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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)

(Stock code: 1811)

**Interim Results Announcement
for the Six Months Ended 30 June 2021**

**HIGHLIGHTS OF THE UNAUDITED CONSOLIDATED INTERIM
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

- Revenue for the six months ended 30 June 2021 amounted to US\$796.6 million, representing an increase of 34.3% from US\$593.1 million for the six months ended 30 June 2020.
- Profit before taxation for the six months ended 30 June 2021 amounted to US\$196.2 million, representing an increase of 58.2% from US\$124.0 million for the six months ended 30 June 2020.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 amounted to US\$162.3 million, representing an increase of 55.6% from US\$104.3 million for the six months ended 30 June 2020.
- The increase in profit was mainly attributable to (1) contribution from newly commissioned wind and solar projects; and (2) increase in power generation from existing wind and solar projects.
- Earnings per share for the six months ended 30 June 2021 amounted to 3.78 US cents, representing an increase of 55.6% from 2.43 US cents for the six months ended 30 June 2020.
- The Board resolved not to declare an interim dividend for the six months ended 30 June 2021.

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited

	For the six months ended 30 June	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	<u>796,607</u>	<u>593,110</u>
Operating expenses:		
Coal, oil and gas	342,812	269,786
Depreciation of property, plant and equipment	121,134	84,734
Repair and maintenance	13,919	18,576
Staff costs	42,608	36,301
Others	<u>22,822</u>	<u>26,791</u>
Total operating expenses	<u>543,295</u>	<u>436,188</u>
Operating profit	253,312	156,922
Other income	14,737	6,304
Other gains and losses	4,216	(1)
Finance costs	(85,649)	(70,324)
Share of results of associates	9,551	12,958
Gain on disposal of a subsidiary	<u>–</u>	<u>18,135</u>
Profit before taxation	196,167	123,994
Income tax expenses	<u>(21,657)</u>	<u>(18,790)</u>
Profit for the period	<u>174,510</u>	<u>105,204</u>

	For the six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
Other comprehensive income		
Items that are/may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	(12,261)	(38,545)
Effective portion of changes in fair value of hedging instruments recognised during the period	12,082	1,719
Deferred tax expense arising from fair value change in hedging instruments	(2,923)	(416)
Reclassification adjustments for amounts transferred to profit or loss		
– release of hedging reserve	(63)	(58)
– deferred tax credit arising on release of hedging reserve	15	13
– release of accumulative gain of translation reserve to profit or loss upon disposal of a subsidiary	–	(2,198)
Other comprehensive income for the period	(3,150)	(39,485)
Total comprehensive income for the period	171,360	65,719
Profit for the period attributable to:		
Equity shareholders of the Company	162,316	104,253
Non-controlling interests	12,194	951
	174,510	105,204
Total comprehensive income for the period attributable to:		
Equity shareholders of the Company	159,342	66,585
Non-controlling interests	12,018	(866)
	171,360	65,719
Earnings per share		
– basic (<i>US cents</i>)	3.78	2.43
– diluted (<i>US cents</i>)	3.78	2.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 – unaudited

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	5,691,101	4,747,312
Right-of-use assets	91,346	86,637
Goodwill	171,033	169,241
Interests in associates	221,250	206,083
Derivative financial instruments	11,599	5,445
Deferred tax assets	21,348	21,794
Financial assets designated at fair value through other comprehensive income	5,172	–
Other non-current assets	367,428	505,065
	<u>6,580,277</u>	<u>5,741,577</u>
CURRENT ASSETS		
Inventories	38,791	24,445
Trade receivables	618,731	430,273
Contract assets	162,426	146,637
Other receivables and prepayments	104,691	91,946
Amounts due from fellow subsidiaries	3,289	6,229
Tax recoverable	19	216
Derivative financial instruments	6,931	1,832
Pledged bank deposits	151,923	134,527
Cash and cash equivalents	306,517	398,850
	<u>1,393,318</u>	<u>1,234,955</u>

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
CURRENT LIABILITIES		
Trade payables	84,733	70,704
Contract liabilities	3,245	2,717
Other payables and accruals – due within one year	542,378	398,024
Amounts due to fellow subsidiaries	35,173	8,738
Amounts due to non-controlling shareholders – due within one year	7,606	7,365
Loans from fellow subsidiaries – due within one year	741,001	521,268
Loan from the ultimate holding company – due within one year	340,758	295,790
Bank borrowings – due within one year	727,532	721,579
Lease liabilities – due within one year	3,271	3,900
Government grants	209	207
Tax payable	13,264	9,081
Derivative financial instruments	–	63
	<u>2,499,170</u>	<u>2,039,436</u>
NET CURRENT LIABILITIES	<u>(1,105,852)</u>	<u>(804,481)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>5,474,425</u>	<u>4,937,096</u>
NON-CURRENT LIABILITIES		
Other payables and accruals – due after one year	3,980	–
Amount due to a non-controlling shareholder – due after one year	1,097	1,085
Loans from fellow subsidiaries – due after one year	534,260	533,482
Loan from the ultimate holding company – due after one year	123,912	122,607
Bank borrowings – due after one year	3,303,758	2,889,265
Lease liabilities – due after one year	27,144	27,022
Government grants	9,468	9,548
Net defined benefit retirement obligation	2,977	2,792
Deferred tax liabilities	57,342	53,914
	<u>4,063,938</u>	<u>3,639,715</u>
NET ASSETS	<u><u>1,410,487</u></u>	<u><u>1,297,381</u></u>

	As at 30 June 2021 US\$'000	As at 31 December 2020 US\$'000
CAPITAL AND RESERVES		
Share capital	55	55
Reserves	<u>1,304,042</u>	<u>1,213,100</u>
Equity attributable to equity shareholders of the Company	1,304,097	1,213,155
Non-controlling interests	<u>106,390</u>	<u>84,226</u>
TOTAL EQUITY	<u><u>1,410,487</u></u>	<u><u>1,297,381</u></u>

Revenue and segment information

The Group has three reportable segments as follows:

- (1) Power plants in the PRC – Generation and supply of electricity;
- (2) Power plants in Korea – Generation and supply of electricity; and
- (3) Management companies – Provision of management services to power plants operated by CGN and its subsidiaries.

