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 2017

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 CODES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1811 (Shares)
5964 (Bonds due 2018)

COMPANY'S WEBSITE

www.cgnne.com

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Chen Sui

President and Executive Director

Mr. Lin Jian

Non-executive Directors

Mr. Wu Junfeng
Mr. Xu Yuan (resigned on 16 August 2017)
Mr. Yin Engang
Mr. Wang Hongxin (appointed on 16 August 2017)
Mr. Dai Honggang
Mr. Xing Ping

Independent Non-executive Directors

Mr. Leung Chi Ching Frederick
Mr. Fan Ren Da Anthony
Mr. Wang Susheng
Mr. Zhang Dongxiao

Corporate Information

Members of the Audit Committee

Mr. Leung Chi Ching Frederick *(Chairman)*
Mr. Yin Engang
Mr. Fan Ren Da Anthony

Members of the Remuneration Committee

Mr. Zhang Dongxiao *(Chairman)*
Mr. Dai Honggang
Mr. Fan Ren Da Anthony

Members of the Nomination Committee

Mr. Chen Sui *(Chairman)*
Mr. Fan Ren Da Anthony
Mr. Zhang Dongxiao

Members of the Investment and Risk Management Committee

Mr. Dai Honggang *(Chairman)*
Mr. Yin Engang
Mr. Xing Ping

Members of the Strategy Development Committee

Mr. Dai Honggang *(Chairman)*
Mr. Chen Sui
Mr. Lin Jian
Mr. Wu Junfeng
Mr. Wang Susheng

Company Secretary

Mr. Lee Kin

Authorized Representatives

Mr. Lin Jian (with Mr. Wat Chi Ping Isaac as his alternate)
Mr. Lee Kin

LEGAL ADVISER

Hong Kong Law

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

Corporate Information

AUDITOR

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

COMPLIANCE ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

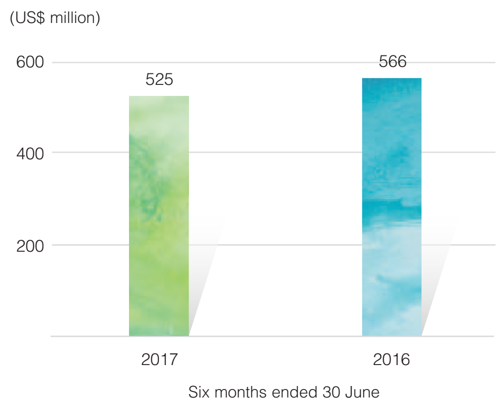
Bank of China (Hong Kong) Limited
9/F, Bank of China Tower
1 Garden Road
Hong Kong

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

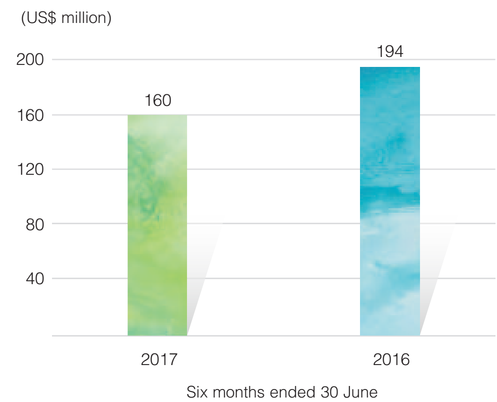
Standard Chartered Bank (Hong Kong) Limited
13/F, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Financial and Operating Highlights

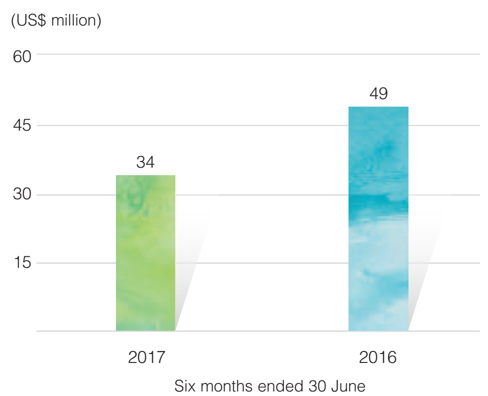
REVENUE



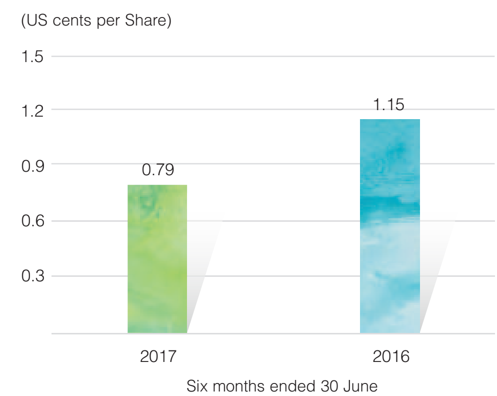
EBITDA[1]



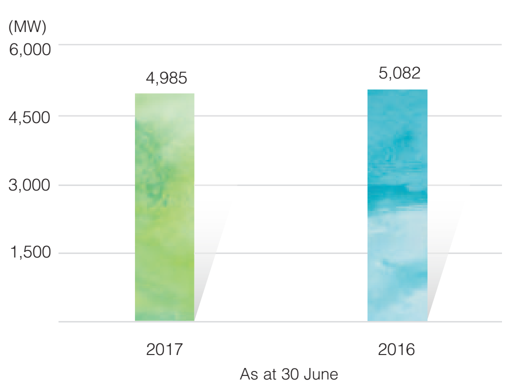
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



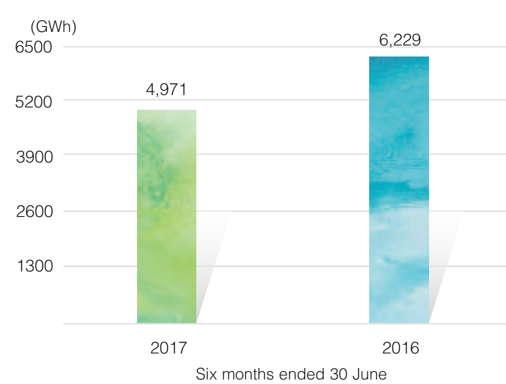
EPS



ATTRIBUTABLE INSTALLED CAPACITY



ELECTRICITY SALES



Note:

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

Management Discussion and Analysis

I. INDUSTRY OVERVIEW

In the first half of 2017, power investment in the PRC continuously slowed down and clean energy played a significant role in the power structure. From January to June, the electricity generated from wind power with nationwide scale reached 149.0 TWh, representing a growth of 21.0% as compared to the same period of last year. In the first half of 2017, the newly commissioned installed capacity of solar power amounted to 23.6 GW, increased by 6.0 GW as compared to the same period of last year.

In terms of the power market in the PRC, PRC's macro-economy was stable and trended upward, and the growth of total power consumption has recovered slightly. As of 30 June 2017, the total power consumption in PRC was 2,950.8 TWh, representing a year-on-year growth rate of 6.3%. The outcome of supply-side reform in power was excellent. The power supply in PRC basically matched the demand, although oversupply still existed in some areas. Due to the large increase in fuel costs, the profit of coal-fired power enterprises narrowed.

In respect of Korean power market, the electricity demand was weak and in addition with the commissioning of new power plants intensify the competition in the power market. Furthermore, due to the rising price of natural gas, the profitability of Korean gas-fired power generation companies was affected. However, the average system marginal price ("**SMP**") of KRW84 per kWh in the first half of 2017, representing a year-on-year increase of 6.3%, offset the loss on profit.

