



龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 00916

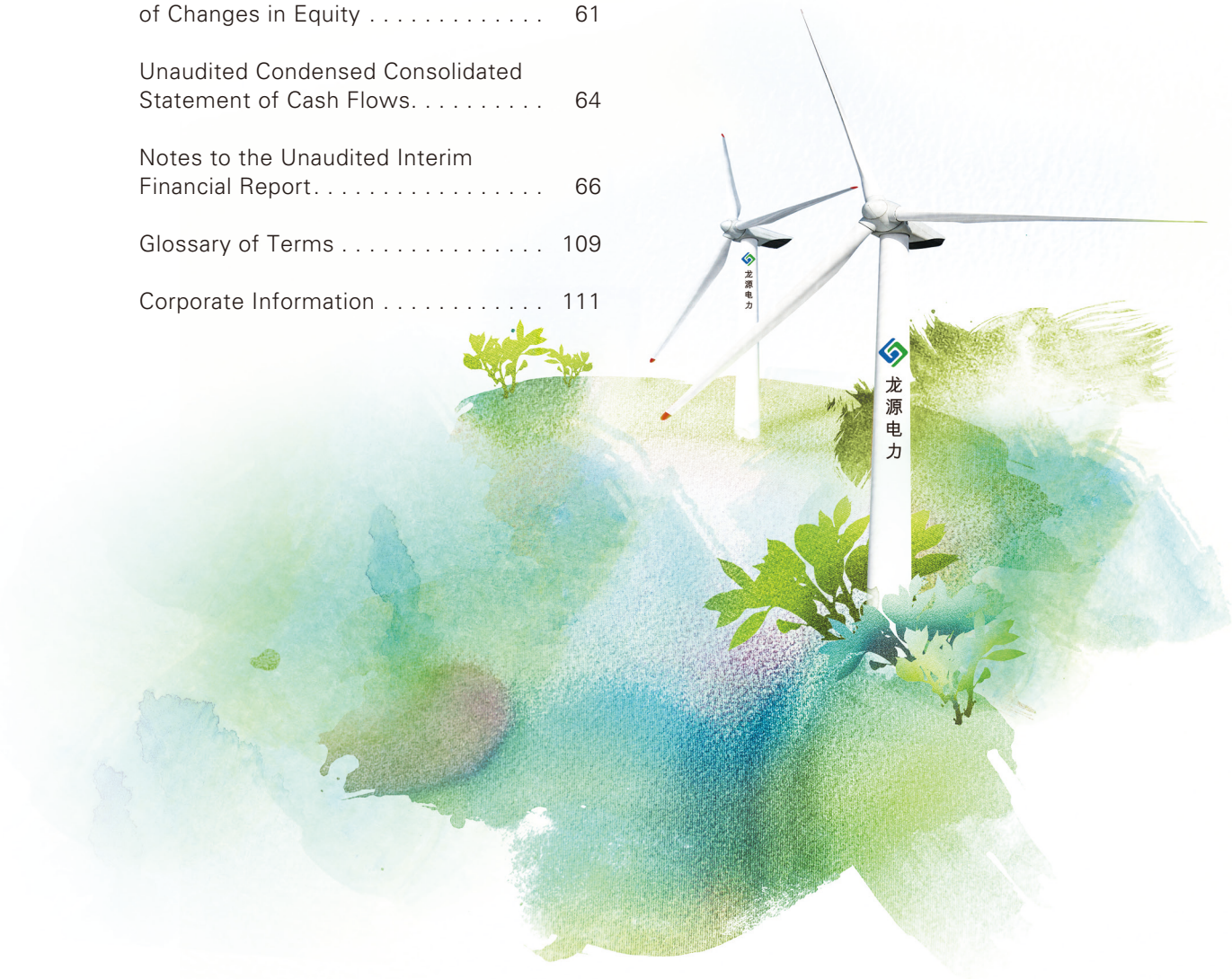
2017
INTERIM REPORT



* For Identification Purpose Only

CONTENTS

Interim Results and Financial Data . . .	2
Management Discussion and Analysis	6
Corporate Governance	46
Other Information	49
Independent Review Report	54
Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income	56
Unaudited Consolidated Statement of Financial Position	58
Unaudited Consolidated Statement of Changes in Equity	61
Unaudited Condensed Consolidated Statement of Cash Flows	64
Notes to the Unaudited Interim Financial Report	66
Glossary of Terms	109
Corporate Information	111



INTERIM RESULTS AND FINANCIAL DATA

The Board of China Longyuan Power Group Corporation Limited* hereby announced the unaudited operating results for the six months ended 30 June 2017 and a comparison with the operating results for the six months ended 30 June 2016 (the “corresponding period of 2016”). For the six months ended 30 June 2017, the Group recorded consolidated operating revenue of RMB12,315 million, representing an increase of 9.7% over RMB11,228 million* for the corresponding period of 2016. Profit before taxation amounted to RMB3,407 million, representing an increase of 1.5% over RMB3,358 million for the corresponding period of 2016. Net profit attributable to equity holders of the Company amounted to RMB2,495 million, representing an increase of 5.5% from RMB2,364 million for the corresponding period of 2016. Basic earnings per share amounted to RMB0.3005, representing an increase of RMB0.0162 from RMB0.2843 for the corresponding period of 2016. As at 30 June 2017, net assets per share (excluding non-controlling interests) amounted to RMB5.31.

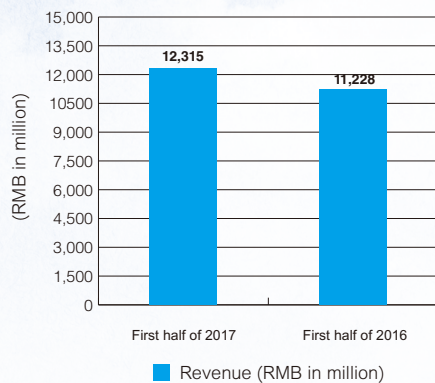
* In October 2016, the Group obtained control rights over Shanxi Guodian Jinke Wind Power Generation Co., Ltd. (“Shanxi Jinke”) from Guodian Shanxi Jieneng Co., Ltd. (“Guodian Shanxi”), a fellow subsidiary of the Company. For the six months ended 30 June 2016, the data of consolidated statement of profit or loss and other comprehensive income were restated as if the Company had obtained control rights over Shanxi Jinke from the beginning of the period in such financial statements, similarly hereinafter.

* For identification purpose only

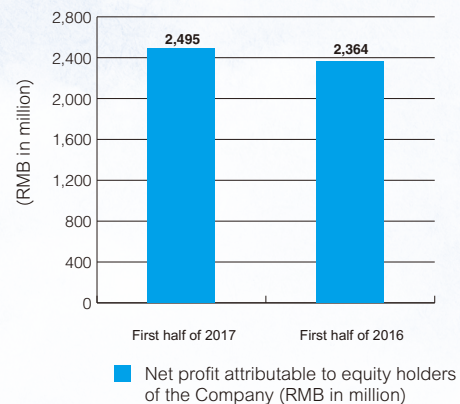


INTERIM RESULTS AND FINANCIAL DATA

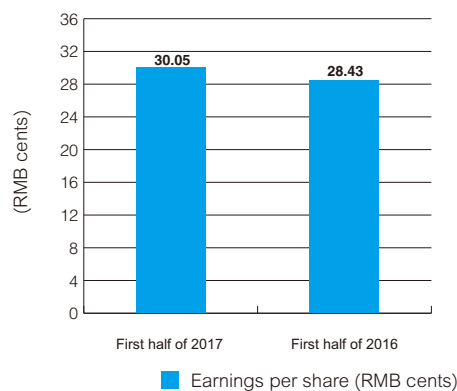
1. Revenue



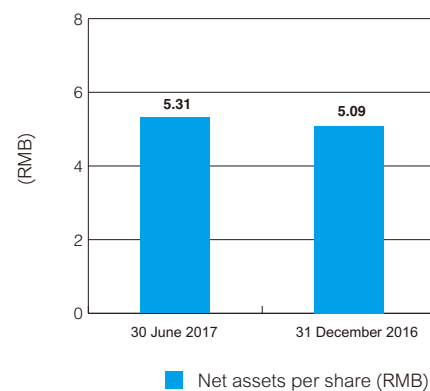
2. Net profit attributable to equity holders of the Company



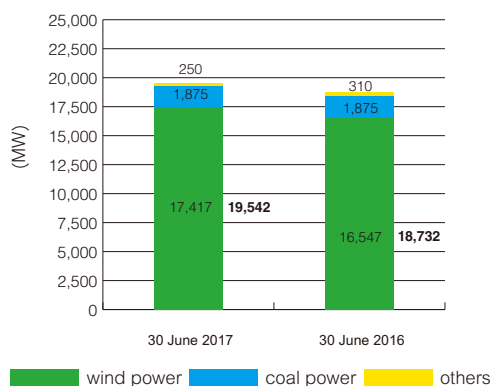
3. Earnings per share



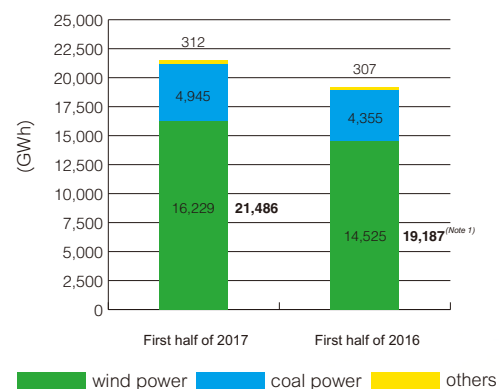
4. Net assets per share



5. Consolidated installed capacity



6. Electricity sales



Note 1: In October 2016, the Group obtained control rights over Shanxi Jinke from Guodian Shanxi, a fellow subsidiary of the Company. For the six months ended 30 June 2016, electricity sales were restated as if the Company had obtained control rights over Shanxi Jinke from the beginning of the period in such financial statements, similarly hereinafter.

INTERIM RESULTS AND FINANCIAL DATA

	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Revenue	12,314,785	11,228,115
Profit before taxation	3,406,691	3,357,869
Income tax	(555,318)	(422,620)
Profit for the period	2,851,373	2,935,249
Attributable to:		
Equity holders of the Company	2,494,609	2,364,015
Non-controlling interests	356,764	571,234
Total comprehensive income for the period	2,934,670	2,924,462
Attributable to:		
Equity holders of the Company	2,578,077	2,345,921
Non-controlling interests	356,593	578,541
Basic and diluted earnings per share (RMB cents)	30.05	28.43



INTERIM RESULTS AND FINANCIAL DATA

	30 June 2017 RMB'000	31 December 2016 RMB'000
Total non-current assets	127,160,719	125,328,117
Total current assets	18,930,612	13,332,576
Total assets	146,091,331	138,660,693
Total current liabilities	58,467,614	55,807,408
Total non-current liabilities	37,941,107	35,067,034
Total liabilities	96,408,721	90,874,442
Net assets	49,682,610	47,786,251
Gearing ratio (Note 2)	1.10	1.10
Total equity attributable to the equity holders of the Company	42,705,211	40,889,777
Non-controlling interests	6,977,399	6,896,474
Total equity	49,682,610	47,786,251
Net assets per share (RMB)	5.31	5.09

Note 2: Gearing ratio = total liabilities/(total assets – current liabilities)



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, with continuous improvement of the global economy, China's economy maintained a stable momentum in general. The power supply and demand across the country was at ease on the whole from January to June 2017 while the total power consumption grew at faster pace as compared with the same period last year. The power consumption in the industrial sectors enjoyed a relatively faster growth while daily average power consumption in the manufacturing sector reached another high record. Coal-fired power generation grew rapidly; the utilization hours of power generation equipment decreased slightly; the newly installed capacity decreased year on year, and the newly installed capacity of solar power took up a proportion of approximately 50%.

According to the Monthly Statistics of China Power Industry (《全國電力工業統計月報》) published by China Electricity Council, from January to June in 2017, the power consumption across the country was 2,950.8 billion kWh, representing a year-on-year increase of 6.3%. The electrical output of above-the-scale power plants across the country amounted to 2,959.8 billion kWh, representing a year-on-year increase of 6.3%. The cumulative average utilisation hours of generation equipment across the country reached 1,790 hours, representing a year-on-year decrease of seven hours. As at 30 June 2017, the installed capacity of above-the-scale power plants across the country reached 1,629 GW, representing a year-on-year increase of 6.9%. The newly installed capacity for hydropower, wind power and solar power recorded year-on-year increase, while the newly installed capacity for coal power and nuclear power decreased year on year. In the first half of 2017, wind power output across the country reached 149.0 billion kWh, accounting for 5.0% of the total power generation across the country, which was 0.5 percentage point higher than that for the corresponding period of last year. The average utilisation hours of wind power across the country reached 984 hours, representing a year-on-year increase of 67 hours.



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, in order to advocate environmentally-friendly consumption across the country, promote the consumption and utilization of clean energy, further improve subsidy mechanism for wind power and photovoltaic power generation, the National Development and Reform Commission (the “NDRC”), the Ministry of Finance and the National Energy Administration (the “NEA”) issued the Notice on Trial Implementation of Renewable Energy Green Power Certificate Issuance and Voluntary Subscription Trading System (《關於試行可再生能源綠色電力證書核發及自願認購交易制度的通知》) in February 2017, proposing to conduct issuance of renewable energy green power certificates and voluntary subscription across the country. On 1 July 2017, the NEA held the “Launching Ceremony concerning Voluntary Subscription for Green Power Certificate” in Beijing, and the online transaction platform for voluntary subscription for green power certificates officially commenced operation thereafter. In April 2017, the Notice on Liquidation of Additional Subsidies for Electricity Tariff of Renewable Energy (《關於開展可再生能源電價附加補助資金清算工作的通知》) was issued by the NDRC, the Ministry of Finance and the NEA, pursuant to which the new energy subsidies listed in the batch one to batch six of the subsidy funds for electricity tariff of renewable energy should be reviewed and liquidated. The implementation of the policy will further facilitate recovery of subsidies for wind power enterprises. In order to further promote consumption of new energy, the Notice on Issuance of Arrangement for Promotion of Consumption of New Energy in 2017 (《關於印發2017年促進新能源消納工作安排的安排的通知》) was issued by the State Grid Corporation of China in May 2017, which required further reduction of power generation by coal-fired generating units so as to reserve sufficient room for new energy power generation. In the same month, the Comprehensive Department of the NEA issued the Notice on Implementation of Demonstration for Grid Parity of Wind Power Generation (《關於開展風電平價上網示範工作的通知》), proposing to carry out demonstration activities for grid parity of wind power generation across the country, thus guiding and promoting the sustainable and healthy development of renewable energy sector, and enhancing the market competitiveness of wind power. In June 2017, with a view to increase utilization efficiency of distributed wind power resources and optimise development layout of wind power, the NEA duly issued the Notice on Requirements in relation to Acceleration of Construction of Distributed Wind Power Connection Projects (《關於加快推進分散式接入風電項目建設有關要求的通知》). The distributed wind power connection projects would not be restricted by the annual guided scale. As for the distributed wind power projects under the plan that have been approved, the competent energy authorities at provincial level are encouraged to study and formulate measures for simplification of approval procedures for relevant projects. The issue and implementation of the above policies will facilitate the further healthy and rapid development of the wind power and renewable energy sectors.



MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

1. Continually strengthened safety production management and maintained steady growth of wind power generation

In the first half of 2017, the Group upheld the fundamental principle of standardization construction and focused on the basic elements of management in respect of equipment, technology and appraisal to constantly optimize reliability indicators such as the malfunction spoiled time and steadily level up production and management standards. Targeted at the standardization of safe and civilized production, the Group gave priority to the prevention and control of equipment defects to dive into modification plan for assurance of safe and economical efficiency of equipment management and control and technological renovation. Furthermore, it improved the technological supervision standards and trained up the supervision team, thus constructing the technological supervision system with characteristics of Longyuan Wind Power. In regard of the site work, the Group conceived the management methods of “Three Measures and One Scheme” (“三措一案”) and the corresponding implementing specifications to exert strict control over on-site safety and put an end to safety incidents. It also dispatched five special measures including the Safeguarding Specifications in the Production Monitoring System to reinforce the Group-wide technology management in a feasible manner. Meanwhile, it also consummated the monthly and annual production and management special appraisal measures and proactively pressed ahead the four kernel tasks, i.e., standardization of on-site safe and civilized production, implementation of safeguarding systems and safety measures in production, management of technological supervision and construction of malfunction-free wind farms.

In the first half of 2017, the Group strengthened and optimised its professional management, established comprehensive management mode and system for economic operations, fully determined the reasons for power loss in different units, adopted specific measures to minimise internal wind power curtailment and enhanced economic operation level in the farms. In addition, it promoted utilisation hours benchmarking, established comprehensive four-tier management and control system covering the headquarter, regional companies, wind farms and individual units, further strengthened advanced benchmarking, market benchmarking and feasibility benchmarking, and strengthened and expanded its favourable position in key benchmarks including utilisation hours, unavailable hours, power consumption of plants as well as repair and maintenance costs per kWh.



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, in the face of complexities in the power market, the Group strived to level up the marketing and management and made rational decisions in the trading market to maximise the profit of the Group. As a result, substantial results have been achieved in respect of grid curtailment management. Various measures were taken to cope with grid curtailment. In particular, it carried out stringent assessment on grid curtailment and pressed on with grid structure research within the Group while further strengthened the sense of marketing and devoted more efforts to the differentiated marketing outside the Group. Furthermore, the market-oriented marketing has brought along fruitful results. In this regard, it conducted in-depth analysis of regional electricity markets and characteristics of grids, thereby formulating specific marketing plans for different regions. Moreover, the Group abided by the industry self-discipline, resisted ineffective transactions resolutely, and won over transacted volume legitimately by means of cross-region delivery, swap of wind power and coal-fired power, as well as direct power supply for big customers, resulting in advantageous transacted tariff and steadily increasing benefits for the first half of 2017.