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

For the six months ended 30 June 2021

	Power Plants in the PRC <i>US\$'000</i>	Power Plants in Korea <i>US\$'000</i>	Management Companies <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue – external	<u>397,341</u>	<u>387,168</u>	<u>12,098</u>	<u>796,607</u>
Segment results	<u>175,540</u>	<u>22,790</u>	<u>576</u>	198,906
Unallocated other income				519
Unallocated finance costs				(12,809)
Share of results of associates				<u>9,551</u>
Profit before taxation				<u>196,167</u>

For the six months ended 30 June 2020

	Power Plants in the PRC <i>US\$'000</i>	Power Plants in Korea <i>US\$'000</i>	Management Companies <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue – external	<u>255,836</u>	<u>325,802</u>	<u>11,472</u>	<u>593,110</u>
Segment results	<u>83,851</u>	<u>25,661</u>	<u>546</u>	110,058
Unallocated other income				26
Unallocated operating expenses				(2,139)
Unallocated finance costs				(15,044)
Share of results of associates				12,958
Gain on disposal of a subsidiary				<u>18,135</u>
Profit before taxation				<u>123,994</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021 – unaudited

1. GENERAL

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

The consolidated financial statements for the six months ended 30 June 2021 include applicable disclosures required by the Listing Rules and the Companies Ordinance.

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

2. PRINCIPAL ACCOUNTING POLICIES

The 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 consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Changes in accounting policies

The International Accounting Standards Board (“IASB”) has issued the following amendments to International Financial Reporting Standard (“IFRSs”) that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Operating Results and Analysis

In the first half of 2021, the revenue of the Group amounted to US\$796.6 million, representing an increase of 34.3% compared with US\$593.1 million of the first half of 2020. The profit attributable to the equity shareholders of the Company amounted to US\$162.3 million, representing an increase of US\$58.0 million or 55.6% as compared with US\$104.3 million of the first half of 2020.

In the first half of 2021, the profit for the period of the Group amounted to US\$174.5 million, representing an increase of US\$69.3 million or 65.9% as compared with US\$105.2 million of the first half of 2020.

Revenue

In the first half of 2021, the revenue of the Group amounted to US\$796.6 million, representing an increase of 34.3% compared with US\$593.1 million of the first half of 2020.

Revenue derived from wind and solar projects in the PRC amounted to US\$307.9 million, representing an increase of 71.9% as compared with US\$179.1 million of the first half of 2020, which was mainly attributable to the newly commissioned installed capacity and the increase in power generation from existing projects.

Revenue derived from Korea amounted to US\$387.2 million, representing an increase of 18.8% as compared with US\$325.8 million of the first half of 2020. The increase in revenue was mainly attributable to the higher power generation of Yulchon I & II Power Projects and commencement of commercial operation of the 109.5 MW Daesan biomass project.

Operating Expenses

In the first half of 2021, the operating expenses of the Group amounted to US\$543.3 million, representing an increase of 24.6% compared with US\$436.2 million of the first half of 2020. The increase in operating expenses was mainly due to the increase in gas costs of our Yulchon I & II Power Projects. In addition, the commencement of operation of the new wind and solar projects has resulted in the increase of depreciation and staff costs.

Operating Profit

In the first half of 2021, the operating profit of the Group, which is equal to revenue minus operating expenses, amounted to US\$253.3 million, representing an increase of US\$96.4 million or 61.4% compared with US\$156.9 million of the first half of 2020. The increase in operating profit was mainly caused by the increased revenue from both the newly commissioned and existing wind and solar projects.

Other Income

Other income of the Group mainly represented interest income, government grants and the refund of value-added tax. In the first half of 2021, other income of the Group amounted to US\$14.7 million, representing an increase of US\$8.4 million compared with US\$6.3 million of the first half of 2020.

Finance Costs

In the first half of 2021, the finance costs of the Group amounted to US\$85.6 million, representing an increase of 21.8% compared with US\$70.3 million of the first half of 2020. The increase in finance costs was mainly attributable to the increase in weighted average balances of bank borrowings, loans from the ultimate holding company and loans from fellow subsidiaries.

Share of Results of Associates

In the first half of 2021, the share of results of associates amounted to US\$9.6 million, representing a decrease of US\$3.4 million compared with US\$13.0 million in the first half of 2020. The decrease in profit of the associates was mainly due to the surge in coal price despite an increase in power generation.

Gain on disposal of a subsidiary

In May 2020, the Group disposed of its entire equity interest in Shanghai Meiya Jinqiao Energy Co., Ltd. (上海美亞金橋能源有限公司) (“**Jinqiao JV**”), representing 60% of the total equity interest in the Jinqiao JV, through a public tender process of Shanghai United Assets and Equity Exchange (上海聯合產權交易所) at a consideration of RMB155.8 million (equivalent to US\$22.0 million). The disposal was completed in May 2020, when the Group disposed of its entire equity interests in the Jinqiao JV and recognised a gain on disposal of US\$18.1 million in the first half of 2020.

Income Tax Expenses

In the first half of 2021, the income tax expenses of the Group amounted to US\$21.7 million, representing an increase of US\$2.9 million compared with US\$18.8 million of the first half of 2020.

Liquidity and Capital Resources

The Group’s cash and cash equivalents decreased from US\$398.9 million as at 31 December 2020 to US\$306.5 million as at 30 June 2021, which was primarily due to the cash generated from financing activities being offset by the cash used in investing activities during the said period.

Net Debt/Equity Ratio

The Group's net debt/equity ratio increased from 3.61 as at 31 December 2020 to 3.88 as at 30 June 2021, 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, loans from the ultimate holding company and loans from fellow subsidiaries.

Interim Dividend

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021.