Nantong Cogen Project

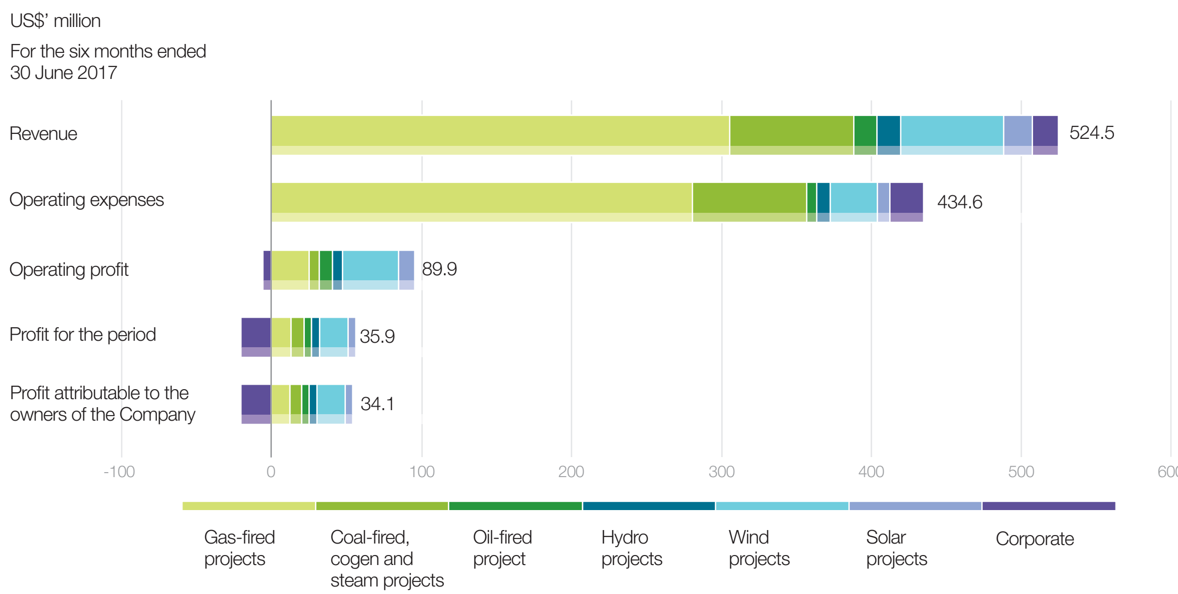
Taipingshan Wind Power Project (Phase I)

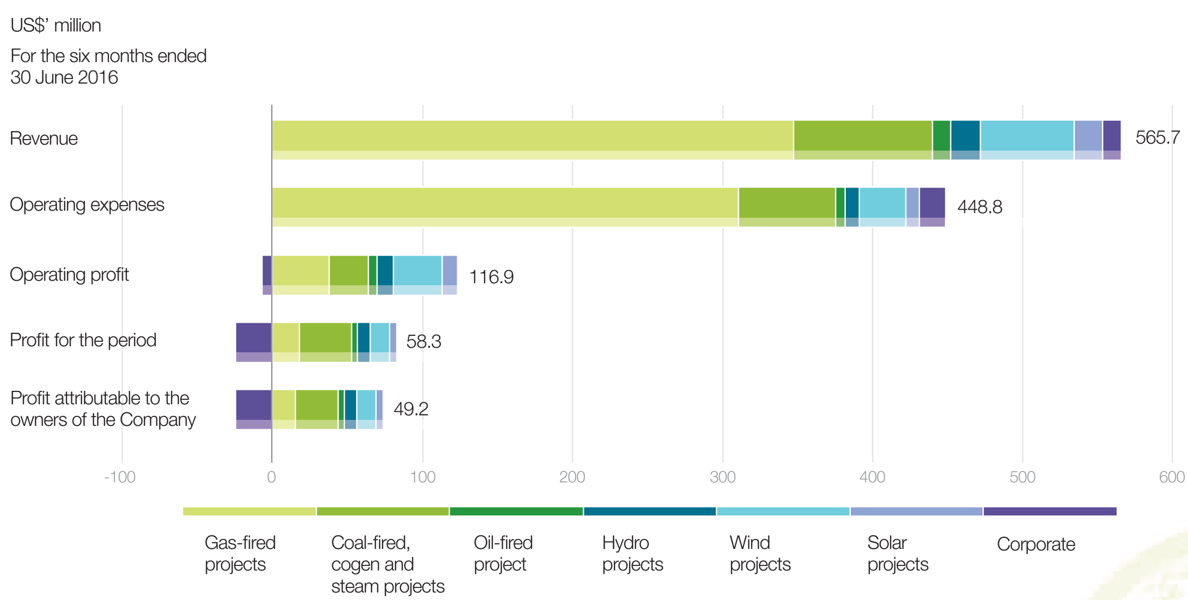
Management Discussion and Analysis

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 Korean power markets. Our business in the PRC covers 9 provinces, an autonomous region and a municipality with wide geographical coverage and diversified business scope. As of 30 June 2017, the operations in the PRC and Korea accounted for approximately 59.0% and 41.0% of our attributable installed capacity of 4,984.6 MW respectively. Clean and renewable energy projects (namely wind, solar, gas-fired, hydro and fuel cell projects) accounted for 64.5% of our attributable installed capacity; and conventional energy projects (namely coal-fired, oil-fired and cogen projects) accounted for 35.5% of our attributable installed capacity.

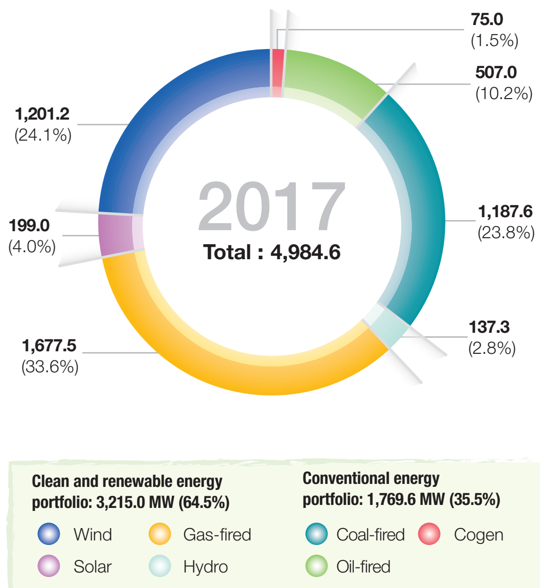
The following charts set out items selected by us from results of the Group (by fuel type):

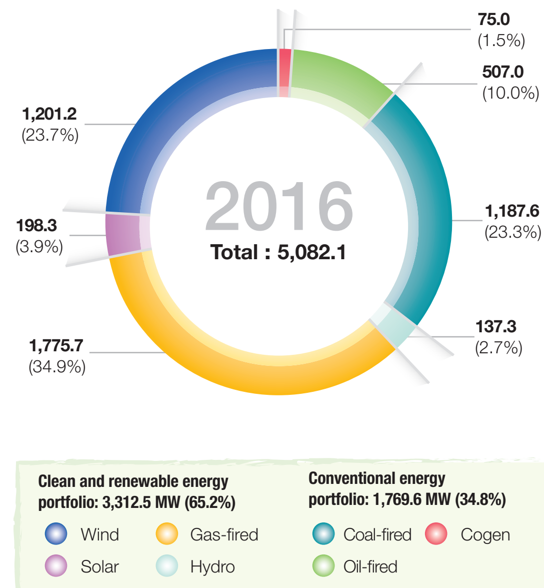




Management Discussion and Analysis

The attributable installed capacity of the Group's power assets as at 30 June 2017 and 2016 by fuel type are set out as follows (MW):





As of 30 June 2017, the attributable installed capacity of the Group's power plants reached 4,984.6 MW, representing a decrease of 97.5 MW or 1.9% as compared to the six months ended 30 June 2016, which was mainly due to the disposal of Hexie Power Project with an attributable installed capacity of 98.2 MW to an independent third party in the second half of 2016. As of 30 June 2017, the consolidated installed capacity of the Group's power plants reached 4,212.6 MW.

