease in electricity generation during the same period. In addition, the drop in coal price of the coal-fired and cogen projects have led to the decrement in operating costs.

Operating Profit

In the first half of 2019, the operating profit, which is equal to revenue minus operating expenses, of the Group amounted to US$130.0 million, representing an increase of US$22.1 million or 20.5% compared with US$107.9 million of the first half of 2018. The increase in operating profit was mainly caused by (1) the significant improvement of dispatch volume contributed by the newly operated solar projects; and (2) savings from the lowered coal price of the coal-fired and cogen projects.

Other Income

Other income mainly represented interest income, government grants and the refund of value added tax. In the first half of 2019, other income of the Group amounted to US$7.9 million, representing a significant decrease of US$22.4 million compared with US$30.3 million of the first half of 2018. The significant decrease in other income was mainly due to the non-recurring one-off gains of approximately US$23.4 million from the sale of carbon emission quota of the Korea projects incurred in the first half of 2018.

Finance Costs

In the first half of 2019, the finance costs of the Group amounted to US$59.7 million, representing an increase of 12.4% compared with US$53.1 million of the first half of 2018. The increase in finance costs was mainly attributable to the increase in weighted average balances of bank borrowings and loans from fellow subsidiaries.

Management Discussion and Analysis

Share of Results of Associates

In the first half of 2019, the share of results of associates amounted to US$17.5 million, representing an increase of US$11.8 million compared with US$5.7 million in the first half of 2018. The significant increase in profit of the associates was mainly due to the substantial increase in local electricity demand and lowered coal costs during the period.

Income Tax Expenses

In the first half of 2019, the income tax expenses of the Group amounted to US$19.0 million, representing a decrease of US$2.8 million compared with US$21.8 million of the first half of 2018.

Liquidity and Capital Resources

The Group's bank balances and cash slightly decreased from US$246.8 million as at 31 December 2018 to US$245.8 million as at 30 June 2019, which was primarily due to the cash generated from financing activities being offset by cash used in investing activities during the said period.

Net Debt/Equity Ratio

The Group's net debt/equity ratio increased from 2.58 as at 31 December 2018 to 2.66 as at 30 June 2019, which was due to the increase in net debt (which equals to total debt less available cash) as a result of increase in bank borrowings and loans from fellow subsidiaries.

Interim Dividend

The Board resolved not to declare an interim dividend for the six months ended 30 June 2019.

Earnings per Share

	For the six months ended 30 June	
	2019 ***US cents***	2018 *US cents*
Earnings per share, basic and diluted – calculated based on the number of ordinary shares for the period	**1.71**	1.60
	US$'000	*US$'000*
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**73,373**	68,789
	'000	*'000*
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,290,824**	4,290,824

Management Discussion and Analysis

Non-current assets Classified as Held for Sale

On 8 May 2019, the Group entered into an agreement with an independent third party, committee of Haian National Economic And Technical Development Zone, to dispose of one of the Group's construction lands in the PRC. The assets attributable to the construction land that are expected to be sold within twelve months from the end of the reporting period have been classified as non-current assets classified as held for sale and are separately presented in the condensed consolidated statement of financial position.

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised.

Major classes of assets as at the end of the reporting period are as follows:

	As at 30 June 2019 ***US$'000***
Property, plant and equipment	**9,015**
Right-of-use assets	**1,027**
Total assets classified as held for sale	**10,042**

Trade Receivables

	As at	
	30 June 2019 ***US$'000***	31 December 2018 *US$'000*
Trade receivables	**351,038**	310,025
Less: allowance for credit losses	**(1,545)**	(1,550)
	349,493	308,475

Management Discussion and Analysis

The following is an ageing 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.

	As at	
	30 June 2019 *US$'000*	31 December 2018 *US$'000*
0 – 60 days	**185,180**	159,815
61 – 90 days	**14,833**	11,101
91 – 180 days	**15,157**	26,646
181 – 270 days	**42,065**	57,785
Over 270 days	**92,258**	53,128
	349,493	308,475

Trade Payables

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

	As at	
	30 June 2019 *US$'000*	31 December 2018 *US$'000*
0 – 60 days	**103,527**	105,878
61 – 90 days	**1,038**	1,472
Over 90 days	**44,877**	57,712
Total	**149,442**	165,062

The average credit period on purchases of goods was 36 days (31 December 2018: 32 days) for the six months ended 30 June 2019. 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$3,164.7 million as at 31 December 2018 to US$3,402.2 million as at 30 June 2019. The increase was mainly due to the addition of property, plant and equipment and increase in other non-current assets during the six months ended 30 June 2019.

Current assets increased from US$974.4 million as at 31 December 2018 to US$1,020.1 million as at 30 June 2019. The increase was mainly attributable to the increase in trade receivables and contract assets.

Current liabilities increased from US$805.5 million as at 31 December 2018 to US$973.1 million as at 30 June 2019, which was mainly due to the drawing of loan from a fellow subsidiary and increase in other payables and accruals.

Non-current liabilities increased from US$2,379.3 million as at 31 December 2018 to US$2,450.7 million as at 30 June 2019, which was mainly attributable to the increase in long term bank borrowings.