In the first half of 2017, the Group generated a cumulative gross electricity output of 22.732 billion kWh, of which electricity generated from our wind power segment amounted to 17.103 billion kWh, representing a year-on-year increase of 11.00%. The increase in electricity generated from wind power segment of the Group was primarily due to the increase in installed capacity and decrease in the percentage of grid curtailment. In the first half of 2017, the Group's average utilisation hours of the wind power segment were 1,030 hours, representing an increase of 50 hours as compared to the corresponding period of 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the consolidated gross power generation of the Group's wind farms for the first half of 2016 and the first half of 2017 as below:

Region	First half of 2017 (MWh)	First half of 2016 (MWh)	Percentage of change
Heilongjiang	1,197,882	1,039,924	15.19%
Jilin	429,457	312,417	37.46%
Liaoning	1,112,106	1,101,111	1.00%
Inner Mongolia	2,370,444	2,422,335	-2.14%
Jiangsu (Onshore)	1,280,171	1,244,681	2.85%
Jiangsu (Offshore)	526,561	471,175	11.75%
Zhejiang	184,446	203,451	-9.34%
Fujian	820,546	649,936	26.25%
Hainan	63,923	51,740	23.55%
Gansu	984,087	788,198	24.85%
Xinjiang	1,325,245	970,532	36.55%
Hebei	1,333,891	1,371,118	-2.72%
Yunnan	1,108,354	974,972	13.68%
Anhui	786,934	801,050	-1.76%
Shandong	393,985	370,961	6.21%
Tianjin	142,797	149,356	-4.39%
Shanxi	624,135	653,333	-4.47%
Ningxia	670,226	427,171	56.90%
Guizhou	743,018	608,409	22.12%
Shaanxi	308,763	281,431	9.71%
Tibet	7,230	8,768	-17.54%
Chongqing	168,715	138,358	21.94%
Shanghai	69,677	66,652	4.54%
Guangdong	57,584	20,635	179.06%
Hunan	79,916	60,682	31.70%
Guangxi	134,103	85,570	56.72%
Jiangxi	25,377	—	—
Canada	153,558	134,823	13.90%
Total	17,103,131	15,408,788	11.00%



MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the average utilisation hours/load factor of wind power of the Group's wind farms for the first half of 2016 and the first half of 2017 as below:

Region	Average utilisation hours of wind power for the first half of 2017 (hours)	Average load factor of wind power for the first half of 2017	Average utilisation hours of wind power for the first half of 2016 (hours)	Average load factor of wind power for the first half of 2016	Percentage of change of the average utilisation hours of wind power
Heilongjiang	970	22%	842	19%	15.20%
Jilin	866	20%	698	16%	24.07%
Liaoning	1,109	26%	1,098	25%	1.00%
Inner Mongolia	917	21%	937	21%	-2.13%
Jiangsu (Onshore)	1,063	24%	1,134	26%	-6.26%
Jiangsu (Offshore)	1,096	25%	981	22%	11.72%
Zhejiang	809	19%	893	20%	-9.41%
Fujian	1,401	32%	1,245	29%	12.53%
Hainan	646	15%	523	12%	23.52%
Gansu	763	18%	611	14%	24.88%
Xinjiang	860	20%	703	16%	22.33%
Hebei	1,140	26%	1,172	27%	-2.73%
Yunnan	1,647	38%	1,574	36%	4.64%
Anhui	1,149	26%	1,178	27%	-2.46%
Shandong	1,161	27%	1,095	25%	6.03%
Tianjin	1,082	25%	1,131	26%	-4.33%
Shanxi	911	21%	1,011	23%	-9.89%
Ningxia	949	22%	822	19%	15.45%
Guizhou	1,185	27%	1,082	25%	9.52%
Shaanxi	962	22%	1,205	28%	-20.17%
Tibet	964	22%	1,169	27%	-17.54%
Chongqing	1,129	26%	925	21%	22.05%
Shanghai	1,467	34%	1,403	32%	4.56%
Guangdong	1,147	26%	802	18%	43.02%
Hunan	1,665	38%	1,264	29%	31.72%
Guangxi	1,404	32%	1,258	29%	11.61%
Jiangxi	1,475	34%	—	—	—
Canada	1,550	36%	1,360	31%	13.97%
Total	1,030	24%	980	22%	5.10%

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the average utilisation percentage of wind power of the Group's wind farms for the first half of 2016 and the first half of 2017:

Region	First half of 2017 (%)	First half of 2016 (%)	Percentage of change
Heilongjiang	99.38	99.36	0.02%
Jilin	99.38	99.00	0.38%
Liaoning	99.36	99.14	0.22%
Inner Mongolia	99.13	98.54	0.59%
Jiangsu (Onshore)	99.26	99.16	0.10%
Jiangsu (Offshore)	96.48	96.12	0.36%
Zhejiang	98.95	98.72	0.23%
Fujian	98.84	98.22	0.62%
Hainan	98.48	99.17	-0.69%
Gansu	99.45	99.39	0.06%
Xinjiang	97.60	99.30	-1.70%
Hebei	98.41	98.25	0.16%
Yunnan	99.47	99.36	0.11%
Anhui	99.10	99.23	-0.13%
Shandong	99.61	99.43	0.18%
Tianjin	99.45	99.48	-0.03%
Shanxi	99.39	99.33	0.06%
Ningxia	99.12	99.30	-0.18%
Guizhou	98.72	99.08	-0.36%
Shaanxi	99.71	99.16	0.55%
Tibet	100.00	99.00	1.00%
Chongqing	99.25	99.22	0.03%
Shanghai	99.49	99.56	-0.07%
Guangdong	98.98	99.12	-0.14%
Hunan	98.61	98.50	0.11%
Guangxi	99.28	99.63	-0.35%
Jiangxi	99.76	—	—
Canada	97.55	97.89	-0.34%
Total	98.95	98.94	0.01%



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, the consolidated gross power generation from coal power segment of the Group was 5.323 billion kWh, representing an increase of 13.55% as compared with 4.688 billion kWh in the corresponding period of 2016. This was primarily due to the increase in social electricity consumption. The average utilisation hours of the Group's coal power segment in the first half of 2017 was 2,839 hours, representing an increase of 339 hours as compared with 2,500 hours in the corresponding period of 2016.

2. Solidly pushed forward the preliminary work and continued to maintain the leading advantage

In the first half of 2017, under the guideline of steadily and prudently exploiting high quality resources and constantly improving development quality, the Group steadily and prudently developed offshore wind power, energetically tapped into overseas market and devoted ongoing efforts to technology innovations, aiming to continually optimise development layout and enhance high-quality resource reserves. It proactively secured the prime resources in regions not subject to grid curtailment based on the wind source blueprint of each province so as to progressively establish the development landscape featuring “nationwide presence and provincial expansion”. As a result, it attained increasing wind power reserves in regions not subject to grid curtailment and regions with favorable conditions in grid connection and consumption; and noticeably, it continually expanded resource reserves by capitalizing on the opportunities arising during the window period and opportunity period of offshore wind power. Moreover, it intensified analysis on the wake of wind farms and research on its data modeling, formulated a synergistic control plan for the wake of wind farms and thereby increased the power generation of the entire wind farms; in addition, it adopted the wind resource mapping technology at high resolution to win more chances for the success in wind farm planning and site selection; furthermore, it conducted researches on development policies and technologies of distributed wind power to temporize with the development needs of wind power under new circumstances.



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, under the development plan for the second batch of wind power projects under the “Thirteenth Five-year Plan” issued by Energy Administrations at the provincial level, 28 projects of our Group were listed with total capacity of 1,873 MW and located in regions not subject to grid curtailment. In the second half of 2017, the Group will put more efforts in ensuring that all projects under the development plan will be approved. As of 30 June 2017, the Group had wind power projects of 9.7 GW listed under the development plan of NEA or national preliminary approval list but not yet put into operation, and wind power projects of 7.4 GW approved but not yet put into operation, indicating an abundant project reserve.

3. Continually exerted high standards for construction quality and ensured smooth progress of construction of wind power projects

In the first half of 2017, the Group held fast to and implemented the “One, Five and Five” strategy (“一五五” 戰略) of Guodian Group, comprehensively boosted the construction of an internationally top-notch enterprise to build the “Long-lasting Longyuan”, and progressively pressed ahead construction of wind power projects. In particular, the 48 MW Baokang Huanglianshan Wind Power Project in Hubei Province was put into operation marking the breakthrough of “zero” wind power installed capacity for the Group in Hubei Province. Construction was carried out under stable construction safety environment without any construction or equipment-related safety accident. Every unit of the Group continued to carry out work in regard of design inspection, acceptance and equipment supervision in accordance with strict quality standards and coordinated and resolved the identified problems in a timely manner, thus preventing quality issues, effectively reducing hidden perils concerning quality and ensuring quality of the projects. Furthermore, the Group conducted compilation and review over the price ceilings in an efficient manner, which manifested prominent effects on project cost control.



MANAGEMENT DISCUSSION AND ANALYSIS

The construction of the Group's 900 MW offshore wind power project is in full swing for the time being. In particular, the Jiangsu Dafeng Offshore Wind Power Project was under smooth progress in the first half of the year, with the great majority of ground treatment and concrete pouring of wind turbine foundation completed and the offshore transformer station and onshore centralised control center installed. The project successfully constructed the first separable transformer station in the world and employed the 33-kilometers-long connector-free 220 kV subsea cable with large cross section for the first time in the world, thereby reducing operation risks of the project.

The Group upheld the concept of "making profits in virtue of quality assurance" and further cemented the competitive edges of the Group in the wind power market by rolling out high-quality fine projects and constructing top-notch wind farms featuring "Safety, Reliability, High-efficiency and Intelligence." In response to the increasingly prominent environmental problems and the growing emphasis laid by competent authorities in China, the Group strictly complied with construction work procedures in the course of construction, and actively fulfilled work requirements for projects such as forest and land requisition, environment evaluation and soil and water conservation. Thanks to such endeavors, the construction risks were reduced effectively, thereby laying a foundation for the environmentally friendly development of the Group.

In the first half of 2017, the Group had new consolidated installed capacity of 48 MW. As at 30 June 2017, the consolidated installed capacity of the Group was 19,542 MW, among which the consolidated installed capacity of the wind power segment was 17,417 MW, while the consolidated installed capacity of the coal power segment and the consolidated installed capacity of other renewable energy segment were 1,875 MW and 250 MW, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the consolidated installed capacity of the Group's wind farms as of 30 June 2016 and 30 June 2017 as below:

Region	As of 30 June 2017 (MW)	As of 30 June 2016 (MW)	Percentage of change
Heilongjiang	1,234.7	1,234.7	0.00%
Jilin	547.4	497.4	10.05%
Liaoning	1,003.2	1,003.2	0.00%
Inner Mongolia	2,635.8	2,635.8	0.00%
Jiangsu (Onshore)	1,248.5	1,197.9	4.22%
Jiangsu (Offshore)	480.3	480.3	0.00%
Zhejiang	227.9	227.9	0.00%
Fujian	665.1	570.1	16.66%
Hainan	99.0	99.0	0.00%
Gansu	1,289.8	1,289.8	0.00%
Xinjiang	1,541.3	1,541.3	0.00%
Hebei	1,170.1	1,170.1	0.00%
Yunnan	769.5	619.5	24.21%
Anhui	733.1	684.7	7.07%
Shandong	393.4	338.8	16.12%
Tianjin	132.0	132.0	0.00%
Shanxi	829.5	646.5	28.31%
Ningxia	724.7	724.7	0.00%
Guizhou	641.5	641.5	0.00%
Shaanxi	439.2	338.6	29.71%
Tibet	7.5	7.5	0.00%
Chongqing	149.5	149.5	0.00%
Shanghai	47.5	47.5	0.00%
Guangdong	75.74	25.74	194.25%
Hunan	48.0	48.0	0.00%
Guangxi	95.5	95.5	0.00%
Jiangxi	40.0	—	—
Hubei	48.0	—	—
Canada	99.1	99.1	0.00%
Total	17,416.84	16,546.64	5.26%



MANAGEMENT DISCUSSION AND ANALYSIS

4. Maintained stable tariffs with a rational attitude towards the market

In the first half of 2017, the average on-grid tariffs for all power generation segments of the Group amounted to RMB534 per MWh (value-added tax (the “VAT”) inclusive), representing a decrease of RMB5 per MWh as compared with RMB539 per MWh (VAT inclusive) in the corresponding period of 2016. The average on-grid tariffs for wind power amounted to RMB569 per MWh (VAT inclusive), representing a decrease of RMB9 per MWh as compared with RMB578 per MWh (VAT inclusive) in the corresponding period of 2016, which was mainly due to the increase in electricity sales in the regions with lower tariffs for wind power compared with the same period in 2016, so the tariffs for wind power relatively decreased. The average on-grid tariffs for coal power amounted to RMB395 per MWh (VAT inclusive), representing an increase of RMB16 per MWh as compared with the average on-grid tariffs for coal power of RMB379 per MWh (VAT inclusive) in the corresponding period of 2016, mainly attributable to the higher power generation and power generation with recognized environmental subsidised tariff recorded by Jiangyin Sulong Heat and Power Generation Co., Ltd. (江陰蘇龍熱電有限公司), a subsidiary of the Group, in the first half of 2017 over the corresponding period of 2016.

5. Vigorously consolidated the measures for guaranteeing funds supply and control of cost to effectively prevent fund risks

In the first half of 2017, in light of the unfavorable situation of “tight supply and high cost” in the domestic monetary market, the Group vigorously consolidated the measures for guaranteeing funds supply and control of cost. Firstly, the Group used its best endeavours to guarantee funds supply. The Group successfully convened the second session of Green Energy Financing Summit to strengthen the contact with major partners in the financial market, continuously expanded the way of financing and successfully issued a tranche of green corporate bonds. Secondly, the Group devoted further efforts on the intensive management and control of funds. The cash sweep and utilisation efficiency was effectively improved by virtue of the capital pool. Meanwhile, the Group further optimised the regional capital allocation to effectively reduce financing costs and the capital cost continued to maintain at the leading level in the industry in the first half of the year. Thirdly, the Group intensified the management and control of fund plan. The Group improved the fund plan management system through the monthly fund coordination meeting to subject the overseas companies and important associates and joint ventures to the unified management of the Group’s overall fund plan management to effectively prevent fund risks.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Successfully applied major scientific and technological achievements and increased scientific and technological innovation efforts

In the first half of 2017, the Group creatively adopted the construction scheme of “modular design and separable installation” and successfully installed the first offshore separable transformer station in the world. The successful implementation of the project represents a significant breakthrough in respect of critical technology for development of offshore wind power and offers a new technology option for the construction of offshore transformer station. The Group carried out and succeeded in the engineering practice of 220 kV single core high-voltage submarine cable in the PRC for the first time. The success of the project solved the technical bottleneck of transmission engineering, filled the domestic gap of such project and laid a solid technological foundation for the large scale development of offshore wind farms.

The Group took a number of initiatives to increase efforts on scientific and technological innovation, reinforced the head office’s scientific and technological management function and clarified the focus and direction of scientific and technological work. The scientific research strength of subsidiaries engaged in technical services was strengthened. In the first half of 2017, five industrial standards of the Group were included in the wind power standard system of energy industry. Five group standards of the Chinese Society for Electrical Engineering were approved. In addition, the Group obtained 26 newly authorized patents, applied for five software copyrights and was awarded five Scientific Advance Prizes by Guodian Group.

7. Extensively implemented overseas projects and steadily advanced the production and construction of wind farms

In the first half of 2017, in order to implement the “Thirteenth Five-year Plan” of Guodian Group and accelerate the progress of “Going Global”, the Group screened, analyzed and assessed a number of projects in such regions and countries as the United States, Canada, the Northern, Central and Eastern Europe to seek for potential opportunities for investment in overseas wind power. In addition, the Group proactively participated in the wind power project in Poland and increased efforts on development of greenfield projects. Meanwhile, the Group set up its working team for Kazakhstan, investigated and conducted investigation, research and study of the new energy market in Azerbaijan, etc.



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2017, the Group's Dufferin Wind Farm in Canada recorded total power generation of 153,558 MWh. The Group proactively fulfilled its social responsibility in the local place and established close relationship with the community and the government where the project is located. As at 30 June 2017, the wind farm has maintained safe production for consecutive 942 days.

Ever since the commencement of construction in 2015, the individual works of the Group's 244.5 MW wind farm project in De Aar, South Africa were pushed ahead steadily and smoothly. As at 30 June 2017, all the equipment has been transported to the site. The electricity transmission and transformation project has been basically completed. All the units are expected to be officially put into operation by the end of 2017.

II. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Profit or loss and other comprehensive income

In the first half of 2017, the net profit of the Group amounted to RMB2,851 million, representing a decrease of 2.9% as compared to RMB2,935 million in the corresponding period of 2016. Net profit attributable to equity holders of the Company amounted to RMB2,495 million, representing an increase of 5.5% as compared to RMB2,364 million in the corresponding period of 2016. Earnings per share amounted to RMB30.05 cents, representing an increase of RMB1.62 cents as compared to RMB28.43 cents in the corresponding period of 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

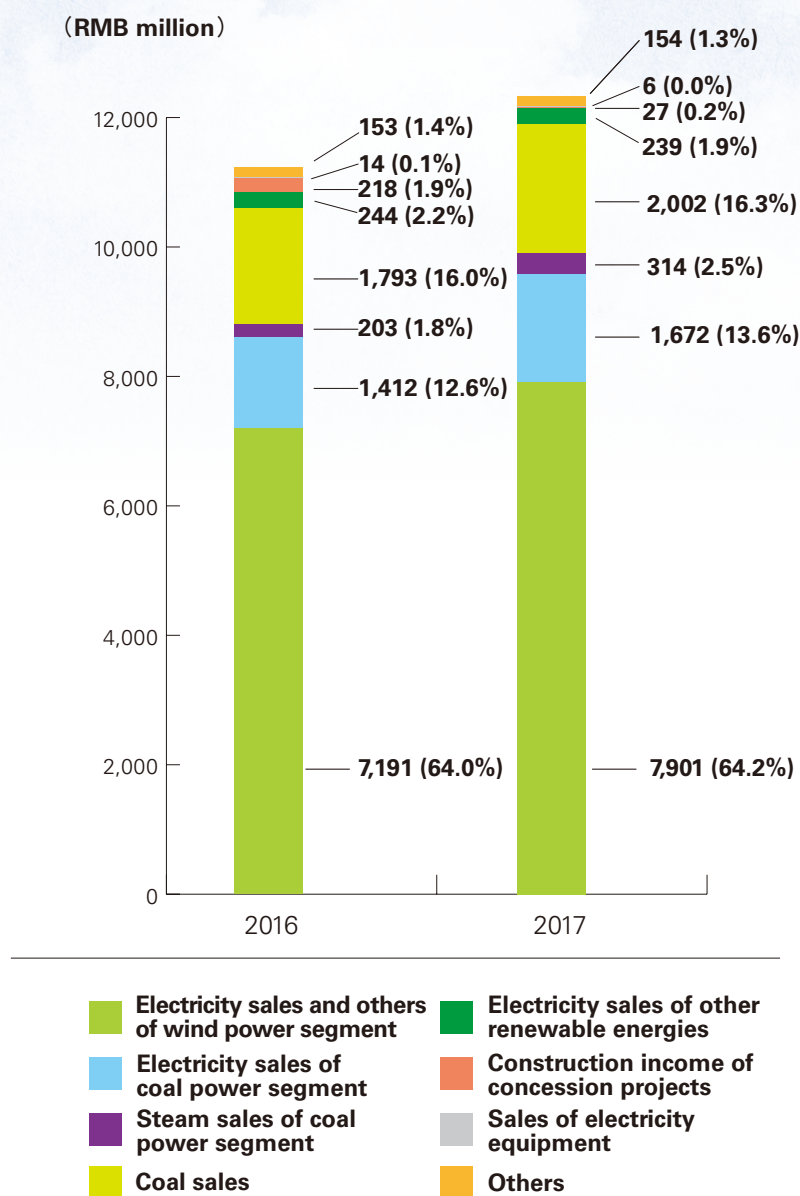
Operating revenue

Operating revenue of the Group amounted to RMB12,315 million in the first half of 2017, representing an increase of 9.7% as compared to RMB11,228 million in the corresponding period of 2016. The increase in operating revenue was primarily due to: 1) an increase of RMB710 million, or 9.9%, in electricity sales and other revenue of wind power segment to RMB7,901 million in the first half of 2017 as compared to RMB7,191 million in the corresponding period of 2016, which was primarily due to the increase of electricity sales volume of wind power segment; 2) a decrease of RMB191 million, or 87.6%, in service concession construction revenue of wind power segment to RMB27 million in the first half of 2017 as compared to RMB218 million in the corresponding period of 2016, which was primarily attributable to the decrease in the construction volume of service concession projects under construction; 3) an increase of RMB209 million, or 11.7%, in revenue from coal sales of coal power segment to RMB2,002 million in the first half of 2017 as compared to RMB1,793 million in the corresponding period of 2016, which was primarily attributable to the increase of coal price; and 4) an increase of RMB260 million, or 18.4%, in revenue from electricity sales of coal power segment to RMB1,672 million as compared to RMB1,412 million in the corresponding period of 2016, which was primarily attributable to the increase in electricity sales volume of coal power segment of 590 million kWh, or 13.6%, as compared to that of the corresponding period of 2016. At the same time, the average on-grid tariffs for coal power segment increased RMB14 per MWh (VAT exclusive), or 4.3%, as compared to that in the corresponding period of 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating revenue of each segment and their respective proportions are set out in the diagram below (for the six months ended 30 June):