As of 30 June 2017, the net electricity generated by the Group's consolidated power generation projects amounted to 4,970.6 GWh, representing a decrease of 1,258.4 GWh or 20% compared with the six months ended 30 June 2016. The net electricity generated by wind power projects and solar power projects reached 955.3 GWh and 147.6 GWh, representing growth rates of 11.0% and 9.9%, respectively. The total steam sold by the Group amounted to 1,578,000 tonnes, representing an increase of 21,000 tonnes with a growth rate of 1.4% as compared with the six months ended 30 June 2016 mainly due to the increase in demand and number of customers.

Due to the cessation of supply of fuel to Weigang Power Project by its major fuel supplier, Weigang Power Project has ceased operation since the end of June 2016. The management is considering the possible arrangements arising from the cessation of operation, including without limitation the termination of the relevant agreements and the handling of other follow up matters in relation to the cessation.

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	
	2017	2016
PRC Gas-fired Projects (2)	**127**	705
Korea Gas-fired Projects (3)	**1,894**	2,503
PRC Coal-fired Projects (4)	**1,784**	1,762
PRC Cogen Projects (5)	**2,760**	3,051
PRC Hydro Projects (6)	**1,820**	2,123
PRC Wind Projects (7)	**833**	757
PRC Solar Projects (8)	**745**	702

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 hour for the PRC gas-fired projects decreased mainly due to the cessation of operation of Weigang Power Project since the end of June 2016 and the lower local demand at Hanneng Power Project.

(3) Our Korea gas-fired power projects had lower utilization hour in the first half of 2017 mainly due to the lower electricity generation by Yulchon II Power Project.

Yulchon Gas-fired Project (Phase II)

Daesan Oil-fired Project (Phase I)

Management Discussion and Analysis

(4) Average utilization hour for the PRC coal-fired projects in the first half of 2017 remained stable as compared to last year.

(5) Average utilization hour for the PRC cogen projects decreased mainly due to the decrease in local demand in the first half of 2017.

(6) Average utilization hour for the PRC Hydro projects decreased mainly due to the decrease in rainfall in the Guangxi Province in the first half of 2017.

(7) Average utilization hour for the first half of 2017 for the PRC wind projects was 833. Average utilization hours for the PRC wind projects operating in the Shandong province, the Zhejiang province and the Gansu province were 1,148, 931 and 723, respectively in the first half of 2017. Average utilization hour for the PRC wind power projects increased mainly due to the following two reasons: i) domestic wind power curtailment became less frequent in the first half of 2017; and ii) the average speed of wind in Shandong Province was higher than that of last year.

(8) Average utilization hour for the first half of 2017 for the PRC solar projects was 745. Average utilization hours for the PRC solar projects operating in the western region (Dunhuang I/II, Jinta, Xitieshan I/II/III, Wulan) and the eastern region (Jiaxing, Airport I/II, Shangyang, Laoling Tieying) of the PRC were 800 and 541, respectively in the first half of 2017. Average utilization hour for the PRC solar power projects increased mainly because domestic photovoltaic power curtailment became less frequent in the first half of 2017.

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 (inclusive of VAT) (1)

		For the six months ended 30 June	
	Unit	**2017**	2016
PRC Gas-fired Projects (2)	RMB per kWh	**–**	0.53
Korea Gas-fired Projects (3)	KRW per kWh	**108.23**	97.21
PRC Coal-fired Projects	RMB per kWh	**0.43**	0.43
PRC Cogen Projects (4)	RMB per kWh	**0.46**	0.45
PRC Hydro Projects (5)	RMB per kWh	**0.36**	0.39
PRC Wind Projects	RMB per kWh	**0.56**	0.56
PRC Solar Projects (6)	RMB per kWh	**1.01**	1.10

Weighted average tariff – steam (inclusive of VAT)

PRC Cogen Projects (7)	RMB per ton	**202.21**	168.43

Beiba Wind Power Project

Puguang Coal-fired Project

Management Discussion and Analysis

Notes:

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

(2) The weighted average tariff for the PRC gas-fired projects become nil due to the cessation of operation of Weigang Power Project since the end of June 2016.

(3) The weighted average tariff for Korea gas-fired projects includes the tariff for the 15.4 MW fuel cell projects owned by Yulchon I Power Project. The weighted average tariff for Korea gas-fired projects increased in the first half of 2017 which was in line with the increase in Korea gas price.

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

(5) The weighted average tariff of our PRC hydro projects decreased in the first half of 2017, mainly due to the following two reasons: i) the marketization of electricity trading during the first half of 2017 shows an increase over the same period of 2016, resulting in a decrease in overall average tariff; and ii) the benchmark tariff of high-water period in Sichuan was lowered in June 2017, resulting in a decrease in average tariff.

(6) The weighted average tariff of our PRC solar projects decreased in the first half of 2017 due to keen competition of involvement in electricity bid trading.

(7) The increase in the weighted average tariff – steam in the first half of 2017 was in line with the increase in PRC coal price.

Laoling Tieying Solar Power Project

Dunhuang Solar Power Project (Phase I, Phase II)

Management Discussion and Analysis

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

		For the six months ended 30 June	
	Unit	**2017**	2016
PRC weighted average gas price *(1) (2) (3)*	RMB per normal cubic meter ("**Nm³**")	**2.10**	2.10
PRC weighted average standard coal price *(1) (4)*	RMB per ton	**781**	459
Korea weighted average gas price *(1) (5)*	KRW per Nm³	**529**	476

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 gas price excludes the gas price for Weigang Power Project, which exclusively used blast furnace gas.

(3) Our PRC weighted average gas price in the first half of 2017 remained stable compared to the first half of 2016.

(4) The PRC weighted average standard coal price in the first half of 2017 increased compared to the first half of 2016 due to a strong demand in the market.

(5) Our Korea weighted average gas price in the first half of 2017 increased compared to the first half of 2016 due to the increase in market gas prices, as indicated by the Japanese Crude Cocktail, a measurement of average prices of crude oil imported into Japan and an important determinant of natural gas prices in Korean markets. Yulchon I Power Project power purchase agreement ("**PPA**") allows us to contractually incorporate fuel cost fluctuations in the tariff charged to our customers.

III. OPERATING RESULTS AND ANALYSIS

In the first half of 2017, the revenue of the Group amounted to US$524.5 million, representing a decrease of 7.3% compared with US$565.7 million of the first half of 2016. The profit attributable to the shareholders of the Company amounted to US$34.1 million, representing a decrease of US$15.1 million or 30.7% as compared with US$49.2 million of the first half of 2016.

In the first half of 2017, the profit for the period of the Group amounted to US$35.9 million, representing a decrease of US$22.4 million or 38.4% as compared with US$58.3 million of the first half of 2016.

Revenue

In the first half of 2017, the revenue of the Group amounted to US$524.5 million, representing a decrease of 7.3% compared with US$565.7 million of the first half of 2016. The decrease in revenue was mainly attributable to (1) the lower electricity generation by Yulchon II Power Project as a result of the increase in supply caused by newly installed capacity in the Korea power market and a scheduled maintenance in 2017; (2) the lower generation by Puguang Power Project due to major overhaul; and (3) the cessation of operation of Weigang Power Project since the end of June 2016.