Management Discussion and Analysis

Bank Borrowings

The Group's total bank borrowings increased from US$1,964.9 million as at 31 December 2018 to US$2,049.4 million as at 30 June 2019. Details of bank borrowings are as follows:

	As at	
	30 June 2019	31 December 2018
	US$'000	*US$'000*
Secured	**1,726,238**	1,728,830
Unsecured	**323,148**	236,115
	2,049,386	1,964,945
The maturity profile of bank borrowings is as follows:		
Within one year	**376,797**	347,345
More than one year but not exceeding two years	**271,394**	271,637
More than two years but not exceeding five years	**555,752**	523,216
Over five years	**845,443**	822,747
	2,049,386	1,964,945
Less: Amounts due for settlement within one year shown under current liabilities	**(376,797)**	(347,345)
Amounts due for settlement after one year	**1,672,589**	1,617,600

As at 30 June 2019, the Group had committed unutilised banking facilities of US$1,074.9 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 5.88% (31 December 2018: 1.75% to 6.62%) per annum during the six months ended 30 June 2019. The analysis of bank borrowings with fixed interest rate and floating interest rate is analysed below:

	30 June 2019	31 December 2018
	US$'000	*US$'000*
Fixed interest rate	**210,200**	419,421
Floating interest rate	**1,839,186**	1,545,524
	2,049,386	1,964,945

Management Discussion and Analysis

Loans from Fellow Subsidiaries

Loan from China Clean Energy Development Limited, a fellow subsidiary of the Company, amounting to US$450.0 million as at 30 June 2019 and 31 December 2018, is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 30 June 2019 and 31 December 2018.

Loan from CGNPC Huasheng Investment Limited, a fellow subsidiary of the Company, amounting to US$250.0 million as at 30 June 2019 and 31 December 2018, is unsecured, interest bearing at three-month London Interbank Offered Rate plus 1.3% per annum and repayable in 2021. It is shown as non-current liability as at 30 June 2019 and 31 December 2018.

As at 31 December 2018, the Group had a 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 a year and is shown as current liability. During the first half of 2019, the RMB300.0 million loan has been repaid to CGN Finance Co., Ltd. in full and the Group has drawn another RMB1,000.0 million from the same entity, which is unsecured, interest bearing at 4.00% per annum, repayable in a year and is shown as current liability as at 30 June 2019.

Capital Expenditures

The Group's capital expenditures increased by US$85.8 million to US$233.9 million in the first half of 2019 from US$148.1 million in the first half of 2018, which was mainly due to the increased capital expenditures incurred by the wind and solar power projects as well as the Korea biomass energy project.

Contingent Liabilities

As at 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

Pledged Assets

The Group pledged certain property, plant and equipment, trade receivables, right-of-use assets, contract assets and bank deposits for credit facilities granted to the Group. As at 30 June 2019, the total book value of the pledged assets amounted to US$2,787.2 million.

Employees and Remuneration Policy

As at 30 June 2019, the Group had about 1,649 full-time employees, the majority of which were based in China. The Group provides its employees with salaries and bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes.

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

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

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

Management Discussion and Analysis

IV. RISK FACTORS AND MANAGEMENT

Risks Relating to the Industry

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

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

Risk Relating to Fuel Cost

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

Interest Rate Risk

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

Foreign Exchange Risk

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

On 3 July 2018, CGN Daesan 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, during the settlement period from 31 October 2018 to 30 August 2022. Please refer to the announcement of the Company dated 3 July 2018 for further details.

Management Discussion and Analysis

V. PROSPECTS

The Group will continue to develop and acquire clean and renewable energy power generation projects with stable returns and enhance the core capacity in operating and maintaining wind and solar power businesses with the aim of improving its competitiveness and market position in the non-nuclear clean energy industry.

2019 is a year of massive changes in the renewable energy market environment. Under the new trend of grid parity and competitive bidding, the Company will continue its business approach of quality and sustainable development to ride out the transitional period of grid parity and low price and reward its shareholders with excellent business results. First, it will respond actively to the new trend of grid parity by capitalizing on high-quality resource reserves and applying on-grid projects with grid parity and competitive bidding; second, with an emphasis on quality development, it will set up a quality rating mechanism for investment projects to strictly control the quality of investment projects, under which investment schedule will be determined based on the projects' quality rating, whereby high quality projects shall be given priority; third, for facilitating the full-fledged development of projects, it will build a refined management system for project construction to keep improving the level of project management and control and strengthen full-process supervision and pre-judgment of infrastructure projects; fourth, it will fortify the foundation of safe production to improve operation and maintenance management standards and to ensure efficient and stable operation of the equipment; fifth, it will build and fully implement a safety, quality and environmental protection responsibility system to continuously strengthen implementation and supervision of safety responsibility at all levels and promote professional, standardized and information-based management of safety, quality and environmental protection across all businesses; sixth, it will comprehensively improve its ability in cost control, lean management and cost-effective control to keep enhancing its market competitiveness.

EVENT OCCURRING AFTER THE REPORTING PERIOD

No important event or transaction affecting the Group has taken place after 30 June 2019.

Other Information

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2019.

COMPLIANCE WITH MODEL CODE

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

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards in respect of securities transactions by the Directors set out in the Model Code and the Code during the six months ended 30 June 2019.