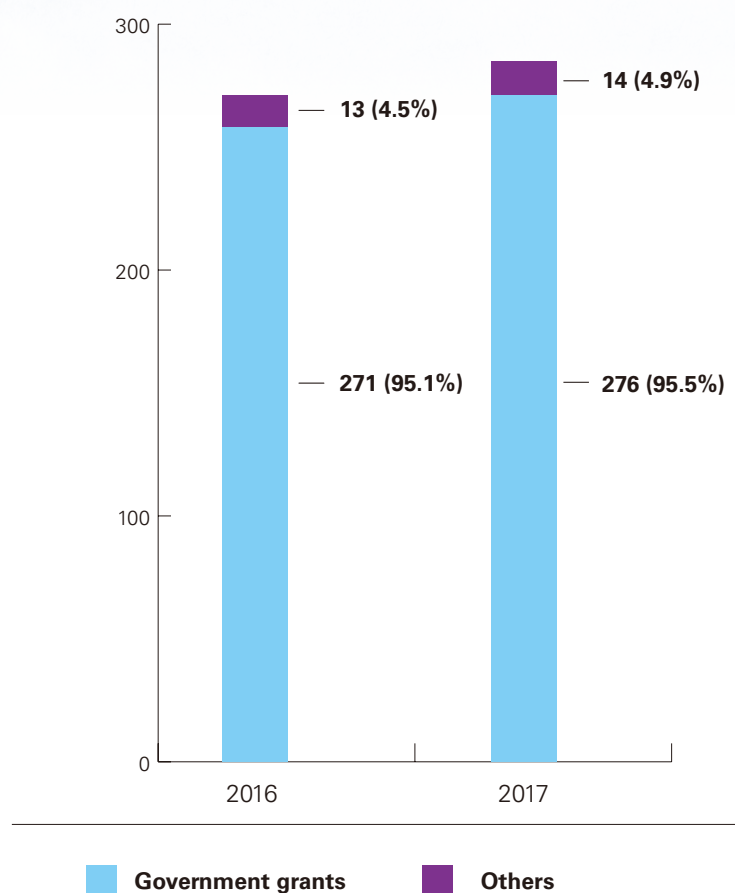
MANAGEMENT DISCUSSION AND ANALYSIS

Other net income

Other net income of the Group amounted to RMB289 million in the first half of 2017, representing an increase of 1.4% as compared to RMB285 million in the corresponding period of 2016, primarily attributable to the slight increase in the government grants received during the period.

The breakdown of other net income items and their respective proportions are set out in the diagram below (for the six months ended 30 June):

(RMB million)



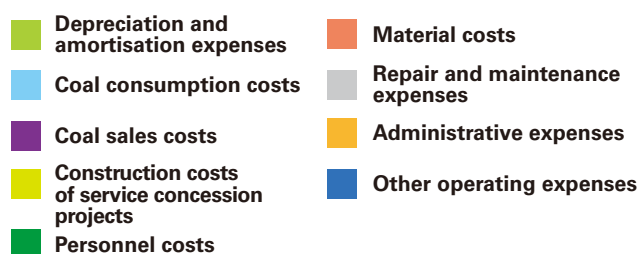
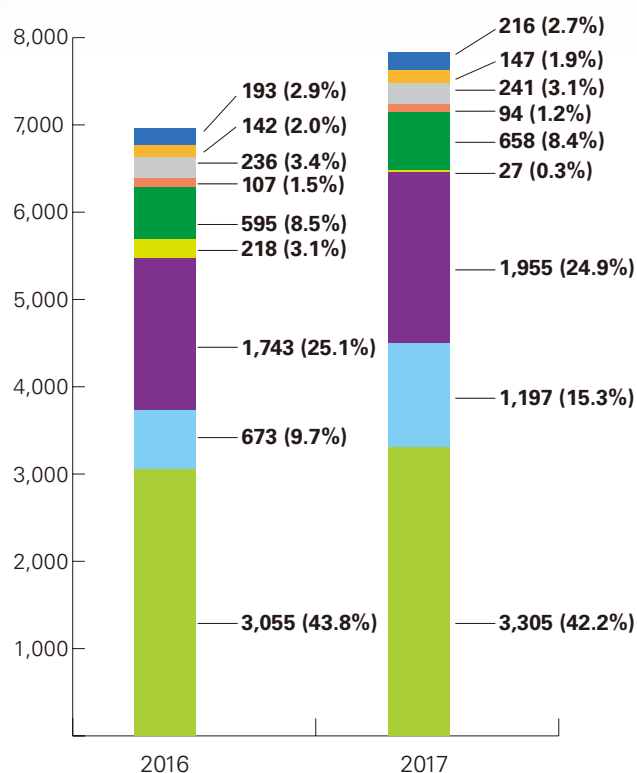
MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

Operating expenses of the Group amounted to RMB7,840 million in the first half of 2017, representing an increase of 12.6% as compared to RMB6,962 million in the corresponding period of 2016, primarily due to the increase in the depreciation and amortisation expenses and the decrease in the construction cost of the service concession projects of the wind power segment, the increase in the coal consumption costs and the increase in the cost of coal sales in the coal power segment; and the increase in personnel costs and other operating expenses.

Operating expenses items and their respective proportions are set out in the diagram below (for the six months ended 30 June):

(RMB million)

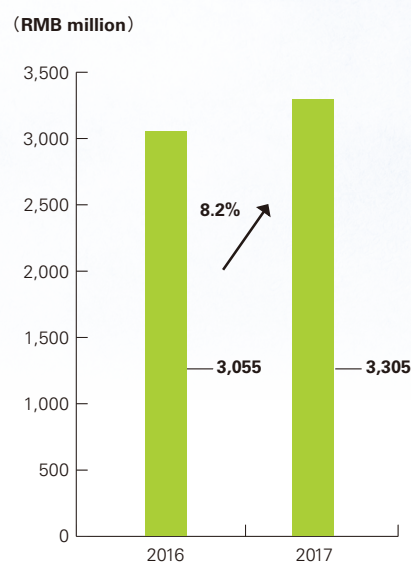


MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB3,305 million in the first half of 2017, representing an increase of 8.2% as compared to RMB3,055 million in the corresponding period of 2016, primarily due to an increase of RMB204 million, or 7.3%, in depreciation and amortisation expenses of wind power business over the corresponding period of 2016 as a result of expansion in the installed capacity of wind power projects.

The depreciation and amortisation expenses are set out in the diagram below (for the six months ended 30 June):

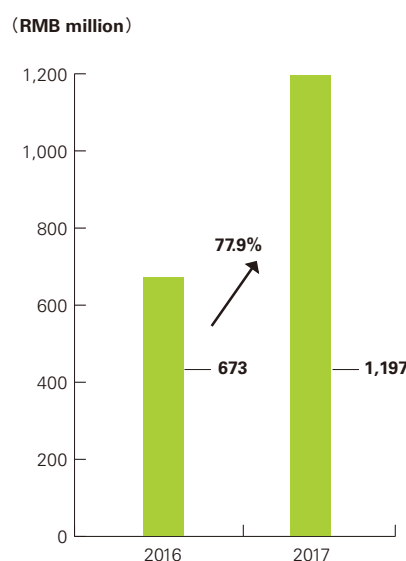


■ Depreciation and amortisation expenses

Coal consumption costs

The coal consumption costs of the Group amounted to RMB1,197 million in the first half of 2017, representing an increase of 77.9% as compared to RMB673 million in the corresponding period of 2016. The main reasons are as follows: 1) an increase of approximately 55.5% in the average unit price of standard coal for power and steam generation as affected by the increase in the coal price in the first half of 2017; and 2) an increase of approximately 13.2% in the coal consumption as a result of the increase in power generation.

The coal consumption costs are set out in the diagram below (for the six months ended 30 June):



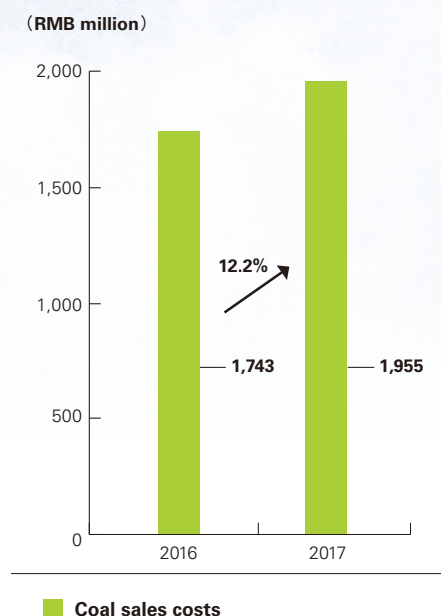
■ Coal consumption costs

MANAGEMENT DISCUSSION AND ANALYSIS

Coal sales costs

The coal sales costs of the Group in the first half of 2017 amounted to RMB1,955 million, representing an increase of 12.2% as compared to RMB1,743 million in the corresponding period of 2016. The main reasons are as follows: 1) an increase of approximately 72.8% in the average procurement price of coal in the first half of 2017 as compared to that of the corresponding period of 2016; and 2) a decrease of approximately 35.1% in the sales volume of coal.

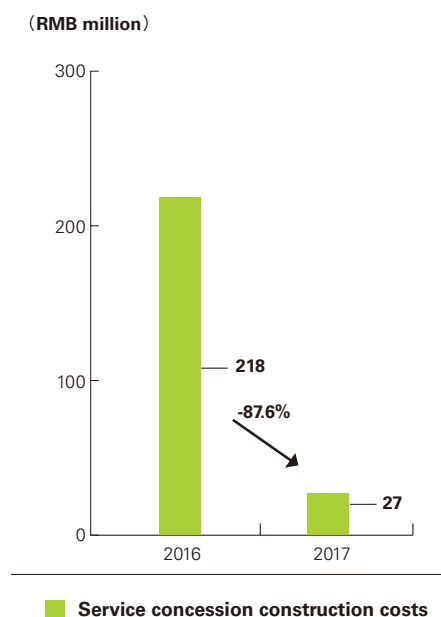
The coal sales costs are set out in the diagram below (for the six months ended 30 June):



Service concession construction costs

The Group's service concession construction costs in the first half of 2017 amounted to RMB27 million, representing a decrease of 87.6% as compared to RMB218 million in the corresponding period of 2016, primarily due to a decrease of construction volume of service concession projects under construction in the first half of 2017 as compared with that of the corresponding period of 2016.

The service concession construction costs are set out in the diagram below (for the six months ended 30 June):

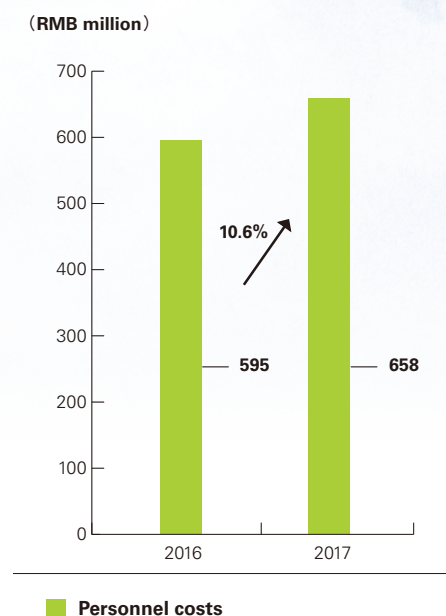


MANAGEMENT DISCUSSION AND ANALYSIS

Personnel costs

Personnel costs of the Group amounted to RMB658 million in the first half of 2017, representing an increase of 10.6% as compared to RMB595 million in the corresponding period of 2016. The main reasons are as follows: 1) an increase in headcounts as a result of the Group's expansion; and 2) a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation.

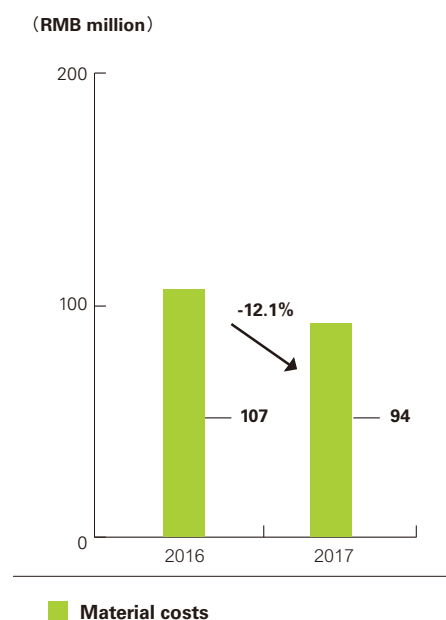
The personnel costs are set out in the diagram below (for the six months ended 30 June):



Material costs

Material costs of the Group amounted to RMB94 million in the first half of 2017, representing a decrease of 12.1% as compared to RMB107 million in the corresponding period of 2016, which was primarily attributable to the decrease in material consumption due to lower utilization hours of equipment in the biomass segment under the other segments as the segment carried out renovation and transformation of equipment in the first half of 2017.

The material costs are set out in the diagram below (for the six months ended 30 June):

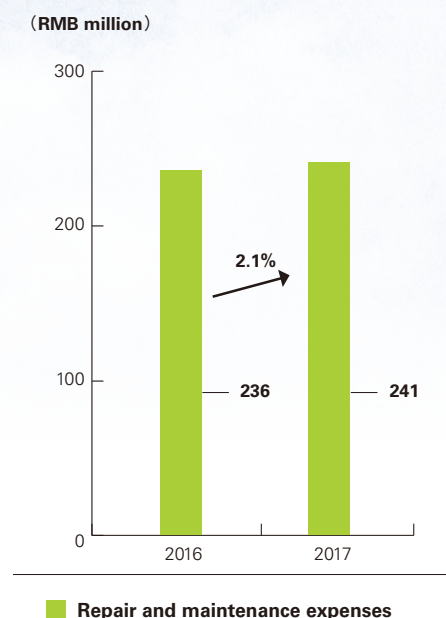


MANAGEMENT DISCUSSION AND ANALYSIS

Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB241 million in the first half of 2017, representing an increase of 2.1% as compared to RMB236 million in the corresponding period of 2016, mainly due to the slight increase in repair and maintenance expenses as a result of the increase in installed capacity of wind power.

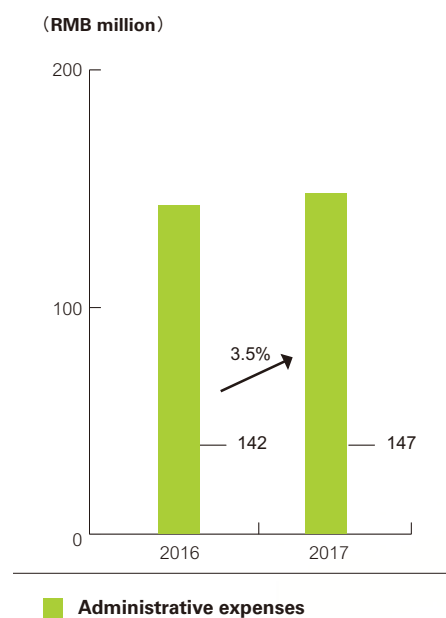
The repair and maintenance expenses are set out in the diagram below (for the six months ended 30 June):



Administrative expenses

Administrative expenses of the Group amounted to RMB147 million in the first half of 2017, representing an increase of 3.5% as compared to RMB142 million in the corresponding period of 2016, which was primarily due to the slight increase in administrative expenses due to the increase in business volume of the Group.

The administrative expenses are set out in the diagram below (for the six months ended 30 June):

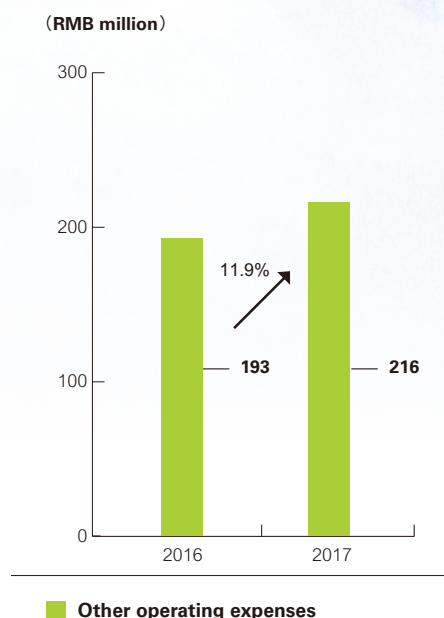


MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses

Other operating expenses of the Group amounted to RMB216 million in the first half of 2017, representing an increase of 11.9% as compared to RMB193 million in the corresponding period of 2016. The main reasons are as follows: 1) reversal of provision for impairment of assets of RMB94 million according to the transfer price of certain assets in the biomass segment in the first half of 2016, while there was no such reversal in 2017; and 2) costs of sales of electricity equipment in other segments recorded a year-on-year decrease due to lower business volume in the first half of 2017.