Earnings per Share

	For the six months ended 30 June	
	2021	2020
	<i>US cents</i>	<i>US cents</i>
Earnings per share, basic and diluted – calculated based on the number of ordinary shares for the period	<u>3.78</u>	<u>2.43</u>
	<i>US\$'000</i>	<i>US\$'000</i>
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the period attributable to equity shareholders of the Company)	<u>162,316</u>	<u>104,253</u>
	<i>'000</i>	<i>'000</i>
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	<u>4,290,824</u>	<u>4,290,824</u>

Trade Receivables

	As at	
	30 June 2021	31 December 2020
	US\$'000	US\$'000
Trade receivables – contracts with customers	619,442	430,976
Less: Allowance for credit losses	(711)	(703)
	<u>618,731</u>	<u>430,273</u>

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 2021	31 December 2020
	US\$'000	US\$'000
0 – 60 days	194,065	151,034
61 – 90 days	42,157	12,617
91 – 180 days	51,667	39,961
Over 180 days	330,842	226,661
	<u>618,731</u>	<u>430,273</u>

As at 30 June 2021, the Group's trade receivables balances included debtors with aggregate carrying amount of US\$175.2 million (31 December 2020: US\$135.2 million) from the sales of electricity and other services, which are due within 30 to 90 days from the date of billing.

As at 30 June 2021, the Group's trade receivables balances included debtors with aggregate carrying amount of US\$443.5 million (31 December 2020: US\$295.1 million) from the tariff income receivables. These receivables are tariff income receivables from relevant government authorities pursuant to the Cai Jian [2020] No.5 Notice on the Measures for Administration of Subsidy Funds for Tariff of Renewable Energy (財建[2020] 5號《可再生能源電價附加補助資金管理辦法》). The collection of tariff income receivables is subject to settlement by state grid companies upon finalisation of the allocation of funds by relevant PRC government authorities to the state grid companies. As a result, the tariff income receivables is not considered as overdue or in default. The tariff income receivables have been approved by the relevant government authorities and are expected to be recovered within the Group's normal operating cycle but maybe beyond 12 months from the reporting date. Based on the historical settlement record and forward-looking information that was available without undue cost and effort at 30 June 2021, the directors of the Company consider that the receivables are not credit-impaired and not considered as in default.

The Group does not hold any collateral over the trade receivables balances.

Contract Assets

The contract assets represented tariff income receivables from the sale of renewable energy to the local state grid in the PRC, with such amounts pending approval for registration in the Renewable Energy Tariff Subsidy List (the “List”) by the relevant government authorities. The contract assets are transferred to trade receivables when the relevant right becomes unconditional, upon the registration of the Group’s respective operating power plants in the List.

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	31 December
	2021	2020
	US\$’000	US\$’000
0 – 60 days	81,952	58,490
61 – 90 days	39	1,679
Over 90 days	2,742	10,535
	<hr/>	<hr/>
Total	84,733	70,704
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases of goods was 24 days (31 December 2020: 26 days) for the six months ended 30 June 2021. 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\$5,741.6 million as at 31 December 2020 to US\$6,580.3 million as at 30 June 2021. The increase was mainly due to the additions of property, plant and equipment during the six months ended 30 June 2021.

Current assets increased from US\$1,235.0 million as at 31 December 2020 to US\$1,393.3 million as at 30 June 2021. The increase was mainly attributable to the increase in trade receivables and contract assets.

Current liabilities increased from US\$2,039.4 million as at 31 December 2020 to US\$2,499.2 million as at 30 June 2021, which was mainly due to increase in other payables and accruals.

Non-current liabilities increased from US\$3,639.7 million as at 31 December 2020 to US\$4,063.9 million as at 30 June 2021, which was mainly attributable to the increase in long term bank borrowings.

Bank Borrowings

The Group's total bank borrowings increased from US\$3,610.8 million as at 31 December 2020 to US\$4,031.3 million as at 30 June 2021. Details of bank borrowings are as follows:

	As at	
	30 June 2021	31 December 2020
	US\$'000	US\$'000
Secured	3,035,207	2,979,540
Unsecured	996,083	631,304
	<u>4,031,290</u>	<u>3,610,844</u>

The maturity profile of bank borrowings is as follows:

Within one year	727,532	721,579
More than one year but not exceeding two years	345,926	323,538
More than two years but not exceeding five years	960,295	951,658
Over five years	1,997,537	1,614,069
	4,031,290	3,610,844
Less: Amounts due for settlement within one year shown under current liabilities	<u>(727,532)</u>	<u>(721,579)</u>
Amounts due for settlement after one year	<u>3,303,758</u>	<u>2,889,265</u>

As at 30 June 2021, the Group had unutilized banking facilities of US\$2,872.0 million.

Loans from Fellow Subsidiaries and the Ultimate Holding Company

As at 30 June 2021, the amounts represent:

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>USD'000</i>	<i>USD'000</i>
Loans from fellow subsidiaries			
– due within 1 year			
CGN Finance	<i>i(a)</i>	181,221	179,313
CGN Wind Energy	<i>ii</i>	309,780	91,955
CGNPC Huasheng	<i>iii</i>	250,000	250,000
		<u>741,001</u>	<u>521,268</u>
Loan from the ultimate holding company			
– due within 1 year			
CGN	<i>iv(a)</i>	340,758	295,790
Loans from fellow subsidiaries			
– due after 1 year			
CGN Finance	<i>i(b)</i>	77,444	76,729
CGN Finance	<i>i(c)</i>	6,816	6,753
China Clean Energy Development Limited	<i>v</i>	450,000	450,000
		<u>534,260</u>	<u>533,482</u>
Loans from the ultimate holding company			
– due after 1 year			
CGN	<i>iv(b)</i>	123,912	122,607

Notes:

(i)(a) Loan from CGN Finance of RMB1,170.0 million (equivalent to US\$181.2 million) (31 December 2020: RMB1,170.0 million (equivalent to US\$179.3 million)) is unsecured, interest bearing at 3.5% per annum and repayable in 2022.

(i)(b) Loan from CGN Finance of RMB500.0 million (equivalent to US\$77.4 million) (31 December 2020: RMB500.7 million (equivalent to US\$76.7 million)) is unsecured, interest bearing at RMB Loan Prime Rate announced by the PRC National Interbank Funding Center minus 0.4% per annum and repayable in 2040.