REVIEW OF INTERIM RESULTS

The Group's interim results and the unaudited consolidated interim financial report for the six months ended 30 June 2019 have been reviewed by the audit committee of the Company and the auditor of the Company, Deloitte Touche Tohmatsu.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in options relating to ordinary Shares of the Company

Name of Director/Chief Executive	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%
Li Yilun	Beneficial owner *(Note i)*	210,000 share options	0.01%
Yao Wei	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 26 under "Share Option Scheme" in this report.

(ii) The approximate percentage of interests held was calculated on the basis of 4,290,824,000 ordinary Shares in issue as at 30 June 2019.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executive of the Company, as of 30 June 2019, the following persons, other than the Directors and the chief executive of the Company, had or were deemed or taken to have interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

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

Notes:

(1) CGN indirectly holds 100% of the total issued share capital of CGN Energy International. As informed by CGN, CGN was deemed to be interested in 3,130,096,000 Shares, in which 3,101,800,000 Shares were held directly by CGN Energy International (a controlled corporation of CGNPC International), and 28,296,000 Shares were held by certain other companies that are controlled directly or indirectly by CGN. There could be a difference between the shareholding of CGN in the Company as at 30 June 2019 and the disclosure of interest information disclosed on the website of the Stock Exchange, as the disclosure of interest information disclosed on the website of the Stock Exchange represents information disclosed by CGN pursuant to its obligation under Section 336 of the SFO only. For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against CGNPC International and CGN Energy International represented the same block of Shares.

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

(3) Save as disclosed in the section headed "Biographies of Directors and Members of the General Manager Office" in the 2018 annual report of the Company, as of the date of this report, none of the Directors is a director or employee of a company which had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CHANGES OF INFORMATION OF DIRECTORS

The changes in information of the Directors subsequent to the date of the 2018 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. Yang Xiaosheng ceased to act as an independent non-executive director of 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) and Xinjiang Goldwind Science & Technology Co., Ltd.（新疆金風科技有限公司）(a company listed on the Stock Exchange, Stock Code: 2208) on 21 May 2019 and 22 June 2019 respectively.

2. Mr. Wang Minhao ceased to act as a member of Party Standing Committee on 25 February 2019 and the deputy general manager of Power Construction Corporation of China（中國電力建設集團（股份）有限公司）on 29 March 2019 respectively. He also ceased to act as the chairman and legal representative of the Powerchina Water Environment Governance Co., Ltd.（中電建水環境治理技術有限公司）on 16 May 2019.

Other Information

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

SHARE OPTION SCHEME

As at 30 June 2019, the Company had 8,650,002 share options (the "**Options**") outstanding under the share option scheme of the Company adopted on 24 November 2015 (the "**Share Option Scheme**").

Particulars of the Options outstanding under the Share Option Scheme at the beginning and at the end of the period for the six months ended 30 June 2019 and the Options granted, exercised, lapsed or cancelled under the Share Option Scheme are set out as below:

		Number of Share Options								
Grantee	**Date of grant**	**as at 1 January 2019**	**Granted during the six months ended 30 June 2019**	**Exercised during the six months ended 30 June 2019**	**Lapsed during the six months ended 30 June 2019**	**Cancelled during the six months ended 30 June 2019**	**as at 30 June 2019**	**Exercise price per share** *(HK$)*	**Closing price per share immediately before the date of grant** *(HK$)*	**Exercise period**
Chen Sui	8 December 2015	233,334	–	–	–	–	233,334	1.612	1.640	*Note*
Li Yilun	8 December 2015	210,000	–	–	–	–	210,000	1.612	1.640	*Note*
Yao Wei	8 December 2015	210,000	–	–	–	–	210,000	1.612	1.640	*Note*
Employees	8 December 2015	8,290,000	–	–	293,332	–	7,996,668	1.612	1.640	*Note*
		8,943,334	–	–	293,332	–	8,650,002			

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

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

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CGN New Energy Holdings Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 28 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 US$'000 (Unaudited)	2018 US$'000 (Unaudited)
Revenue	3	**661,960**	690,717
Operating expenses:			
Coal, oil and gas		**369,733**	420,775
Depreciation of property, plant and equipment		**80,171**	80,719
Repair and maintenance		**17,853**	20,096
Staff costs		**35,177**	31,470
Others		**28,982**	29,751
Total operating expenses		**531,916**	582,811
Operating profit		**130,044**	107,906
Other income		**7,939**	30,313
Other gains and losses		**(74)**	690
Finance costs		**(59,731)**	(53,127)
Share of results of associates		**17,496**	5,651
Profit before tax		**95,674**	91,433
Income tax expense	4	**(18,950)**	(21,768)
Profit for the period	5	**76,724**	69,665
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(24,464)**	(25,164)
Fair value gain on hedging instruments designated as cash flow hedge	18	**12,822**	–
Deferred tax expense arising on fair value gain on hedging instruments	18	**(3,103)**	–
Reclassification adjustments for amounts transferred to profit or loss			
– release of hedging reserve		**(62)**	(66)
– deferred tax credit arising on release of hedging reserve		**15**	16
Other comprehensive expenses for the period		**(14,792)**	(25,214)
Total comprehensive income for the period		**61,932**	44,451
Profit for the period attributable to:			
Owners of the Company		**73,373**	68,789
Non-controlling interests		**3,351**	876
		76,724	69,665
Total comprehensive income for the period attributable to:			
Owners of the Company		**59,030**	43,422
Non-controlling interests		**2,902**	1,029
		61,932	44,451
Earnings per share			
– Basic *(US cents)*	7	**1.71**	1.60
– Diluted *(US cents)*	7	**1.71**	1.60