The other operating expenses are set out in the diagram below (for the six months ended 30 June):

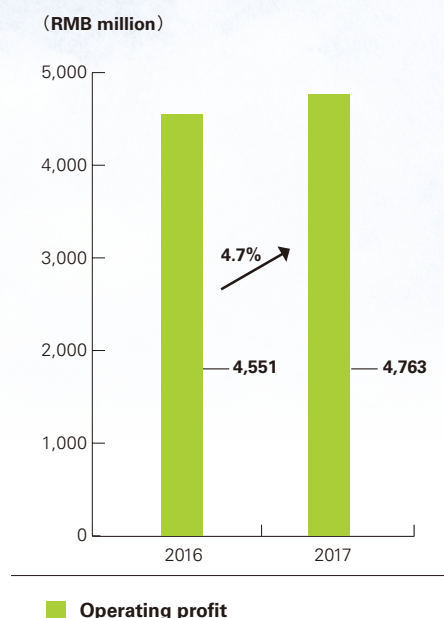


MANAGEMENT DISCUSSION AND ANALYSIS

Operating profit

In the first half of 2017, the operating profit of the Group amounted to RMB4,763 million, representing an increase of 4.7% as compared to RMB4,551 million in the corresponding period of 2016. The main reasons are as follows: 1) the operating profit of the wind power segment amounted to RMB4,447 million in the first half of 2017, representing an increase of RMB564 million, or 14.5% from RMB3,883 million in the corresponding period of 2016. This was mainly attributable to the increase in the installed capacity and the higher utilization hours in the wind power segment; 2) the operating profit of the coal power segment amounted to RMB341 million in the first half of 2017, representing a decrease of RMB242 million, or 41.5% as compared to RMB583 million in the corresponding period of 2016, which was primarily attributable to the decrease in gross margin of electricity and steam sales business as compared to that of the corresponding period of 2016 as a result of higher coal price; and 3) the reversal of provision for impairment of assets of RMB94 million according to the transfer price of certain assets in the biomass segment in the first half of 2016, while there was no such reversal in 2017.

Operating profit is set out in the diagram below (for the six months ended 30 June):



MANAGEMENT DISCUSSION AND ANALYSIS

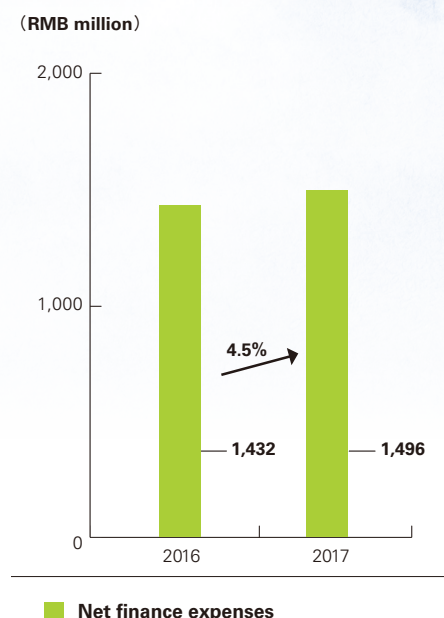
Net finance expenses

The net finance expenses of the Group amounted to RMB1,496 million in the first half of 2017, representing an increase of 4.5% as compared to RMB1,432 million in the corresponding period of 2016, which was mainly due to: 1) the increase of RMB162 million in the interest expenses in the first half of 2017 as compared with that of the corresponding period of 2016 due to the period-on-period increase in the average balance of borrowings; and 2) the net gains of RMB86 million from foreign exchange of the Group in the first half of 2017 as compared to RMB36 million of foreign exchange losses for the corresponding period of 2016.

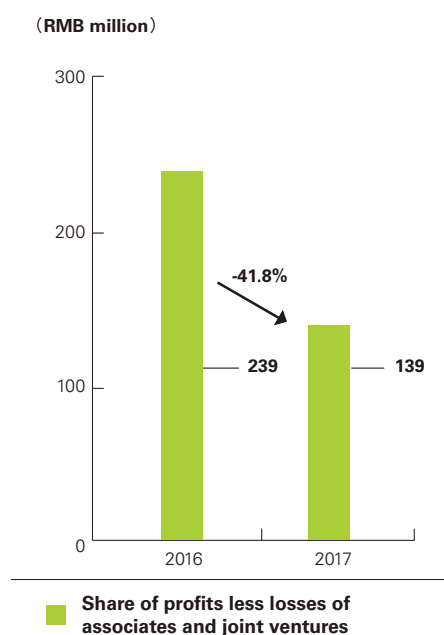
Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and joint ventures amounted to RMB139 million in the first half of 2017, representing a decrease of 41.8% as compared to RMB239 million in the corresponding period of 2016, which was mainly due to the decrease in share of profits from Jiangsu Nantong Power Generation Co., Ltd. (江蘇南通發電有限公司), a joint venture, due to higher coal price.

The net finance expenses are set out in the diagram below (for the six months ended 30 June):



The share of profits less losses of associates and joint ventures is set out in the diagram below (for the six months ended 30 June):

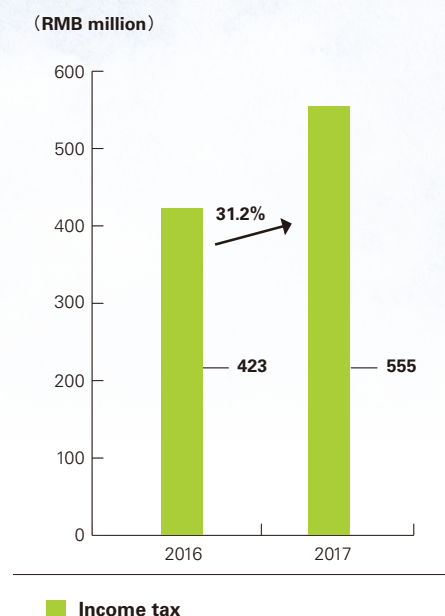


MANAGEMENT DISCUSSION AND ANALYSIS

Income tax

Income tax of the Group amounted to RMB555 million in the first half of 2017, representing an increase of 31.2% as compared to RMB423 million in the corresponding period of 2016, which was mainly due to 1) higher tax rate in the first half of 2017 as compared to that of the corresponding period of 2016 as a result of the end of tax holiday for certain wind power projects; and 2) the decrease in income tax as a result of the decrease in profit of coal power segment.

The income tax is set out in the diagram below (for the six months ended 30 June):

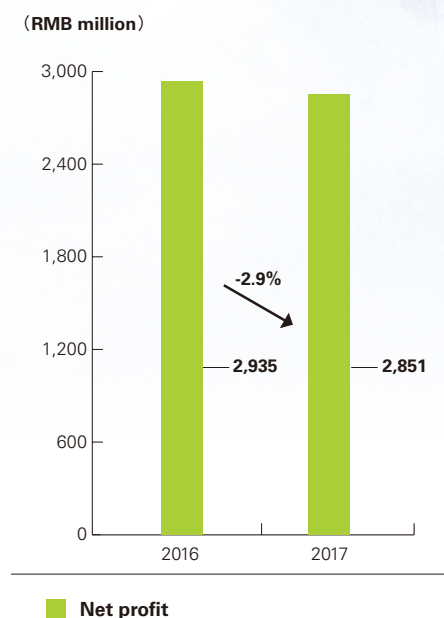


MANAGEMENT DISCUSSION AND ANALYSIS

Net profit

In the first half of 2017, the net profit of the Group amounted to RMB2,851 million, representing a decrease of 2.9% as compared to RMB2,935 million in the corresponding period of 2016, mainly attributable to: 1) the increase of RMB564 million in operating profit of wind power segment in the first half of 2017 as compared to that of the corresponding period of 2016; 2) the decrease of RMB242 million in operating profit of coal power segment in the first half of 2017 as compared to that of the corresponding period of 2016; 3) the decrease of RMB48 million in operating profit in other segments in the first half of 2017 as compared to that of the corresponding period of 2016; 4) the increase of RMB64 million in finance expenses in the first half of 2017 as compared to that of the corresponding period of 2016; 5) the decrease of RMB100 million in the share of profits less losses of associates and joint ventures in the first half of 2017 as compared to that of the corresponding period of 2016; and 6) the increase of RMB132 million in income tax expenses in the first half of 2017 as compared to that of the corresponding period of 2016.

The net profit is set out in the diagram below (for the six months ended 30 June):

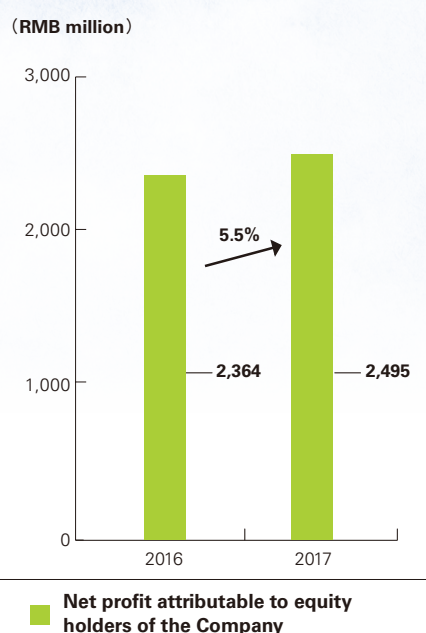


MANAGEMENT DISCUSSION AND ANALYSIS

Net profit attributable to equity holders of the Company

In the first half of 2017, net profit attributable to equity holders of the Company amounted to RMB2,495 million, representing an increase of 5.5% as compared to RMB2,364 million in the corresponding period of 2016, mainly attributable to the wind power segment, most equity interests of which were held by equity holders of the Company.

The net profit attributable to equity holders of the Company is set out in the diagram below (for the six months ended 30 June):



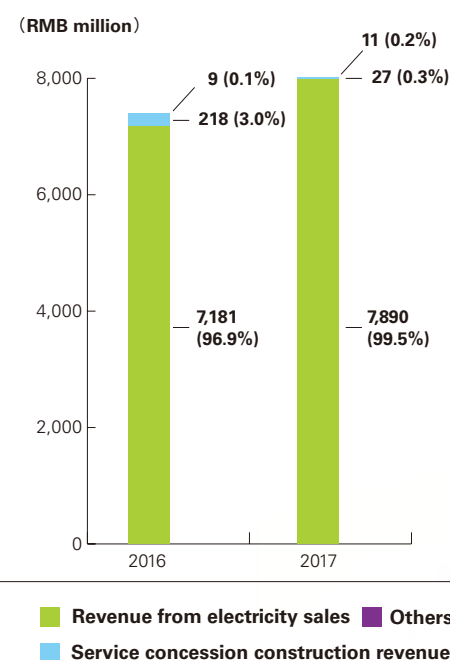
Segment results of operations

Wind power business

Operating revenue

In the first half of 2017, the operating revenue of the wind power business of the Group amounted to RMB7,928 million, representing an increase of 7.0% from RMB7,408 million in the corresponding period of 2016, primarily due to the increase in electricity sales revenue derived from growing power sales volume led by the increase of installed capacity and utilization hours of wind power.

Operating revenue of the wind power business and proportions are set out in the diagram below (for the six months ended 30 June):

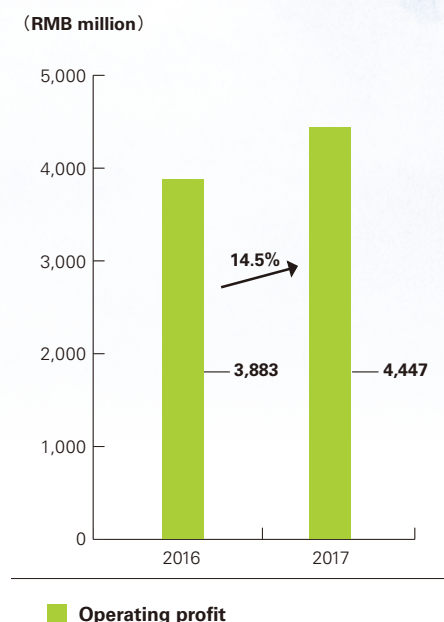


MANAGEMENT DISCUSSION AND ANALYSIS

Operating profit

In the first half of 2017, operating profit of the wind power business of the Group amounted to RMB4,447 million, representing an increase of 14.5% as compared to RMB3,883 million in the corresponding period of 2016. The growth rate in operating profit of wind power business was higher than that of the revenue from electricity sales of wind power business, which was mainly due to the fact that the growth of revenue from electricity sales outpaced that of the costs, as a result of the increase in average utilisation hours of power equipment in the first half of 2017.

Operating profit of the wind power business is set out in the diagram below (for the six months ended 30 June):

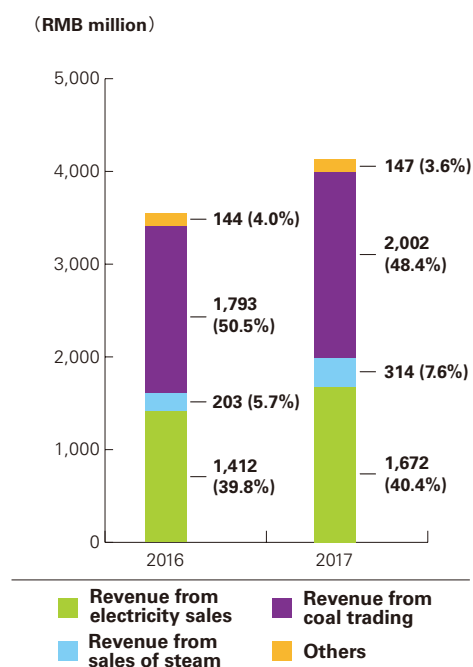


Coal power business

Operating revenue

In the first half of 2017, operating revenue of coal power business of the Group amounted to RMB4,135 million, representing an increase of 16.4% as compared to RMB3,552 million in the corresponding period of 2016, primarily attributable to: 1) the increase in revenue from electricity sales due to an increase of 590 million kWh or 13.6% in electricity sales volume of coal power segment in the first half of 2017 as compared to the corresponding period of 2016; at the same time, the average on-grid tariffs for coal power segment increased RMB14 per MWh (VAT exclusive), or 4.3%, as compared to that in the corresponding period of 2016; and 2) the increase in the revenue from coal trading as a result of higher selling price of coal.

Operating revenue of the coal power business and proportions are set out in the diagram below (for the six months ended 30 June):

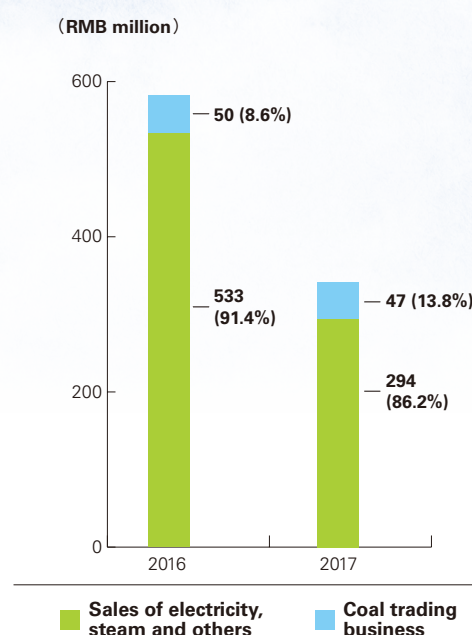


MANAGEMENT DISCUSSION AND ANALYSIS

Operating profit

In the first half of 2017, operating profit of coal power business of the Group amounted to RMB341 million, representing a decrease of 41.5% as compared to RMB583 million in the corresponding period of 2016, which was mainly attributable to the decrease in the gross profit margin of sales of electricity and steam as compared with the corresponding period of 2016 due to higher coal price.

Operating profit of the coal power business and proportions are set out in the diagram below (for the six months ended 30 June):

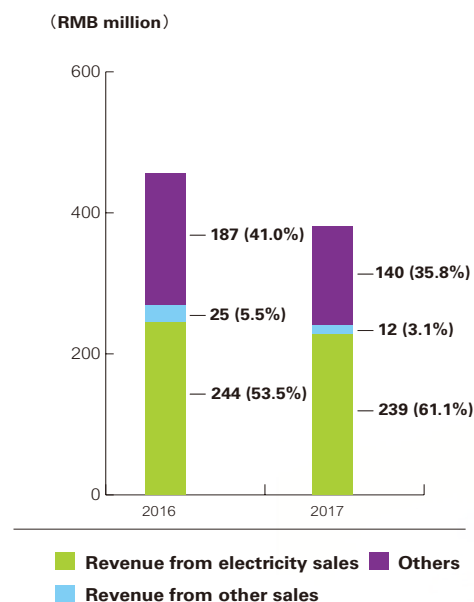


Other segments

Operating revenue

In the first half of 2017, the operating revenue of other segments of the Group amounted to RMB391 million, representing a decrease of 14.3% as compared to RMB456 million in the corresponding period of 2016, which was mainly attributable to the decrease in the income from tendering agency service and sales of power equipment and the decrease in biomass power generation in the first half of 2017.

Operating revenue of other segments and proportions are set out in the diagram below (for the six months ended 30 June):

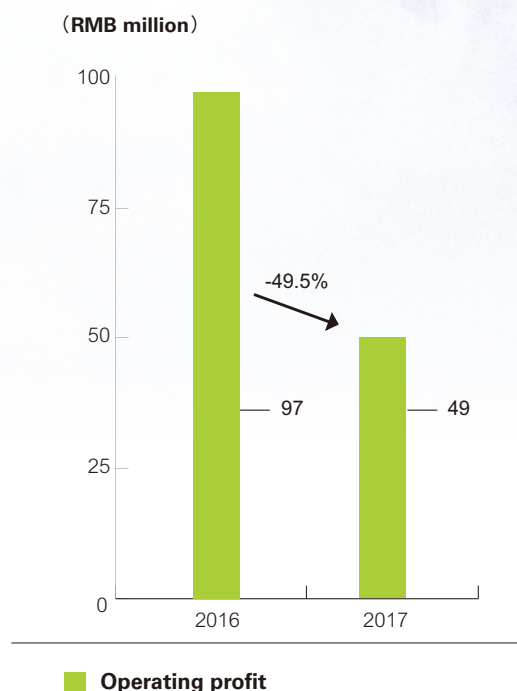


MANAGEMENT DISCUSSION AND ANALYSIS

Operating profit

In the first half of 2017, the operating profit of other segments of the Group amounted to RMB49 million, representing a decrease of 49.5% as compared to RMB97 million in the corresponding period of 2016, which was mainly attributable to: 1) the reversal of asset impairment provision of RMB94 million according to the transfer price of certain assets in the biomass segment and no such reversal in 2017; 2) an increase of RMB12 million in the operating profit from the photovoltaic power plant project in Shigatse, Tibet in the first half of 2017; and 3) an increase of approximately RMB18 million in the operating profit due to higher business volume in engineering procurement construction service and engineering technology service.

