



**Aug 21, 2015**  
**Company Report**  
**Rating: BUY**  
**TP: HK\$ 3.55**

H-Share price (HK\$) 3.16  
Est. share price return 12.3%  
Est. dividend yield 1.6%  
Est. total return 13.9%

Previous Rating & TP BUY, HK\$3.55  
Previous Report Date Mar 20, 2015

**Analysts:**  
**Philip Chan**  
Tel: (852) 2147 8805  
Email: philipchan@abci.com.hk

**Kelvin Ng**  
Tel: (852) 2147 8869  
Email: kelvinng@abci.com.hk

**Key Data**

52Wk H/L(HK\$)	5.43/2.78
Issued shares (mn)	45,448.7
H-shares (mn)	11,163.6
Unlisted shares (mn)	34,285.1
H-share mkt cap (HK\$m)	14,362
Major shareholder(s):	
CGNPC	64.2%

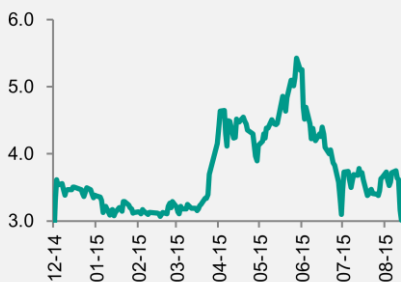
Source(s): Company, Bloomberg, ABCI Securities

**Business Mix (% revenue)**

	FY14	1H15
<b>Sales:</b>		
Nuclear power	93.0%	93.4%
Service income	5.8%	5.6%
Others	1.2%	1.1%
Total	100.0%	100.0%
<b>Cost of sales:</b>		
Tax surcharges	1.5%	1.8%
Nuclear fuel	14.9%	
Spent fuel	3.7%	49.9%
D&A	12.6%	
Others	18.8%	
Total	51.5%	51.7%

Source(s): Company, ABCI Securities

**1-Year stock performance (HK\$)**



**CGN Power (1816 HK)**

Current enterprise value below replacement cost; reiterate **BUY**

- Net profit surged 36.1%YoY to RMB 3,478 mn, 2.7% higher than our estimates
- Attributable installed capacity up 15.2% to 9,089MW from end-2014; attributable on-grid power generation rose 7.7% YoY to 25,560GWh
- Half-year FD EPS was diluted to RMB 0.077. No interim dividend is declared. Half-year ROAA and ROAE were 1.98% and 6.18%
- Net debt/equity ratio rose to 154% at end-June. With an expected annual EBITDA at over RMB13 bn, we believe the Group's debt repayment capability is sufficient
- Acquisition of 41% stake in the Taishan NPP completed. Next M&A target will be the 61% stake in Fangchenggang NPP, which we expect to take place in 1H16

**Positive earnings surprise.** The forex gain of RMB 1.29bn in 1H15 was a positive earnings shock. At end-June 2014, the Group's Euro-denominated liabilities amounted to RMB 3.7 bn. In 1H15, Euro depreciated against RMB by 8%. Excluding the forex gain/(loss) effects, adjusted operating profit was down 6.3%YoY to RMB 5,038 mn and adjusted pre-tax profit rose by 2.0%YoY to RMB 3,738 mn in 1H15.

**Output power.** Gross and attributable installed capacities were up 18.7% and 15.2% to 13,799MW and 9,089MW at end-June from end-2014 respectively. Attributable on-grid power output was up only by 7.7%YoY to 25,560GWh as more reactors were under maintenance or refueling in 1H15.

**Healthy financial position.** The purchase of a 41% stake in Taishan NPP has been completed. Balance sheet has been restated to reflect the combined effects. NBV at end-June was RMB1.17/share while net gearing rose to 154%. Interest payment, however, is well covered by EBITDA. As ~89% of the outstanding debts are long-term ones, we believe the financial risk is not excessive.

**Next M&A target – a 61% stake in Fangchenggang NPP.** We expect this NPP to commence commercial operation in 1H16E. To avoid conflict of interest, CGNP will acquire the stake from its parent prior to completion of the NPP. With an annual EBITDA of over RMB 13bn, CGNP can finance the M&A by external debts. We predict attributable installed capacity to grow by 26%/ 43%/ 6.0%YoY for FY15E/FY16E /FY17E, respectively.

**Enterprise value (EV) implies valuation below replacement cost.** With its current share price at HK\$ 3.16, EV/gross installed capacity at end-2016E is RMB 10.61 mn/MW, which is 11-18% lower than the average investment cost of RMB 12-13 mn/MW for 2<sup>nd</sup> generation NPP. Our target price is set at HK\$ 3.55, which represents EV/end-2016E gross installed capacity of RMB 11.2 mn/MW.