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	As at 30 June 2019 US$'000 (Unaudited)	As at 31 December 2018 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**2,796,508**	2,676,298
Right-of-use assets	8	**69,699**	–
Prepaid lease payments		**–**	48,258
Goodwill		**169,362**	169,976
Interests in associates		**180,631**	163,983
Derivative financial instruments	18	**8,203**	–
Deferred tax assets		**21,418**	22,503
Other non-current assets		**156,362**	83,698
		3,402,183	3,164,716
CURRENT ASSETS			
Inventories		**30,256**	31,474
Prepaid lease payments		**–**	3,087
Trade receivables	9	**349,493**	308,475
Contract assets	10	**42,988**	20,962
Other receivables and prepayments		**178,890**	165,915
Amounts due from associates	11	**13,200**	13,126
Amounts due from fellow subsidiaries	11	**25,512**	10,688
Tax recoverable		**4,060**	729
Derivative financial instruments	18	**634**	16
Pledged bank deposits	12	**116,632**	166,847
Short-term bank deposits	12	**2,589**	6,247
Bank balances and cash	12	**245,825**	246,786
		1,010,079	974,352
Non-current assets classified as held for sale	13	**10,042**	–
		1,020,121	974,352
CURRENT LIABILITIES			
Trade payables	14	**149,442**	165,062
Other payables and accruals		**274,234**	221,515
Amounts due to fellow subsidiaries	11	**2,878**	3,001
Amounts due to non-controlling shareholders – due within one year	11	**7,614**	8,997
Loan from a fellow subsidiary – due within one year	15	**145,176**	43,711
Bank borrowings – due within one year	16	**376,797**	347,345
Lease liabilities		**4,660**	–
Government grants		**196**	824
Contract liabilities		**1,557**	2,058
Tax payable		**10,437**	12,730
Derivative financial instruments	18	**99**	270
		973,090	805,513
NET CURRENT ASSETS		**47,031**	168,839
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,449,214**	3,333,555

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	**As at 30 June 2019 US$'000 (Unaudited)**	As at 31 December 2018 US$'000 (Audited)
NON-CURRENT LIABILITIES			
Amount due to a non-controlling shareholder			
– due after one year	11	**905**	909
Loans from fellow subsidiaries			
– due after one year	15	**700,000**	700,000
Bank borrowings – due after one year	16	**1,672,589**	1,617,600
Lease liabilities		**15,702**	–
Government grants		**10,105**	9,924
Contract liabilities		**69**	73
Deferred tax liabilities		**51,297**	45,906
Derivative financial instruments	18	**27**	4,859
		2,450,694	2,379,271
NET ASSETS		**998,520**	954,284
CAPITAL AND RESERVES			
Share capital	17	**55**	55
Reserves		**903,012**	865,775
Equity attributable to owners of the Company		**903,067**	865,830
Non-controlling interests		**95,453**	88,454
TOTAL EQUITY		**998,520**	954,284

Condensed Consolidated Statement of Changes in Equity

At 30 June 2019

	Attributable to owners of the Company									
	Share capital *US$'000*	**Share premium** *US$'000*	**Share option reserve** *US$'000*	**Other non-distributable reserves** *US$'000* *(Note a)*	**Hedging reserve** *US$'000*	**Translation reserve** *US$'000*	**Accumulated profits** *US$'000*	**Total** *US$'000*	**Non-controlling interests** *US$'000*	**Total equity** *US$'000*
At 1 January 2018 (audited)	55	250,406	2,032	10,986	830	66,522	545,063	875,894	84,481	960,375
Profit for the period	–	–	–	–	–	–	68,789	68,789	876	69,665
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(25,317)	–	(25,317)	153	(25,164)
Release of hedging reserve	–	–	–	–	(66)	–	–	(66)	–	(66)
Deferred tax credit arising on release of hedging reserve	–	–	–	–	16	–	–	16	–	16
Total comprehensive (expenses) income for the period	–	–	–	–	(50)	(25,317)	68,789	43,422	1,029	44,451
Dividend recognised as distribution *(note 6)*	–	–	–	–	–	–	(15,447)	(15,447)	–	(15,447)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(80)	(80)
Recognition of equity-settled share-based payment	–	–	221	–	–	–	–	221	–	221
At 30 June 2018 (unaudited)	55	250,406	2,253	10,986	780	41,205	598,405	904,090	85,430	989,520
At 1 January 2019 (audited)	**55**	**250,406**	**2,565**	**11,929**	**(2,944)**	**(13,065)**	**616,884**	**865,830**	**88,454**	**954,284**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**73,373**	**73,373**	**3,351**	**76,724**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(24,015)**	**–**	**(24,015)**	**(449)**	**(24,464)**
Fair value gain on hedging instruments designated as cash flow hedge	**–**	**–**	**–**	**–**	**12,822**	**–**	**–**	**12,822**	**–**	**12,822**
Deferred tax expense arising on fair value gain on hedging instruments	**–**	**–**	**–**	**–**	**(3,103)**	**–**	**–**	**(3,103)**	**–**	**(3,103)**
Release of hedging reserve	**–**	**–**	**–**	**–**	**(62)**	**–**	**–**	**(62)**	**–**	**(62)**
Deferred tax credit arising on release of hedging reserve	**–**	**–**	**–**	**–**	**15**	**–**	**–**	**15**	**–**	**15**
Total comprehensive income (expenses) for the period	**–**	**–**	**–**	**–**	**9,672**	**(24,015)**	**73,373**	**59,030**	**2,902**	**61,932**
Dividend recognised as distribution *(note 6)*	**–**	**–**	**–**	**–**	**–**	**–**	**(21,883)**	**(21,883)**	**–**	**(21,883)**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(471)**	**(471)**
Recognition of equity-settled share-based payment	**–**	**–**	**90**	**–**	**–**	**–**	**–**	**90**	**–**	**90**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,568**	**4,568**
At 30 June 2019 (unaudited)	**55**	**250,406**	**2,655**	**11,929**	**6,728**	**(37,080)**	**668,374**	**903,067**	**95,453**	**998,520**