Operating Expenses

In the first half of 2017, the operating expenses of the Group amounted to US$434.6 million, representing a decrease of 3.2% compared with US$448.8 million of the first half of 2016. The decrease in operating expenses was mainly due to the decrease in gas consumption of our Yulchon II Power Project which was in line with the decrease in electricity generation. The decrease in operating expenses in Korea was partially offset by the increased operating expenses of our coal-fired, cogen and steam projects due to the drastic increase in coal price of the PRC as compared with the first half of 2016.

Management Discussion and Analysis

Operating Profit

In the first half of 2017, the operating profit, which is equal to revenue minus operating expenses, of the Group amounted to US$89.9 million, representing a decrease of US$27.0 million or 23.1% compared with US$116.9 million of the first half of 2016. The decrease in operating profit was mainly caused by (1) the drastic increase in coal price since the second half of 2016 which negatively affected the operating profit of our PRC coal-fired and cogen projects; and (2) the increase in supply caused by newly installed capacity in the Korea power market which lowered the operating profit of Yulchon II Power Project in 2017. The lowered operating profit was partially offset by the increase in operating profit of our wind power projects with higher utilization hours.

Other Income

Other income mainly represented income from sales of scrapped materials, interest income and the refund of value added tax. In the first half of 2017, the other income of the Group amounted to US$5.4 million, representing a slight decrease of US$0.2 million compared with US$5.6 million of the first half of 2016.

Finance Costs

In the first half of 2017, the finance costs of the Group amounted to US$50.5 million, representing a decrease of 13.5% compared with US$58.4 million of the first half of 2016. The decrease in finance costs was mainly attributable to the decrease in weighted average balances of bank borrowings and loans from related companies.

Share of Results of Associates

In the first half of 2017, the share of results of associates amounted to US$5.1 million, representing a decrease of US$11.0 million compared with US$16.1 million in the first half of 2016. The decrease in profit of the associates was mainly due to the drastic increase in coal price in the PRC.

Income Tax Expenses

In the first half of 2017, the income tax expenses of the Group amounted to US$12.3 million, representing a decrease of US$9.2 million compared with US$21.5 million of the first half of 2016.

Liquidity and Capital Resources

The Group's bank balances and cash decreased from US$326.5 million as at 31 December 2016 to US$232.6 million as at 30 June 2017, primarily due to the cash used in operations and repayment of loan during the current period.

Net Debt/Equity Ratio

The Group's net debt/equity ratio decreased from 2.55 as at 31 December 2016 to 2.45 as at 30 June 2017 due to the decrease in net debt (which equals to total debt less available cash) as a result of the repayment of borrowings during the current period.

Interim Dividend

The Board resolved not to declare an interim dividend for the six months ended 30 June 2017.

Management Discussion and Analysis

Earnings per Share

	For the six months ended 30 June	
	2017	2016
	US cents	*US cents*
Earnings per share, basic and diluted – calculated based on the weighted average number of ordinary shares for the period	**0.79**	1.15
	US$'000	*US$'000*
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**34,107**	49,245
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**4,290,824**	4,290,824

Trade Receivables

	As at	
	30 June 2017	31 December 2016
	US$'000	*US$'000*
Trade receivables	**221,440**	202,331
Less: allowance for doubtful debts	**(1,174)**	(1,420)
	220,266	200,911

The Group allowed a credit period from 30 to 90 days throughout the period to its trade customers. Approximately 69% (31 December 2016: 76%) of the trade receivables were neither past due nor impaired as at 30 June 2017. The management considers that these receivables have good credit scoring attributable to the credit review policy adopted by the Group.

Management Discussion and Analysis

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

	As at	
	30 June 2017	31 December 2016
	US$'000	*US$'000*
0 – 60 days	**143,160**	145,277
61 – 90 days	**9,517**	8,334
91 – 180 days	**22,378**	47,300
181 – 270 days	**10,568**	–
Over 270 days	**34,643**	–
	220,266	200,911

Trade Payables

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

	As at	
	30 June 2017	31 December 2016
	US$'000	*US$'000*
0 – 60 days	**84,327**	80,225
61 – 90 days	**458**	274
Over 90 days	**7,020**	6,220
Total	**91,805**	86,719

The average credit period for purchases of goods was 55 days (31 December 2016: 44 days) for the six months ended 30 June 2017. The Group has financial risk management policies in place to ensure all payables are settled within the credit frame.

Financial Position

Non-current assets increased from US$2,740.0 million as at 31 December 2016 to US$2,765.5 million as at 30 June 2017. It was mainly due to the addition of property, plant and equipment during the six months ended 30 June 2017.

Current assets decreased from US$758.6 million as at 31 December 2016 to US$730.4 million as at 30 June 2017. It was mainly attributable to the decrease in cash and bank deposits as a result of repayment of loan and cash used in operations.

Current liabilities decreased from US$409.7 million as at 31 December 2016 to US$369.9 million as at 30 June 2017, which was mainly due to the repayment of loan borrowed from a fellow subsidiary during the six months ended 30 June 2017.

Non-current liabilities slightly decreased from US$2,277.1 million as at 31 December 2016 to US$2,263.3 million as at 30 June 2017, which was mainly attributable to the decrease in bank borrowings.

Management Discussion and Analysis

Bank Borrowings

The Group's total bank borrowings decreased from US$1,552.2 million as at 31 December 2016 to US$1,542.2 million as at 30 June 2017. Details of bank borrowings are as follows:

	As at	
	30 June 2017	31 December 2016
	US$'000	*US$'000*
Secured	**1,515,025**	1,504,115
Unsecured	**27,135**	48,095
	1,542,160	1,552,210

The maturity profile of bank borrowings is as follows:

Within one year	**141,457**	133,886
More than one year but not exceeding two years	**158,009**	206,869
More than two years but not exceeding five years	**455,990**	421,880
Over five years	**786,704**	789,575
	1,542,160	1,552,210
Less: Amounts due for settlement within one year shown under current liabilities	**(141,457)**	(133,886)
Amounts due for settlement after one year	**1,400,703**	1,418,324

As at 30 June 2017, the Group had committed unutilised banking facilities of US$1,207 million.

All bank borrowings at the end of the reporting periods are denominated in the functional currency of the respective group entities that include RMB, USD and KRW. The bank borrowings of the Group carry interest rates which range from 1.75% to 5.15% (31 December 2016: 1.75% to 4.95%) per annum during the six months ended 30 June 2017. The analysis of bank borrowings with fixed interest rate and floating interest rate is analysed below:

	30 June 2017	31 December 2016
	US$'000	*US$'000*
Fixed rate	**193,707**	174,024
Floating rate	**1,348,453**	1,378,186
	1,542,160	1,552,210

Management Discussion and Analysis

Bond Payables

The Company issued bonds in an aggregate principal amount of US$350.0 million on 19 August 2013 priced at 99.686% of the principal amount that carries interest at 4% per annum and interest is payable semi-annually in arrears and will become mature on 19 August 2018, unless redeemed earlier. The carrying amount of the bond payables was US$354.7 million as at 30 June 2017.

Loans from Fellow Subsidiaries

Loan from China Clean Energy Development Limited, a fellow subsidiary of the Company, amounted to US$450.0 million as at 30 June 2017 and 31 December 2016, is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 30 June 2017 and 31 December 2016.

Loan from CGNPC Huasheng Investment Limited, a fellow subsidiary of the Company, amounted to US$39.6 million as at 31 December 2016 was unsecured, interest bearing at 4.75% per annum and repayable in 2017. It was shown as current liability as at 31 December 2016. This loan has been repaid in full during the six months ended 30 June 2017.