Operating profit of other segments is set out in the diagram below (for the six months ended 30 June):



Assets and liabilities

As at 30 June 2017, total assets of the Group amounted to RMB146,091 million, representing an increase of RMB7,430 million as compared with total assets of RMB138,661 million as at 31 December 2016. This was primarily due to: 1) an increase of RMB5,598 million in current assets including receivables; and 2) an increase of RMB1,832 million in non-current assets including property, plant and equipment.

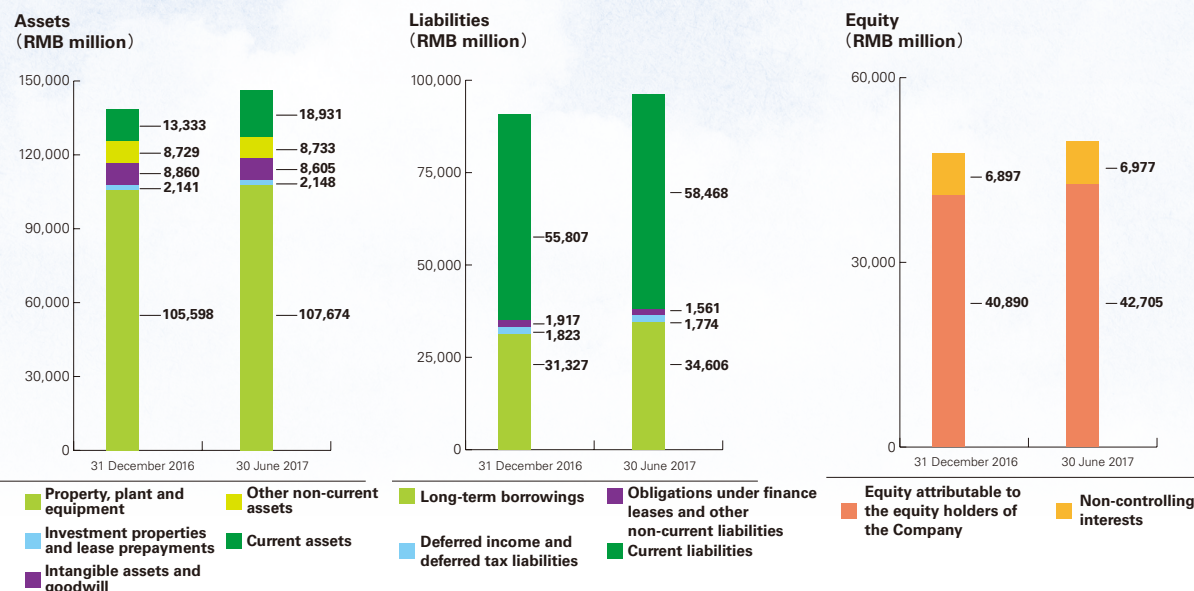
As at 30 June 2017, total liabilities of the Group amounted to RMB96,409 million, representing an increase of RMB5,535 million as compared to total liabilities of RMB90,874 million as at 31 December 2016. This was primarily due to an increase of RMB2,661 million in current liabilities including short-term borrowings and an increase of RMB2,874 million in non-current liabilities including long-term borrowings.

As at 30 June 2017, equity attributable to equity holders of the Company amounted to RMB42,705 million, representing an increase of RMB1,815 million as compared with RMB40,890 million as at 31 December 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

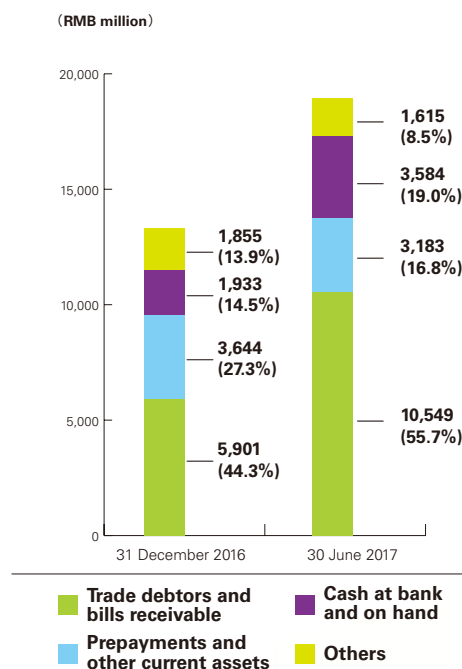
Details of assets, liabilities and equity are set out in the diagrams below:



Capital liquidity

As at 30 June 2017, current assets of the Group amounted to RMB18,931 million, among which, RMB3,584 million was cash at bank and on hand, RMB10,549 million was trade debtors and bills receivable primarily consisted of receivables from sales of electricity; RMB3,183 million was prepayments and other current assets primarily consisted of deductible VAT input and advances.

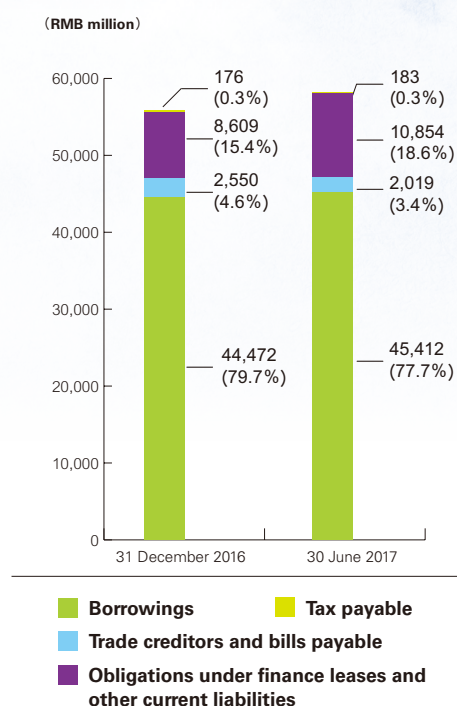
Current assets and their respective proportions are set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2017, current liabilities of the Group amounted to RMB58,468 million, including RMB2,019 million of trade creditors and bills payable (primarily consisting of payables for purchase of coal and other fuels and spare parts), RMB10,854 million of obligations under finance leases and other current liabilities (primarily consisting of payables for construction of wind power projects and related retention payables) and RMB45,412 million of short-term borrowings.

Current liabilities and their respective proportions are set out in the diagram below:



As at 30 June 2017, net current liabilities of the Group amounted to RMB39,537 million, representing a decrease of RMB2,937 million as compared with RMB42,474 million as at 31 December 2016. The liquidity ratio was 0.32 as at 30 June 2017, representing an increase of 0.08 as compared with the liquidity ratio of 0.24 as at 31 December 2016, which was mainly due to the higher growth of cash at hand and trade creditors than that of short-term borrowings.

Restricted deposits amounted to RMB11 million, mainly including deposits for bills and issuance of the letter of credit.



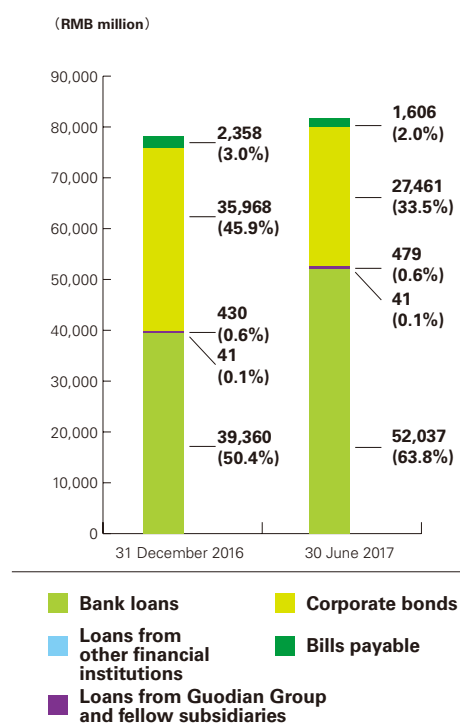
MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and bills payable

As at 30 June 2017, the Group's balance of outstanding borrowings and bills payable amounted to RMB81,624 million, representing an increase of RMB3,467 million as compared with the balance of RMB78,157 million as at 31 December 2016.

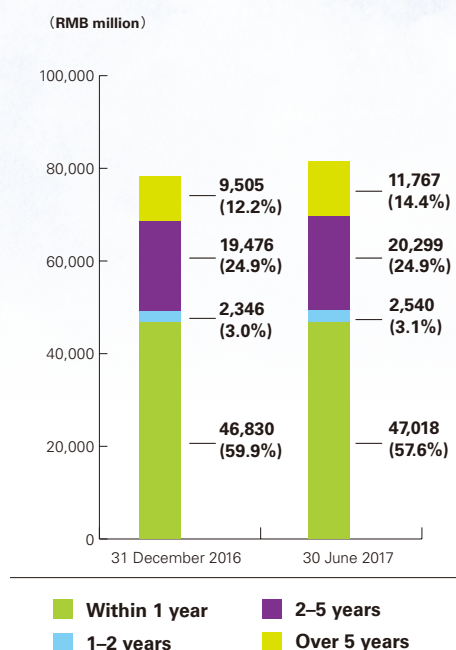
As at 30 June 2017, the Group's outstanding borrowings and bills included short-term borrowings and bills payable of RMB47,018 million (including long-term borrowings due within one year of RMB2,442 million, bills payable of RMB1,606 million and debentures payable of RMB11,361 million) and long-term borrowings amounting to RMB34,606 million (including debentures payable of RMB16,100 million). The above-mentioned borrowings include borrowings denominated in Renminbi of RMB48,179 million, debentures denominated in Renminbi of RMB23,140 million, borrowings denominated in U.S. dollars of RMB3,293 million, debentures denominated in U.S. dollars of RMB3,361 million, borrowings denominated in other foreign currencies of RMB1,085 million and debentures denominated in other foreign currencies of RMB960 million. As at 30 June 2017, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB220 million and corporate bonds with fixed interest rates of RMB16,100 million. As at 30 June 2017, the balance of bills payable issued by the Group amounted to RMB1,606 million.

Borrowings and bills payable and their respective proportions by category are set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

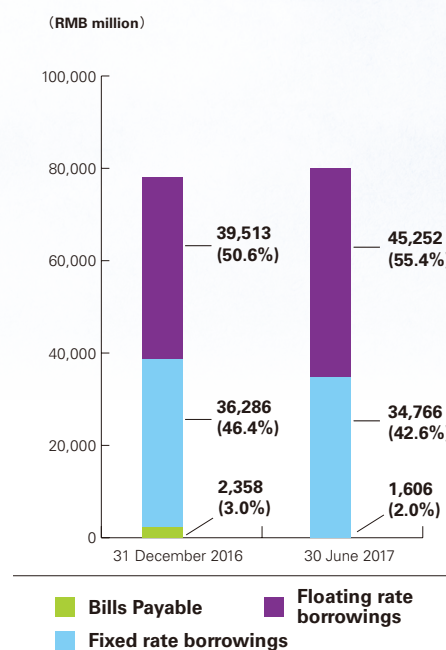
Borrowings and bills payable by term and proportions are set out in the diagram below:



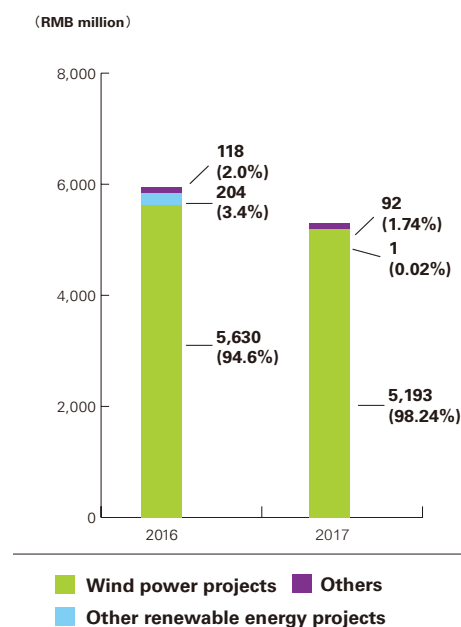
Capital expenditures

The capital expenditures of the Group amounted to RMB5,286 million in the first half of 2017, representing a decrease of 11.2% as compared with RMB5,952 million in the corresponding period of 2016, among which, the expenditures for the construction of wind power projects amounted to RMB5,193 million, and the expenditures for the construction of other renewable energy projects amounted to RMB1 million. The sources of funds mainly included self-owned funds, the borrowings from banks and other financial institutions and the proceeds from the issuance of bonds.

The types of interest rate structure of borrowings and bills payable and their respective proportions are set out in the diagram below:



Capital expenditures classified by use and proportions are set out in the diagram below (for the six months ended 30 June) :



MANAGEMENT DISCUSSION AND ANALYSIS

Net gearing ratio

As at 30 June 2017, the net gearing ratio of the Group, which is calculated by dividing net debt (the sum of total borrowings and obligations under finance leases less cash and cash equivalents) by the sum of net debt and total equity, was 60.76%, representing a decrease of 0.13 percentage point from 60.89% as at 31 December 2016. This was primarily attributable to the increase in debt scale less than the increase in total equity of the Group in the first half of 2017 because of the increase in the Group's retained earnings during the period.

Major investments

The Group made no major investment in the first half of 2017.

Material acquisitions and disposals

The Group had no material acquisitions or disposals in the first half of 2017.

Pledged assets

As at 30 June 2017, the Group did not pledge any equipment to secure bank loan.

Contingent liabilities/Guarantees

As at 30 June 2017, the Group provided a guarantee of RMB24 million for bank loans of an associate, and issued a counter-guarantee of no more than RMB38 million to the controlling shareholder of an associate. As at 30 June 2017, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB9 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Cash flow analysis

As at 30 June 2017, cash and cash equivalents held by the Group amounted to RMB3,573 million, representing an increase of RMB1,672 million as compared with RMB1,901 million as at 31 December 2016. The increase was mainly due to the year-on-year increase in cash flow generated from financing activities and the decrease in expenditure on investing activities in the first half of 2017. The principal sources of funds of the Group mainly include cash inflow generated from operating activities, the issuance of corporate bonds and bank loans. The Group mainly used the funds for the construction of projects, repayment of borrowings and dividends distribution.

The net cash inflow of the Group's operating activities amounted to RMB3,491 million in the first half of 2017, among which the cash inflow was primarily attributable to revenue from electricity sales. The cash outflow was mainly attributable to purchase of fuels and spare parts, various taxation payments and operating expenses. The net cash inflow from operating activities in the first half of 2017 decreased by RMB2,716 million from RMB6,207 million in the first half of 2016, primarily attributable to the increase in account receivable arising from the revenue from electricity sales and the increase in the cash expenditures for coal procurement in the first half of 2017.

The net cash outflow from investing activities of the Group for the first half of 2017 was RMB4,277 million. The cash outflow for investment activities was mainly used for the construction of wind power projects.

The net cash inflow from financing activities of the Group for the first half of 2017 was RMB2,452 million. The cash inflow for financing activities was mainly generated from the issuance of corporate bonds and bank loans. The cash outflow for financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

Risk in currency exchange rate

The business of the Group is mainly situated in mainland China where most of its revenue as well as expenses are denominated in Renminbi. Meanwhile, a small portion of the Group's investments carried out abroad and a small amount of its loans are denominated in foreign currencies. Therefore, fluctuations of the Group in Renminbi exchange rate will result in foreign exchange losses or gains of the Group in those transactions. The Group always pays high attention to monitoring and research of the risk in the foreign exchange rate, keeps close contact with domestic and international financial institutions in terms of businesses relating to exchange rate, effectively carries out protection measures for currency exchange rate and locks the US dollar-denominated bonds by virtue of cross-currency swap (CCS) of the bonds. Meanwhile, it designs appropriate means to use foreign currencies and adopts various approaches to improve risk management of the currency exchange rate.



MANAGEMENT DISCUSSION AND ANALYSIS

III. PROSPECT FOR THE SECOND HALF OF 2017

In the second half of 2017, the Group will earnestly implement the spirits of the 2017 mid-term working meeting of Guodian Group, firmly uphold the general business guidelines of “making progress and optimisation in a steady way”, thoroughly carry out the “One, Five and Five” strategy, definitely adhering to the leadership of the Chinese Communist Party and strengthening Party construction. Continued efforts will be made for corporate governance in strict accordance with the law and solid advancement of quality and efficiency enhancement to promote the construction of an international top-notch new energy company in an all-rounded way.

In order to ensure the completion of the annual targets, emphasis will be laid on the following aspects in the second half of 2017:

1. To consolidate the foundation of production with safety as the priority

The Group, with safety as the priority, will hold leadership to take the responsibility over safety and strictly adhere to the on-site rules and regulations. While propelling the standardised construction of safety supervision system, the Group will regularly evaluate the system and link it with assessment with a view to construct violation-free wind farms. In respect of the standardization construction of safe and civilised production, examination and evaluation will be vigorously carried out to ensure that all 12 targeted enterprises will pass the inspection by Guodian Group and form role models accordingly. For seasonal safety, the Group will carry out work thoroughly and relevant work requirements of the Group will be earnestly fulfilled. To prevent accidents, re-inspection and re-deployment will be conducted to avoid risks posed by the increase in unfavorable weather factors including typhoon, flood and debris flow.



MANAGEMENT DISCUSSION AND ANALYSIS

2. To enhance quality and efficiency in an all-rounded way to improve and upgrade stock assets

The Group will further promote the construction of star enterprises, strengthen index evaluation and optimisation, and plan in advance to improve its shortcomings. In the process of intensification of the construction of failure-free wind farms, the Group will sum up experience from the pilot construction of failure-free wind farms and fully adopt the evaluation criterion composed of four core indices, including “unit failure rate, average failure time of big parts, failure downtime loss time and difference rate of utilization hours”. Oriented at maximizing benefits, the Group will improve the construction of its marketing system, strengthen industry self-discipline and synergy, and formulate differentiated trading strategies following the principle of “maintaining stable price and seeking for increase in transaction volume”. The Group will increasingly intensify operation management and control and set up management and control objectives for critical indices in a scientific way. The precise management and control of “one budget for one project” will be implemented to practically exert the rigid leading role of budget. Meanwhile, more efforts will be made on collection of electricity charges and subsidies. Apart from enhancement of operating profits of coal power and other new energies, the Group will enhance marketing, optimise the power structure and execute the tariff policy to maximise profits.