Note:

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**72,025**	125,508
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(255,682)**	(148,133)
Placement of pledged bank deposits	**(116,632)**	(57,040)
Withdrawal of pledged bank deposits	**166,847**	89,983
Withdrawal of short-term bank deposits	**3,658**	–
Interest received	**2,826**	1,565
Proceeds from disposal of property, plant and equipment	**31**	8
Placement of short-term bank deposits	**–**	(59,089)
Addition of prepaid lease payments	**–**	(837)
NET CASH USED IN INVESTING ACTIVITIES	**(198,952)**	(173,543)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(428,202)**	(63,058)
Interest paid	**(59,731)**	(52,940)
Repayment to a fellow subsidiary	**(44,206)**	–
Dividends paid to shareholders	**(21,883)**	(15,447)
Repayment of lease liabilities	**(1,987)**	–
Dividends paid to non-controlling shareholders	**(471)**	(1,541)
New bank borrowings raised	**541,453**	182,747
Loan from a fellow subsidiary	**145,176**	152,922
Capital contribution from non-controlling shareholders	**4,568**	–
NET CASH FROM FINANCING ACTIVITIES	**134,717**	202,683
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,790**	154,648
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**246,786**	242,825
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(8,751)**	(14,695)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**245,825**	382,778
Represented by:		
Bank balances and cash	**245,825**	382,778

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

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

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

As at 30 June 2019, the Company's ultimate and immediate holding companies are China General Nuclear Power Corporation ("**CGN**") and CGN Energy International Holdings Co., Limited respectively.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Application of new and amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group' s condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of residential units and other premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee *(Continued)*

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. The Group has recognised the right-of-use assets at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group has chosen, on a lease-by-lease basis, to measure that the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before the date of initial application.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of land and buildings in the People's Republic of China (the "**PRC**") was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessee *(Continued)*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.08% per annum.

On transition, the Group has made the following adjustments upon application of IFRS 16:

	At 1 January 2019 *US$'000*
Operating lease commitments disclosed as at 31 December 2018	23,203
Less: Recognition exemption – short-term leases	(5,770)
	17,433

	At 1 January 2019 *US$'000*
Lease liabilities discounted at relevant incremental borrowing rates	15,344
Add: Lease liabilities resulting from modifications of existing leases prior to 1 January 2019	6,818
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	22,162
Analysed as:	
Current	4,672
Non-current	17,490
	22,162

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets US$'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		22,162
Reclassified from prepaid lease payments	(a)	51,345
Reclassified from prepaid rent for land and buildings	(b)	6,145
		79,652
By class:		
Leasehold lands		51,345
Land and buildings		28,307
		79,652

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to US$3,087,000 and US$48,258,000 respectively were reclassified to right-of-use assets.

(b) Prepaid rent for land and buildings in the PRC in which the Group leased from third parties under operating leases were classified as other receivables and other non-current assets as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid rent for land and buildings amounting to US$1,043,000 and US$5,102,000 were reclassified to right-of-use assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The directors of the Company consider that the adoption of IFRS 16 to the Group as a lessor does not have material impact on the Group's financial performance and positions for the current interim period and/or on the disclosures set out in these condensed consolidated financial statements.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018** *US$'000*	**Adjustments** *US$'000*	**Carrying amounts under IFRS 16 at 1 January 2019** *US$'000* *(Note c)*
Non-current assets				
Prepaid lease payments	(a)	48,258	(48,258)	–
Right-of-use assets		–	79,652	79,652
Other non-current assets	(b)	5,102	(5,102)	–
Current assets				
Prepaid lease payments	(a)	3,087	(3,087)	–
Other receivables and prepayments	(b)	1,043	(1,043)	–
Current liabilities				
Lease liabilities		–	4,672	4,672
Non-current liabilities				
Lease liabilities		–	17,490	17,490

Note:

(c) For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. 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$'000*	Six months ended 30 June 2019 Total *US$'000* (Unaudited)
Types of goods and services				
Sales of electricity	120,177	328,691	–	448,868
Tariff income	74,139	–	–	74,139
Sales of steam	62,693	–	–	62,693
Capacity charges	–	62,462	–	62,462
Connection charges and others	24	–	–	24
Management service income	–	–	13,774	13,774
	257,033	391,153	13,774	661,960
Timing of revenue recognition				
At a point in time	257,009	328,691	–	585,700
Over time	24	62,462	13,774	76,260
	257,033	391,153	13,774	661,960