Capital Expenditures

The Group's capital expenditures decreased by US$10.9 million to US$16.7 million in the first half of 2017 from US$27.6 million in the first half of 2016, mainly due to the decreased capital expenditures incurred by our wind power and solar power projects.

Contingent Liabilities

As at 30 June 2017 and 31 December 2016, the Group had no material contingent liabilities.

Pledged Assets

The Group pledged certain property, plant and equipment, trade receivables, land use rights and bank deposits for credit facilities granted to the Group. As at 30 June 2017, the total book value of the pledged assets amounted to US$1,328.8 million.

Employees and Remuneration Policy

As at 30 June 2017, the Group had about 1,719 full-time employees, the majority of which were based in China. The Group provides its employees with salaries and bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes.

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

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

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

Management Discussion and Analysis

IV. RISK FACTORS AND MANAGEMENT

Risks Relating to the Industry

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

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

Risk Relating to Fuel Cost

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

Interest Rate Risk

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

Management Discussion and Analysis

Foreign Exchange Risk

The functional currency of the Company is U.S. 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.

As disclosed in the Company's annual report for the financial year ended 31 December 2016, the Company issued bonds in an aggregate principal amount of US$350 million on 19 August 2013 which will mature on 19 August 2018, unless redeemed earlier. In order to hedge against the Company's currency risk in relation to the possible depreciation of RMB against U.S. dollars, we have entered into two foreign exchange forward trades in the aggregate principal amount and maximum limit of US$140 million with a financial institution. Please refer to the announcement of the Company dated 26 May 2017 for further details of such foreign exchange forward trades.

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

V. PROSPECTS

With the deepening of the energy reform and continual energy restructuring, the market share of clean energy will continue to grow. "2017 Energy Work Guidance"（《2017年能源工作指導意見》）was published by National Energy Administration in February 2017, aiming to promote the development of non-fossil energy and give a clear picture of the goal of clean energy development. The guidance proposes to develop wind power steadily and develop solar power vigorously. It is foreseeable that there is huge potential for clean energy power generation. Wind power projects with a capacity of 25 GW are planned to be built in the year with a newly-added installed capacity of 20 GW. Solar power projects with a capacity of 20 GW are planned to be built in the year with a newly-added installed capacity of 18 GW.

The Group will continue to give full play to its role as China General Nuclear Power Corporation, Ltd. ("**CGN**")'s sole global platform for the development and operation of non-nuclear clean and renewable power generation projects. The Group will also continue to acquire clean and renewable power generation projects with solid returns from CGN. Meanwhile, we will continue to seek acquisition opportunities in relation to other high quality clean and renewable power generation projects. Furthermore, although the Group is confronted with different challenges with respect to tariff, utilization hours, power curtailment, coal prices, exchange rates and interest rates, etc., we will actively seize development opportunities in the industry to enhance its profitability to reward our Shareholders.

EVENT OCCURRING AFTER THE REPORTING PERIOD

No other important event or transaction affecting the Group has taken place after 30 June 2017.

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 2017.

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 2017.

REVIEW OF INTERIM RESULTS

The Group's interim results and the unaudited consolidated interim financial report for the six months ended 30 June 2017 have been reviewed by the audit committee of the Company.

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

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in options relating to ordinary Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of securities held/interested	Approximate percentage of interests held *(Note ii)*
Chen Sui	Beneficial owner *(Note i)*	700,000 share options	0.02%
Lin Jian	Beneficial owner *(Note i)*	700,000 share options	0.02%

Notes:

(i) On 8 December 2015, 700,000 share options were granted to each of Mr. Chen Sui and Mr. Lin Jian with an exercise price at HK$1.612.

(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 2017.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executive of the Company, as of 30 June 2017, 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, on 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**") *Note (1)(2)(3)*	Interests in controlled corporation (long position)	3,130,096,000	72.95%
CGNPC International Limited ("**CGNPC International**") *Note (2)(3)*	Interests in controlled corporation (long position)	3,101,800,000	72.29%
CGNPC Huamei Investment Limited ("**CGNPC Huamei**") *Note (2)(3)*	Beneficial owner (long position)	3,101,800,000	72.29%

Notes:

(1) CGN indirectly holds 100% of the total issued share capital of CGNPC Huamei. 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 CGNPC Huamei (a controlled corporation of CGN 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 2017 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 CGNPC Huamei represented the same block of Shares.

(2) CGNPC International directly holds 70.59% of the total issued share capital of CGNPC Huamei, which directly holds approximately 72.29% of the issued share capital of the Company, and CGNPC International also indirectly holds 29.41% of the total issued share capital of CGNPC Huamei, through its wholly-owned subsidiary Gold Sky Capital Limited. Accordingly, CGNPC International is deemed to have an interest in all Shares held by CGNPC Huamei. For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against CGNPC International and CGNPC Huamei represented the same block of Shares.

(3) Save as disclosed in the section headed "Biographies of Directors and Senior Management" in the 2016 annual report of the Company, as of the date of this report, none of the Directors is a director or employee of a company which had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CHANGES OF MEMBER OF BOARD OF DIRECTORS AND INFORMATION OF DIRECTORS

On 16 August 2017, Mr. Xu Yuan has resigned as a non-executive director of the Company and Mr. Wang Hongxin has been appointed as a non-executive director of the Company.

The changes in information of the Directors subsequent to the date of the 2016 annual report of the Company, which required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Chen Sui, the Chairman and non-executive director of the Company has been appointed as non-employee representative supervisor and the chairman of the second session of the supervisory committee of CGN Power Co., Ltd（中國廣核電力股份有限公司）(a subsidiary of CGN, listed on the Stock Exchange, Stock Code: 1816) with effect from 24 May 2017.

Mr. Wu Junfeng, the non-executive director of the Company has been appointed as chief accountant of CGN with effect from 23 June 2017.

Mr. Fan Ren Da Anthony, the independent non-executive director of the Company has retired as an independent non-executive director and ceased to be the chairman of each of the remuneration committee and nomination committee and a member of the audit committee of LT Commercial Real Estate Limited（勒泰商業地產有限公司）(a company listed on the Stock Exchange, Stock Code: 112) with effect from 30 June 2017.

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 2017.

USE OF PROCEEDS

The Company was listed on the Main Board of the Stock Exchange on 3 October 2014. Net proceeds from the global offering (including the proceeds from the exercise of the over-allotment option) were approximately HK$1,966.1 million (after deducting the underwriting fees and commissions and other listing-related expenses). As at 30 June 2017, the unutilised proceeds of approximately HK$577.6 million were kept in current accounts with banks.

Use of net proceeds from global offering

	Percentage to total amount	Net proceeds *(HK$ million)*	Utilised amount (up to 30 June 2017) *(HK$ million)*	Unutilised amount (up to 30 June 2017) *(HK$ million)*
Acquisition of clean and renewable power projects from CGN, the parent company of the Company	70%	1,376.3	1,376.3	–
Acquisition of operational power projects and development of greenfield projects acquired from independent third parties	30%	589.8	12.2	577.6
		1,966.1	1,388.5	577.6

Other Information

SHARE OPTION SCHEME

As at 30 June 2017, the Company had 30,130,000 share options (the "**Options**") outstanding under the share option scheme of the Company adopted on 24 November 2015 (the "**Share Option Scheme**").