**Risk factors.** Over-capacity risk of power industry; Falling utilization hours; Operation safety; Construction risk; Fuel cost risk; Tariff risk; Currency and interest rate risks; Fundraising activities to finance upcoming M&A.

**Results and Valuation**

FY ended Dec 31	2012A	2013A	2014A	2015E	2016E
<b>Net power generation (GWh)</b>	<b>45,113</b>	<b>44,156</b>	<b>52,175</b>	<b>56,215</b>	<b>73,759</b>
Growth (%YoY)	11.34	(2.12)	18.16	7.74	31.21
<b>Revenue (RMB mn)</b>	<b>17,575</b>	<b>17,365</b>	<b>20,793</b>	<b>22,361</b>	<b>28,807</b>
Chg (%YoY)	10.67	(1.20)	19.74	7.54	28.82
<b>Net Income (RMB mn)</b>	<b>4,145</b>	<b>4,195</b>	<b>5,713</b>	<b>6,658</b>	<b>7,049</b>
Chg (%YoY)	(12.33)	1.20	36.19	16.54	5.87
EPS (RMB)	-	0.122	0.126	0.147	0.156
<b>P/E (x)</b>	-	-	<b>20.75</b>	<b>17.81</b>	<b>16.72</b>
BVPS (RMB)	-	0.670	1.308*	1.240	1.353
<b>P/B (x)</b>	-	-	<b>1.99</b>	<b>2.10</b>	<b>1.93</b>
Post-listing DPS(RMB)	-	-	0.003	0.043	0.050
<b>Yield (%)</b>	-	-	<b>0.10</b>	<b>1.64</b>	<b>1.93</b>
ROAE (%)	24.56	21.32	12.71	11.50	12.03
Net gearing (%)	294.83	220.74	87.85	163.69	171.17

Remark: Net power generation refers to amount of electricity sold to grid companies by consolidated subsidiaries. The reported revenue is including VAT. Forex: RMB0.8256/HK\$  
Note\*: Restated. Source(s): The Company, ABCI Securities estimates



## Review of 1H15 results

### 1H15 Results Summary

1H ended Jun 30 (RMB mn)	1H2014	1H 2015	Chg(YoY)	Remarks
Revenue	9,745.3	9,590.2	-1.6%	Declined as more reactors were under regular maintenance and refueling
Tax surcharge	(121.3)	(172.7)	42.4%	
Cost of sales & services	(4,489.5)	(4,784.6)	6.6%	Maintenance costs drove up fixed cost in COS
<b>Gross profit</b>	<b>5,134.5</b>	<b>4,632.8</b>	<b>-9.8%</b>	
Other income	997.4	1,107.1	11.0%	VAT refunds declined, but bank interest income rose
Loss from derivatives	(107.5)	(60.8)	-43.5%	
S&D expenses	(1.6)	(0.8)	-49.7%	
Other expenses	(38.0)	(12.2)	-67.8%	
Admin expenses	(608.5)	(626.4)	2.9%	
Other gains (losses)	(76.0)	1,288.3	-	Forex gain on devaluation of Euro against RMB
<b>Operating profit</b>	<b>5,300.4</b>	<b>6,328.0</b>	<b>19.4%</b>	Excluding forex gain/(loss) effect, operating profit was down 6.3% YoY to RMB5,037.8mn in 1H 15
Associates	(39.3)	(90.4)	130.2%	Due to falling output of the Hongyanhe NPP
JVs	(154.8)	274.1	-	Due to increase in output of the Ningde NPP
Finance costs	(1,515.2)	(1,483.0)	-2.1%	Benefited from interest rate cut
<b>Pre-tax profit</b>	<b>3,591.2</b>	<b>5,028.7</b>	<b>40.0%</b>	
Tax	(531.1)	(740.6)	39.5%	
<b>Net profit to the group</b>	<b>3,060.1</b>	<b>4,288.1</b>	<b>40.1%</b>	
Attributable to				
<b>shareholders of co.</b>	<b>2,555.8</b>	<b>3,478.3</b>	<b>36.1%</b>	
non-controlling interests	504.3	809.8	60.6%	
Interim DPS (RMB/share)	0.0	0.0	-	
<b>FD EPS (RMB)</b>	<b>0.085</b>	<b>0.077</b>	<b>-9.9%</b>	Dilution effect of new shares issued
Issued shares (mn)	30,091.0	45,448.8	51.0%	
NBV (RMB/share)		1.170		
Total dep & amort, net of capitalized	(1,370.8)	(1,468.2)	7.1%	
EBITDA, associates & JVs	6,671.3	7,796.3	16.9%	
<b>Major ratios:</b>				
EBITDA, associates & JVs margin	68.5%	81.3%		Margin boosted by forex gain
EBITDA margin (excl forex gain (loss))	69.2%	67.8%		Excluding forex gain (loss) effect, EBITDA margin eased slightly in 1H15
Gross profit margin	52.7%	48.3%		Margin dragged down by maintenance costs
Effective tax rate	14.8%	14.7%		
Net debt/total equity	194.8	154%		ND/equity ratio at end-14 was 120.5%
EBITDA, assoc & JVs/finance cost	4.40	5.26		Interest payment capability was sufficient
EBITDA, assoc & JVs/(finance cost + ST borrowings)	-	0.48		Annualized ratio< 1.