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

	Power plants in the PRC	Power plants in Korea	Management companies	Six months ended 30 June 2018 Total
	US$'000	*US$'000*	*US$'000*	*US$'000* (Unaudited)
Types of goods and services				
Sales of electricity	122,454	372,926	–	495,380
Tariff income	57,989	–	–	57,989
Sales of steam	56,998	–	–	56,998
Capacity charges	–	70,062	–	70,062
Connection charges and others	47	–	–	47
Management service income	–	–	10,241	10,241
	237,488	442,988	10,241	690,717
Timing of revenue recognition				
At a point in time	237,441	372,926	–	610,367
Over time	47	70,062	10,241	80,350
	237,488	442,988	10,241	690,717

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

Segment revenue and segment results

The 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 electricity and/or steam are distributed and sold to similar classes of customers, provide similar consulting services to customers, their segment information is aggregated into a single reportable operating segment. The Group has three reportable segments as follows:

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and segment results *(Continued)*

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

Six months ended 30 June 2019 (Unaudited)

	Power plants in the PRC *US$'000*	**Power plants in Korea** *US$'000*	**Management companies** *US$'000*	**Total** *US$'000*
Segment revenue – external	**257,033**	**391,153**	**13,774**	**661,960**
Segment results	**74,559**	**21,755**	**656**	**96,970**
Unallocated other income				**2,891**
Unallocated operating expenses				**(4,536)**
Unallocated finance costs				**(17,073)**
Unallocated other gains and losses				**(74)**
Share of results of associates				**17,496**
Profit before tax				**95,674**

Six months ended 30 June 2018 (Unaudited)

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	237,488	442,988	10,241	690,717
Segment results	60,439	44,136	488	105,063
Unallocated other income				3,187
Unallocated operating expenses				(5,789)
Unallocated finance costs				(17,369)
Unallocated other gains and losses				690
Share of results of associates				5,651
Profit before tax				91,433

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of certain other income, 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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	**17,517**	20,018
Dividend withholding tax – current period	**900**	672
Deferred tax:		
Current period	**533**	1,078
	18,950	21,768

The Company is exempted from taxation in Bermuda.

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

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

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

Pursuant to KCIT law, the statutory income tax of the Group's Korean subsidiaries was calculated at a rate of 24.2% of the estimated assessable profit for the six months ended 30 June 2019 and 2018.

Pursuant to Hong Kong tax law, the statutory income tax was calculated at a rate of 16.5% of the estimated assessable profit for the six months ended 30 June 2019 and 2018. Pursuant to the tax laws in Republic of Malta and in Mauritius, the statutory income tax was calculated at a rate of 35% and 15%, respectively, for the six months ended 30 June 2019 and 2018. However, subsidiaries of the Group operating in these jurisdictions had not generated taxable income during both periods and therefore, no tax provision had been made by the Group in relation to these subsidiaries.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. INCOME TAX EXPENSE *(Continued)*

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**80,171**	80,719
Depreciation of right-of-use assets	**3,989**	–
Release of prepaid lease payments	**–**	1,677
Operating lease rental in respect of premises	**660**	4,556
Change in fair value of the derivative financial instruments (included in other gains and losses)	**–**	(681)
Income from sale of carbon emission quota	**–**	23,442
Staff costs		
– salaries and wages	**30,663**	26,770
– retirement benefits scheme contributions	**4,514**	4,700
Total staff costs	**35,177**	31,470

6. DIVIDEND

During the six months ended 30 June 2019 and 30 June 2018, a final dividend of US0.51 cent and US0.36 cent per share, amounting to US$21,883,000 and US$15,447,000, respectively, in respect of the years ended 31 December 2018 and 31 December 2017 respectively was declared and paid.

Subsequent to the end of the reporting period, the board of directors resolved not to declare an interim dividend for the six months ended 30 June 2019 (30 June 2018: nil).

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For the six months ended 30 June 2019

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**73,373**	68,789

	Six months ended 30 June	
	2019	2018
Number of shares:		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,290,824,000**	4,290,824,000

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market prices of shares during the six months ended 30 June 2019 and 2018.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

For the six months ended 30 June 2019, the Group acquired plant and equipment with aggregated cost of approximately US$233,946,000 (30 June 2018: approximately US$148,133,000).

For the six months ended 30 June 2019, the Group disposed of certain plant and machinery with aggregated carrying amount of approximately US$171,000 (30 June 2018: approximately US$101,000) for cash proceeds of approximately US$31,000 (30 June 2018: US$8,000), resulting in a loss on disposal of approximately US$140,000 (30 June 2018: loss of approximately US$93,000).

During the current interim period, the Group entered into the new lease agreements for the use of land and buildings, residential units and other premises for 1 to 12 years. On lease commencement, the Group recognised right-of-use assets of US$6,601,000 and lease liabilities of US$6,603,000.

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For the six months ended 30 June 2019

9. TRADE RECEIVABLES

	30 June 2019 US$'000 (Unaudited)	31 December 2018 US$'000 (Audited)
Trade receivables	**351,038**	310,025
Less: allowance for credit losses	**(1,545)**	(1,550)
	349,493	308,475

The Group allows a credit period from 30 to 90 days throughout the period to its trade customers.

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.