Particulars of the Options outstanding under the Share Option Scheme at the beginning and at the end of the financial period for the six months ended 30 June 2017 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 2017**	**Granted during the six months ended 30 June 2017**	**Exercised during the six months ended 30 June 2017**	**Lapsed during the six months ended 30 June 2017**	**Cancelled during the six months ended 30 June 2017**	**as at 30 June 2017**	**Exercise price per share** *(HK$)*	**Closing price per share immediately before the date of grant** *(HK$)*	**Exercise period**
Chen Sui	8 December 2015	700,000	–	–	–	–	700,000	1.612	1.640	*Note*
Lin Jian	8 December 2015	700,000	–	–	–	–	700,000	1.612	1.640	*Note*
Employees	8 December 2015	30,960,000	–	–	2,230,000	–	28,730,000	1.612	1.640	*Note*
Employees	30 December 2015	580,000	–	–	580,000	–	0	1.712	1.730	*Note*
		32,940,000	–	–	2,810,000	–	30,130,000			

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

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

Report on Review of Condensed Consolidated Financial Statements

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 25 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 Main Board Listing 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
16 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

		Six months ended 30 June	
	NOTES	**2017**	2016
		US$'000	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**524,527**	565,716
Operating expenses:			
Coal, oil and gas		**283,481**	297,840
Depreciation of property, plant and equipment		**68,175**	74,914
Repair and maintenance		**18,717**	16,288
Staff costs		**36,506**	31,437
Others		**27,726**	28,279
Total operating expenses		**434,605**	448,758
Operating profit		**89,922**	116,958
Other income		**5,420**	5,552
Other gains and losses		**(1,731)**	(456)
Finance costs		**(50,470)**	(58,373)
Share of results of associates		**5,071**	16,093
Profit before tax		**48,212**	79,774
Income tax expenses	4	**(12,275)**	(21,475)
Profit for the period	5	**35,937**	58,299
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign subsidiaries and associates		**37,576**	(34,720)
Reclassification adjustments for amounts transferred to profit or loss			
– release of hedging reserve		**(62)**	(61)
– deferred tax credit arising on release of hedging reserve		**15**	15
Other comprehensive income (expenses) for the period		**37,529**	(34,766)
Total comprehensive income for the period		**73,466**	23,533
Profit for the period attributable to:			
Owners of the Company		**34,107**	49,245
Non-controlling interests		**1,830**	9,054
		35,937	58,299
Total comprehensive income attributable to:			
Owners of the Company		**71,376**	16,843
Non-controlling interests		**2,090**	6,690
		73,466	23,533
Earnings per share			
– Basic *(US cents)*	7	**0.79**	1.15
– Diluted *(US cents)*	7	**0.79**	1.15

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**2,336,339**	2,309,875
Prepaid lease payments		**51,220**	51,642
Goodwill		**171,584**	167,582
Interests in associates		**160,279**	161,717
Amounts due from non-controlling shareholders		**459**	439
Deferred tax assets		**26,966**	25,927
Other assets		**18,612**	22,792
		2,765,459	2,739,974
CURRENT ASSETS			
Inventories		**30,484**	32,519
Prepaid lease payments		**3,480**	3,379
Trade receivables	9	**220,266**	200,911
Other receivables and prepayments		**116,238**	102,327
Amounts due from non-controlling shareholders		**112**	119
Amounts due from associates	10	**104**	9,235
Amounts due from fellow subsidiaries	10	**17,775**	10,511
Tax recoverable		**651**	734
Pledged bank deposits	11	**108,700**	72,398
Bank balances and cash	11	**232,567**	326,514
		730,377	758,647
CURRENT LIABILITIES			
Trade payables	12	**91,805**	86,719
Other payables and accruals		**111,479**	127,906
Amounts due to fellow subsidiaries	10	**4,128**	4,341
Amounts due to non-controlling shareholders		**5,348**	5,228
Loan from a fellow subsidiary – due within one year	10	**–**	39,579
Advance from a non-controlling shareholder – due within one year		**2,256**	2,203
Bank borrowings – due within one year	13	**141,457**	133,886
Bond payables – due within one year		**4,717**	4,717
Government grants		**635**	620
Deferred connection charges		**35**	69
Tax payable		**8,019**	4,399
		369,879	409,667
NET CURRENT ASSETS		**360,498**	348,980
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,125,957**	3,088,954

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
NON-CURRENT LIABILITIES			
Advance from a non-controlling shareholder – due after one year		**811**	792
Loan from a fellow subsidiary – due after one year	10	**450,000**	450,000
Bank borrowings – due after one year	13	**1,400,703**	1,418,324
Bond payables – due after one year		**349,951**	349,763
Deferred connection charges		**75**	73
Derivative financial instruments	15	**2,057**	–
Government grants		**9,564**	9,559
Deferred tax liabilities		**50,094**	48,607
		2,263,255	2,277,118
NET ASSETS		**862,702**	811,836
CAPITAL AND RESERVES			
Share capital	14	**55**	55
Reserves		**762,145**	710,703
Equity attributable to owners of the Company		**762,200**	710,758
Non-controlling interests		**100,502**	101,078
TOTAL EQUITY		**862,702**	811,836

Condensed Consolidated Statement of Changes in Equity

At 30 June 2017

	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 2016 (audited)	55	250,406	78	9,975	1,018	41,207	438,993	741,732	107,821	849,553
Profit for the period	–	–	–	–	–	–	49,245	49,245	9,054	58,299
Exchange difference arising on translation of foreign subsidiaries and associates	–	–	–	–	–	(32,356)	–	(32,356)	(2,364)	(34,720)
Release of hedging reserve	–	–	–	–	(61)	–	–	(61)	–	(61)
Deferred tax credit arising on release of hedging reserve	–	–	–	–	15	–	–	15	–	15
Total comprehensive (expenses) income for the period	–	–	–	–	(46)	(32,356)	49,245	16,843	6,690	23,533
Dividend recognised as distributable (note 6)	–	–	–	–	–	–	(18,880)	(18,880)	–	(18,880)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(6,506)	(6,506)
Recognition of equity-settled share-based payment	–	–	483	–	–	–	–	483	–	483
At 30 June 2016 (Unaudited)	55	250,406	561	9,975	972	8,851	469,358	740,178	108,005	848,183
At 1 January 2017 (audited)	**55**	**250,406**	**1,047**	**12,151**	**925**	**(51,235)**	**497,409**	**710,758**	**101,078**	**811,836**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**34,107**	**34,107**	**1,830**	**35,937**
Exchange difference arising on translation of foreign subsidiaries and associates	**–**	**–**	**–**	**–**	**–**	**37,316**	**–**	**37,316**	**260**	**37,576**
Release of hedging reserve	**–**	**–**	**–**	**–**	**(62)**	**–**	**–**	**(62)**	**–**	**(62)**
Deferred tax credit arising on release of hedging reserve	**–**	**–**	**–**	**–**	**15**	**–**	**–**	**15**	**–**	**15**
Total comprehensive (expenses) income for the period	**–**	**–**	**–**	**–**	**(47)**	**37,316**	**34,107**	**71,376**	**2,090**	**73,466**
Dividend recognised as distribution (note 6)	**–**	**–**	**–**	**–**	**–**	**–**	**(20,167)**	**(20,167)**	**–**	**(20,167)**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,094)**	**(4,094)**
Recognition of equity-settled share-based payment	**–**	**–**	**233**	**–**	**–**	**–**	**–**	**233**	**–**	**233**
Capital contribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,428**	**1,428**
At 30 June 2017 (unaudited)	**55**	**250,406**	**1,280**	**12,151**	**878**	**(13,919)**	**511,349**	**762,200**	**100,502**	**862,702**