Source(s): CGNP, ABCI Sec

### Nuclear power generation in 1H15

On-grid power output (GWh)	Gross output	Prop	Chg (YoY)	Attributable output	Prop	Chg (YoY)
<b>Consolidated subsidiaries:</b>						
Daya Bay NPP	6,367	17.5%	-22.86%	4,775	18.7%	-22.86%
Ling'ao NPP	7,506	20.7%	8.36%	7,506	29.4%	8.36%
Lingdong NPP	7,008	19.3%	-2.52%	6,532	25.6%	-2.52%
Yanjiang NPP	3,209	8.8%	34.63%	2,510	9.8%	34.63%
<b>Sub-total</b>	<b>24,090</b>	<b>66.3%</b>	<b>-2.68%</b>	<b>21,322</b>	<b>83.4%</b>	<b>-1.66%</b>
<b>Associates or JVs:</b>						
Ningde NPP	7,232	19.9%	240.28%	2,335	9.1%	240.28%
Hongyanhe NPP	4,987	13.7%	39.22%	1,902	7.4%	39.22%
<b>Sub-total</b>	<b>12,219</b>	<b>33.7%</b>	<b>114.09%</b>	<b>4,238</b>	<b>16.6%</b>	<b>106.44%</b>
<b>Total</b>	<b>36,309</b>	<b>100.0%</b>	<b>19.20%</b>	<b>25,560</b>	<b>100.0%</b>	<b>7.69%</b>

Source: CGN Power, ABCI Sec

**1H15 revenue** was down 1.6% YoY to RMB 9,590mn, or 1.28% higher than our estimate. This can be attributed to the 2.68%YoY decline in gross power output of consolidated subsidiaries as more reactors were under maintenance or refueling in 1H15.

**Operating profit** advanced 19.4%YoY to RMB 6,328mn, boosted by the forex gain of RMB 1.29 bn in 1H15 (vs. forex loss of RMB 73.7 mn in 1H14). Excluding the forex gain/(loss) effects, adjusted operating profit was down 6.3%YoY to RMB 5,037.8mn in 1H 5. Outstanding foreign currency liabilities were mostly Euro-denominated trade liabilities incurred by the purchase of imported equipment. Euro depreciated against RMB by 8.2% in 1H15 but rebounded by 2.7% between end-June and Aug 20. So far, Euro has depreciated by 5.7% against RMB. The off-shore currency market indicates RMB may continue to depreciate against major foreign currencies such as USD and Euro in 2H15, hence we expect total forex gain recorded by the Group in FY15 would be less than that in 1H15.

**Net profit** attributable to shareholders surged 36% YoY in 1H15 to RMB 3,478mn, 2.7% higher than our estimate. Reported FD EPS was RMB 0.077/share, 3.2% higher than our estimate. No interim dividend is declared. Half-year ROAA and ROAE were 1.98% and 6.18% in 1H15.

**Financial status:** Balance sheet at end-2014 was restated to reflect the pro-forma effect upon the completion of the 41% stake acquisition in the Taishan NPP in 1H15. At end-June 2015, NBV was RMB 1.17/share. Net debt/equity ratio increased to 154% at end-June 2015 from 120.5% at end-2014 due to RMB 9.7bn payment for the stake purchase in Taishan NPP. Short-term loans accounted for 11.8% of total borrowings, while borrowings from related parties accounted for 11.0% of total borrowings. Interest payment capability is sufficient but the Group would need to refinance its short-term loans.