- (i)(c) Loan from CGN Finance of RMB44.1 million (equivalent to US\$6.8 million) (31 December 2020: RMB44.1 million (equivalent to US\$6.8 million)) is unsecured, interest bearing at 4.2% per annum and repayable in 2035.
- (ii) Loan from CGN Wind Energy of RMB2,000.0 million (equivalent to US\$309.8 million) (31 December 2020: RMB600.0 million (equivalent to US\$92.0 million)) is unsecured, interest bearing at 3.5% per annum and repayable in 2021.
- (iii) Loan from CGNPC Huasheng of US\$250.0 million (31 December 2020: US\$250.0 million) is unsecured, interest bearing at 3 months London Interbank Offered Rate plus 1.3% per annum and repayable in August 2021.
- (iv)(a) Loan from CGN of RMB2,200.0 million (equivalent to US\$340.8 million) (31 December 2020: RMB1,930.0 million (equivalent to US\$295.8 million)) is unsecured, interest bearing at 3.0% per annum and repayable in November 2021.
- (iv)(b) Loan from CGN of RMB800.0 million (equivalent to US\$123.9 million) (31 December 2020: RMB800.0 million (equivalent to US\$122.6 million)) is unsecured, interest bearing at 3.0% per annum and repayable in 2022.
- (v) Loan from China Clean Energy Development Limited of US\$450.0 million (31 December 2020: US\$450.0 million) is unsecured, interest bearing at 4.5% per annum and repayable in 2025.

Capital Expenditures

The Group's capital expenditures increased by US\$43.7 million to US\$721.6 million in the first half of 2021 from US\$677.9 million in the first half of 2020, which was mainly due to the increased capital expenditures incurred by the wind and solar power projects.

Contingent Liabilities

As at 30 June 2021 and 31 December 2020, 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 2021, the total book value of the pledged assets of the Group amounted to US\$2,006.9 million.

Employees and Remuneration Policy

As at 30 June 2021, the Group had about 1,540 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 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.

In Korea, the Group is required by law to contribute 4.5% of the employees' monthly average salaries for the national pension, 3.43% for national health insurance (11.52% of the national health insurance contribution for long term care insurance), 1.05% for unemployment insurance, 1.06% (Seoul Office)/0.803% (Yulchon)/0.803% (Daesan) for the industrial accident compensation insurance and 0.06% for a wage claim guarantee fund.

II. Industry Overview

In the first half of 2021, the electricity consumption of the society in China maintained a rapid growth and the growth in installed power generation capacity of new energy sector was fast. From January to June 2021, the electricity consumption of the society was 3,933.9 TWh, representing an increase rate of 16.2% as compared to the same period of last year.

As the electricity structure in China continued its path towards green and low carbon development, electricity generation from non-fossil energy was further increased. From January to June 2021, the electricity generated from the nation's wind power and solar power reached 344.2 TWh and 157.6 TWh respectively, representing a growth of 44.6% and 23.4% as compared to the same period of last year respectively.

On 12 March 2021, the “Outline of 14th Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035 of the People’s Republic of China” (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) was promulgated to propose the following: accelerating the development of non-fossil fuels, insisting on both centralized and distributed projects, scaling up wind power and photovoltaic power generation, expediting the development of distributed power projects in the eastern and central regions, developing offshore wind power in an orderly manner, accelerating the construction of hydropower bases in the southwest regions, and promoting the safe and secure construction of coastal nuclear power plants. At the end of the 14th Five-Year Plan period, the proportion of non-fossil fuels in total energy consumption will increase to around 20%.

In 2021, wind power and photovoltaic power ushered in an era of full grid parity in China. In June 2021, the NDRC promulgated the “Notice on Matters related to New Energy On-grid Tariff Policy in 2021” (《關於2021年新能源上網電價政策有關事項的通知》), pursuant to which, newly filed centralized photovoltaic power plants, industrial and commercial distributed photovoltaic projects and newly approved onshore wind power projects will no longer be financed by central government starting from 1 August 2021 and grid parity will be realized.

In May 2021, the NEA promulgated the “Notice on the Development and Construction of Wind and Photovoltaic Power in 2021” (《關於2021年風電、光伏發電開發建設有關事項的通知》). The Notice specifies the establishment of guaranteed grid connection, market-based grid connection and other diversified protection mechanism for grid connection. In particular, guaranteed grid connection is mainly applicable for project reserves, the grid connection scale of which is not less than 90 GW. Projects subject to guaranteed grid connection are centrally organized by the provincial energy authorities through competitive allocation. Other projects which are still intended for grid connection may be connected to the grid by grid companies after fulfilling the grid connection conditions with flexible resources, such as additional development (by means of self-construction, joint establishment and sharing, purchase of services and other market-oriented ways) of new pumped-storage, solar power with thermal energy storage, peak load regulation of thermal power, new energy storage and adjustable load.

For responsibility weight of consumption (i.e. the quota system), in May 2021, the NDRC and the NEA jointly promulgated the “Notice on Responsibility Weight of Renewable Energy Consumption and Relevant Matters in 2021” (《關於2021年可再生能源電力消納責任權重及有關事項的通知》), and at the same time issued the 2021 responsibility weight of consumption (binding targets) and 2022 responsibility weight of consumption (expected targets), which further favors the consumption of new energy, such as wind power and photovoltaic power.

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 competition is intensified in the power market upon the commissioning of new power plants, the profitability of Korean gas-fired power generation companies was affected.

III. Business Review

The Group's portfolio of assets comprises wind, solar, gas-fired, coal-fired, oil-fired, hydro, cogen, fuel cell and biomass projects, which are in the PRC and Korea power markets. Our business in the PRC covers 18 provinces, two autonomous regions and a municipality with wide geographical coverage and diversified business scope. As of 30 June 2021, the operations in the PRC and Korea accounted for approximately 72.0% and 28.0% of the Group's attributable installed capacity of 7,723.0 MW respectively. Clean and renewable energy projects (namely wind, solar, gas-fired, hydro, fuel cell and biomass projects) accounted for 79.8% of our attributable installed capacity; and conventional energy projects (namely coal-fired, oil-fired and cogen projects) accounted for 20.2% of our attributable installed capacity.