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 2017

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**103,792**	162,260
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(16,674)**	(27,569)
Proceeds from disposal of property, plant and equipment	**–**	8
Repayment from fellow subsidiaries	**–**	1,155
Interest received	**997**	1,734
Dividend received from an associate	**8,792**	40,094
Placement of pledged bank deposits	**(108,700)**	(400,022)
Withdrawal of pledged bank deposits	**72,398**	400,508
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(43,187)**	15,908
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(110,590)**	(53,941)
Interest paid	**(50,282)**	(58,185)
Capital contribution from non-controlling shareholders	**1,428**	–
Dividends paid to shareholders	**(20,167)**	(18,880)
Dividends paid to non-controlling shareholders	**(4,094)**	(3,892)
Advance from non-controlling shareholders	**192**	–
Repayment to fellow subsidiaries	**(39,792)**	(90,336)
Loans from fellow subsidiaries	**–**	8,566
New bank borrowings raised	**43,441**	88,772
NET CASH USED IN FINANCING ACTIVITIES	**(179,864)**	(127,896)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(119,259)**	50,272
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**326,514**	342,498
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**25,312**	(4,769)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**232,567**	388,001
Represented by:		
Bank balances and cash	**232,567**	388,001

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 2017, the Company's ultimate and immediate holding companies are China General Nuclear Power Corporation ("**CGN**") and CGNPC Huamei Investment Limited ("**CGNPC Huamei**") 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("**IFRSs**") issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure as set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. REVENUE AND SEGMENT INFORMATION

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

Segment revenue and segment results

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

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

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

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

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

Six months ended 30 June 2017 (unaudited)

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and segment results *(Continued)*

Six months ended 30 June 2016 (Unaudited)

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	217,490	336,474	11,752	565,716
Segment results	65,962	22,378	697	89,037
Unallocated other income				439
Unallocated operating expenses				(5,638)
Unallocated finance costs				(19,701)
Other gains and losses				(456)
Share of results of associates				16,093
Profit before tax				79,774

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

Revenue from major products and services

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

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Sales of electricity	**396,655**	460,844
Sales of steam	**43,325**	37,808
Capacity charges	**67,430**	55,148
Connection charges and others	**35**	164
Management service fee	**17,082**	11,752
	524,527	565,716

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

4. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	**11,137**	17,053
Overprovision in prior periods	**–**	(276)
	11,137	16,777
Dividend withholding tax – current period	**740**	4,652
Deferred tax:		
Current period	**398**	46
	12,275	21,475

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 2017 and 2016.

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 2017. No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2016 as the Group had no assessable profit in Hong Kong.

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 2017 and 2016. 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 2017

4. INCOME TAX EXPENSES *(Continued)*

During the six months ended 30 June 2017, 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.

Deferred tax has been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the profit of the Group's Korean subsidiaries for the six months ended 30 June 2016.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Release of prepaid lease payments	**1,651**	1,721
Change in fair value of the derivative financial instruments (included in other gains and losses)	**2,057**	–
Staff costs		
– salaries and wages	**31,236**	26,201
– retirement benefits scheme contributions, excluding directors	**5,270**	5,236
Total staff costs, excluding directors	**36,506**	31,437

6. DIVIDEND

During the six months ended 30 June 2017 and 30 June 2016, a final dividend of US$0.47 cents and US$0.44 cents per share in respect of the year ended 31 December 2016 and 31 December 2015 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 2017 (30 June 2016: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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	
	2017	2016
	(Unaudited)	(Unaudited)
Earnings per share, basic *(US cents)*	**0.79**	1.15
Earnings per share, diluted *(US cents) (Note)*	**0.79**	1.15

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**34,107**	49,245

	Six months ended 30 June	
	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**4,290,824,000**	4,290,824,000

Note: The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market prices for shares from date of grant.

8. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2017, the Group acquired plant and equipment with aggregated cost of approximately US$16,674,000 (30 June 2016: approximately US$27,569,000).

For the six months ended 30 June 2017, the Group disposed of certain plant and machinery with aggregated carrying amount of approximately US$13,000 (30 June 2016: approximately US$127,000) for cash proceeds of approximately US$nil (30 June 2016: approximately US$8,000), resulting in a loss on disposal of approximately US$13,000 (30 June 2016: loss of approximately US$119,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

9. TRADE RECEIVABLES

	30 June 2017 US$'000 (Unaudited)	31 December 2016 US$'000 (Audited)
Trade receivables	**221,440**	202,331
Less: allowance for bad and doubtful debts	**(1,174)**	(1,420)
	220,266	200,911

The Group allows a credit period from 30 to 90 days throughout the period to its trade customers. Approximately 69% (31 December 2016: 76%) of the trade receivables are neither past due nor impaired as at 30 June 2017. The management considers that these receivables have good credit rating under the credit review policy used by the Group.

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

	30 June 2017 US$'000 (Unaudited)	31 December 2016 US$'000 (Audited)
0 – 60 days	**143,160**	145,277
61 – 90 days	**9,517**	8,334
91 – 180 days	**22,378**	47,300
181 – 270 days	**10,568**	–
Over 270 days	**34,643**	–
	220,266	200,911

Included in the Group's trade receivable balance are debtors with aggregated carrying amount of approximately US$67,589,000 (31 December 2016: approximately US$47,300,000) as at 30 June 2017, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these past due receivables is 174 days (31 December 2016: 45 days) as at 30 June 2017.

Approximately US$95,224,000 (31 December 2016: approximately US$62,842,000) of the Group's trade receivable balance and all (31 December 2016: all) Group's trade receivable balance which are past due as at the end of the reporting period represent the tariff premium receivable from relevant government authorities pursuant to Cai Jian [2012] No. 102 Notice on the Interim Measures for administration of Subsidy Funds for Tariff Premium of Renewable Energy (《可再生能源電價附加補助資金管理暫行辦法》) jointly issued by the Ministry of Finance, the National Department and Reform Commission and the National Energy Administration in March 2012. The tariff premium has been approved by relevant government authorities and is expected to be recovered within one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

9. TRADE RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	30 June 2017	31 December 2016
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Past due for:		
1 – 90 days	**22,378**	47,300
91 – 180 days	**10,568**	–
Over 181 days	**34,643**	–
Total	**67,589**	47,300

The Group has assessed individual cases and provided allowance for bad and doubtful debts when the management of the Group considers the receivables are unlikely to recover in foreseeable future.

Movement in the allowance for bad and doubtful debts

	30 June 2017	31 December 2016
	US$'000	*US$'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**1,420**	189
Exchange differences	**34**	(65)
Allowance for bad and doubtful debts	**–**	1,296
Amount recovered during the period	**(280)**	–
At end of the period/year	**1,174**	1,420

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit initially granted up to the end of the reporting period.

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

10. BALANCES WITH ASSOCIATES/FELLOW SUBSIDIARIES

Loan from China Clean Energy Development Limited ("**China Clean Energy**"), a fellow subsidiary of the Company, amounting to US$450,000,000 as at 30 June 2017 and 31 December 2016, is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 30 June 2017 and 31 December 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

10. BALANCES WITH ASSOCIATES/FELLOW SUBSIDIARIES *(Continued)*

Loan from CGNPC Huasheng Investment Limited ("**CGNPC Huasheng**"), a fellow subsidiary of the Company, amounted to US$39,579,000 as at 31 December 2016 was unsecured, interest bearing at 4.75% per annum and repayable in 2017. It was shown as current liability as at 31 December 2016. The loan has been repaid in full during the period ended 30 June 2017.

For the remaining balances, all amounts are non-trade nature, unsecured, non-interest bearing and recoverable/repayable on demand as at 30 June 2017 and 31 December 2016.

11. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.05% to 1.55% (31 December 2016: 0% to 4.8%) per annum as at 30 June 2017. The pledged bank deposits carry interest at market rates ranging from 0.1% to 1.35% (31 December 2016: 0.1% to 1.68%) per annum as at 30 June 2017.

Included in the cash balance, approximately US$54,985,000 (31 December 2016: approximately US$97,792,000) deposits has been made to CGNPC Huasheng. These deposits are unsecured, interest bearing at range from 0.01% to 0.25% (31 December 2016: 0.01% to 4.8%) 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.

As at 30 June 2017, approximately US$146,849,000 (31 December 2016: approximately US$184,265,000) of the bank and cash balance are deposited in CGN Finance Co., Ltd ("**CGN Finance**") , a fellow subsidiary established in the PRC with limited liability and a non-banking financial institution subject to the regulations of the People's Bank of China and the China Banking Regulatory Commission, in the PRC.

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

12. TRADE PAYABLES

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

	30 June 2017	31 December 2016
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0 – 60 days	**84,327**	80,225
61 – 90 days	**458**	274
Over 90 days	**7,020**	6,220
Total	**91,805**	86,719

The average credit period on purchases of goods is 55 days (31 December 2016: 44 days) for the six months ended 30 June 2017. The Group has financial risk management policies in place to ensure all payables are settled within the credit time frame.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

13. BANK BORROWINGS

	30 June 2017 US$'000 (Unaudited)	31 December 2016 US$'000 (Audited)
Secured	**1,515,025**	1,504,115
Unsecured	**27,135**	48,095
	1,542,160	1,552,210
The maturity profile of bank borrowings is as follows:		
Within one year	**141,457**	133,886
More than one year but not exceeding two years	**158,009**	206,869
More than two years but not more than five years	**455,990**	421,880
Over five years	**786,704**	789,575
	1,542,160	1,552,210
Less: Amounts due for settlement within one year shown under current liabilities	**(141,457)**	(133,886)
Amounts due for settlement after one year	**1,400,703**	1,418,324

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 5.15% (31 December 2016: 1.75% to 4.95%) per annum during the six months ended 30 June 2017.

Included in the Group's secured bank borrowings, approximately US$205,256,000 (31 December 2016: approximately US$215,707,000) and US$44,079,000 (31 December 2016: approximately US$44,991,000) are guaranteed by the Group's fellow subsidiaries, CGN Wind Energy Co., Ltd ("**CGN Wind**") and CGN Solar Energy Development Co., Ltd, respectively.

Approximately US$26,987,000 (31 December 2016: approximately US$28,551,000) of the unsecured bank borrowings are guaranteed by CGN Wind.

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

	30 June 2017 US$'000 (Unaudited)	31 December 2016 US$'000 (Audited)
Property, plant and equipment	**1,094,187**	1,049,400
Land use rights	**2,052**	2,085
Trade receivables	**123,904**	67,954
Bank deposits	**108,700**	72,398
	1,328,843	1,191,837

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

14. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.0001 each		
Authorised:		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	250,000,000,000	25,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016, 1 January 2017 and 30 June 2017	4,290,824,000	429
		US$'000
Shown in the condensed consolidated financial statements as		55

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

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

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

The Group's derivative financial instruments represents foreign currency forward contracts amounting to approximately US$2,057,000 (31 December 2016: US$nil) are measured at fair value at the end of the reporting period and grouped into Level 2 based on the degree to which the fair value is observable.

Major terms of the foreign currency forward contracts as follows:

Notional amounts	Maturity	Exchange rate
Sell RMB495,495,000	19 August 2018	US$1: RMB7.0785
Sell RMB495,530,000	19 August 2018	US$1: RMB7.0790

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

16. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

	30 June 2017 ***US$'000*** **(Unaudited)**	31 December 2016 *US$'000* (Audited)
Minimum lease payments under operating leases during the period/year in respect of premises	**1,972**	6,821

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

	30 June 2017 ***US$'000*** **(Unaudited)**	31 December 2016 *US$'000* (Audited)
Within one year	**3,455**	4,192
In the second to fifth year inclusive	**9,270**	10,780
Over five years	**–**	1,141
	12,725	16,113

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

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

In connection with such disposition of the electricity transmission facilities to KEPCO in 2005, CGN Korea has a right of use of the facilities for 20 years, which is the term of the PPA. Accordingly, it is considered as a sale and leaseback transaction and results in an operating lease. The difference between the net book value of the facilities and the related proceeds of approximately US$1,497,000 was considered as future lease payments and was recorded as long-term prepaid expenses. The carrying value of the long-term prepaid expenses as at 30 June 2017 is approximately KRW525 million (equivalent to approximately US$459,000) (31 December 2016: approximately KRW569 million (equivalent to approximately US$472,000)). These long-term prepaid expenses are to be amortised over the term of the PPA.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

16. COMMITMENTS *(Continued)*

(a) Operating lease commitments *(Continued)*

The Group as lessor

Certain of the Group's equipment is held for rental purpose under operating lease since 2007 with a carrying amount of approximately US$950,000 (31 December 2016: approximately US$990,000) as at 30 June 2017, and expected to generate rental yield of 7% on an ongoing basis.

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

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

	30 June 2017 ***US$'000*** **(Unaudited)**	31 December 2016 *US$'000* (Audited)
Leasing of equipment		
Within one year	**–**	12
Leasing of generation capacity		
Within one year	**40,442**	38,368
In the second to fifth year inclusive	**161,769**	153,476
After five years	**101,105**	134,291
	303,316	326,135

(b) Capital commitments

	30 June 2017 ***US$'000*** **(Unaudited)**	31 December 2016 *US$'000* (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**44,152**	13,701

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

16. COMMITMENTS *(Continued)*

(c) Acquisition of Xinjiang Project

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

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

At 30 June 2017, the Proposed Acquisition is still pending and has not yet completed as the Parties are still undertaking steps to obtain all of the requisite regulatory approvals for the development and construction of the Xinjiang Project and final negotiation.

17. 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 statements 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:

			Six months ended 30 June	
Name of related company	*Note*	**Nature of transactions**	**2017 *US$'000* (Unaudited)**	2016 *US$'000* (Unaudited)
Hubei Xisaishan Power Generation Co. Ltd	(i)	Management service fee income	**97**	144
CGN Finance	(ii)	Interest income	**472**	330
		Interest expense	**–**	2,316
CGN Energy Development Ltd ("**CGN Energy**")	(ii)	Management service fee income	**568**	4,929
CGNPC Huasheng	(ii)	Interest income	**341**	651
		Interest expense	**113**	–
Huamei Holding Company Limited ("**Huamei Holding**")	(ii)	Management service fee income	**2,366**	4,890
CGN Wind	(ii)	Management service fee income	**6,844**	1,592
CGN Solar Energy Development Co., Ltd.	(ii)	Management service fee income	**1,147**	197
CGNPC International Limited	(iii)	Interest expense	**–**	2,275
China Clean Energy	(ii)	Interest expense	**10,182**	10,238
China Solar Energy Investment Limited	(ii)	Management service fee income	**6,060**	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. RELATED PARTY DISCLOSURES *(Continued)*

Notes:

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

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

(iii) CGNPC International Limited is an intermediate holding company 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 55.3% (31 December 2016: 56.2%) of borrowings of the Group are with the PRC government-related entities as at 30 June 2017.

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 30.3% (31 December 2016: 30%) of its sales of electricity and capacity charges are to the PRC government-related entities for the six months ended 30 June 2017.

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.

18. SUBSEQUENT EVENT

No other important event or transaction affecting the Group has taken place after 30 June 2017.