	30 June 2019 US$'000 (Unaudited)	31 December 2018 US$'000 (Audited)
0 – 60 days	**185,180**	159,815
61 – 90 days	**14,833**	11,101
91 – 180 days	**15,157**	26,646
181 – 270 days	**42,065**	57,785
Over 270 days	**92,258**	53,128
	349,493	308,475

As at 30 June 2019, included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$149,480,000 (31 December 2018: 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. The Group does not hold any collateral over these balances. The average age date of these past due receivables is 209 days (31 December 2018: 169 days) as at 30 June 2019.

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10. CONTRACT ASSETS

	30 June 2019 *US$'000* **(Unaudited)**	31 December 2018 *US$'000* (Audited)
Tariff income from sales of renewable energy	**42,988**	20,962

The contract assets represented tariff income receivables from sales of renewable energy to the local state grid in the PRC, of 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 the commencement of the operation of power plant upon completion of constructions.

11. AMOUNTS DUE FROM (TO) ASSOCIATES/FELLOW SUBSIDIARIES/NON-CONTROLLING SHAREHOLDERS

As at 30 June 2019 and 31 December 2018, 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$905,000 (31 December 2018: US$909,000) is repayable in 2032 and is therefore shown as non-current liabilities.

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

Bank balances carry interest at market rates which range from 0% to 1.84% (31 December 2018: 0% to 1.88%) per annum as at 30 June 2019. The pledged bank deposits carry interest at market rates ranging from 0.1% to 1.84% (31 December 2018: 0.1% to 1.88%) per annum as at 30 June 2019.

Included in the bank balances, deposits of US$7,203,000 (31 December 2018: US$39,840,000) has been made to CGNPC Huasheng Investment Limited ("**CGNPC Huasheng**"). These deposits are unsecured, interest bearing within a range from 0.01% to 0.25% (31 December 2018: 0.01% to 0.25%) per annum and recoverable on demand. As the Group can withdraw these deposits without giving any notice and without suffering any penalty, the directors of the Company consider that these deposits made to CGNPC Huasheng is qualified as cash and cash equivalents.

As at 30 June 2019, bank balances and cash of US$224,206,000 (31 December 2018: approximately US$204,235,000) 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.

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 8 May 2019, the Group entered into an agreement with an independent third party, committee of Haian National Economic And Technical Development Zone, to dispose of one of the Group's construction lands in the PRC. The assets attributable to the construction land that are expected to be sold within twelve months from the end of the reporting period have been classified as non-current assets classified as held for sale and are separately presented in the condensed consolidated statement of financial position.

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised.

Major classes of assets as at the end of the reporting period are as follows:

	30 June 2019 *US$'000* (Unaudited)
Property, plant and equipment	**9,015**
Right-of-use assets	**1,027**
Total assets classified as held for sale	**10,042**

14. TRADE PAYABLES

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

	30 June 2019 *US$'000* (Unaudited)	31 December 2018 *US$'000* (Audited)
0 – 60 days	**103,527**	105,878
61 – 90 days	**1,038**	1,472
Over 90 days	**44,877**	57,712
Total	**149,442**	165,062

The average credit period on purchases of goods is 36 days (31 December 2018: 32 days) for the six months ended 30 June 2019. The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

15. LOANS FROM FELLOW SUBSIDIARIES

As at 30 June 2019, the amounts represent (i) loan from CGN Finance of RMB1,000,000,000 (equivalent to US$145,176,000), which is unsecured, interest bearing at 4.00% per annum and repayable in 2020; (ii) loan from CGNPC Huasheng of US$250,000,000 (31 December 2018: US$250,000,000), which is unsecured, interest bearing at three-month 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 (31 December 2018: US$450,000,000), which is unsecured, interest bearing at 4.5% per annum and repayable in 2025.

As at 31 December 2018, the loan from CGN Finance of RMB300,000,000 (equivalent to US$43,711,000), which was unsecured and interest bearing at 4.57% per annum, has been repaid in full during the six months ended 30 June 2019.

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16. BANK BORROWINGS

	30 June 2019 US$'000 (Unaudited)	31 December 2018 US$'000 (Audited)
Secured	**1,726,238**	1,728,830
Unsecured	**323,148**	236,115
	2,049,386	1,964,945
The maturity profile of bank borrowings is as follows:		
Within one year	**376,797**	347,345
More than one year but not exceeding two years	**271,394**	271,637
More than two years but not more than five years	**555,752**	523,216
Over five years	**845,443**	822,747
	2,049,386	1,964,945
Less: Amounts due for settlement within one year shown under current liabilities	**(376,797)**	(347,345)
Amounts due for settlement after one year	**1,672,589**	1,617,600

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 5.88% (31 December 2018: 1.75% to 6.62%) per annum during the six months ended 30 June 2019.

Included in the Group's secured bank borrowings, US$65,329,000 (31 December 2018: US$134,084,000) and US$2,063,000 (31 December 2018: US$43,996,000) are guaranteed by the Group's fellow subsidiaries, CGN Wind Power Company Ltd ("**CGN Wind Power**") and CGN Solar Energy Development Co., Ltd ("**CGN Solar Energy**"), respectively.

Included in the Group's unsecured bank borrowings, US$18,957,000 (31 December 2018: US$20,929,000) are guaranteed by CGN Wind Power.