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

US\$' million	Korea projects	PRC Coal-fired, Cogen and Gas-fired projects	PRC Wind projects	PRC Solar projects	PRC Hydro projects	Corporate	Total
For the six months ended							
30 June 2021							
Revenue	387.2	71.4	241.6	66.3	15.2	14.9	796.6
Operating expenses	(355.9)	(61.6)	(72.5)	(24.8)	(8.2)	(20.3)	(543.3)
Operating profit	31.3	9.8	169.1	41.5	7.0	(5.4)	253.3
Profit for the period	18.3	21.7	131.8	28.5	4.7	(30.5)	174.5
Profit attributable to the equity shareholders of the Company	18.3	19.9	126.5	23.5	4.6	(30.5)	162.3
For the six months ended							
30 June 2020							
Revenue	325.8	60.5	127.8	51.3	15.2	12.5	593.1
Operating expenses	(291.5)	(51.5)	(47.6)	(20.2)	(7.6)	(17.8)	(436.2)
Operating profit	34.3	9.0	80.2	31.1	7.6	(5.3)	156.9
Profit for the period	19.9	35.5	58.4	20.2	6.6	(35.4)	105.2
Profit attributable to the equity shareholders of the Company	19.9	36.8	56.3	20.2	6.5	(35.4)	104.3

Korea projects

The utilization hours of our Korea gas-fired plants increased from 2,213 hours to 2,487 hours during the first half of 2021, which was mainly due to an increase in the load of power grid dispatch in 2021 and an overhaul undergone in 2020. Profit attributable to the equity shareholders of the Company decreased slightly from US\$19.9 million to US\$18.3 million, which was mainly attributable to lower gross margin in gas-fired plants.

PRC Coal-fired, Cogen and Gas-fired projects

In the first half of 2021, the operating profit remained stable at US\$9.8 million. However, the profit in the first half of 2021 dropped by US\$13.8 million comparatively, which is mainly due to the one-off gain on the disposal of the Jinqiao JV which amounted to US\$18.1 million in 2020.

PRC Wind projects

Starting from the second half of 2020, the Group's newly commissioned attributable installed capacity of wind projects amounted to 1,131.6 MW. In the first half of 2021, the substantial increase in revenue by US\$113.8 million was mainly attributable to power generation from newly commissioned wind projects which amounted to US\$84.5 million. Given that the power generation of the existing wind projects has also improved and together with the contribution from the newly commissioned wind projects, the operating profit increased significantly in the first half of 2021 as compared with corresponding period in the previous year.

PRC Solar projects

Starting from the second half of 2020, the Group's newly commissioned attributable installed capacity amounted to 207.8 MW, which contributed US\$7.4 million revenue in the first half of 2021. Given that the power generation of the existing solar projects has improved and together with the contribution from the newly commissioned solar projects, the operating profit increased by US\$10.4 million to US\$41.5 million in the first half of 2021.

Installed Capacity

The attributable installed capacity of the Group's power assets as at 30 June 2021 and 30 June 2020 by fuel type are set out as follows (MW):

	As at	
	30 June 2021	30 June 2020
Clean and renewable energy portfolio		
Wind	3,135.0	2,003.4
Solar	1,126.4	918.6
Gas-fired	1,655.0	1,655.0
Hydro	137.3	137.3
Biomass	109.5	–
	<hr/>	<hr/>
Subtotal	6,163.2	4,714.3
	<hr/>	<hr/>
Conventional energy portfolio		
Coal-fired	989.8	1,138.6
Oil-fired	507.0	507.0
Cogen	63.0	90.0
	<hr/>	<hr/>
Subtotal	1,559.8	1,735.6
	<hr/>	<hr/>
Total attributable installed capacity	<u>7,723.0</u>	<u>6,449.9</u>

As at 30 June 2021, the Group's attributable installed capacity reached 7,723.0 MW, representing an increase of 1,273.1 MW or 19.7% from the same period of last year, of which the wind power and solar power accounted for 55.2% of the Group's attributable installed capacity. The attributable installed capacity of wind power amounted to 3,135.0 MW, representing an increase of 1,131.6 MW or 56.5% from the same period of last year; whereas the attributable installed capacity of solar power amounted to 1,126.4 MW, representing an increase of 207.8 MW or 22.6% from the same period of last year. As at 30 June 2021, the consolidated installed capacity of the Group's power plants reached 6,975.1 MW.

In the first half of 2021, the operating attributable installed capacity contributed by the Group's new projects amounted to 321.2 MW, including (1) 173.9 MW wind power; (2) 37.8 MW solar power; and (3) 109.5 MW biomass.

In terms of wind power business development, in the second half of 2020 and the first half of 2021, the Group's newly commissioned attributable installed capacity of wind power amounted to 957.7 MW and 173.9 MW respectively. In the first half of 2021, the Group's newly commissioned attributable installed capacity of wind power, by regional distribution, included (1) 87.0 MW in Henan Province; (2) 68.7 MW in Zhejiang Province; (3) 10.7 MW in Jiangxi Province; and (4) 7.5 MW in Jiangsu Province.

In terms of solar power business development, in the second half of 2020 and the first half of 2021, the newly commissioned attributable installed capacity of solar power of the Group amounted to 170.0 MW and 37.8 MW respectively. In the first half of 2021, the Group's newly commissioned attributable installed capacity of solar power, by regional distribution, included (1) 20.0 MW in Guizhou Province; (2) 14.0 MW in Gansu Province; and (3) 3.8 MW in Hunan Province.

The Group commenced commercial operation of the 109.5 MW Daesan biomass project in Korea in the first half of 2021. In addition, during the second half of 2020, the attributable installed capacity of the cogen projects of the Group decreased by 27.0 MW, which was due to the disposal of the Haian cogen power plants in Jiangsu Province. In the first half of 2021, the attributable installed capacity of the coal-fired projects of the Group decreased by 148.8 MW, as the Group's Nanyang General Light coal-fired project in Henan Province entered into an asset transfer agreement with a third party and completed the relevant asset transfer.

Development of Preliminary Projects

In 2021, the proposed development targets of “carbon peak and carbon neutrality” further clarify the development direction of energy reform and green transformation of energy. The Company will continue to strengthen market development by consistently enhancing external cooperation with strategic partners to strive for breakthroughs and improving internal synergy. It is expected that the growth of new operating capacity in 2021 will be steady.