3. To lay equal stress on quality and profits and steadily develop incremental assets

The Group will promote project development in a highly efficient way and further improve the quality of preliminary work while paying more attention in building up high quality wind power resource reserves for steady implementation of the “Going Global” strategy. In order to create high quality projects, the Group will optimise construction organization management, strengthen management and control of safety risks and heighten external coordination.



MANAGEMENT DISCUSSION AND ANALYSIS

4. To improve management innovation capacity for the realization of first-rate objectives

The Group will further proceed with corporate governance and reinforce the construction of comprehensive risk management system in accordance with the law. To reserve talents for the Group's subsequent development, the Group intends to build a first-rate management and staff team by giving priority to outstanding grassroots young executives in selection, improve the "Big Trainings" ("大培训") system and consolidate the construction of "Chief System ("首席制")". Furthermore, the Group will increase driving force for scientific and technological innovation and undergird whole process management for scientific and technological projects, endeavoring to tackle technological problems on site.

5. To insist on strict Party self-discipline to build an honest and clean environment for business operations

The Group will improve the responsibility system of Party construction, stimulate the vitality of grassroots Party construction and capitalise on the Party construction management information system to select and set up models and publicize experience, to cause Party members to take the lead in performance of various rules and regulations and supervise the implementation thereof. The establishment of Party conduct and integrity system will be fortified and the discipline inspection and supervision management information platform will be availed to achieve "online combination" of discipline inspection and supervision and business. The Group will endeavor to facilitate construction of corporate culture and put more energy on news propaganda and public opinion guidance with a view to continuous enhancement of the Company's reputation and social influence.



CORPORATE GOVERNANCE

The Company has committed itself to enhancing corporate governance standard and regarded corporate governance as an indispensable part to create values for shareholders. The Company has established a modern corporate governance structure which comprises a number of independently operated and effectively balanced bodies including general meetings, the Board, the supervisory board and senior management with reference to the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules. The Company has also adopted the Corporate Governance Code as its own corporate governance practices.

COMPLIANCE WITH THE REQUIREMENTS OF APPENDIX 14 OF THE LISTING RULES

On 20 June 2017, the Company held the 2016 annual general meeting. Mr. Qiao Baoping (Chairman of the Board), Mr. Luan Baoxing and Mr. Yang Xiangbin, the non-executive Directors; Mr. Huang Qun, the executive Director; and Mr. Zhang Songyi, the independent non-executive Director, who were incumbent on the date when the annual general meeting was held, were absent from the abovementioned annual general meeting due to business engagement. Save as disclosed above, during the Reporting Period, the Company had fully complied with the code provisions in the Corporate Governance Code and Corporate Governance Report set out in the Appendix 14 to the Listing Rules, and had complied with most of the recommended best practices set out in the Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by all of our Directors and supervisors in the securities of the Company. Upon specific enquiries to the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the Reporting Period. The Board will examine the corporate governance and operation of the Company from time to time so as to ensure the compliance with relevant requirements under the Listing Rules and to protect shareholders' interests.



CORPORATE GOVERNANCE

BOARD DIVERSITY POLICY

The Company firmly believes that increasing diversity at the Board level is an essential element in supporting the attainment of its strategic objectives and its sustainable development. Thus, the Company developed the Board Diversity Policy in October 2013 that, to determine the Board's composition, the Company should consider board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the value and contribution the selected candidates would bring to the Board. All Board nominations will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The nomination committee will report annually, in the Annual Report, on the Board's composition under diversified perspectives, monitor the implementation of the Board Diversity Policy, and review this policy, as appropriate, to ensure the effectiveness of this policy. The nomination committee will discuss any revisions of Board Diversity Policy that may be required, and recommend any such revisions to the Board for consideration and approval.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, namely, Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang.



CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Company has established the audit committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the audit committee are to review the annual internal audit plan of the Company; oversee the appointment, re-appointment and removal of external auditors, and make recommendations to the Board to approve the remuneration and terms of appointment of external auditors; review and oversee the independence and objectiveness of external auditors and effectiveness of audit procedures; formulate and implement policies in relation to non-audit services provided by external auditors; oversee the quality of internal audit and disclosure of financial information of the Company; review interim and annual financial statements before submission to the Board and oversee the financial reporting system and internal control procedures of the Company; evaluate the effectiveness of the internal control and risk management system; review and supervise internal audit control system and risk management function to ensure the independence of the audit function, to ensure co-ordination between the internal and external auditors and to ensure that functions in respect of accounting, internal auditing and financial reporting are operating with adequate resources in the Company and the relevant staff have been trained with sufficient qualifications and experience and are provided with regular training programmes or other similar arrangement. Moreover, the audit committee will discuss the risk management and internal control system with the management to ensure that the management has duly performed its duties and established effective system. It will also supervise relevant departments in disclosing the details about how the Company complies with code provisions in respect of risk management and internal control during the Reporting Period under the Corporate Governance Report.

The audit committee of the Board consists of three Directors: Mr. Meng Yan (independent non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Luan Baoxing (non-executive Director). Mr. Meng Yan serves as the chairman of the audit committee.

On 22 August 2017, the audit committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2017, the 2017 interim report and the unaudited interim financial statements for the six months ended 30 June 2017 prepared under International Accounting Standards 34, *Interim Financial Reporting*.



OTHER INFORMATION

SHARE CAPITAL

As of 30 June 2017, the total share capital of the Company amounted to RMB8,036,389,000 divided into 8,036,389,000 shares of RMB1.00 each. There has been no change in the share capital of the Company during the Reporting Period.

INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2017.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

On 30 June 2017, none of the Directors, supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 30 June 2017, so far as known to the Directors, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held (Share)	Percentage in the Relevant Class of Share Capital (Note 1) (%)	Percentage in the Total Share Capital (Note 1) (%)
Guodian Group	Domestic shares	Beneficial owner and interest of corporation controlled by substantial shareholders	4,696,360,000 (Note 2) (Long position)	100	58.44
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial shareholders	328,341,479 (Note 3) (Long position)	9.83	4.09
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial shareholders	10,872,000 (Note 4) (Short position)	0.33	0.14
JPMorgan Chase & Co.	H shares	Beneficial owner, investment manager and custodian	300,364,476 (Note 5) (Long position)	8.99	3.74
JPMorgan Chase & Co.	H shares	Beneficial owner	8,808,674 (Note 6) (Short position)	0.26	0.11
JPMorgan Chase & Co.	H shares	Custodian	248,477,167 (Note 7) (Shares in a lending pool)	7.44	3.09



OTHER INFORMATION

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held (Share)	Percentage in the Relevant Class of Share Capital (Note 1) (%)	Percentage in the Total Share Capital (Note 1) (%)
National Council for Social Security Fund (全國社會保障基金理事會)	H shares	Beneficial owner	233,758,000 (Long position)	7.00	2.91
T. Rowe Price Associates, Inc. and its Affiliates	H shares	Beneficial owner	168,258,000 (Long position)	5.04	2.09

Notes:

1. The percentage is based on the issued number of the relevant class of shares/total issued shares of the Company as at 30 June 2017.
2. Among these 4,696,360,000 domestic shares, 4,602,432,800 domestic shares were directly held by Guodian Group while the remaining 93,927,200 domestic shares were held by Guodian Northeast Electric Power Co., Ltd.* (國電東北電力有限公司), a subsidiary of Guodian Group. Accordingly, Guodian Group was deemed as the owner of the equity interests held by Guodian Northeast Electric Power Co., Ltd.* (國電東北電力有限公司).

* For identification purpose only



OTHER INFORMATION

3. Among these 328,341,479 H shares, 989,100 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 1,250,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 41,242,693 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 58,035,000 H shares were held by BlackRock Fund Advisors, an indirect wholly-owned subsidiary of BlackRock, Inc., 1,547,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 15,100,276 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 447,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 5,246,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 18,156,116 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 465,000 H shares were held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,622,167 H shares were held by BlackRock Advisors (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,656,200 H shares were held by BlackRock International Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 26,372,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 123,230,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 18,289,172 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 7,198,214 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 6,699,541 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 782,000 H shares were held by BlackRock (Singapore) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., and 14,000 H shares were held by BlackRock Asset Management (Schweiz) AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
4. These 10,872,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiary.
5. Among these 300,364,476 H shares, 136,000 H shares were held by J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 11,338,600 H shares were held by J.P. Morgan GT Corporation, a wholly-owned subsidiary of JPMorgan Chase & Co., 11,145,157 H shares were held by J.P. Morgan Whitefriars LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 29,267,552 H shares were held by J.P. Morgan Securities plc, an indirect non-wholly-owned subsidiary of JPMorgan Chase & Co. and 248,477,167 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.



OTHER INFORMATION

6. Among these 8,808,674 H shares, 5,065,714 H shares were held by J.P. Morgan Whitefriars LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. and 3,742,960 H shares were held by J.P. Morgan Securities plc, an indirect non-wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.
7. These 248,477,167 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H shares in a lending pool held by its aforesaid subsidiary.

EMPLOYEES

As at 30 June 2017, the Group had a total of 7,141 employees. The staff remuneration of the Group comprises of basic salary and bonus payment, which is determined with reference to the operating results of the Group and results of performance assessment of the employees. In respect of the remuneration management, the Group insisted on the orientation towards efficiency and results as well as the focus on front-line staff and staff in the difficult and remote regions. The Group increased the wind power enterprises' standards of subsidies in the poor regions and managed to keep stability of the Group. Sound and comprehensive remuneration management measures were customised for the management members of different types of the Group. Categorised management was implemented to coal power entities, technology entities, new energy entities, entities located in Qinghai and Tibet areas and overseas entities.

MATERIAL LITIGATION

As at 30 June 2017, the Group was not involved in any material litigation or arbitration. So far as known to the Directors, no material litigation or claims are pending or threatened against the Group.



INDEPENDENT REVIEW REPORT



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

**To the board of directors
of China Longyuan Power Group Corporation Limited***
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 56 to 108, which comprise the consolidated statement of financial position of China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with IAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

* For identification purpose only

INDEPENDENT REVIEW REPORT

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

22 August 2017

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

		Six months ended 30 June	
	Notes	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Revenue	5	12,314,785	11,228,115
Other net income	6	288,637	285,045
Operating expenses			
Depreciation and amortisation		(3,305,325)	(3,055,311)
Coal consumption		(1,197,107)	(672,710)
Coal sales costs		(1,954,994)	(1,743,360)
Service concession construction costs		(27,316)	(217,566)
Personnel costs		(657,715)	(594,695)
Material costs		(94,295)	(106,902)
Repairs and maintenance		(240,922)	(236,795)
Administration expenses		(147,117)	(142,189)
Other operating expenses		(215,374)	(192,972)
		(7,840,165)	(6,962,500)
Operating profit		4,763,257	4,550,660
Finance income		113,088	97,026
Finance expenses		(1,608,793)	(1,528,969)
Net finance expenses	7	(1,495,705)	(1,431,943)
Share of profits less losses of associates and joint ventures		139,139	239,152
Profit before taxation	8	3,406,691	3,357,869
Income tax	9	(555,318)	(422,620)
Profit for the period		2,851,373	2,935,249

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

		Six months ended 30 June	
	Notes	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the fair value reserve		(662)	1,721
Exchange difference on translation of financial statements of overseas subsidiaries		40,670	(2,144)
Exchange difference on net investment in foreign operations		43,289	(10,364)
Other comprehensive income/(loss) for the period, net of tax	10	83,297	(10,787)
Total comprehensive income for the period		2,934,670	2,924,462
Profit attributable to:			
Equity holders of the Company			
– Shareholders		2,415,059	2,284,460
– Perpetual medium-term note holders	25	79,550	79,555
Non-controlling interests		356,764	571,234
Profit for the period		2,851,373	2,935,249
Total comprehensive income attributable to:			
Equity holders of the Company			
– Shareholders		2,498,527	2,266,366
– Perpetual medium-term note holders	25	79,550	79,555
Non-controlling interests		356,593	578,541
Total comprehensive income for the period		2,934,670	2,924,462
Basic and diluted earnings per share (RMB cents)	11	30.05	28.43

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

	Notes	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	12	107,673,972	105,598,261
Investment properties		4,087	4,244
Lease prepayments		2,143,603	2,136,798
Intangible assets	13	8,543,971	8,798,494
Goodwill		61,490	61,490
Investments in associates and joint ventures		4,621,991	4,482,852
Other assets	14	3,955,446	4,095,386
Deferred tax assets		156,159	150,592
Total non-current assets		127,160,719	125,328,117
Current assets			
Inventories		1,055,005	1,039,850
Trade debtors and bills receivable	15	10,548,977	5,901,031
Prepayments and other current assets	16	3,182,566	3,644,222
Tax recoverable		142,954	179,310
Other financial assets	17	417,344	634,887
Restricted deposits		10,797	28,054
Cash at bank and on hand	18	3,572,969	1,905,222
Total current assets		18,930,612	13,332,576

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

	Notes	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current liabilities			
Borrowings	19	45,411,506	44,472,149
Trade creditors and bills payable	20	2,019,163	2,549,737
Other current liabilities	21	10,811,743	8,570,547
Obligations under finance leases	22	42,500	39,000
Tax payable		182,702	175,975
Total current liabilities		58,467,614	55,807,408
Net current liabilities		(39,537,002)	(42,474,832)
Total assets less current liabilities		87,623,717	82,853,285
Non-current liabilities			
Borrowings	19	34,605,651	31,326,998
Obligations under finance leases	22	438,000	461,000
Deferred income		1,633,992	1,684,507
Deferred tax liabilities		140,489	138,085
Other non-current liabilities		1,122,975	1,456,444
Total non-current liabilities		37,941,107	35,067,034
NET ASSETS		49,682,610	47,786,251

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

	Notes	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
CAPITAL AND RESERVES			
Share capital	23	8,036,389	8,036,389
Perpetual medium-term note	25	2,991,000	2,991,000
Reserves		31,677,822	29,862,388
Total equity attributable to the equity holders of the Company		42,705,211	40,889,777
Non-controlling interests		6,977,399	6,896,474
TOTAL EQUITY		49,682,610	47,786,251

Approved and authorised for issue by the board of directors on 22 August 2017.

Qiao Baoping
Chairman

Li Enyi
Executive Director

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

Notes	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Perpetual medium-term note	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve	Retained earnings	Subtotal		
	RMB'000	RMB'000 (Note 25)	RMB'000 (Note 23 (c)(i))	RMB'000 (Note 23 (c)(ii))	RMB'000 (Note 23 (c)(iii))	RMB'000 (Note 23 (c)(iv))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	8,036,389	2,991,000	14,690,153	984,794	(507,156)	12,782	14,681,815	40,889,777	6,896,474	47,786,251
Changes in equity:										
Profit for the period	-	79,550	-	-	-	-	2,415,059	2,494,609	356,764	2,851,373
Other comprehensive income	-	-	-	-	84,130	(662)	-	83,468	(171)	83,297
Total comprehensive income	-	79,550	-	-	84,130	(662)	2,415,059	2,578,077	356,593	2,934,670
Capital contributions	-	-	-	-	-	-	-	-	136,603	136,603
Appropriation	-	-	-	55,861	-	-	(55,861)	-	-	-
Dividends by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	-	(412,271)	(412,271)
Dividends to equity holders of the Company	-	-	-	-	-	-	(683,093)	(683,093)	-	(683,093)
Distribution for perpetual medium-term notes	-	(79,550)	-	-	-	-	-	(79,550)	-	(79,550)
At 30 June 2017	<u>8,036,389</u>	<u>2,991,000</u>	<u>14,690,153</u>	<u>1,040,655</u>	<u>(423,026)</u>	<u>12,120</u>	<u>16,357,920</u>	<u>42,705,211</u>	<u>6,977,399</u>	<u>49,682,610</u>

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

Notes	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Perpetual medium-term note	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve	Retained earnings	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 25)	(Note 23)	(Note 23)	(Note 23)	(Note 23)	(Note 23)			
			(c)(ii)	(c)(iii)	(c)(iii)	(c)(iv)				
At 1 January 2016 (as previously reported)	8,036,389	2,991,000	14,665,207	778,062	(433,883)	6,745	12,056,265	38,099,785	6,432,850	44,532,635
Effect on business combination under common control	-	-	42,900	-	-	-	(6,887)	36,013	5,667	41,680
At 1 January 2016 (Restated-Note 24)	8,036,389	2,991,000	14,708,107	778,062	(433,883)	6,745	12,049,378	38,135,798	6,438,517	44,574,315
Changes in equity:										
Profit for the period (Restated-Note 24)	-	79,555	-	-	-	-	2,284,460	2,364,015	571,234	2,935,249
Other comprehensive income	-	-	-	-	(19,815)	1,721	-	(18,094)	7,307	(10,787)
Total comprehensive income (Restated-Note 24)	-	79,555	-	-	(19,815)	1,721	2,284,460	2,345,921	578,541	2,924,462
Capital contributions	-	-	-	-	-	-	-	-	65,880	65,880
Appropriation	-	-	-	206,732	-	-	(206,732)	-	-	-
Dividends by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	-	(488,275)	(488,275)
Dividends to equity holders of the Company	-	-	-	-	-	-	(576,209)	(576,209)	-	(576,209)
Distribution for perpetual medium-term notes	-	(79,555)	-	-	-	-	-	(79,555)	-	(79,555)
At 30 June 2016 (Restated-Note 24)	<u>8,036,389</u>	<u>2,991,000</u>	<u>14,708,107</u>	<u>984,794</u>	<u>(453,698)</u>	<u>8,466</u>	<u>13,550,897</u>	<u>39,825,955</u>	<u>6,594,663</u>	<u>46,420,618</u>

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

Notes	Attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Perpetual medium-term note	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve	Retained earnings	Subtotal		
	RMB'000	RMB'000 (Note 25)	RMB'000 (Note 23) (c)(ii)	RMB'000 (Note 23) (c)(iii)	RMB'000 (Note 23) (c)(iii)	RMB'000 (Note 23) (c)(iv)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (as previously reported)	8,036,389	2,991,000	14,665,207	984,794	(453,698)	8,466	13,557,335	39,789,493	6,587,777	46,377,270
Effect on business combination under common control	-	-	42,900	-	-	-	(6,438)	36,462	6,886	43,348
At 1 January 2016 (Restated–Note 24)	8,036,389	2,991,000	14,708,107	984,794	(453,698)	8,466	13,550,897	39,825,955	6,594,663	46,420,618
Changes in equity:										
Profit for the period	-	53,645	-	-	-	-	1,130,918	1,184,563	369,909	1,554,472
Other comprehensive income	-	-	-	-	(53,458)	4,316	-	(49,142)	30,249	(18,893)
Total comprehensive income	-	53,645	-	-	(53,458)	4,316	1,130,918	1,135,421	400,158	1,535,579
Capital contributions	-	-	-	-	-	-	-	-	80,634	80,634
Purchase of subsidiaries	-	-	-	-	-	-	-	-	63,867	63,867
Dividends by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	-	(217,962)	(217,962)
Distribution for perpetual medium-term notes	-	(53,645)	-	-	-	-	-	(53,645)	-	(53,645)
Influences of merger under same control	-	-	(17,954)	-	-	-	-	(17,954)	-	(17,954)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(24,886)	(24,886)
At 30 June 2016	<u>8,036,389</u>	<u>2,991,000</u>	<u>14,690,153</u>	<u>984,794</u>	<u>(507,156)</u>	<u>12,782</u>	<u>14,681,815</u>	<u>40,889,777</u>	<u>6,896,474</u>	<u>47,786,251</u>

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

	Notes	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Operating activities			
Cash generated from operations		4,005,680	6,631,881
Tax paid		(515,177)	(424,773)
Net cash generated from operating activities		3,490,503	6,207,108
Investing activities			
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets		(4,476,856)	(5,869,514)
Payments for investments in associates and joint ventures and unquoted equity investments		–	(6,000)
Redeem of short-term investments		140,000	435,000
Other cash arising from investing activities		60,026	78,994
Net cash (used in) investing activities		(4,276,830)	(5,361,520)
Financing activities			
Proceeds from borrowings		35,475,181	32,858,096
Repayment of borrowings		(31,257,171)	(32,360,089)
Interest paid for borrowings		(1,718,572)	(1,601,595)
Other cash flows used in financing activities		(47,841)	(85,424)
Net cash from/(used in) financing activities		2,451,597	(1,189,012)

The notes on pages 66 to 108 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Expressed in Renminbi unless otherwise stated)

		Six months ended 30 June	
	Notes	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Net increase/(decrease) in cash and cash equivalents		1,665,270	(343,424)
Cash and cash equivalents at 1 January	18	1,901,286	2,887,285
Effect of foreign exchange rate changes		6,413	(8,525)
Cash and cash equivalents at 30 June	18	3,572,969	2,535,336

The notes on pages 66 to 108 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

1 PRINCIPAL ACTIVITIES

China Longyuan Power Group Corporation Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 9 July 2009 as a joint stock company with limited liability. The Company and its subsidiaries (the “Group”) are principally engaged in wind and coal power generation and sale, coal trading and other related business in the PRC.