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

	30 June 2019 US$'000 (Unaudited)	31 December 2018 US$'000 (Audited)
Property, plant and equipment	**2,420,709**	2,337,958
Prepaid lease payments	**–**	23
Right-of-use assets	**23**	–
Trade receivables	**239,148**	177,047
Contract assets	**10,659**	–
Bank deposits	**116,632**	166,847
	2,787,171	2,681,875

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

17. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK0.01 cent each		
Authorised:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	250,000,000,000	25,000
Issued and fully paid:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	4,290,824,000	429
		US$'000
Shown in the condensed consolidated financial statements as		55

18. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019		31 December 2018	
	Assets ***US$'000*** **(Unaudited)**	**Liabilities** ***US$'000*** **(Unaudited)**	Assets *US$'000* (Audited)	Liabilities *US$'000* (Audited)
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Foreign currency forward contracts	**8,837**	**126**	16	5,129
Analysed for reporting purposes as:				
Non-current	**8,203**	**27**	–	4,859
Current	**634**	**99**	16	270
	8,837	**126**	16	5,129

Major terms of the foreign currency forward contracts are as follows:

Notional amounts	**Maturity**	**Exchange rate**
At 30 June 2019		
Buy Euro ("**EUR**") 9,537,160	Range from 29 November 2019 to 26 February 2021	Range from EUR1:South Korean Won ("**KRW**")1,336.95 to EUR1:KRW1,366.64
Buy US$20,637,745	Range from 29 August 2019 to 26 February 2021	Range from US$1:KRW1,080.11 to US$1:KRW1,127.00
Buy Canadian dollar ("**CAD**") 296,369,795	Range from 21 July 2020 to 13 December 2023	Range from CAD1:KRW815.50 to CAD1:KRW840.80
At 31 December 2018		
Buy EUR9,677,160	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 CAD165,718,000	Range from 21 July 2020 to 30 August 2022	Range from CAD1:KRW822.67 to CAD1:KRW840.80

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18. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

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.

It is the policy of the Group to enter into foreign exchange forward contracts to manage the foreign currency risk associated with certain anticipated purchase transactions covering 100% of the exposure. Basis adjustments are made to the initial carrying amounts of inventories when the anticipated purchases take place.

For the hedges of highly probable forecast purchases, 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.

The Group has entered into contracts to purchases raw materials from suppliers in Canada. The Group has entered into foreign exchange forward contracts (for terms exceeding a year) to hedge the exchange rate risk arising from these anticipated future purchases.

As at 30 June 2019, the aggregate amount of gain under foreign exchange forward contracts deferred in the hedging reserve relating to these anticipated future purchase transactions is US$6,043,000 (31 December 2018: loss of US$3,676,000). During the six months ended 30 June 2019, the change in fair value of hedging instrument of forecast purchases recognised in other comprehensive income, net of deferred tax, is US$9,719,000 (six months ended 30 June 2018: US$nil). It is anticipated that the purchases will take place during the next five years 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.

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19. RELATED PARTY DISCLOSURES

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

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

Name of related company	*Notes*	Nature of transactions	Six months ended 30 June **2019** ***US$'000*** **(Unaudited)**	 2018 *US$'000* (Unaudited)
Hubei Xisaishan Power Generation Co. Ltd ("**Hubei Xisaishan**")	(i)	Management service fee income	**25**	27
Hubei Huadian Xisaishan Power Generation Co. Ltd ("**Hubei Huadian**")	(i)	Management service fee income	**174**	–
CGN Finance	(ii)	Interest income	**574**	585
	(ii)	Interest expense	**2,182**	–
CGN Energy Development Ltd ("**CGN Energy**") and its subsidiaries	(ii)	Management service fee income	**654**	–
CGNPC Huasheng	(ii)	Interest income	**26**	75
		Interest expense	**4,906**	–
Huamei Holding Company Limited ("**Huamei Holding**") and its subsidiaries	(ii)	Management service fee income	**3,097**	3,294
CGN Wind Power	(ii)	Management service fee income	**7,569**	5,736
CGN Solar Energy	(ii)	Management service fee income	**2,255**	1,120
China Clean Energy	(ii)	Interest expense	**10,182**	10,182

Notes:

(i) Hubei Xisaishan and Hubei Huadian are associates of the Group.

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

The Group has entered into various transactions including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. A majority of the bank deposits and about 66.0% (31 December 2018: 60.1%) of borrowings of the Group are with the PRC government-related entities as at 30 June 2019.

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% (31 December 2018: 29%) of its sales of electricity and capacity charges are to the PRC government-related entities for the six months ended 30 June 2019.

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

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19. RELATED PARTY DISCLOSURES *(Continued)*

Compensation of key management personnel

The remunerations of directors and other key management for the periods ended 30 June 2019 and 2018 were as follows:

	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**880**	652
Post-employment benefits	**61**	50
	941	702

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

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will engage an independent valuer to perform the valuation and to determine the appropriate valuation techniques and inputs to the model. The findings of the valuation would be reported to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities regularly. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed 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					
	2019		2018		**Fair value**	**Valuation technique**
Financial assets/liabilities	**Assets**	**Liabilities**	Assets	Liabilities	**hierarchy**	**and key inputs**
	US$'000	***US$'000***	*US$'000*	*US$'000*		
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)		
Foreign currency forward contracts *(note 18)*	**8,837**	**126**	16	5,129	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.