Offshore Wind Power

Newly approved offshore wind power projects are no longer financed by central government starting from 2020. In June 2021, the NDRC specifies in the “Notice on Matters related to New Energy On-grid Tariff Policy in 2021” (《關於2021年新能源上網電價政策有關事項的通知》) that the on-grid tariff of offshore wind power shall be formulated by competent departments responsible for pricing at the provincial level, and encourages the implementation of offshore wind supporting policies in different local areas.

In June 2021, the “Implementation Plan for Promoting the Orderly Development of Offshore Wind Power and the Sustainable Development of Related Industries” (《促進海上風電有序開發和相關產業可持續發展實施方案》) (“**the Plan**”) was promulgated in Guangdong Province. Pursuant to the Plan, the cumulative installed capacity of offshore wind power projects established and put into operation in Guangdong Province will reach 4 GW by the end of 2021, and is aimed to reach 18 GW by the end of 2025, making it the first to achieve grid parity in the country. In addition, for province-managed offshore projects that were approved before the end of 2018 and will be grid-connected with full capacity from 2022 to 2024, subsidies of RMB1,500, RMB1,000 and RMB500 per kW will be provided in the respective year. No subsidies will be provided for projects connected to the grid starting from 2025.

It is expected that China’s offshore wind power could achieve full grid parity at the end of the 14th Five-Year Plan period. In order to ensure the sustainable development of the industry, local supporting policies will be introduced in advance in various areas as appropriate.

The Company has maintained steady development of offshore wind power business, and has planned in advance and made reasonable deployment with reference to national policies and the Company’s overall strategies such that the Company can make every effort to complete its goals. The constructions for the 5# and 6# projects (282 MW) in Shengsi, Zhejiang Province and the H8# project (300 MW) in Rudong, Jiangsu Province are progressing according to the construction plan.

Safety Management

In the first half of 2021, the Company did not encounter any major safety accidents, reflecting a stable condition of production safety. The Company has entered a “strict management period of production safety”. As the Company is in a critical period of safeguarding production activities, it does not only have to strictly realize safety protection in the 100th anniversary of the founding of the Communist Party of China, but also needs to focus on the three-year action for safe production to prevent all types of accidents and comprehensively improve the standards of safety, quality and environmental management.

Electricity Generation

The power generation (GWh) by the projects of the Group are set out as follows:

	For the six months ended	
	30 June	
	2021	2020
PRC wind projects	3,798.1	2,232.1
PRC solar projects	803.1	644.9
PRC coal-fired, cogen and gas-fired projects	234.3	169.2
PRC hydro projects	352.9	390.1
Korea projects	4,045.1	3,423.3
Total	<u>9,233.5</u>	<u>6,859.6</u>

In the first half of 2021, the Company continued to promote lean production management and strengthen equipment management. For the six months ended 30 June 2021, the electricity generated by the Group's consolidated power generation projects amounted to 9,233.5 GWh, representing an increase of 34.6% from 6,859.6 GWh for the six months ended 30 June 2020. The increase in power generation was mainly due to the contribution from newly commissioned wind and solar projects and from the increase in power generation of the existing wind and solar projects. The electricity generated by wind power projects and solar power projects reached 3,798.1 GWh and 803.1 GWh, representing growth rates of 70.2% and 24.5%, respectively.

The power generation from PRC coal-fired, cogen and gas-fired projects reached 234.3 GWh, representing an increase of 38.5% as compared with the same period in 2020, mainly because a project in Hubei Province suspended operation in 2020 due to the COVID-19 pandemic and was unable to generate electricity.

The power generation from Korea projects reached 4,045.1 GWh, mainly from gas-fired and biomass projects, representing an increase of 18.2% as compared with the same period in 2020. The main reason for the increase of power generation was that the gas-fired project experienced an increase in the load of power grid dispatch in 2021 and underwent an overhaul in 2020, resulting in a year-on-year increase of power generation of the Korea projects in 2021.

The total steam sold by the Group amounted to 1,805,000 tonnes, representing an increase of 3.5% as compared with the six months ended 30 June 2020.

The following table sets out the average utilization hour applicable to the Group's power projects:

Average utilization hour by fuel type ⁽¹⁾

	For the six months ended	
	30 June	
	2021	2020
PRC Wind Projects ⁽²⁾	1,196	1,005
PRC Solar Projects ⁽³⁾	702	697
PRC Coal-fired Projects ⁽⁴⁾	2,415	2,020
PRC Cogen Projects ⁽⁵⁾	2,925	2,682
PRC Hydro Projects ⁽⁶⁾	1,838	1,991
Korea Gas-fired Projects ⁽⁷⁾	2,487	2,213

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 PRC wind projects in major regions such as Shandong Province, Henan Province and Gansu Province for the period ended 30 June 2021 were 1,262 hours, 1,265 hours and 1,098 hours, respectively. Average utilization hour for the PRC wind power projects increased mainly because of the better overall wind resources available in the first half of 2021.
- (3) Average utilization hours of the PRC solar projects operating in major regions such as Inner Mongolia Autonomous Region, Anhui Province, Guizhou Province and Qinghai Province were 913 hours, 637 hours, 508 hours and 852 hours, respectively, in the first half of 2021. Average utilization hour for the PRC solar power projects increased mainly because of the better overall solar resources available in the first half of 2021.
- (4) Due to temporary suspension of production at power plants located in Hubei Province as a result of the COVID-19 pandemic in the first half of last year, the electricity generation and average utilization hour of the PRC coal-fired projects improved comparatively in 2021.
- (5) Average utilization hours for the PRC cogen projects increased mainly due to the increase in local demand, which led to the increase in power generation.

- (6) As a major hydro project in Guangxi experienced a substantial decrease in water inflows in the first half of 2021, it led to an overall decrease in the power generation and average utilization hour of the PRC hydro projects as compared with the corresponding period of last year.
- (7) Average utilization hour of the Korea gas-fired projects increased slightly mainly because of the increase in power generation by Yulchon I Power Project & Yulchon II Power Project as a result of an increase in the load of power grid dispatch in 2021 and an overhaul undergone in 2020.

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	
	Unit	30 June	
		2021	2020
PRC Wind Projects	RMB per kWh	0.53	0.50
PRC Solar Projects ⁽²⁾	RMB per kWh	0.65	0.71
PRC Coal-fired Projects	RMB per kWh	0.44	0.43
PRC Cogen Projects ⁽³⁾	RMB per kWh	0.46	0.47
PRC Hydro Projects	RMB per kWh	0.32	0.32
Korea Gas-fired Projects ⁽⁴⁾	KRW per kWh	97.35	107.12

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

PRC Cogen Projects ⁽⁵⁾	RMB per ton	205.52	207.33
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Notes:

- (1) The weighted average tariffs are affected not only by the change in the tariff for each project but also the change in net power generation for each project.
- (2) The weighted average tariff of our PRC solar projects decreased in the first half of 2021 due to keen competition in electricity bid trading.
- (3) The weighted average tariff of our PRC cogen projects excludes steam tariff.

- (4) 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 decrease in weighted average tariff of Korea gas-fired projects in the first half of 2021 was in line with the decrease in Korea gas price during the same period.
- (5) The weighted average tariff of steam remained stable in the first half of 2021.

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	
	Unit	30 June	
		2021	2020
PRC weighted average standard coal price ^{(1) (2)}	RMB per ton	984.63	738.78
Korea weighted average gas price ^{(1) (3)}	KRW per Nm ³	471.34	502.84

Notes:

- (1) The weighted average standard coal price and the weighted average gas price 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 2021 increased substantially compared to the first half of 2020 due to a surge in market coal price.
- (3) Our Korea weighted average gas price in the first half of 2021 decreased compared to the first half of 2020 due to the decrease 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 allows us to pass on the fuel cost fluctuations of the tariff to our customers in accordance with the laws.

Scientific and Technological Innovation

The Company attaches great importance to scientific and technological innovation. We focused on the digital and intelligent operation and maintenance work as well as innovation breakthroughs for core technologies in the first half of 2021, so as to bring new momentum to the Company's high-quality development.

The business of the Company's four major centers (centralized control center, early warning center, data center and safety center) have been comprehensively conducted. Intensification and intelligentization were utilized as the means to facilitate the intelligent transformation of production, operation and maintenance. By empowering the entire chain with informationization and establishing comprehensive platform modules covering electricity marketing, financial management, business procurement, audit and early warning, legal compliance, offshore integrated dispatch and operation management, and assist the Company in continuously improving the digitalization level.

The Company has closely integrated technological innovation with on-site problem solving and significantly improved the management standard of equipment health through innovation workshops. In the first half of 2021, the Company received the "Excellence Award for Informationization of China Energy Enterprise" (中國能源企業信息化卓越成就獎) from China Information Industry Association.

Social Responsibility

The Company has proactively fulfilled its social responsibility by carrying out various types of consolation, educational assistance and science promotion activities in the first half of 2021. On the Children's Day which falls on 1 June, the project staff of the Company visited primary schools near the power plants to celebrate the Children's Day with students, coupled with activities such as book donation and science promotion of new energy. Profoundly adhering to the green development principle of "lucid waters and lush mountains are invaluable assets", the Company has vigorously promoted the development of green and clean energy projects in order to contribute its own strength to drive economic and social development into a new level. In the first half of 2021, the Guangxi branch of the Company received the honorary title of "Regional Outstanding Institution for Poverty Alleviation" (全區脫貧攻堅先進集體), which marks a historical summary of the successful efforts in poverty alleviation in the Guangxi Zhuang autonomous region over the past few years and reflects the high recognition earned by the Guangxi branch in the autonomous region in respect of its efforts in poverty alleviation.

Brand Promotion: Recognitions and Awards

Always adhering to the basic principles of “Safety First, Quality Foremost and Pursuing Excellence”, the Company continued its development in the domestic new energy market in order to contribute its own efforts to China’s targets of carbon peak by 2030 and carbon neutrality by 2060.

In the first half of 2021, the Company won the “Best Energy and Resources Company” award at the “Fifth Golden Hong Kong Stocks Annual Awards Ceremony” (第五屆金港股年度頒獎盛典), which indicates that the construction development of the Company in the new energy field was fully acknowledged by the media and the capital market, and its performance as a Hong Kong stock was also highly recognised by the industry and investors. In addition, the Company won the “Most Innovative Value Award in the Guangdong-Hong Kong-Macao Greater Bay Area” (粵港澳大灣區最具創新價值大獎) in the first “Navigation ‘9+2’ Guangdong-Hong Kong-Macao Greater Bay Area Awards” (領航‘9+2’粵港澳大灣區獎項) campaign. This indicates that the value contributed by the Company in the new energy field has received continuous market attention and recognition, which facilitates the Company’s further expansion of its influence in the Greater Bay Area and improves the Company’s brand value. Furthermore, the Company’s photovoltaic base project in Wuhai, Inner Mongolia Autonomous Region with a capacity of 50 MW received the national award of “China Installation Works Merit Award (China Installation Star)” (中國安裝工程優質獎 (中國安裝之星)) from China Installation Association (中國安裝協會). This award is the highest honor in the field of construction of installation works in China, and this honor fully reflects the Company’s strict requirements on construction works and the pursuit of excellence in project quality. The Dangtu Photovoltaic Power Station of the Company in Anhui Province with a capacity of 260 MW received the “2021 China Quality Electric Power Project Award” (2021年度中國電力優質工程獎). The China Quality Power Project Award is the highest honor in recognition of the quality of electric power construction industry in China. All of the award-winning projects embody the target qualities of electric power projects in China, which are “effective management, innovative technologies, energy conservation and emission reduction”, etc, and reflect the advanced level of comparable projects in the same period in China.

IV. Risk Factors and Risk 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. Solar 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 power purchase agreement 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 amount of our indebtedness is calculated in accordance with floating interest rate or interest rate 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) repay our outstanding debt. By managing and monitoring the risks of foreign currency, we ensure that appropriate measures are adopted effectively in a timely manner.

V. Prospects

Facing the 14th Five-Year Plan and in the medium to long run, the Company continues to promote three strategic projects, namely lean management, innovation, and deepening of reforms, so as to achieve high-quality and sustainable development of the Company in a stable manner. In addition, the Company will cultivate and develop the core competence in carrying out transactions in the markets of power trading and its derivatives in order to open up a path to reach the final users, which is expected to become a new area of profit growth of the Company.

1. Deeply promoting the strategic project of lean management, while maintaining our core competitive advantage of lower unit cost of production:

The Company will deeply promote the strategic project of lean management, focusing on development management, procurement management, project construction management, capital cost management, operating cost management, operation and maintenance cost management and asset management, etc., which achieves an average construction cost of wind power and photovoltaic projects that is lower than the industry average.

2. Achieving innovation-driven strategic project with a focus on scientific and technological innovation and informatization support:

The Company's innovation in science and technology will focus on the improvement of management of operation and maintenance of the existing power stations and the preparation for developing emerging cutting-edge technologies that will affect the long-term development of the Company. The works in scientific and technological innovation mainly include the leading project of digital operation and maintenance and the integrated project of advanced offshore wind power technologies.

The informatization support of the Company includes four aspects, such as empowerment of digital scenarios, data governance, technology standards and network security. The Company may leverage on digitisation and intelligence and start utilizing data assets from new energy power stations to enhance intelligent management in the areas of engineering and operation and maintenance; and the Company may also introduce intelligent operation and maintenance systems to improve the efficiency of power generation and reduce the costs of operation and maintenance.

3. Deepening our reform in all aspects, revitalizing the Company and unleashing its potential to fully implement the strategic project of strengthening the enterprise with talents:

The Company will continue to optimize its governance and control system, and develop corporate governance and governance capabilities that are commensurate with a modern enterprise. The Company will deepen the reform of the three systems, extend its effort on market-oriented employment and talent deployment, standardise tenure and implement contract-based management at managerial level, while further optimising the market-oriented mechanism for remuneration packages.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 30 July 2021, CGN Shenzhen entered into a shared services agreement with CGN Wind Energy, CGN Solar Energy and CGN Energy (together, the “**Service Providers**”), which are fellow subsidiaries of the Company. Pursuant to the agreement, the Service Providers agreed to provide shared services to CGN Shenzhen and its subsidiaries (together, the “**Service Recipients**”) from 30 July 2021 to 31 December 2023. The service fee charged by the Service Providers is 5% administrative fee plus the actual costs and expenses that are incurred by the Service Providers in providing the shared services to the Service Recipients. The annual caps for the maximum service fee payable from the Service Recipients to the Service Providers range from RMB87.2 million (equivalent to approximately US\$13.4 million) to RMB180.4 million (equivalent to approximately US\$27.8 million). For details regarding the continuing connected transactions, please refer to the announcement of the Company dated 30 July 2021.

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 2021.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, the Company has complied with all the code provisions of the Corporate Governance Code.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own Code for Securities Transactions by Directors (the “**Company’s Code**”), the stipulations of which are no less exacting than those set out in the Model Code, as a code of conduct for dealing in securities of the Company by 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 Company’s Code during the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The Group’s unaudited consolidated interim results for the six months ended 30 June 2021 have been reviewed by the audit committee of the Company and the auditor of the Company, KPMG.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021.

DEFINITIONS

“Board”	the board of Directors
“CGN”	China General Nuclear Power Corporation (中國廣核集團有限公司), a state-owned enterprise established in the PRC and a controlling shareholder of the Company
“CGN Energy”	CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司), a company established in the PRC and a wholly-owned subsidiary of CGN
“CGN Energy International”	CGN Energy International Holdings Co., Limited (中國廣核能源國際控股有限公司), an indirectly wholly-owned subsidiary of CGN incorporated in Hong Kong with limited liability and an immediate shareholder of the Company
“CGN Finance”	CGN Finance Co., Ltd. (中廣核財務有限責任公司), a company established in the PRC and a fellow subsidiary of the Company
“CGNPC Huasheng”	CGNPC Huasheng Investment Limited (中廣核華盛投資有限公司), a company established in Hong Kong and a fellow subsidiary of the Company
“CGN Shenzhen”	CGN New Energy Investment (Shenzhen) Co., Ltd. (中廣核新能源投資(深圳)有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“CGN Solar Energy”	CGN Solar Energy Development Co., Ltd. (中廣核太陽能開發有限公司), a company established in the PRC and a non-wholly owned subsidiary of CGN
“CGN Wind Energy”	CGN Wind Power Company, Limited (中廣核風電有限公司), a company established in the PRC and a non-wholly owned subsidiary of CGN

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “We”	CGN New Energy Holdings Co., Ltd., a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Consolidated Installed Capacity”	the aggregate installed capacity of our project companies that we fully consolidated in our consolidated financial statements. It is calculated by including 100% of the installed capacity of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Consolidated Installed Capacity does not include the capacity of our associated companies
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Daesan I Power Project”	a 507.0 MW oil-fired project in Korea
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“GW”	gigawatt, equal to one million kilowatts
“GWh”	gigawatt-hour, or one million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power projects
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Korea”	the Republic of Korea
“KRW”	Korean Won, the lawful currency of the Republic of Korea

“kWh”	kilowatt-hour, the standard unit of energy used in the power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MW”	megawatt, or one million watts. The installed capacity of power projects is generally expressed in terms of MW
“NDRC”	National Development and Reform Commission of the PRC
“NEA”	National Energy Administration of the PRC
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TWh”	terawatt-hour, or one million megawatt-hours. TWh is typically used as a measure for the annual energy production of a region or a country

“US\$”	United States dollars, the lawful currency of the United States of America
“Yulchon I Power Project”	a 592.8 MW gas-fired project in Korea
“Yulchon II Power Project”	a 946.3 MW gas-fired project in Korea
“%”	per cent.

By Order of the Board
CGN New Energy Holdings Co., Ltd.
Li Yilun
President and Executive Director

Hong Kong, 24 August 2021

As at the date of this announcement, the Board comprises seven Directors, namely:

<i>Chairman and non-executive Director</i>	<i>:</i>	<i>Mr. Chen Sui</i>
<i>Executive Directors</i>	<i>:</i>	<i>Mr. Li Yilun (President) and Mr. Zhang Zhiwu</i>
<i>Non-executive Director</i>	<i>:</i>	<i>Mr. Xia Linqun</i>
<i>Independent non-executive Directors</i>	<i>:</i>	<i>Mr. Wang Minhao, Mr. Yang Xiaosheng and Mr. Leung Chi Ching Frederick</i>