2 BASIS OF PREPARATION OF THE FINANCIAL REPORT

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with IAS 34, *Interim financial reporting*, issued by the IASB. The interim financial report are authorized to issue by the Board on 22 August 2017.

This interim financial report has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group as at 30 June 2017 amounting to RMB39,537,002,000. The directors of the Company are of the opinion that, based on a review of the forecasted cash flows, the unutilised banking facilities and the unutilised credit lines with banks as at 30 June 2017, the Group will have necessary liquid funds to finance its working capital and capital expenditure.

The interim financial report does not include all the information and disclosures required in the annual financial report, and should be read in conjunction with the Group’s 2016 annual report.

Except as described below, the interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

3 CHANGES IN ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following revised International Financial Reporting Standards (“IFRSs”) issued by the IASB:

- Amendments to IAS 7 (amended): *Disclosure Initiative*
- Amendments to IAS 12 (amended): *Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of amendments does not have any significant effect on the interim financial report of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by types of business. Consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments:

- Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.
- Coal power: this segment constructs, manages and operates coal power plants and generates electric power for sale to external power grid companies and coal trading business.

The Group combined other business activities that are not reportable in “All others”. Revenue included in this category is mainly from manufacturing and sales of power equipment, provision of consulting services, maintenance and training services to wind power plants, and other renewable power generation.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates and joint ventures, net finance expenses, service concession construction revenue and cost and unallocated corporate expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2017 and 2016 is set out below:

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results (Continued)

For the six months ended 30 June 2017

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers				
– Sales of electricity	7,889,835	1,671,948	239,221	9,801,004
– Others	11,140	2,463,311	12,014	2,486,465
Subtotal	7,900,975	4,135,259	251,235	12,287,469
Intersegment revenue	–	–	139,541	139,541
Reportable segment revenue	7,900,975	4,135,259	390,776	12,427,010
Reportable segment profit (operating profit)	4,447,422	340,692	49,411	4,837,525
Depreciation and amortisation before inter-segment elimination	(3,034,971)	(198,731)	(90,213)	(3,323,915)
(Accrual)/Reversal of impairment losses of property, plant and equipment, trade and other receivables and unquoted equity investments in non-listed companies	–	(34,058)	3,244	(30,814)
Interest income	20,289	2,784	1,666	24,739
Interest expense	(1,414,680)	(20,480)	(57,667)	(1,492,827)
Expenditures for reportable segment non-current assets during the period	5,192,596	88,630	4,486	5,285,712

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results (Continued)

For the six months ended 30 June 2016 (Restated–Note 24)

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers				
– Sales of electricity	7,181,253	1,411,826	243,757	8,836,836
– Others	9,255	2,139,912	24,546	2,173,713
Subtotal	7,190,508	3,551,738	268,303	11,010,549
Intersegment revenue	–	–	187,264	187,264
Reportable segment revenue	7,190,508	3,551,738	455,567	11,197,813
Reportable segment profit (operating profit)	3,882,542	583,044	96,568	4,562,154
Depreciation and amortisation before inter-segment elimination	(2,808,044)	(167,383)	(96,652)	(3,072,079)
Reversal of impairment losses of property, plant and equipment and lease prepayments	–	–	94,068	94,068
Interest income	15,097	9,857	41,193	66,147
Interest expense	(1,309,950)	(32,065)	11,190	(1,330,825)
Expenditures for reportable segment non-current assets during the period	5,629,956	118,258	204,251	5,952,465

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue, profit or loss

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Revenue		
Reportable segment revenue	12,427,010	11,197,813
Service concession construction revenue	27,316	217,566
Elimination of intersegment revenue	(139,541)	(187,264)
Consolidated revenue	12,314,785	11,228,115
Profit		
Reportable segment profit	4,837,525	4,562,154
Elimination of intersegment profits	(25,988)	29,184
	4,811,537	4,591,338
Share of profits less losses of associates and joint ventures	139,139	239,152
Net finance expenses	(1,495,705)	(1,431,943)
Unallocated head office and corporate expenses	(48,280)	(40,678)
Consolidated profit before taxation	3,406,691	3,357,869

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

4 SEGMENT REPORTING (CONTINUED)

(c) Geographical information

As the Group does not have material operations outside the PRC, no geographic segment reporting is presented.

(d) Seasonality of operations

The Group's wind power business generally generated more revenue in the first and fourth quarters, comparing to the second and third quarters in the year, as the wind speed is more preferential for power generation in Spring and Winter. As a result, the revenue from wind power business fluctuates during the year.

5 REVENUE

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Sale of electricity	9,801,004	8,836,836
Sale of steam	314,267	203,183
Service concession construction revenue	27,316	217,566
Sale of electricity equipment	6,339	13,756
Sale of coal	2,002,259	1,793,416
Others	163,600	163,358
	12,314,785	11,228,115

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

6 OTHER NET INCOME

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Government grants	276,104	270,962
Rental income from investment properties	412	584
Net loss on disposal of property, plant and equipment	(524)	(572)
Others	12,645	14,071
	288,637	285,045

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

7 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Interest income on financial assets	24,739	66,147
Dividend income from other investments	462	332
Foreign exchange gains	87,887	30,547
Finance income	113,088	97,026
Interest on bank and other borrowings	1,676,433	1,523,989
Less: Interest expenses capitalised into property, plant and equipment and intangible assets	(183,606)	(193,164)
	1,492,827	1,330,825
Foreign exchange losses	1,609	66,548
Net realised and unrealised losses on other financial assets	97,650	118,903
Bank charges and others	16,707	12,693
Finance expenses	1,608,793	1,528,969
Net finance expenses recognised in profit or loss	(1,495,705)	(1,431,943)

The borrowing costs have been capitalised at rates of 3.92% to 10.80% for the period ended 30 June 2017 (six months ended 30 June 2016: 2.90% to 6.55%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Amortisation		
– lease prepayments	41,718	40,511
– intangible assets	291,194	219,184
Depreciation		
– investment properties	157	158
– property, plant and equipment	2,972,256	2,795,458
Accrual/(Reversal) of impairment losses		
– property, plant and equipment	26,887	(89,907)
– lease prepayments	–	(4,161)
– trade and other receivables	2,594	–
– unquoted equity investments in non-listed companies	1,333	–
Operating lease charges		
– rent of plant and equipment	133	94
– rent of properties	9,808	9,596
Cost of inventories	3,246,396	2,579,260

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

9 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Current tax		
Provision for the period	512,246	414,703
Under provision in respect of prior years	46,014	2,669
	558,260	417,372
Deferred tax		
Origination and reversal of temporary differences	(2,942)	5,248
	555,318	422,620

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

9 INCOME TAX (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Profit before taxation	3,406,691	3,357,869
Notional tax on profit before taxation	851,673	839,467
Tax effect of non-deductible expenses	15,514	4,254
Tax effect of share of profits less losses of associates and joint ventures	(34,785)	(59,788)
Tax effect of non-taxable income	(625)	(83)
Effect of differential tax rate of certain subsidiaries of the Group (Note (i))	(347,117)	(359,156)
Use of unrecognised tax losses in prior years	(5,678)	(34,987)
Tax effect of unused tax losses and timing differences not recognised	30,322	29,857
Under provision in respect of prior years	46,014	2,669
Others	–	387
Income tax	555,318	422,620

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

9 INCOME TAX (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rate: (Continued)

Note:

- (i) The provision for income tax of the PRC subsidiaries of the Group is calculated based on the statutory rate of 25% of the assessable profit of the Group for the six months ended 30 June 2017 and the six months ended 30 June 2016, as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to relevant tax authorities' approvals.

Pursuant to *CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment*, certain subsidiaries of the Group, which were set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating years.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

10 OTHER COMPREHENSIVE INCOME/(LOSS)

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Net movement in fair value reserve		
– Before tax amount		
Change in fair value recognised during the period	(883)	2,295
– Tax expense	221	(574)
Net of tax amount	(662)	1,721
Exchange difference on translation of financial statement of overseas subsidiaries	40,670	(2,144)
Exchange difference on net investment in foreign operations		
– Before and net of tax amount	43,289	(10,364)
Other comprehensive income/(loss)	83,297	(10,787)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2017 of RMB2,415,059,000 (six months ended 30 June 2016 (Restated–Note 24): RMB2,284,460,000) and the number of shares in issue during the six months ended 30 June 2017 of 8,036,389,000 (six months ended 30 June 2016: 8,036,389,000 shares).

There was no difference between the basic and diluted earnings per share as there were no dilutive potential shares outstanding for the periods presented.

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment of approximately RMB5,077,997,000 (six months ended 30 June 2016: approximately RMB5,616,079,000). Items of property, plant and equipment with net book value of approximately RMB8,568,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: approximately RMB1,844,000), resulting in loss on disposal of approximately RMB524,000 (six months ended 30 June 2016: loss on disposal of approximately RMB572,000). Impairment of RMB26,887,000 was provided during the six months ended 30 June 2017 (six months ended 30 June 2016: impairment loss of RMB94,068,000 of two biomass power generation plants, Guodian Jiansanjiang Qianjin Biomass Power Co., Ltd. ("Qianjin Biomass") and Guodian Tangyuan Biomass Power Co., Ltd. ("Tangyuan Biomass") was reversed according to their recoverable amounts).

13 INTANGIBLE ASSETS

Intangible assets mainly represent service concession assets of approximately RMB8,417,291,000 (31 December 2016: approximately RMB8,616,700,000), software and other assets of approximately RMB126,680,000 (31 December 2016: approximately RMB181,794,000).

During the six months ended 30 June 2017, the additions of intangible assets mainly represent service concession assets of approximately RMB27,316,000 (six months ended 30 June 2016: approximately RMB217,566,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

14 OTHER ASSETS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Available-for-sale investments, measured at fair value	46,499	47,382
Unquoted equity investments in non-listed companies, at cost (Note (i))	724,940	726,273
Loans and advances to:		
– associates (Note (ii))	84,000	75,790
– fellow subsidiaries	–	51,000
– non-controlling equity owners	51,584	51,584
Others	2,225	1,382
Subtotal	909,248	953,411
Deductible Value-added Tax ("VAT") (Note (iii))	3,046,198	3,141,975
	3,955,446	4,095,386

Notes:

- (i) Fair value for the unquoted equity investments has not been disclosed as the fair value cannot be measured reliably due to lack of an active market for those equity investments. As at 30 June 2017, the Group does not plan to dispose any of these equity investments.
- (ii) The loans to associates are designated loans and are unsecured, not past due as at the end of the reporting period and bear interest at rates of 4.50% to 5.08% per annum for the period ended 30 June 2017 (31 December 2016: 4.00% to 5.08%). The current portion is recorded in other current assets.
- (iii) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

15 TRADE DEBTORS AND BILLS RECEIVABLE

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Amounts due from third parties	10,535,633	5,870,888
Amounts due from fellow subsidiaries	12,119	22,940
Amounts due from associates	7,292	17,634
	10,555,044	5,911,462
Less: Allowance for doubtful debts	(6,067)	(10,431)
	10,548,977	5,901,031

The ageing analysis of trade debtors and bills receivable of the Group is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current	10,545,451	5,903,437
Past due within one year	2,951	2,456
Past due between one to two years	2,356	1,999
Past due between two to three years	1,397	1,015
Past due over three years	2,889	2,555
	10,555,044	5,911,462
Less: Allowance for doubtful debts	(6,067)	(10,431)
	10,548,977	5,901,031

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

16 PREPAYMENTS AND OTHER CURRENT ASSETS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Loans and advances to (Note (i)):		
– associates and joint ventures	233,806	181,352
– China Guodian Corporation (“Guodian Group”)	5,156	9,085
– fellow subsidiaries	517,645	536,710
– third parties	155,901	349,386
Government grant receivables	133,596	103,867
Dividend receivable from		
– associates	507,072	698,111
Deductible VAT	1,295,575	1,652,462
Prepayments and others	374,321	146,797
	3,223,072	3,677,770
Less: Allowance for doubtful debts	(40,506)	(33,548)
	3,182,566	3,644,222

Note:

- (i) Included in the loans and advances were interest-bearing loans and advances of the Group amounting to RMB155,800,000 with annum interest rates of 4.44% to 4.50% as at 30 June 2017 (31 December 2016: RMB112,210,000, with annum interest rates of 4.00% to 4.95%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

17 OTHER FINANCIAL ASSETS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trading securities		
– listed equity securities at Hong Kong Stock Exchange	74,711	63,570
Derivative financial instruments		
– cross-currency exchange contracts (Note (i))	342,633	431,317
Short-term investments (Note (ii))	–	140,000
	417,344	634,887

Notes:

- (i) In 2015, Hero Asia Investment Limited, the Company's subsidiary, entered into several cross-currency exchange contracts to mitigate the foreign currency risks. The cross-currency exchange contracts were recognised at fair value as at 30 June 2017 and 31 December 2016.
- (ii) The short-term investments represent wealth management products issued by financial institutions with guaranteed principal amounts and variable returns.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

18 CASH AT BANK AND ON HAND

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash on hand	68	87
Cash at bank and other financial institutions	3,572,901	1,905,135
	3,572,969	1,905,222
Including:		
– Cash and cash equivalents	3,572,969	1,901,286
– Fixed term deposit due over three months	–	3,936
	3,572,969	1,905,222

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

19 BORROWINGS

(a) The long-term interest-bearing borrowings comprise:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans		
– Secured	7,681,860	7,215,086
– Unsecured	13,106,914	12,368,556
Loans from fellow subsidiaries		
– Unsecured	159,000	159,000
Other borrowings (Note 19(c)(i))		
– Secured	4,322,480	3,487,642
– Unsecured	15,138,924	15,487,168
	40,409,178	38,717,452
Less: Current portion of long-term borrowings (Note 19(b))		
– Bank loans	(2,442,332)	(2,524,516)
– Other borrowings	(3,361,195)	(4,865,938)
	34,605,651	31,326,998

As at 30 June 2017, the Group's loans and borrowings guaranteed by Guodian Group amounted to RMB4,040,014,000 (31 December 2016: RMB3,798,732,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

19 BORROWINGS (CONTINUED)

(b) The short-term interest-bearing borrowings comprise:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans		
– Secured	1,430,200	1,855,600
– Unsecured	29,816,373	17,919,996
Loans from other financial institutions		
– Unsecured (Note (i))	41,000	41,000
Loans from fellow subsidiaries		
– Unsecured	319,679	270,976
Other borrowings		
– Unsecured (Note 19c(ii))	8,000,000	16,993,214
Loan from government		
– Unsecured	727	909
Current portion of long-term borrowings		
– Bank loans	2,442,332	2,524,516
– Other borrowings	3,361,195	4,865,938
	45,411,506	44,472,149

Note:

- (i) On 30 June 2017, the outstanding loans of the Company amounted to RMB41,000,000 (31 December 2016: RMB41,000,000). These outstanding loans are borrowed from third parties by the Company's subsidiary, China Fulin Wind Power Engineering Co., Ltd.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

19 BORROWINGS (CONTINUED)

(c) Significant terms of other borrowings

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Long-term		
Corporate bonds (Note (i))	19,461,404	18,974,810
Short-term		
Corporate bonds (Note (iii))	8,000,000	16,993,214

Notes:

- (i) On 9 February 2010, the Company issued unsecured corporate bonds of RMB1,600 million at par with a coupon rate of 4.52% per annum. The effective interest rate is 4.67% per annum. The bonds will be mature in seven years and are redeemable after five years of issuance at the option of the bond holders. On 9 February 2015, the Company redeemed corporate bonds of RMB190 million and changed the coupon rate to 4.80% per annum. The effective interest rate is 4.95% per annum. On 9 February 2017, the Company redeemed corporate bonds of RMB 1,410 million.

On 10 December 2010, the Company issued a ten-year corporate bond of RMB2,000 million at par with a coupon rate of 5.05% per annum, which is guaranteed by Guodian Group. The effective interest rate of the bond is 5.15%.

On 21 January 2011, the Company issued a five-year corporate bond of RMB1,500 million at par with a coupon rate of 4.89% per annum and a ten-year corporate bond of RMB1,500 million at par with a coupon rate of 5.04% per annum, which are guaranteed by Guodian Group. The effective interest rates of the above bonds are 5.08% and 5.14%, respectively. On 21 January 2016, the five-year corporate bond of RMB1,500 million was due and repaid.