**Consolidated financial position**

(RMB mn)	Restated		(RMB mn)	Restated	
	31/12/2014	30/6/2015		31/12/2014	30/6/2015
<b>Non-current assets:</b>			<b>Current liabilities:</b>		
PPE	155,923	161,212	Trade & other payables	6,655	5,905
Intangible	1,135	1,258	Due to related parties	5,194	842
Investment properties	697	665	Loans from ultimate hldg co	3,745	4,700
Associates	7,062	7,109	Loans from fellow subsidiaries	658	1,198
JVs	4,831	5,105	Payable to ultimate hldg co	3,530	1,730
AFS investments	110	110	Bank loans	7,338	6,202
Deferred tax	125	135	Loans from fin instr.	0	954
Derivatives	18	18	Derivatives	135	143
VAT recoverable	5,286	5,176	Provisions	770	361
Perpaid lease	2,331	2,427	Tax payable	442	233
Deposits for PPE	767	1,079	<b>Total curren liab</b>	<b>28,469</b>	<b>22,267</b>
Others	12	12			
<b>Total non-current assets</b>	<b>178,298</b>	<b>184,307</b>	<b>Non-current liabilities</b>		
<b>Current assets:</b>			Bank loans	91,573	93,884
Inventories	9,346	10,512	Notes payable	10,100	10,590
Perpaid lease	63	64	Loans from fin instr.	953	0
Trade & bills receivables	2,346	2,998	Loans from fellow subsidiaries	4,471	4,225
Prepayments & other rec	882	1,369	Payables to ultimate hldg co	2,000	1,993
Due from related parties	687	781	Derivatives	260	255
Loan to fellow subsidiary	180	0	Provisions	1,526	1,692
Derivatives	35	40	Deferred tax	1,695	1,959
Restricted bank deposits	8	8	Deferred income	766	777
Cash	26,963	8,825	<b>Total non-current liab</b>	<b>113,345</b>	<b>115,376</b>
Other deposits over 3M	2,081	2,728	<b>Total liab</b>	<b>141,814</b>	<b>137,642</b>
<b>Total current assets</b>	<b>42,591</b>	<b>27,324</b>	<b>Equity:</b>		
<b>Total assets</b>	<b>220,888</b>	<b>211,631</b>	Share capital	45,449	45,449
			Reserves	14,001	7,745
			<b>Equity attributable to ow ners</b>	<b>59,450</b>	<b>53,194</b>
			Non-controlling interests	19,625	20,795
			<b>Total equity</b>	<b>79,075</b>	<b>73,989</b>
			Issued shares (mn)	45,449	45,449
			NBV (RMB/share)	1.308	1.170

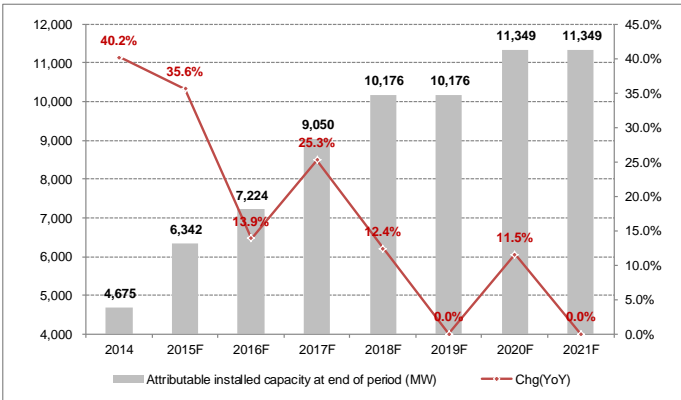
Source(s): CGNP

## Outlook: Installed capacity growth from 2014 to 2021E

We predict the gross/attributable installed capacities of CGNP to grow by 38.0%/26.0% in 2015E and 48.9%/43.3% in 2016E. Owing to the lag effect, capacity growth will be the major earnings driver of CGNP from FY15E-17E. After 2016E, installed capacity growth will slow to low single-digit level due to the higher comparison base and fewer new reactors commencing commercial operation. Earnings growth momentum will slow down from FY18E- 21E.

### China National Nuclear Power Co Ltd (CNNP), 601985 CH

CNNP's (601985) attributable installed nuclear power capacity (MW) at end of period

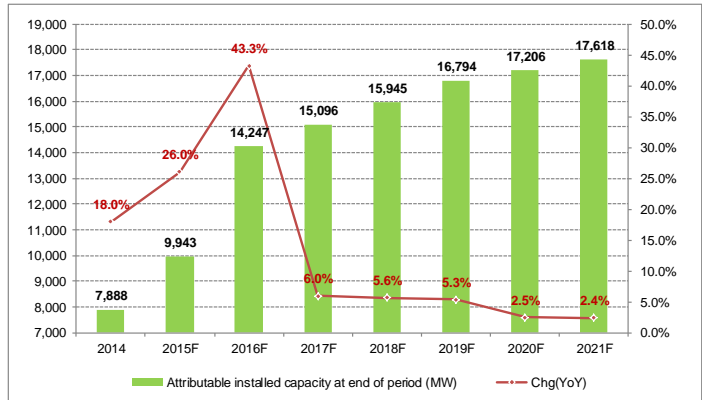


Remark: Based on expected completion schedule of constructing plants

Source(s): CNNP, ABCI Sec

### CGN Power Co Ltd (CGNP), 1816 HK

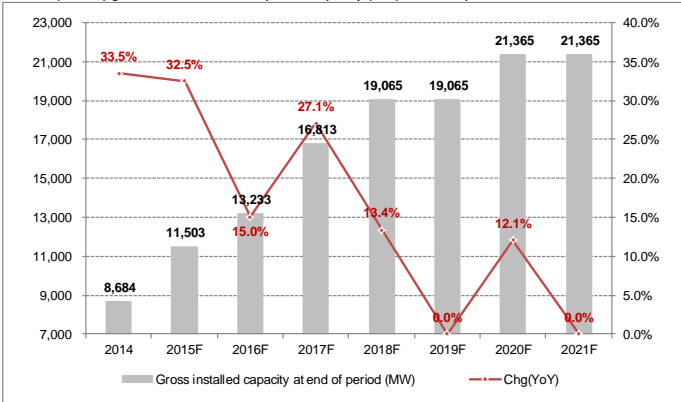
CGNP's (1816) attributable installed nuclear power capacity (MW) at end of period



Remark: Based on expected completion schedule of constructing plants

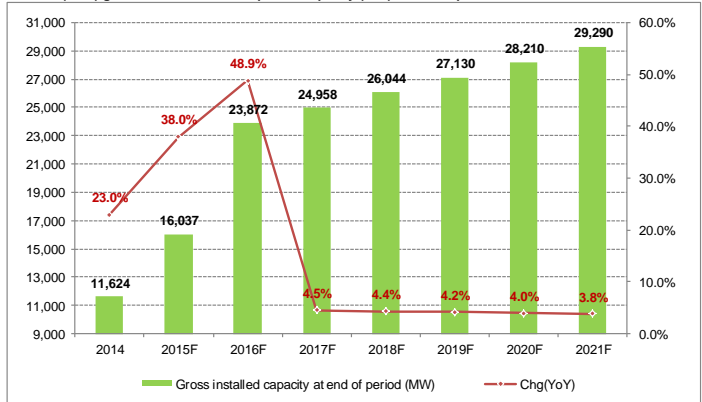
Source(s): CGNP, ABCI Sec

CNNP's (601985) gross installed nuclear power capacity (MW) at end of period



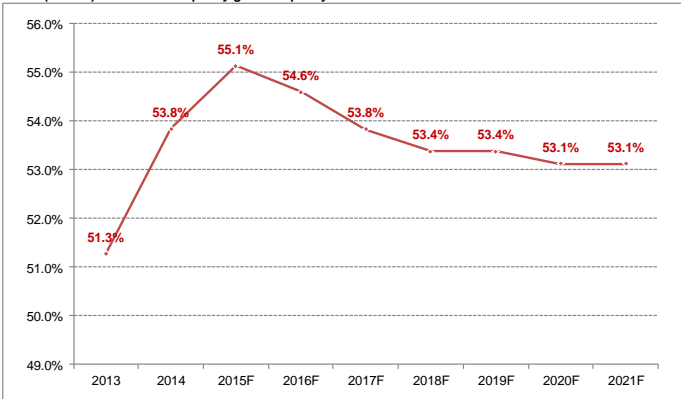
Source(s): CNNP, ABCI Sec

CGNP's (1816) gross installed nuclear power capacity (MW) at end of period



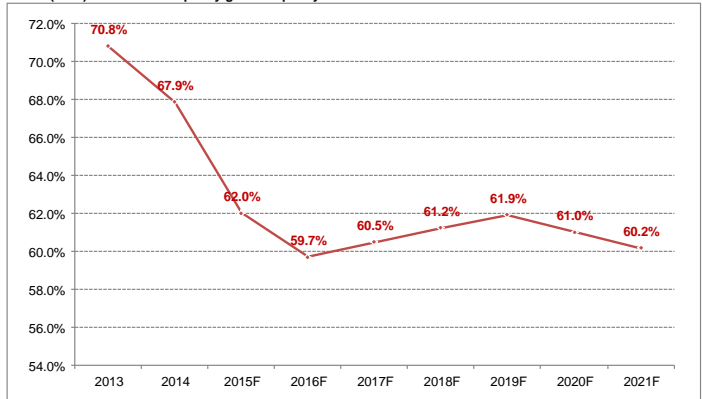
Source(s): CGNP, ABCI Sec

CNNP (601985) attributable capacity/gross capacity ratio



Source(s): CNNP, ABCI Sec

CGNP (1816) attributable capacity/gross capacity ratio



Source(s): CGNP, ABCI Sec



## Comparison: Enterprise value implication

### CNNP (601985 CH)

	(mn shares)	Price (RMB)	(RMBmn)
Listed A shares	3,891.00	<b>10.17</b>	39,571
Locked shares	11,674.43		118,729
Equity mkt value	15,565.43		158,300
Net debt (After IPO)			147,658
MI			24,102
<b>Enterprise value</b>			<b>343,251</b>
Gross capacity at end 2015 (MW)			11,503
Gross capacity at end 2016 (MW)			13,233
Gross capacity at end 2017 (MW)			16,813
Gross capacity at end 2021 (MW)			21,365
<b>EV/gross capacity at 2015(RMBmn/MW)</b>			<b>29.84</b>
<b>EV/gross capacity at 2016(RMBmn/MW)</b>			<b>25.94</b>
EV/gross capacity at 2017(RMBmn/MW)			20.42
EV/gross capacity at 2021(RMBmn/MW)			16.07
<b>P/B (x)</b>			<b>4.46</b>
NBV (post-listing) (RMB/share)			2.28

Source(s): CNNP, ABCI Sec

### CGNP (1816 HK)

	(mn shares)	Price (HK\$)	Forex (RMB/HK\$)	(RMBmn)
Listed H shares	11,163.63	<b>3.16</b>	0.8256	29,126
Unlisted shares	34,285.13			89,450
Equity mkt value	45,448.75			118,575
Net debt (30/6/2015)				113,915
MI				20,795
<b>Enterprise value</b>				<b>253,285</b>
Gross capacity at end 2015 (MW)				16,037
Gross capacity at end 2016 (MW)				23,872
Gross capacity at end 2017 (MW)				24,958
Gross capacity at end 2021 (MW)				29,290
<b>EV/gross capacity at 2015(RMBmn/MW)</b>				<b>15.79</b>
<b>EV/gross capacity at 2016(RMBmn/MW)</b>				<b>10.61</b>
EV/gross capacity at 2017(RMBmn/MW)				10.15
EV/gross capacity at 2021(RMBmn/MW)				8.65
<b>P/B (x)</b>				<b>2.23</b>
NBV (30/6/2015) (RMB/share)				1.17

Source(s): CGNP, ABCI Sec

Based on the closing price of the stock at HK\$3.16, the enterprise value of CGNP was RMB 253bn. The enterprise value/gross installed capacity at end-2015E and end-2016E are estimated to be RMB 15.79mn/MW and RMB 10.61mn/MW. As the all-in-cost of a 2<sup>nd</sup> generation NPP is ~RMB 12-13mn/MW, the current EV/2015E gross installed capacity is higher than the unit replacement cost. Hence, we believe the current stock price is slightly expensive for short-term investors.

However, the current stock price indicates EV/gross installed capacity of CGNP at end-2016E will be RMB 10.61 mn/MW, or 11-18% lower than the replacement cost. For investors with an investment horizon of over 12 months, the current stock price of CGNP entails a good investment value.

For a 12-month investment horizon, we expect the fair value of the stock to be HK\$ 3.41-HK\$ 4.05, which represents EV/End-2016E gross installed capacity at RMB 11.0mn -12.0mn/MW. To be prudent, we set our target at HK\$ 3.55, which represents EV/end-2016E gross installed capacity at RMB 11.22mn/MW.



## Financial Statements

### Consolidated income statement (2011A-2016E)

FY Ended Dec 31 (RMB mn)	2011A	2012A	2013A	2014A	2015E	2016E
<b>Revenue</b>	<b>15,881</b>	<b>17,575</b>	<b>17,365</b>	<b>20,793</b>	<b>22,361</b>	<b>28,807</b>
Power Generation	14,972	16,514	16,268	19,327	21,186	27,611
Service revenue	755	796	843	1,214	896	902
Others	154	265	254	252	280	294
Less: Tax surcharge	221	250	255	304	342	432
Less: Cost of sales and services	7,987	9,155	8,961	10,399	11,065	14,573
<b>Gross profit</b>	<b>7,674</b>	<b>8,170</b>	<b>8,148</b>	<b>10,090</b>	<b>10,954</b>	<b>13,802</b>
Less: SG&A	812	921	1,031	1,469	2,362	3,379
Add: VAT Refunds	1,009	1,263	1,299	1,600	1,793	2,592
Add: Other income and gains	255	310	3	162	500	-
<b>Operating profit (RMB mn)</b>	<b>8,125</b>	<b>8,823</b>	<b>8,419</b>	<b>10,384</b>	<b>10,884</b>	<b>13,015</b>
Add: Share of results of associates and JV	153	(9)	293	461	1,054	1,755
Less: Net financial cost	1,946	2,946	2,642	3,045	2,922	5,113
<b>Pre-tax profit</b>	<b>6,332</b>	<b>5,868</b>	<b>6,070</b>	<b>7,800</b>	<b>9,016</b>	<b>9,657</b>
Less: Income tax	936	890	998	925	1,081	1,159
<b>Net profit</b>	<b>5,396</b>	<b>4,977</b>	<b>5,071</b>	<b>6,875</b>	<b>7,935</b>	<b>8,498</b>
Attributable to:						
Non-controlling interests	669	833	877	1,162	1,277	1,448
<b>Owners of the Company</b>	<b>4,727</b>	<b>4,145</b>	<b>4,195</b>	<b>5,713</b>	<b>6,658</b>	<b>7,049</b>
<b>FD EPS (RMB)<sup>1</sup></b>			<b>0.122</b>	<b>0.126</b>	<b>0.147</b>	<b>0.155</b>
<b>Post-listing DPS (RMB)<sup>2</sup></b>				<b>0.0025</b>	<b>0.045</b>	<b>0.051</b>

Note 1: FD EPS in 2014 is pro-forma basis. EPS from 2014 to 2016 are based on 45,448.75mn issued shares.

Note 2: The DPS for FY14 is excluding the special dividend distributed to pre-listing shareholders

Source(s): Company, ABCI Securities estimates

### Consolidated balance sheet (2011A-2016E)

As of Dec 31 (RMB mn)	2011A	2012A	2013A	2014A	2015E	2016E
				restated		
<b>Current assets</b>	<b>26,287</b>	<b>27,096</b>	<b>21,761</b>	<b>42,591</b>	<b>31,412</b>	<b>30,807</b>
Cash and equivalent	12,347	7,734	9,400	29,052	17,654	9,577
Trade and bill receivables	1,659	1,837	1,629	2,346	1,940	3,813
Inventories	7,531	7,514	8,384	9,346	10,065	15,488
Other current assets	4,749	10,011	2,347	1,847	1,753	1,929
<b>Non-current assets</b>	<b>87,421</b>	<b>95,167</b>	<b>105,914</b>	<b>178,298</b>	<b>216,359</b>	<b>234,441</b>
Property, plant and equipment	70,068	79,185	87,042	155,923	195,468	212,682
Intangible assets	1,059	1,697	1,772	1,135	1,784	1,790
Long term investments	329	2,289	2,658	3,101	3,411	3,752
Interests in associates and JV	13,980	9,197	11,093	11,893	11,778	11,952
Other non-current assets	1,983	2,800	3,350	6,246	3,917	4,264
<b>Total assets</b>	<b>113,708</b>	<b>122,263</b>	<b>127,675</b>	<b>220,888</b>	<b>247,771</b>	<b>265,248</b>
<b>Current liabilities</b>	<b>40,546</b>	<b>39,887</b>	<b>26,462</b>	<b>28,469</b>	<b>47,868</b>	<b>53,124</b>
Trade and bill payables	1,761	3,678	2,161	6,655	2,490	4,697
Construction payables	5,225	6,695	7,246	3,303	8,264	9,000
Short term borrowings	11,125	23,589	13,098	15,271	29,280	30,808
Other current liabilities	22,434	5,925	3,958	3,240	7,835	8,619
<b>Non-current liabilities</b>	<b>49,619</b>	<b>58,226</b>	<b>69,521</b>	<b>113,345</b>	<b>121,247</b>	<b>127,769</b>
Long-term borrowings	41,712	49,802	60,721	109,098	117,121	123,230
Other non-current liabilities	7,907	8,424	8,800	4,247	4,126	4,538
<b>Total liabilities</b>	<b>90,165</b>	<b>98,114</b>	<b>95,983</b>	<b>141,814</b>	<b>169,115</b>	<b>180,892</b>
<b>Minority interests</b>	<b>6,091</b>	<b>7,845</b>	<b>8,640</b>	<b>19,625</b>	<b>21,763</b>	<b>22,281</b>
<b>Total equity</b>	<b>17,452</b>	<b>16,304</b>	<b>23,052</b>	<b>79,075</b>	<b>56,892</b>	<b>62,076</b>
<b>BVPS (RMB)</b>			<b>0.670</b>	<b>1.308</b>	<b>1.240</b>	<b>1.353</b>

Remarks: End-2014 financial position is restated to reflect the combined effect upon the completion of 41% stake in Taishan NPP

Source(s): Company, ABCI Securities estimates





**Consolidated cash flow statement (2011A-2016E)**

<b>FY ended Dec 31 (RMB mn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016E</b>
<b>Profit before tax</b>	<b>6,332</b>	<b>5,868</b>	<b>6,070</b>	<b>7,800</b>	<b>8,516</b>	<b>9,657</b>
Changes in depreciation and amortization	2,633	2,704	2,488	3,364	3,580	4,472
Changes in working capital	39	(2,540)	(1,169)	(1,567)	(1,595)	(5,089)
Financial income	(168)	(172)	(161)	(159)	(465)	(272)
Financial cost	2,114	3,118	2,804	3,204	3,387	5,385
Others	(732)	(318)	(539)	65	(1,457)	13
<b>Net operating cash flow</b>	<b>10,218</b>	<b>8,660</b>	<b>9,493</b>	<b>12,706</b>	<b>11,967</b>	<b>14,166</b>
Interest received	168	172	162	159	465	272
Deposit paid for PP&E	(12,436)	(7,805)	(9,932)	(11,877)	(14,621)	(20,000)
Increase in stake of JV	-	-	-	-	(12,924)	-
Decrease (increase) in deposits and others	450	(7,346)	5,288	-	-	-
<b>Net investing cash flow</b>	<b>(11,818)</b>	<b>(14,979)</b>	<b>(4,482)</b>	<b>(11,718)</b>	<b>(27,080)</b>	<b>(19,728)</b>
Capital injection	10,629	4,078	2,708	21,600	-	-
Net debt financing	11,707	20,555	427	1,721	16,519	7,636
Dividend payout	(2,769)	(9,843)	(1,655)	(6,060)	(2,052)	(2,326)
Interest paid	(3,030)	(4,329)	(5,179)	(4,866)	(10,098)	(11,235)
Others	(10,845)	(9,160)	(238)	6,688	(613)	3,180
<b>Net financing cash flow</b>	<b>5,692</b>	<b>1,301</b>	<b>(3,937)</b>	<b>19,084</b>	<b>3,756</b>	<b>(2,745)</b>
<b>Net change in cash</b>	<b>4,092</b>	<b>(5,018)</b>	<b>1,074</b>	<b>20,072</b>	<b>(11,357)</b>	<b>(8,306)</b>
Cash at the beginning (excluding restricted deposits)	6,195	10,453	5,434	6,640	26,712	15,356
Effects of exchange rate changes	166	(1)	132	-	-	-
<b>Cash at the end</b>	<b>10,453</b>	<b>5,434</b>	<b>6,640</b>	<b>26,712</b>	<b>15,356</b>	<b>7,049</b>

Source(s): Company, ABCI Securities estimates



**Appendix: Shareholders background of CGN Power**

**Exhibit 5: Beneficial owners of CGN Power**

	Issued shares (mn shares)	% to issued shares	% to issued H-shares
<b>Domestic shares shareholders:</b>			
CGNPC	29,176.641	64.20%	
Hengjian Investment (Guangdong government)	3,428.513	7.54%	
CNNC	1,679.971	3.70%	
<b>Total unlisted shares</b>	<b>34,285.125</b>	<b>75.44%</b>	
<b>H-share shareholders:</b>			
18 cornerstone investors <sup>^</sup>	3,713.105	8.17%	33.26%
NSSF	1,014.875	2.23%	9.09%
Public shareholders	6,435.645	14.16%	57.65%
<b>Total listed H shares</b>	<b>11,163.625</b>	<b>24.56%</b>	<b>100.00%</b>
<b>Total issued shares</b>	<b>45,448.750</b>	<b>100.00%</b>	

Note <sup>^</sup>: Lockup expiry on June 8, 2015

Source(s): CGN Power

**Appendix: Shareholders' background of CGN Power's NPP**

**Exhibit 6: Beneficial owners of CGN Power's NPPs**

Nuclear power plant	No. of reactors in operation	No. of reactors under construction	Beneficial owners (attributable stake)
Daya Bay NPP	2	0	<b>CGN Power (75%)</b> CLP Holdings (25%)
Ling Ao NPP	2	0	<b>CGN Power (100%)</b>
Ling Dong NPP	2	0	<b>CGN Power (93.2%)</b> Non-controlling shareholders of CGN Fund Phase 1 (6.8%)
Yangjiang NPP	2	4	<b>CGN Power (78.2%)</b> Yudean Group (17.0%) Non-controlling shareholders of CGN Fund Phase 1 (4.8%)
Ningde NPP	3	1	<b>CGN Power (32.29%)</b> Datang Int'l Power Generation (44%) Fujian Energy Group (10%) Non-controlling shareholders of CGN Fund Phase 1 (13.72%)
Hongyanhe NPP	2	2 + 2 (a)	<b>CGN Power (38.15%)</b> China Power Investment Nuclear Power (45%) Dalian Construction Investment (10%) Non-controlling shareholders of CGN Fund Phase 1 (6.85%)
Taishan NPP	0	2	<b>CGN Power (10%)</b> CGNPC (41%) EDF Int'l (30%) Yudean Group (19%)
<b>Total</b>	<b>13</b>	<b>11 (a)</b>	

Note a: CGN Power has obtained NDRC's approval to build 2 additional units in Mar 2015

Source(s): CGN Power



## Disclosures

### Analyst Certification

I, Chan Sung-yan, Philip and Ng King Chuen, Kelvin, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

### Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with one or more of the companies mentioned in the report.

### Definition of equity rating

Rating	Definition
Buy	Stock return $\geq$ Market return rate
Hold	Market return – 6% $\leq$ Stock return < Market return rate
Sell	Stock return < Market return – 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2010-2014

Time horizon of share price target: 12-month

### Definition of share price risk

Rating	Definition
Very high	$2.6 \leq 180$ day volatility/180 day benchmark index volatility
High	$1.5 \leq 180$ day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq 180$ day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

### Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company



Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

---

**Copyright 2015 ABCI Securities Company Limited**

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

**Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.**

**Tel: (852) 2868 2183**