On 12 August 2013, a subsidiary of the Company, Hero Asia Investment Limited, issued a three-year unsecured corporate bond of USD300 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.61%. On 11 August 2016, the three-year corporate bond of USD300 million was due and repaid.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

19 BORROWINGS (CONTINUED)

(c) Significant terms of other borrowings (Continued)

Notes: (Continued)

(i) (Continued)

On 3 October 2014, a subsidiary of the Company, Hero Asia Investment Limited, issued a three-year unsecured corporate bond of USD500 million at par with a coupon rate of 2.875% per annum. The effective interest rate is 3.32%.

On 29 September 2015, the Company issued a five-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 3.75% per annum. The effective interest rate is 3.86%.

On 22 October 2015, a subsidiary of the Company, Longyuan Canada Renewables Limited, issued an eighteen-year unsecured corporate bond of CAD200 million at par with a coupon rate of 4.32% per annum. The effective interest rate is 4.32%.

On 22 January 2016, the Company issued a five-year unsecured corporate bond of RMB3,700 million at par with a coupon rate of 3.28% per annum. The effective interest rate is 3.39%.

On 17 March 2016, the Company issued a three-year unsecured corporate bond of RMB1,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.57%.

On 25 August 2016, the Company issued a three-year unsecured private placement bond of RMB2,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.57%.

On 16 May 2017, the Company issued a five-year unsecured green corporate bond of RMB2,000 million at par with a coupon rate of 4.90% per annum. The effective interest rate is 4.98%.

- (ii) Short-term corporate bonds represented a series of unsecured corporate bonds with the coupon rates from 2.47% to 3.90% issued in 2016 and 2017. The effective interest rates of these bonds are from 2.87% to 4.30%.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

20 TRADE CREDITORS AND BILLS PAYABLE

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bills payable	1,211,432	1,925,791
Creditors and accrued charges	383,717	191,225
Amounts due to associates	423,854	399,378
Amounts due to fellow subsidiaries	160	33,343
	2,019,163	2,549,737

As at 30 June 2017 and 31 December 2016, all trade creditors and bills payable are payable and expected to be settled within one year.

21 OTHER CURRENT LIABILITIES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Payables for acquisition of property, plant and equipment	6,562,838	5,677,013
Payables for staff related costs	282,741	263,994
Payables for other taxes	174,370	183,388
Dividends payable	981,814	52,618
Receipts in advance	190,427	169,968
Amounts due to associates and joint ventures (Notes (i))	1,406,884	1,216,635
Amounts due to fellow subsidiaries	207,782	165,623
Amounts due to Guodian Group	43,754	27,929
Other accruals and payables	878,976	770,092
Derivative financial instruments – interest rate swap contracts (Note (iii))	82,157	43,287
	10,811,743	8,570,547

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

21 OTHER CURRENT LIABILITIES (CONTINUED)

Notes:

- (i) Amounts due to associates and joint ventures mainly represent payables to an associate for wind turbines purchased by the Group.
- (ii) In 2015, Longyuan Mulilo De Aar 2 North (RF) Proprietary Limited and Longyuan Mulilo De Aar Wind Power (RF) Proprietary Limited, two subsidiaries of the Group, entered into interest rate swap contracts to mitigate the interest rate risks. The interest rate swap contracts were recognised at fair value as at 30 June 2017 and 31 December 2016.
- (iii) All other payables are measured at amortised cost and expected to be settled or recognised as income within one year or are repayable on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

22 OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2017, the Group had obligations under finance leases repayable as follows:

	At 30 June 2017		At 31 December 2016	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Within 1 year	42,500	64,719	39,000	62,137
After 1 year but within 2 years	50,000	70,131	46,000	67,213
After 2 years but within 5 years	199,750	243,666	189,500	237,876
After 5 years	188,250	203,742	225,500	246,152
	438,000	517,539	461,000	551,241
	480,500	582,258	500,000	613,378
Less: total future interest expenses		(101,758)		(113,378)
Present value of finance lease obligations		480,500		500,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to shareholders attributable to the interim period

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

(ii) Dividends payable to shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Final dividend in respect of the financial year ended 31 December 2016, approved during the following interim period, of RMB0.0850 per share (year ended 31 December 2015: RMB0.0717 per share)	683,093	576,209

Dividends in respect of the financial year ended 31 December 2016 has been fully paid on 21 August 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Issued and fully paid:		
4,696,360,000 domestic state-owned ordinary shares of RMB1.00 each	4,696,360	4,696,360
3,340,029,000 H shares of RMB1.00 each	3,340,029	3,340,029
	8,036,389	8,036,389

(c) Nature and purpose of reserves

(i) Capital reserve

Capital reserve includes share premium and other capital reserve.

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the initial public offering in December 2009 and the share placing in December 2012.

Other capital reserve mainly represents the difference between the total amount of the nominal value of shares issued and the amount of the net assets injected by Guodian Group, the cash injection in excess of the nominal value of shares issued to Guodian Northeast Electric Power Co., Ltd. upon the establishment of the Company, and the capital reserve as a result of acquisition of businesses under common control and acquisition of non-controlling interests.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(ii) Statutory surplus reserve

According to the Company's Article of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB and the foreign exchange difference on the net investment in foreign operations of the Group.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities (income tax exclusive) held at the balance sheet date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

24 BUSINESS COMBINATION

In October 2016, the Group acquired Shanxi Guodian Jinke Wind Power Generation Co., Ltd. ("Shanxi Jinke"), which engages in wind power business from a fellow subsidiary, Guodian Shanxi Jieneng Co., Ltd.. Details are as follows:

Business name	Combination date	Percentage of interest obtained
Shanxi Jinke	October 2016	52%

As Shanxi Jinke was acquired from a fellow subsidiary of the Group, which was under common control of Guodian Group, the Group accounted the acquisition as a business combination under common control.

Details of the restatement of the Group's consolidated financial statements are as follows:

	As previously reported <i>RMB'000</i>	Shanxi Jinke <i>RMB'000</i>	Elimination <i>RMB'000</i>	As restated <i>RMB'000</i>
Results of operations for the period ended 30 June 2016:				
Operating profit	4,543,865	6,795	–	4,550,660
Profit for the period	2,933,581	1,668	–	2,935,249
Profit attributable to:				
– Equity holders of the Company	2,363,566	1,668	(1,219)	2,364,015
– Non-controlling interests	570,015	–	1,219	571,234
Basic and diluted earnings per share (<i>RMB cents</i>)	28.42	0.01	–	28.43

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

25 PERPETUAL MEDIUM-TERM NOTE

On 24 November 2015, the Company issued perpetual medium-term note amounting to RMB3,000,000,000. The perpetual medium-term note was issued at par value with initial interest rate of 4.44%. The perpetual medium-term note was recorded as equity, after netting off related issuance costs of approximately RMB9,000,000.

Interest of the perpetual medium-term note is recorded as distributions, which is paid annually in arrears on 25 November in each year ("Distribution Payment Date") and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary equity holders of the Company, reduction of the registered capital of the Company or repaying any securities of lower rank) has occurred.

The perpetual medium-term note has no fixed maturity date and is callable at the Company's option on 25 November 2020 ("First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable interest rate will reset, on First Call Date and every five years after the First Call Date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. The premium for First Call Date is 300 basis points per annum and will increase by 300 basis points every five years after the First Call Date.

During the six months ended 30 June 2017, the profit attributable to the holders of perpetual medium-term notes, based on the applicable interest rate, was RMB79,550,000. During the six months ended 30 June 2016, the profit attributable to the holders of perpetual medium-term notes, based on the applicable interest rate, was RMB79,555,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments carried at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date)
- Level 2 valuations: Fair value measured using Level 2 inputs (i.e. observable inputs which fail to meet Level 1), and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments carried at fair value (Continued)

(i) Fair value hierarchy (Continued)

	Fair value measurements as at 30 June 2017 categorised into				
	Fair value at 30 June 2017 <i>RMB'000</i>	Quoted prices in active market for identical assets (Level 1) <i>RMB'000</i>	Significant other observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Recurring fair value measurement					
Financial assets:					
Available-for-sale equity securities					
– listed	46,499	46,499	–	–	
Trading securities	74,711	74,711	–	–	
Derivative financial instruments					
– cross-currency exchange contracts	342,633	–	342,633	–	
Financial liabilities:					
Derivative financial instruments					
– interest rate swap contracts	(82,157)	–	(82,157)	–	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments carried at fair value (Continued)

(i) Fair value hierarchy (Continued)

		Fair value measurements as at 31 December 2016 categorised into		
		Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fair value at 31 December 2016				
<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities				
– listed:	47,382	47,382	–	–
Trading securities	63,570	63,570	–	–
Derivative financial instruments				
– cross-currency exchange contracts	431,317	–	431,317	–
Financial liabilities:				
– interest rate swap contracts	(43,287)	–	(43,287)	–

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2016: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments carried at fair value (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of cross-currency exchange contracts in Level 2 is determined by discounting the difference between contractual cash flows in RMB and that in USD using spot exchange rate. The discount rate used is derived from the risk free interest rate reference to China Interest Rate Swap at the end of the reporting period.

The fair value of interest rate swap contracts in Level 2 is determined by discounting the contractual fixed interest rate and deducting the forward Johannesburg Interbank Agreed Rate ("JIBAR"). The discount rate used is derived from the JIBAR swap yield curve as at the end of the reporting period.

The fair value of forward exchange contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current spot rate. The discount rate used is derived from the risk free interest rate reference to China Interest Rate Swap at the end of the reporting period.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017 and 31 December 2016 except as follows:

	At 30 June 2017		At 31 December 2016	
	Carrying Amount RMB'000	Fair value RMB'000	Carrying Amount RMB'000	Fair value RMB'000
Corporate bonds	16,100,209	16,195,452	14,108,872	14,567,197
Fixed rate long-term loans	220,164	219,962	275,796	266,420
	16,320,373	16,415,414	14,384,668	14,833,617

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

27. CAPITAL COMMITMENTS

Capital commitments outstanding at the period/year end not provided for in the interim financial report were as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted for	10,215,965	10,093,751
Authorised but not contracted for	43,660,674	41,996,688
	53,876,639	52,090,439

28. CONTINGENT LIABILITIES

At 30 June 2017, the Group issued the following guarantees :

- (i) Guarantees to banks in respect of the bank loans granted to an associate company are set forth below:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Associates and joint ventures	24,456	24,456

- (ii) The Company issued a counter-guarantee to Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司), the controlling equity owner of Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司) which is an associate of the Company, in respect of a guarantee issued by Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司) for a banking facility granted to the associate. As at 30 June 2017, the balance of a counter-guarantee by the Company amounted to RMB8,543,970 (31 December 2016: RMB8,852,301). The directors of the Company are of the opinion that the default of repaying the bank loans by Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司) is remote.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

29. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group is part of a larger group of companies under Guodian Group and has significant transactions and relationships with the subsidiaries of Guodian Group.

The principal transactions are as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Sales of goods/provision of service to		
Fellow subsidiaries	27,826	13,187
Associates and joint ventures	76,795	100,132
Purchase of goods/receival of service from		
Fellow subsidiaries	16,429	170,656
Associates and joint ventures	973,422	1,296,564
Working capital provided to/(received from)		
Guodian Group	(19,754)	(3,746)
Fellow subsidiaries	39,515	4,156
Associates and joint ventures	55,758	(2,214)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Loan guarantees revoked by Guodian Group	(81,217)	(1,505,968)
Loan guarantees revoked to Associates and joint ventures	–	8,421
Loans provided to/(repaid from) Fellow subsidiaries	(115,000)	79,000
Associates and joint ventures	(63,990)	(16,000)
Loans (provided by)/repaid to Fellow subsidiaries	(48,703)	118,856
Interest income Fellow subsidiaries	8,580	11,378
Associates and joint ventures	1,896	44,038
Interest expenses Fellow subsidiaries	21,089	12,174
Deposits placed with/(withdrawn from) Fellow subsidiaries	979,835	(479,319)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

As at 30 June 2017, except for deposits placed with a fellow subsidiary amounting to RMB2,666,938,549 (31 December 2016: RMB1,687,104,000) and long-term retention payables due to fellow subsidiaries and associates amounting to RMB172,030,240 (31 December 2016: RMB579,766,000), details of other material outstanding balances with related parties are set out in notes 14, 15, 16, 19, 20 and 21.

(c) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "state-controlled entities").

Apart from transactions mentioned above, the Group conducts a majority of its business activities with state-controlled entities in the ordinary course of business. These transactions are carried out at terms similar to those that would be entered into with non-state-controlled entities. Transactions with other state-controlled entities included but are not limited to the followings:

- Sale of electricity;
- Depositing and borrowing money;
- Purchase of materials and receipt of construction work services; and
- Service concession arrangements.

The tariff of electricity is regulated by relevant government. The Group prices its other services and products based on the commercial negotiations. The Group has also established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval process and financing policy do not depend on whether the counterparties are state-controlled entities or not.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other state-controlled entities in the PRC (Continued)

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure as other state-controlled entities transactions:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated– Note 24)
Sales of electricity	9,686,350	8,723,168
Sales of other products	18,629	59,346
Interest income	14,264	10,167
Interest expenses	1,471,738	831,725
Loans (borrowed)/repaid	(4,326,189)	2,313,153
Deposits placed with/(withdrawn from)	2,186	(64,006)
Purchase of materials and receiving construction service	1,505,389	1,350,543
Service concession construction revenue	27,316	217,566

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other state-controlled entities in the PRC (Continued)

The balances with other state-controlled entities transactions are as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Receivables from sales of electricity	9,931,764	5,362,629
Receivables from sales of other products	18,710	72,778
Bank deposits (including restricted deposits)	219,190	217,004
Borrowings	57,067,876	52,741,687
Payables for purchase of materials and receiving construction service	1,307,555	2,123,359

(d) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Salaries and other emoluments	1,193	1,164
Discretionary bonus	3,741	3,550
Retirement scheme contributions	315	389
	5,249	5,103

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise stated)

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Commitment with related parties

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Sales commitment with		
Fellow subsidiaries	—	420
Capital commitment with		
Associates and joint ventures	963,647	1,676,482

GLOSSARY OF TERMS

"average utilisation hour(s)"	the consolidated gross power generation in a specified period (in MWh or GWh) divided by the average consolidated installed capacity in the same period (in MW or GW)
"biomass"	plant material, vegetation, or agricultural waste used as a fuel or energy source
"Board"	the board of directors of the Company
"Company" or "we"	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司)
"consolidated gross power generation"	the aggregate gross power generation of our project companies that we fully consolidate in our financial statements for a specified period
"consolidated installed capacity"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies that we fully consolidated in our consolidated financial statements only. It is calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Neither consolidated installed capacity nor consolidated capacity under construction includes the capacity of our associated companies
"Director(s)"	the directors of the Company
"electricity sales"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross power generation less comprehensive auxiliary electricity
"Group"	China Longyuan Power Group Corporation Limited* and its subsidiaries
"Guodian Group"	中國國電集團公司(China Guodian Corporation)
"GW"	unit of energy, gigawatt. 1 GW = 1,000 MW
"GWh"	unit of energy, gigawatt-hour. The standard unit of energy used in the electric power industry. One gigawatt-hour is the amount of energy that would be produced by a generator producing one gigawatt for one hour

* For identification purpose only

GLOSSARY OF TERMS

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"kW"	unit of energy, kilowatt. 1 kW = 1,000 watts
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric 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 of Hong Kong Limited
"load factor"	the ratio (expressed as a percentage) of the gross amount of electricity generated by a power plant in a given period to the number of hours in the given period multiplied by the plant's installed capacity
"Model Codes"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"MW"	unit of energy, megawatt. 1 MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"MWh"	unit of energy, megawatt-hour. The standard unit of energy used in the electric power industry. One megawatt-hour is the amount of energy that would be produced by a generator producing one megawatt for one hour
"regions not subject to grid curtailment"	regions excluding Inner Mongolia, Heilongjiang, Jilin, Ningxia, Gansu, Xinjiang (including corps) and other provinces (regions)
"renewable energy"	energy generated from sustainable sources that is regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight
"Reporting Period"	from 1 January 2017 to 30 June 2017
"RMB"	Renminbi, the official currency of the PRC
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"utilisation percentage"	the amount of time that a wind turbine or a power plant is able to produce electricity over a certain period, divided by the amount of time in such period

CORPORATE INFORMATION

THE COMPANY'S OFFICIAL NAME

龍源電力集團股份有限公司

THE COMPANY'S NAME IN ENGLISH

China Longyuan Power Group
Corporation Limited*

REGISTERED OFFICE

Room 1206, 12th Floor
No. 7, Baishiqiao Street
Haidian District
Beijing
PRC

HEAD OFFICE IN THE PRC

Tower C, International Investment Plaza
6–9 Fuchengmen North Street
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

THE BOARD

Non-executive Directors

Mr. Qiao Baoping (*Chairman of the Board*)
Mr. Wang Baole
Mr. Luan Baoxing
Mr. Yang Xiangbin

Executive Directors

Mr. Li Enyi (*President*)
Mr. Huang Qun

Independent Non-executive Directors

Mr. Zhang Songyi
Mr. Meng Yan
Mr. Han Dechang

THE COMPANY'S LEGAL REPRESENTATIVE

Mr. Qiao Baoping

AUTHORISED REPRESENTATIVES

Mr. Li Enyi
Mr. Jia Nansong
Mr. Zhang Songyi (as Mr. Li Enyi's alternate)
Ms. Soon Yuk Tai (as Mr. Jia Nansong's alternate)

* For identification purpose only

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Mr. Jia Nansong
Ms. Soon Yuk Tai

AUDITORS

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS

as to Hong Kong law

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law

Beijing Da Cheng Law Office, LLP
7th Floor, Building D
Parkview Green Fangcaodi
No. 9 Dongdaqiao Road
Chaoyang District, Beijing
PRC

PRINCIPAL BANKS

China Development Bank
No. 29 Fuchengmenwai Avenue
Xicheng District
Beijing
PRC

China Construction Bank Corporation
Beijing Branch
Building No. 28
Xuanwumen West Street
Xuanwu District
Beijing
PRC

Bank of Communications Co., Ltd.
Beijing Branch
No. 33 Financial Street
Xicheng District
Beijing
PRC

H SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
Shops 1712–1716
17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

00916

FOR INVESTOR ENQUIRIES

Investor hotline: 86 10 6657 9988
Fax: 86 10 6388 7780
Website: www.clypg.com.cn
Email: ir@clypg.com.cn



龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited*