



新疆金风科技股份有限公司

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*

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

Stock Code: 2208

The background of the entire page is a photograph of a landscape with two large white wind turbines. The turbines are positioned on a grassy hillside. In the background, there are rolling hills and mountains under a clear blue sky. Three birds are flying in the sky, adding a sense of movement and nature to the scene. The overall color palette is dominated by blues and greens, creating a clean and modern aesthetic.

INNOVATING FOR A
BRIGHTER
TOMORROW

* For identification purpose only

INTERIM REPORT 2016

Contents

Definitions	02
Corporate Information	06
Management Discussion and Analysis	07
Other Information	27
Report on Review of Interim Condensed Consolidated Financial Statements	33
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	34
Interim Condensed Consolidated Statement of Financial Position	36
Interim Condensed Consolidated Statement of Changes in Equity	38
Interim Condensed Consolidated Statement of Cash Flows	39
Notes to the Interim Condensed Consolidated Financial Statements	41

Definitions

In this interim report, the following expressions have the following meanings unless the context requires otherwise:

“2015 AGM”	annual general meeting of the Company for the year of 2015 held on 28 June 2016;
“A Shares”	ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the SZSE and traded in RMB;
“A Shareholders”	the holders of the A Shares;
“Articles”	the Articles of Association of the Company, as amended, modified or otherwise supplemented from time to time;
“associate”	has the meaning as ascribed in the Listing Rules;
“attributable capacity”	represents the capacity attributed to the Group calculated by multiplying the Group’s percentage ownership in a power project by the total capacity of such power project;
“Audit Committee”	the audit committee of the Board of the Company;
“availability rate”	a percentage calculated by dividing the amount of time a WTG is not experiencing technical defaults over a certain period by the amount of time in such period;
“Beijing Tianrun”	Beijing Tianrun New Energy Investment Co., Ltd. (北京天潤新能投資有限公司), a company incorporated under the laws of the PRC on 11 April 2007 and a wholly owned subsidiary of the Company;
“Beijing Tianyuan”	Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd. (北京天源科創風電技術有限責任公司), a company incorporated under the laws of the PRC on 29 September 2005 and a wholly owned subsidiary of the Company;
“Board”	the board of directors of the Company;
“Board Committees”	specialised committees of the Board established by the Board and include members of the Board, namely the Audit Committee, Nomination Committee, Remuneration and Assessment Committee, and Strategic Committee;
“CASBE”	China Accounting Standards for Business Enterprises;
“Chairman”	the chairman of the Board;
“chief executive”	has the meaning as ascribed in the Listing Rules;

Definitions

“China” or “PRC”	the People’s Republic of China. References in this interim report to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“China Three Gorges”	China Three Gorges Corporation (中國長江三峽集團公司), a company incorporated under the laws of the PRC and the parent company of China Three Gorges New Energy;
“China Three Gorges New Energy”	China Three Gorges New Energy Co., Ltd. (中國三峽新能源有限公司), a company incorporated under the laws of the PRC, a wholly-owned subsidiary of China Three Gorges, and a substantial shareholder of the Company;
“Company”	Xinjiang Goldwind Science & Technology Co., Ltd. (新疆金風科技股份有限公司), a joint stock limited liability company incorporated in the PRC on 26 March 2001;
“connected person”	has the meaning as ascribed in the Listing Rules;
“Connected Persons Group”	a group of connected persons of the Company comprising China Three Gorges New Energy, Xinjiang Wind Power, and their respective associates;
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Listing Rules;
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會);
“DDPM”	direct-drive permanent magnet, a technology that combines a) a drive-train concept in which the need for a gearbox is eliminated and the turbine rotor directly drives the generator rotor; and b) a synchronous generator in which permanent magnet is used on the generator;
“Directors”	the directors of the Company;
“Financial Statements”	the condensed consolidated financial statements of the Group for the six months ended 30 June 2016, prepared in accordance with IFRSs;
“gearing ratio”	net debt divided by the sum of capital and net debt;
“Group”, “Goldwind”, “us” or “we”	the Company and its subsidiaries;
“GW”	gigawatt, a unit of power, 1GW equals 1,000MW;
“H Shares”	ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the Stock Exchange and traded in HKD;

Definitions

“H Shareholders”	the holders of the H Shares;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IFRSs”	International Financial Reporting Standards;
“kW”	kilowatt, a unit of power, 1kW equals 1,000 watts;
“kWh”	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity;
“Latest Practicable Date”	9 September 2016, being the latest practicable date prior to the publication of this interim report for ascertaining certain information contained in this report;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules;
“MW”	megawatt, a unit of power, 1MW equals 1,000kW;
“NEA”	National Energy Administration of the PRC (中國國家能源局);
“New A Shares”	an aggregate of 40,953,000 new A Shares to be subscribed for by the subscribers and issued by the Company pursuant to the subscription agreements dated 2 September 2014;
“NDRC”	National Development and Reform Commission of the PRC (中國國家發展和改革委員會);
“President”	the president of the Company;
“R&D”	research and development;
“Reporting Period”	the six months ended 30 June 2016;
“RMB”	Renminbi, the lawful currency of the PRC;
“Senior Management”	the members of the senior management of the Company;
“SFC”	the Securities and Futures Commission of Hong Kong;

Definitions

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Shareholders”	shareholders of the Company;
“State Council”	the State Council of the PRC (中國國務院);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning as ascribed in the Listing Rules;
“Supervisors”	the supervisors of the Company;
“Supervisory Committee”	the supervisory committee of the Company;
“SZSE”	Shenzhen Stock Exchange;
“Three-North region”	China’s Three-North region, which includes northeast, northwest and northern China;
“Wind Farm Investment and Development”	the Group’s Wind Farm Investment and Development segment, one of the three primary business segments of the Group;
“Wind Power Services”	the Group’s Wind Power Services business segment, one of the three primary business segments of the Group;
“WTG”	wind turbine generator;
“WTG Manufacturing”	the Group’s WTG R&D, Manufacturing and Sales business segment, the core business of the Group and one of the three primary business segments of the Group;
“Xinjiang”	the Xinjiang Uyghur Autonomous Region of the PRC;
“Xinjiang Wind Power”	Xinjiang Wind Power Co., Ltd. (新疆風能有限責任公司), a state-owned enterprise incorporated under the laws of the PRC and a substantial shareholder of the Company;
“YoY”	year-over-year, a method of evaluating two or more measured events to compare the results at one time period with those from another time period on an annualised basis; and
“%”	percent, in this interim report, calculations of percentage shall be based on the financial data contained in the Financial Statements including the relevant notes (where applicable).

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Gang (*Chairman*)
Mr. Wang Haibo
Mr. Cao Zhigang

Non-executive Directors

Mr. Yu Shengjun
Mr. Zhao Guoqing
Mr. Feng Wei

Independent Non-executive Directors

Mr. Yang Xiaosheng
Mr. Luo Zhenbang
Mr. Christopher F. Lee

SUPERVISORS

Mr. Wang Mengqiu (*Chairman of the Supervisory Committee*)
Mr. Wang Shiwei
Mr. Luo Jun
Mr. Lu Min
Ms. Ji Tian

COMPANY SECRETARY

Ms. Ma Jinru

PLACE OF BUSINESS

In the PRC

No. 107 Shanghai Road
Economic & Technological Development District
Urumqi, Xinjiang

In Hong Kong

Edinburgh Tower, 33/F The Landmark
15 Queen's Road Central
Hong Kong

LEGAL COUNSEL

Morrison & Foerster

AUDITORS

International Auditors

Ernst & Young

PRC Auditors

Ernst & Young Hua Ming LLP

LISTING PLACES

H Shares:
The Stock Exchange of Hong Kong Limited
Stock name: Goldwind
Stock code: 2208

A Shares:
Shenzhen Stock Exchange
Stock name: Goldwind
Stock code: 002202

SHARE REGISTRARS

H Shares:
Computershare Hong Kong Investor Services Limited

A Shares:
China Securities Depository and Clearing Corporation
Limited, Shenzhen Branch

PRINCIPAL BANKERS

China Development Bank Corporation
Bank of China Limited, Xinjiang Branch
China Construction Bank Corporation, Xinjiang Branch
Agricultural Bank of China Limited, Xinjiang Branch
Industrial and Commercial Bank of China Limited,
Xinjiang Branch
Export-Import Bank of China, Xinjiang Branch
Postal Savings Bank of China, Xinjiang Branch
Bank of Communications Co., Ltd., Xinjiang Branch
Industrial Bank Co., Ltd., Urumqi Branch
China Merchants Bank Co., Ltd., Urumqi Branch,
Jiefang North Road Sub-Branch
HSBC Bank (China) Co., Ltd., Beijing Branch
Deutsche Bank (China) Co., Ltd., Beijing Branch
China CITIC Bank Corporation Limited, Urumqi Branch
Shanghai Pudong Development Bank Co., Ltd.,
Urumqi Branch

COMPANY WEBSITE

www.goldwindglobal.com

Management Discussion and Analysis

During the first half of 2016 the global economic situation was turbulent: different regional geopolitical risks were on the upswing, global economic recovery was lacking in strength, and developed economies' growth rates were slowing. The Eurozone continued to have moderate economic recovery, with "Brexit" and other issues adding to European economic uncertainty. The effect of Japanese economic policy weakened, as its economic growth momentum slowed down further. The economic rebound from emerging economies overall was insufficient, as the risk of economic downfall still exists. According to a report from the International Monetary Fund, the global economic growth projected for 2016 declined from the original forecast at the beginning of 2016 of 3.6% to 3.1%.

During the Reporting Period, in the face of a complicated domestic and international situation and downwards economic pressure, the Government of China appropriately expanded aggregate demand while at the same time accelerated supply side structural reform. Overall, the smoothing effect has been steady. According to the National Bureau of Statistics, in the first half of 2016 China's GDP growth rate was 6.7%.

According to "The Analysis and Forecast Report on the Situation of Electricity Supply and Demand in China in the First Half of 2016" (《2016年上半年全國電力供需形勢分析預測報告》), published by the China Electricity Council, there was fast growth in connected wind power installation and wind power generation. Nationwide, newly installed wind power capacity reached 56.99GW, representing an increase of 31.4% YoY. Newly added non-fossil fuel energy totaled 30.24GW, also representing an increase of 31.4% YoY. Nationally, wind power generation of electrical power plants of 6MW and above grew 24.4%, and the utilization of wind power attained 917 hours, decreased by 85 hours YoY. Electrical consumption increased during the first half of 2016, and the national electricity consumption reached 2.78 trillion kWh (representing an increase of 2.7% YoY), with the growth rate increased by 1.4 percentage point YoY.

I. MAIN POLICY REVIEW

In the first half of 2016, the wind power industry maintained steady development as the proportion of wind power usage among national electricity usage continued to improve. During the first half of this year, the NDRC and NEA, in order to consolidate a basis for industry development and promote a shift towards wind energy from other energy sources, issued a number of policies to ensure wind power priority to the grid and introduced policies to enhance the proportion of wind power utilized. China's wind power plan within the Thirteenth Five-Year Plan is scheduled to be published in the second half of 2016.

Management Discussion and Analysis

1. Introducing a Minimum Utilization Hours Policy

On 24 March 2016, the NDRC issued the “Management Measures for the Full Purchase of Renewable Energy” (《可再生能源發電全額保障性收購管理辦法》) which proposed to set a quota for annual minimum power utilization hours in wind curtailment regions. For any wind power output above the minimum hours, wind farm operators are encouraged to trade that power in the market. If renewable energy does not reach the minimum utilization hour due to thermal power’s excessive utilization, such thermal power companies shall compensate renewable energy companies for the unutilized part of the minimum utilization hour. The policy ensures that wind power projects in wind curtailment regions can earn a feasible and reasonable economic return.

On 5 May 2016, the NDRC published the “Notice Related to Full Purchase of Wind and Solar Power” (《關於做好風電、光伏發電全額保障性收購管理工作的通知》). According to the previously issued “Management Measures for the Full Purchase of Renewable Energy” (《可再生能源發電全額保障性收購管理辦法》), the document set the minimum utilization hour of wind power, which varied from 1,800 to 2,000 hours in various local provinces of the Three-North region. The minimum utilization hour is the lowest purchasing goal. Higher objectives are encouraged to be set and carried out in various relevant provinces (including regional and municipal districts).

2. Setting up a Renewables Portfolio Standard

On 29 February 2016, the NEA published the “Guidelines for Establishment of the Institution of Development and Utilization of Renewable Energy” (《關於建立可再生能源開發利用目標引導制度的指導意見》). This document formulates that non-hydro renewable electricity for every province (including regional and municipal districts) should account for 9% of the electricity consumption by 2020. Non-hydro renewable electricity generation, except from those specialized non-fossil fuel production enterprises, should reach 9% of total energy generation by 2020. The NEA also established its first official renewable electricity green certificates trading scheme, providing flexibility for enterprises trying to complete the requirements for this 9% objective.

On 22 April 2016 the NEA published the “Notice and Suggestion Regarding the Relevant Requirements of Institution of Portfolio Standard between Coal Burning Thermal Power Units and Non-hydro Renewable Energy” (《國家能源局綜合司關於徵求建立燃煤火電機組非水可再生能源發電配額考核制度有關要求通知意見的函》). This document requires the establishment of a mechanism for coal burning enterprises to undertake the non-hydro renewable energy generation portfolio. Furthermore, the proportion of non-hydro renewable energy of thermal power from coal burning enterprises is expected to reach at least 15% by 2020. Coal burning enterprises can meet the aforementioned target by purchasing renewable electricity green certificates or through the construction of their own projects.

3. Strengthening Adjustment and Control and Optimizing Industrial Layout

On 11 March 2016, the NEA published a “Notice Related to Works for Wind Power Consumption in 2016” (《關於做好2016年度風電消納工作有關要求的通知》). The document lays down strict control of the pace of construction of all types of energy generation projects in wind curtailment regions to avoid the worsening of the current situation. In 2015, the areas with the most serious wind curtailment (or areas with relatively quick wind curtailment growth rates) included: Inner Mongolia, Jilin, Heilongjiang, Gansu, Ningxia, and Xinjiang. For the time being, there is no plan to increase capacity for ordinary wind farm projects in 2016.

On 17 March 2016, the NEA published a “Notice Related to National Wind Power Development and Construction Plan in 2016” (《關於下達2016年全國電開發建設方案的通知》). According to the publication, the newly approved capacity for China was 30.83 GW, which every region must ratify before the end of 2016. China has still been vigorously promoting the wind power industry in areas without curtailment problems, while strictly controlling the development pace in wind curtailment regions. The document also clearly states that large-scale wind power base projects in different regions are not limited by the aforementioned annual approved capacity, and authorizes orderly advancement and construction work to these projects.

On 18 July 2016, the NEA published a “Notice Related to the Establishment of a Wind Power Construction Monitoring and Warning Mechanism” (《國家能源局關於建立監測預警機制促進風電產業持續健康發展的通知》). This document established a wind power investment early warning mechanism to guide regional investment towards wind power development. A red warning causes the relevant regions in that year to postpone all newly approved wind power projects, and suspends authorization for electrical network companies to handle connection procedures. An orange warning, in principle, generally results in the relevant regions not being able to authorize newly approved capacity. A green warning is normal and allows the regions to continue reasonable development, investment and construction.

The NEA hopes to, through effective government supervision and conduct, 1) guide companies away from wasted investments towards reasonable investment and 2) promote a reasonable wind power project construction plan and increase wind power company investment efficiency.

4. Ways to Explore Market Transactions

On 13 July 2016, the NDRC and NEA published a “Notice on the Plan of Orderly Liberalization of Power Generation and Utilization (Draft for Comments)” (《關於有序放開發用電計劃工作的通知(徵求意見稿)》) which encouraged those that surpass the minimum utilization hour to participate in the renewable electricity green certificates trading scheme. This act will lower the marginal cost of renewable energy through market competition and promote renewable energy sources.

On 27 July 2016, the NEA approved the issuance of the “Provisional Rules of Direct Power Sales (DPS) Under Beijing-Tianjin-Tangshan Power Grid” (《京津唐電網電力使用者與發電企業直接交易暫行規則》). This document requires the Beijing-Tianjin-Tangshan Power Grid to install capacity to account for 20% of national electricity consumption by the end of 2016.

II. INDUSTRY REVIEW

1. Stable Industry Development

The wind power industry has had good development during the first half of 2016; there have been vigorous bids in the marketplace, a positive outlook on construction, all while wind power's proportion of produced and consumed total energy is on the rise. According to data from the NEA, newly installed domestic generating capacity was 7.74GW, reaching 137GW in total, accounting for 9.0% of domestic generating equipment capacity, representing an increase of 1.1% YoY. China generated 120 billion kWh of wind power during the first half of 2016, representing an increase of 23% YoY. Wind power generation accounted for 4.3% of national electricity consumption in the first half of 2016, representing an increase of 0.6 percentage point.

2. Wind Curtailment in the "Three-North Region"

The situation for wind power consumption in the first half of 2016 was quite good; the average wind power utilization in Yunnan and Sichuan was 1,441 hours and 1,377 hours respectively. The average wind power use in Hebei, Jiangsu, Liaoning, Shanxi, and Inner Mongolia surpassed nationwide averages. However, wind curtailment in local regions worsened yet again, acting as a bottleneck stifling local industry's development. In the first half of this year, China's average wind power utilization was 917 hours, decreasing 85 hours YoY.

For the first half of 2016, 32.3 billion kWh of wind power was curtailed, and the average wind power curtailment rate was 21%, increasing 6 percentage points YoY. Wind curtailment was centralized in certain provinces (including regional and municipal districts) in the Northwest and Northeast regions, amongst which was: Xinjiang (45% wind curtailment rate), Gansu (47%) and Jilin (39%). The average wind power use for these regions was 578 hours, 590 hours, and 677 hours, respectively. This represented a decrease of 317 hours, 109 hours, and 83 hours YoY, respectively. Wind curtailment in the "Three Norths" represented over 90% of nationwide wind curtailment.

3. Accelerating Industrialization of Technological Innovation

Technological innovation is the driving force for development in the wind power industry. Following the wind power market's center moving from Southern China towards Middle Eastern China, there has been an acceleration of the industrialization of low-wind speed WTGs. Presently, the R&D and manufacturing of low-wind speed WTGs and extreme low-wind speed WTGs have become the focus both domestically and internationally of wind-power enterprises. High capacity and large rotor diameter models have been receiving more and more bids on the marketplace. There has also been considerable innovation in high tower technology and complete large-scale repairs. Transportation technology has also started to be actively promoted on the market.

Besides innovation in overall design and plans for installation and large-scale repairs, there has been great exploration into the fields of wind farm maintenance and operation, as well as big data technology. Establishing a digital platform promotes the wind power production industry; a higher basis of technology in operations increases energy usage efficiency and allows wind power to move forwards on its path of safety and reliability.

III. BUSINESS REVIEW

In order to solidify its foundation, Goldwind undertook a transformation through innovation to help guide its thinking towards value-added work in 2016. Goldwind focused on quality as their driving force to further upgrade the quality of their product portfolio. Goldwind is presently moving from the simple manufacturing industry to the value-added merchandise industry. In order to move its foundation towards a value-added wind power industry, Goldwind has been actively searching through its supply chain and promoting an endless innovation in technology, merchandise, and services. It has also been actively promoting lean and value-added management styles from many different aspects to aid in adding value to both the customer and the Company. During the Reporting Period, all aspects of the Company have had smooth progress; there has been continual growth in accomplishments.

During the Reporting Period, revenue for the Group was RMB10,839.59 million, representing an increase of 15.61% compared with RMB9,375.66 million for the corresponding period in 2015. Profit before tax for the Group was RMB1,705.91 million, representing an increase of 20.09% compared with RMB1,420.53 million for the corresponding period in 2015. Profit during the Reporting Period for the Group was RMB1,506.53 million, representing an increase of 19.17% compared with RMB1,264.16 million for the corresponding period in 2015. Net profit attributable to owners of the Company was RMB1,450.12 million, representing an increase of 16.43% compared with RMB1,245.46 million for the corresponding period in 2015.

i. Wind Turbine Generator R&D, Manufacturing and Sales

1. Product Manufacturing and Sales

For the six months ended 30 June 2016, the Group's revenue from sales of WTGs and components was RMB9,134.94 million, an increase of 14.07% YoY. Total sales capacity was 2,373 MW, an increase of 13.27% YoY. The following table sets out the details of products sold by the Group in the first half of 2016 and 2015:

	Six months ended 30 June				
	2016		2015		Change in Capacity Sold
	Units Sold	Capacity Sold (MW)	Units Sold	Capacity Sold (MW)	
3.0MW	9	27.00	-	-	-
2.5MW	174	435.00	176	440.00	-1.14%
2.0MW	396	792.00	55	110.00	620.00%
1.5MW	746	1,119.00	1,023	1,534.50	-27.08%
750kW	-	-	14	10.50	-
Total	1,325	2,373.00	1,268	2,095.00	13.27%

As at 30 June 2016, the Group's backlog of orders under contract totaled 7,666.50MW, including 7.50MW of 750kW WTGs, 3,271.50 MW of 1.5MW WTGs, 2,436.00MW of 2.0MW WTGs, 1,882.50MW of 2.5MW WTGs and 69.00MW of 3.0MW WTGs. There were 4,657.00MW of additional orders awaiting contract. The Group had 12,323.50MW of combined backlog orders.

During the Reporting Period, the newly installed capacity of the Group totaled 2,468MW, representing an increase of 18.50% YoY, compared to 2,082MW in the corresponding period of 2015.

During the Reporting Period, the Group continued to promote lean and value-added management, remove inefficiencies, and make great effort towards bringing about an optimal total cost. During the Reporting Period, gross profit margin of 1.5MW WTGs increased to 27.69% from 25.27% in the corresponding period of 2015. There was greater efficiency in the scale of 2.0MW WTGs as it entered into mass production, with the gross profit margin increasing to 24.21% from 22.67% in the corresponding period of 2015. The gross profit margin of 2.5MW WTGs increased to 27.75% from 25.86% in the corresponding period of 2015.

2. Technology R&D and Product Certification

In 2016, the Group continued to increase investment in R&D to satisfy market and customer demands; it optimized existing products, continually enriched the quality and reliability of the product portfolio, as well as increased research into new products. There has also been progress in optimizing the supply chain. The product portfolio is regularly approved and the R&D department has received many accolades.

(1) *Product Research and Development*

During the Reporting Period, on the basis of the operating performance from thousands of 2.5MW WTGs as well as an established mature technological platform, Goldwind has developed high temperature and high altitude models for the 2.5MW WTG series, as well as the 2.5 MWVP (Value Plus) WTGs. The Group has installed 150MW of GW109/121-2500 high altitude WTGs. In the meanwhile, the Company has also developed and realized mass production of the tower of 2.0MW WTG series.

In the first half of this year, Goldwind finished installation of its first batch of offshore 3.0MW WTGs. The project will help the Group's industrialization of offshore WTGs and increase relevant engineering experience in offshore WTGs. Our prototype for an offshore 6.0MW WTG operated normally. In order to satisfy the future offshore WTG market demands, Goldwind has already begun a large amount of product testing. The aforementioned offshore projects became a strong and efficient basis to optimize the offshore WTGs of the Group.

Management Discussion and Analysis

In the first half of 2016, Goldwind's products were granted a number of domestic and international certification, such as three design certificates and two type certificates from China General Certification Center in Beijing, one design certificate from TÜV NORD, as well as two design certificates from DNV-GL.

In 2016, Goldwind continuously increased investment towards R&D and kept in step with leading-edge wind farm control systems. Goldwind developed and implemented a comprehensive systemic solution for wind farms and wind farm groups. In order to continue to add value to the industry and customers, Goldwind has tailored high-qualified and high-efficient wind farm assets.

In order to optimize Goldwind's supply chain, as well as to reach optimal manufacturing cost goals, the Group has made breakthrough progress with respect to tower designs. The Group developed hybrid tower technology and soft tower technology. Goldwind has already installed its first project of 34 sets of 121/2500 WTGs with soft towers in Thailand.

(2) *Intellectual property protection and standardization*

In addition to emphasizing R&D and innovative capabilities in construction, Goldwind has also taken an active role in standardization and protecting intellectual property rights.

In the first half of 2016, the Group added 198 domestically authorized patents, mainly involved in DDPM technology, micro-grid technology, new tower technology and offshore WTGs. The Group emphasized technological innovation while simultaneously expanding trademarks in foreign markets. Goldwind currently holds 62 registered domestic trademarks and 80 foreign trademarks (across 32 different countries and areas). In order to adapt to the complex relationship between business and the internet, Goldwind has continued to innovate and accumulate its experience in computer software and control algorithms. At the end of the Reporting Period, Goldwind had 218 copyrights for software registered in its name.

As a leading enterprise in the wind-power industry, Goldwind has actively participated in wind power policy making at the national level. By 30 June 2016, Goldwind had participated in the formulation of 122 standards, including: three international standards, 57 national standards, and 62 industrial and regional standards. Goldwind had already issued 57 standards, amongst which there were 30 national standards and 27 industrial and regional standards.

Management Discussion and Analysis

During the Reporting Period, the Group frequently received distinction for its scientific research. The Group's "Manufacturing and Application Demonstration Project based on Big Data and Internet-of-things" was chosen by China Ministry of Science and Technology's major R&D projects – Cloud Computing and Big Data Specialized Project. Goldwind's "Internet Service Technology Laboratory of Smart Wind Power Design and Operation Project" received special support of Certificate and Innovation Capability Building Project from Beijing Engineering Lab. Our new "Pre-stress Hybrid WTG Tower" won Bronze Award at the Tenth Beijing Invention and Innovation Prize.

(3) *Quality Management*

Goldwind has fostered a sense of independence by pursuing excellent quality as the guiding concept of its corporate culture. This culture of quality has already permeated all levels of the supply chain from R&D, to manufacturing, to engineering construction, all the way up to cloud computing services and other segments. With respect to supplier quality management, and building a theme of excellent supply chain quality management, the Group has used the benchmark model and many styles towards crucial aspects to advance their quality benchmark's position forward. Goldwind has extended its experience of increasing the level of its product quality management to similar supply chains, acting as a model for others.

During the Reporting Period, Goldwind was selected as a "Demonstration Unit for Quality Culture Construction" by the China Association for Quality.

ii. **Wind Power Services**

During the Reporting Period, in order to improve Goldwind's wind power service and the customer's experience, the Group developed a digital operation and maintenance system as a smart energy efficient solution. The digital operation and maintenance system is based on a reliable system and service personnel. It combines wind power digital operation and maintenance platform and Internet-of-things to establish smart large scale wind farm operation and maintenance service system. The system will create more economic value and decrease operation costs for enterprises and customers. The smart energy efficient solution centralizes micro-grid, smart energy supervision, the control platform, and load-side system. It also combines smart energy supervision and control system, developed by Goldwind independently, which helps reach optimal usage rates and digitize energy management practices. Digitization also helps with more clear data visualizations.

During the Reporting Period, the Group's revenue from Wind Power Services was RMB445.49 million.

China Ministry of Industry and Information Technology announced that our "Wind Power Equipment Far-end Service Demonstration Project" succeeded in being selected in the 2016 Smart Manufacturing Pilot Demonstration Project List. This is the very first time a wind power project was chosen as the national smart manufacturing demonstration project.

Management Discussion and Analysis

iii. Wind Farm Investment and Development

Revenue from wind farm investments business has grown significantly despite wind curtailment. During the Reporting Period, the Group's revenue from power generation was RMB1,138.64 million, representing an increase of 36.58% YoY.

During the Reporting Period, Goldwind reported that its newly attributable approved capacity was 217.5MW, domestic newly installed generating capacity was 418.80MW and newly installed attributable generating capacity was 376.95MW. As at 30 June 2016, cumulative installed wind farm capacity was 3,463.20MW, of which 2,902.38MW was attributable installed capacity. The installed capacity of projects still under construction was 1,327MW, of which 1,265.14MW was attributable installed capacity. The Group's international installed capacity was 246MW, of which 121.7MW was attributable installed capacity.

During the first half of 2016, the Group won the 2016 China Power Quality Engineering Award after finishing the Xia County Phase I 49.5MW wind farm in Shanxin, the Naomao Lake 99MW wind farm in Yiwu, and the Shishou Taohua Mountain 49.5MW wind farm in Hubei.

iv. International Business

During the Reporting Period, in order to continue Goldwind's strategy of internationalization and take advantage of China's New Silk Road strategy, the Group expanded to international markets and acquired relatively good achievements.

During the Reporting Period, Goldwind installed 517 WTGs abroad, with a total capacity of 983.75MW.

During the Reporting Period, Goldwind transferred its 75% equity share in Australia's White Rock wind farm to CECEP Wind-power Corporation Co., Ltd., Australia Branch Company. The White Rock farm's total capacity was 175MW, of which Goldwind installed 70 GW121/2.5MW WTGs. Goldwind will also supply EPC, quality insurance and operation and maintenance service. White Rock wind farm, once completed, will be the largest wind farm in New South Wales State of Australia.

As at the date of this report, Goldwind USA Inc., as a wholly-owned subsidiary of the Group, has reached an agreement with Renewable Energy Systems America Inc. to acquire its Rattlesnake wind farm in Texas, of which the capacity is 160MW. The wind farm will install 64 GW109/2.5MW WTGs and will be Goldwind's largest wind farm in the North America upon completed construction.

Management Discussion and Analysis

v. Major Subsidiaries

As at 30 June 2016, the Company had 158 subsidiaries, among which 21 were directly owned subsidiaries and 137 were indirectly owned subsidiaries. In addition, we had 8 joint ventures, 17 associate companies and 16 available-for-sale unlisted equity investments. These subsidiaries included WTG R&D and manufacturing companies, wind power investment companies, wind power services companies, and component R&D and manufacturing companies. The following table sets out major financial information of the principal subsidiaries of the Company (reported in accordance with CASBE):

As at 30 June 2016
Unit: RMB

No.	Company Name	Registered Capital (RMB ten thousand)	Total Assets	Net Assets Attributable to the Company	Revenue from Operations	Net Profits Attributable to the Company
1	Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd.	99,000.00	5,898,967,895.87	1,072,825,377.22	1,508,051,564.46	-56,639,599.03
2	Vensys Energy AG	€5 million	1,068,456,068.10	581,142,311.03	274,460,501.97	12,667,298.32
3	Jiangsu Goldwind Technology Co., Ltd.	75,961.00	2,513,194,436.69	1,254,624,544.66	694,527,961.04	78,046,330.53
4	Beijing Techwin Electric Co., Ltd.	10,000.00	2,079,661,925.41	1,161,421,323.38	1,567,746,354.26	238,748,336.49
5	Beijing Tianrun New Energy Investment Co., Ltd.	555,000.00	25,249,255,317.29	6,910,063,778.74	1,035,095,259.31	319,653,932.20
6	Goldwind Investment Holding Co., Ltd.	100,000.00	1,443,240,536.38	1,387,567,442.66	-	143,871,384.17
7	Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd.	20,000.00	2,562,268,907.98	234,024,346.18	700,566,251.84	13,967,905.02
8	Tianxin International Finance Lease Co., Ltd.	USD30 million	2,207,745,287.99	383,300,826.28	101,514,945.85	60,442,394.06
9	Goldwind Environmental Science & Technology Co., Ltd.	100,000.00	1,471,436,862.85	1,000,020,289.15	22,305,284.43	10,882,802.64

Management Discussion and Analysis

vi. Use of Proceeds

1. Use of H Share Proceeds

The Company conducted the initial public offering of its H shares and listed its H shares on the main board of the Hong Kong Stock Exchange in October 2010. According to the *Capital Verification Report* issued by Ernst & Young Hua Ming LLP, the net proceeds of the H shares offering were the equivalent of RMB6.754 billion in HKD. According to the proposed use of the H shares offering proceeds, approximately 64.8% of the proceeds shall be used in the domestic market, and approximately 35.2% shall be used in the international market. As at 30 June 2016, the accumulated used proceeds were the equivalent of RMB6.15 billion in HKD, and the unused proceeds were the equivalent of RMB0.604 billion in HKD. The use of the Company's H share proceeds is as follows:

As at 30 June 2016
Unit: RMB million

Proceeds Projects	Planned Investment	Actual Investment	Unused Amount
Construction of production base and optimisation of business operations	2,715	2,607	108
R&D of WTGs and components	986	491	495
International business	1,972	1,971	1
Bank loan repayment	411	411	–
General working capital	670	670	–
Total	6,754	6,150	604

2. Use of A Share Proceeds

The Company has issued 40,953,000 of New A Shares as part of non-public subscription offering, which were listed on the SZSE on 18 August 2015. According to the *Capital Verification Report* issued by Ernst & Young Hua Ming, LLP, the total proceeds of the New A Shares offering were RMB346,871,910. As at 30 June 2016, all proceeds have been used for supplement of working capital of the Company.

As at 30 June 2016, the deposit interest income less bank service fee was RMB147,555.29, which has all been used for supplement of working capital of the Company. As at 30 June 2016, the balance of the bank account of the proceeds was RMB0.00.

IV. OPERATIONS PERFORMANCE AND ANALYSIS

The contents of this section should be read in conjunction with the Financial Statements, including the relevant notes, set out in this report.

Summary

During the six months ended 30 June 2016, revenue for the Group was RMB10,839.59 million, representing an increase of 15.61% compared with RMB9,375.66 million for corresponding period in 2015. Net profit attributable to owners of the Company was RMB1,450.12 million, representing an increase of 16.43% compared with RMB1,245.46 million for the corresponding period in 2015. The Company reported basic earnings per share of RMB0.53.

Revenue

The Group's revenue was generated mainly from (i) WTG Manufacturing, (ii) Wind Power Services, (iii) Wind Farm Investment and Development and (iv) Others. Revenue from WTG Manufacturing includes the sales of WTGs and components. Revenue from Wind Power Services was mainly generated through services such as wind farm EPC, transportation and maintenance. Revenue from Wind Farm Investment and Development was mainly generated from the sale of power produced by our operating wind farms. Other business segments include revenue from the Group's finance lease activities and water treatment.

During the six months ended 30 June 2016, revenue for the Group was RMB10,839.59 million, representing an increase of 15.61% compared with RMB9,375.66 million for the corresponding period in 2015. Details are set out below:

Unit: RMB thousand

	Six months ended		Amount Change	Percentage Change
	2016	30 June 2015		
WTG Manufacturing	9,134,944	8,008,317	1,126,627	14.07%
Wind Power Services	445,494	451,991	-6,497	-1.44%
Wind Farm Investment and Development	1,138,642	833,676	304,966	36.58%
Others	120,508	81,674	38,834	47.55%
Total	10,839,588	9,375,658	1,463,930	15.61%

Management Discussion and Analysis

Revenue increased due to: (i) steady development of China's wind power industry in the first half of 2016, and increasing sales volume due to continual superior recognition against competitors for our WTGs; and (ii) significant increase in the number of operating wind farms, which led to increased sales of power produced by the Group's operating wind farms.

Cost of Sales

Unit: RMB thousand

	Six months ended		Amount Change	Percentage Change
	2016	30 June 2015		
WTG Manufacturing	6,747,268	5,977,125	770,143	12.88%
Wind Power Services	357,319	402,201	-44,882	-11.16%
Wind Farm Investment and Development	402,901	286,310	116,591	40.72%
Others	11,258	5,113	6,145	120.18%
Total	7,518,746	6,670,749	847,997	12.71%

The Group's cost of sales increased mainly due to increased revenue during the Reporting Period.

Gross Profit

Unit: RMB thousand

	Six months ended		Amount Change	Percentage Change
	2016	30 June 2015		
WTG Manufacturing	2,387,676	2,031,192	356,484	17.55%
Wind Power Services	88,175	49,790	38,385	77.09%
Wind Farm Investment and Development	735,741	547,366	188,375	34.41%
Others	109,250	76,561	32,689	42.70%
Total	3,320,842	2,704,909	615,933	22.77%

The Group's gross profit increased mainly due to an increase in WTG sales volumes under the WTG Manufacturing business segment and an increase in wind power sales due to an increase in wind farms capacity operated under the Wind Farm Investment and Development business segment.

For the six months ended 30 June 2016 and 2015, our comprehensive gross profit margin was 30.64% and 28.85%, respectively, and the gross profit margin for WTG Manufacturing business segment was 26.14% and 25.36%, respectively.

Management Discussion and Analysis

The following table sets out the gross profit margins for the Group's WTGs by unit capacity including the 750kW, 1.5MW series, 2.0MW series, 2.5MW series and 3.0MW series (prepared in accordance with CASBE):

Gross Profit Margin	Six months ended 30 June		Change (percentage points)
	2016	2015	
3.0MW	33.15%	–	–
2.5MW	27.75%	25.86%	1.89
2.0MW	24.21%	22.67%	1.54
1.5MW	27.69%	25.27%	2.42
750kW	–	29.65%	–

During the Reporting Period, the Group continued to promote lean and value-added management, remove inefficiencies, and make great effort towards bringing about an optimal total cost. During the Reporting Period, gross profit margin of 1.5MW WTGs increased to 27.69% from 25.27% in the corresponding period of 2015. There was greater efficiency in the scale of 2.0MW WTGs as it entered into mass production, increasing the gross profit margin to 24.21% from 22.67% in the corresponding period of 2015. The gross profit margin of 2.5MW WTGs increased to 27.75% from 25.86% in the corresponding period of 2015.

Other Income and Gains

The Group's other income and gains primarily consist of gains from the sale of wind farms from Wind Farm Investment (including gains resulting from the sale of wind power equipment installed in these wind farms), bank interest income, insurance compensation on product warranty expenditures, gross rental income, gains from changes in fair value of equity investments at fair value through profit or loss and government grants received for our R&D projects and upgrades of our production facilities.

Other income and gains of the Group for the six months ended 30 June 2016 was RMB384.88 million, which is essentially flat compared the corresponding period in 2015.

Selling and Distribution Costs

The Group's selling and distribution costs primarily consist of product warranty provisions, transportation costs, insurance expenses, bidding service fees, labour costs, loading and unloading fees, and travel expenses.

Selling and distribution costs of the Group for the six months ended 30 June 2016 was RMB831.84 million, representing a 10.20% increase compared to RMB754.86 million for the corresponding period in 2015. This was mainly attributed to an increase in the sales of WTGS which led to increased product warranty provisions.

Management Discussion and Analysis

Administrative Expenses

The Group's administrative expenses primarily consist of R&D expenses, staff costs, taxes, depreciation, consultation fees, travel expenses, and other expenses.

Administrative expenses of the Group for the six months ended 30 June 2016 was RMB787.26 million, representing a 34.15% increase compared to RMB586.85 million for the corresponding period in 2015. This was mainly attributed to higher employee costs associated with an expanded business scope and R&D input for consolidating the Group's dominant position and enhancing its core competitiveness.

Other Expenses

The Group's other expenses primarily consist of banking administration fees, foreign exchange losses, and impairment provisions accrued in connection with our trade receivables.

Other expenses of the Group for the six months ended 30 June 2016 was RMB160.48 million, representing a 32.67% increase compared to RMB120.96 million for the corresponding period in 2015. This was mainly attributed to the increased provision for asset impairment and exchange rate losses of overdue receivables.

Finance Costs

Finance costs of the Group for the six months ended 30 June 2016 was RMB305.38 million, representing a 2.58% increase compared to RMB297.70 million for the corresponding period in 2015. This was mainly attributed to the increase in completed wind farms which led to interest payments for associated project bank loans re-categorised as interest expense rather than capital expenditure.

Income Tax Expenses

Income tax expenses of the Group for the six months ended 30 June 2016 was RMB199.39 million, representing a 27.51% increase compared to RMB156.37 million for the corresponding period in 2015. This was mainly attributed to increased pre-tax profit due to increased sales volume.

Financial Position

As at 30 June 2016 and 31 December 2015, total assets of the Group were RMB59,453.98 million and RMB52,572.40 million, respectively, current assets of the Group were RMB29,817.52 million and RMB25,286.64 million, respectively, percentages of current assets to total assets of the Group were 50.15% and 48.10%, respectively. The Group's current assets increased mainly due to the increased trade and bill receivables, accounts payable and prepayments, deposits and other receivables resulting from increased volume of business. The Group's current assets increased also mainly due to the increased inventories to satisfy the delivery demands in the second half of 2016, which is offset by decreased cash and cash equivalent resulting from increased wind farm investment.

Management Discussion and Analysis

As at 30 June 2016 and 31 December 2015, total non-current assets of the Group were RMB29,636.46 million and RMB27,285.76 million. The Group's non-current assets increased mainly due to the increased property, plant and equipment resulting from the increased operating and under-construction wind farms, and the increased available-for-sale equity investment. The Group's non-current assets increased mainly due to increased long-term receivables resulting from increased receivables for finance lease services.

As at 30 June 2016 and 31 December 2015, total liabilities of the Group were RMB40,778.88 million and RMB35,181.80 million, respectively, current liabilities of the Group were RMB22,837.08 million and RMB20,958.89 million, respectively. The Group's current liabilities increased mainly due to the unpaid dividend payables of 2015 final dividend declared and increased advance to suppliers resulting from the increased volume of business.

As at 30 June 2016 and 31 December 2015, total non-current liabilities of the Group were RMB17,941.80 million and RMB14,222.91 million, respectively. The Group's non-current liabilities increased mainly due to the increased interest-bearing bank loans and other borrowings resulting from the increased operating and under-construction wind farms.

As at 30 June 2016 and 31 December 2015, net current assets of the Group were RMB6,980.44 million and RMB4,327.75 million, respectively, and net assets of the Group were RMB18,675.10 million and RMB17,390.60 million, respectively.

As at 30 June 2016 and 31 December 2015, cash and cash equivalents of the Group were RMB5,587.09 million and RMB6,147.38 million, respectively, and total interest-bearing bank loans and other borrowings of the Group were RMB16,332.07 million and RMB12,494.73 million, respectively.

Financial Resources and Liquidity

Unit: RMB thousand

Cash Flow Statements	Six months ended 30 June	
	2016	2015
Net cash flows from/(used in) operating activities	(2,101,223)	208,456
Net cash flows used in investment activities	(3,003,649)	(2,810,068)
Net cash flows from/(used in) financing activities	4,407,961	(1,967,148)
Net decrease in cash and cash equivalents	(696,911)	(4,568,760)
Cash and cash equivalents at beginning of Reporting Period	6,141,430	9,523,826
Net effect of foreign exchange rate changes	11,777	(10,048)
Cash and cash equivalents at end of Reporting Period	5,456,296	4,945,018

Management Discussion and Analysis

1. Net cash flows from/(used in) operating activities

Net cash flows of the Group used in operating activities primarily represent profit before tax adjusted for non-cash items, movements in working capital, and other income and gains.

For the six months ended 30 June 2016, the Group reported net cash flows used in operating activities of RMB2,101.22 million. Cash inflows were principally comprised of profit before tax of RMB1,705.91 million and a RMB554.66 million increase in other payables and accruals and a RMB461.91 million increase in trade and bills payables. These sources of cash were offset by a RMB3,235.25 million increase in trade and bills receivables, a RMB873.85 million increase in inventories (in preparation of anticipated deliveries scheduled during the second half of 2016) and a RMB425.23 million increase in prepayment, deposit and other receivables.

For the six months ended 30 June 2015, the Group reported net cash flows from operating activities of RMB208.46 million. Cash inflows were principally comprised of profit before tax of RMB1,420.53 million and a RMB2,464.24 million increase in trade and bills payables and a RMB489.27 million increase in other payables and accruals. These sources of cash were offset by a RMB2,791.72 million increase in trade and bills receivables and a RMB1,302.29 million increase in inventories (in preparation of anticipated deliveries scheduled during the second half of 2015).

2. Net cash flow used in investment activities

The Group's net cash flows used in investing activities primarily consist of the purchases of items of property, plant and equipment, the acquisition of subsidiaries, pledged deposits, non-pledged time deposits with original maturity of three months or more when acquired, and the purchases of available-for-sale equity investments.

For the six months ended 30 June 2016, the Group reported net cash flows used in investment activities of RMB3,003.65 million, principally due to purchases of property, plant and equipment and additions of other intangible assets in the amount of RMB2,540.78 million and the purchases of available-for-sale investments in the amount of RMB659.35 million. Such cash flows used in investment activities was offset by the profit from the disposal of shareholding in available-for-sale investment in the amount of RMB234.72 million and dividend from joint ventures and associated companies and available-for-sale equity investments in the amount of RMB94.27 million.

For the six months ended 30 June 2015, the Group reported net cash flows used in investment activities of RMB2,810.07 million, principally due to purchases of property, plant and equipment and additions of other intangible assets in the amount of RMB2,746.97 million and purchases of equity in joint ventures in the amount RMB72.41 million. Such cash flows used in investment activities were offset by the profit from the sale of subsidiaries in the amount of RMB52.03 million and the receipts of dividends from associated companies and joint ventures in the amount of RMB85.30 million.

3. Net cash flows from/(used in) financing activities

The Group's net cash flows used in financing activities primarily consist of repayment of corporate bonds, bank loans and interests. The Group's net cash flows from financing activities primarily consist of new bank loans.

Management Discussion and Analysis

For the six months ended 30 June 2016, the Group reported net cash flows from financing activities of RMB4,407.96 million. Cash inflows were principally contributed by new bank loans and other borrowings of RMB4,025.15 million and issuance of perpetual medium-term notes of RMB996.55 million. These cash inflows were offset by repayment of bank loans and other borrowings of RMB297.63 million and payment of interest expenses of RMB320.83 million.

For the six months ended 30 June 2015, the Group reported net cash flows used in financing activities of RMB1,967.15 million. Cash outflows were principally contributed by repayment of bank loans and other borrowings of RMB4,391.59 million and payment of interest expenses of RMB499.80 million. These cash outflows were offset by RMB3,938.71 million new bank loans and other borrowings.

Capital Expenditure

Capital expenditures of the Group for the six months ended 30 June 2016 were RMB2,318.60 million, representing a decrease of 19.51% from RMB2,880.50 million for the six months ended 30 June 2015. The Group's primary financing resources for capital expenditure included bank loans and cash flows from operations of the Group.

Bank Loans and Other Borrowings

As at 30 June 2016, the total amount of outstanding bank loans, corporate bond and other borrowings of the Group was RMB16,332.07 million, including amounts due within one year of RMB1,950.27 million, in the second year of RMB1,077.58 million, in the third to fifth year of RMB3,036.71 million, and above five years of RMB7,841.15 million. In addition, as at 30 June 2016, the Group had issued a corporate bond repayable within two years with a book value of RMB496.69 million and within three years with a book value of RMB1,929.67 million. Details are set out in Note 21 to the Financial Statements. During the Reporting Period, the Group does not have any interest rate hedging.

Restricted Assets

As at 30 June 2016, the following assets of the Group with a total carrying value of RMB13,614.52 million were restricted as security for certain bank loans and other banking facilities. Such assets included bank deposits of RMB641.21 million, trade and bills receivables of RMB2,237.60 million, property, plant and equipment of RMB10,509.56 million, account receivable franchise of RMB106.94 million and prepaid land lease payments of RMB119.21 million.

As at 31 December 2015, the following assets of the Group with a total carrying value of RMB11,237.38 million were restricted as security for certain bank loans and other banking facilities. Such assets included bank deposits of RMB444.54 million, trade and bills receivables of RMB1,548.67 million, property, plant and equipment of RMB9,161.55 million, and prepaid land lease payments of RMB82.62 million.

Gearing Ratio

As at 30 June 2016 and 31 December 2015, the Group's gearing ratios, defined as net liabilities divided by total capital, were 60.11% and 56.57%, respectively.

Management Discussion and Analysis

Exposure to Fluctuations in Exchange Rates and any Related Hedges

The Group primarily operates its businesses in China. Over 80% of the Group's revenue, expenditure, financial assets and liabilities are denominated in RMB. The exchange rate of the RMB against foreign currencies does not have a significant impact on the Group's businesses. During the Reporting Period, the Group has not made use of hedging to manage its foreign exchange risk.

Contingent Liabilities

The Group's contingent liabilities primarily consist of issued letters of credit, letters of guarantee, guarantees provided to third parties, and compensation arrangements.

As at 30 June 2016 and 31 December 2015, contingent liabilities of the Group were RMB10,224.37 million and RMB10,325.55 million, respectively. Details are set out in Note 25 to the Financial Statements.

V. OUTLOOK FOR THE SECOND HALF OF 2016

Currently, there is a structural adjustment of energy sources in response to the acceleration of global climate change. Developing green, renewable energy has already become different countries' response to climate change and the solution to sourcing clean energy. The Chinese government's support and policies have accelerated the reform process of energy sources. Continually increasing energy efficiency as well as increasing renewable energy sources have become the guiding philosophy for the future of China's economic development.

The "Thirteenth Five-Year Plan" continues to stress the importance of developing a strong renewable energy sector. It puts forth the idea of energy revolution, the basis of which is sourcing 15% of total energy consumption from non-fossil fuel energy sources by 2020 and increasing energy efficiency. Except for specialized non-fossil fuel energy production enterprises, non-hydro renewable produced energy should constitute at least 9% of all electricity production from power enterprises.

Wind power is the most mature and scaled non-hydro renewable energy source in China. It has already been widely introduced to the market and is currently attaining economies of scale; it is the centerpiece of China's structural reform towards non-hydro renewable energy. During the "Thirteenth Five-Year Plan", the wind-power market will welcome new opportunities. According to relevant policies and publications, by 2020 the wind-power industry will achieve the target of 200 million kW and will strive to reach 250 million kW, accounting for 12.5% of total installations.

Following the continual deepening of China's structural reform for energy sourcing, and acceleration of the pace of electric power reform, reform has become clearer. The NEA has continued reform in Shenzhen, Yunnan, Guizhou and other areas of prioritized reform by creating an electrical power trading market. Beijing, Tianjin and Hebei also have a pilot program for an integrated electrical power trading market. Supportive policies have directly fostered the growth of these market trading schemes. In 2016, the rate of energy directly traded on these markets from local industry reached 30%. Progressive and practical electric energy reform policies in China have promoted clean energy consumption and improved natural resource efficiency.

With a background of active national promotion of green industry development, Goldwind has been taking full advantage of the opportunities presented to it. Through increased innovation, an expanding marketplace, transforming models and other measures, Goldwind has strengthened its WTG manufacturing advantage. In order to continue its healthy development, Goldwind continues to innovate through micro-grid capabilities and other renewable energy fields.

Management Discussion and Analysis

Corporate Competitive Advantages

i. Market Position

Goldwind is one of the oldest WTG manufacturers in China. After more than ten years of development, we have gradually matured into a leading domestic manufacturer and global comprehensive wind power solutions provider. Our 1.5MW, 2.0MW, 2.5MW, 3.0MW and 6.0MW DDPM WTG models, for which we own the intellectual property rights, represent the most promising technology in the global wind power industry. Goldwind ranks first in China's wind power manufacturing industry in five consecutive years and became the largest DDPM manufacturer in the world in 2015. We have sustained our market leadership for many years.

ii. Products and Technology

Goldwind's DDPM WTGs are known for their superior performance that includes high efficiency, low operations and maintenance costs, grid-friendly features, and high availability. Our products are widely recognised by our customers and are a guiding force for the development of global wind power technology. We have several R&D centres domestically and globally and over thousand seasoned R&D personnel with extensive industry experience, contributing to the advancement of our products and technology. We have developed a diversified product portfolio, including specialised WTGs for different geological and climatic conditions to satisfy the diverse demands of our customers. We are preparing our 6.0MW DDPM WTG model for the nascent offshore market. The development and marketing of these products have secured our market coverage. We currently have a substantial backlog of orders, providing enhanced revenue visibility and demonstrating that the market recognizes the superior quality of our products and services.

iii. Brand Awareness

After several years of brand development, Goldwind has successfully established our brand and continued to improve awareness of our products' advanced technology, superior quality, high efficiency, and excellent after-sales services. We have gained substantial recognition from the government, our customers, business partners, and investors.

iv. Comprehensive Wind Power Solutions

Goldwind continued to consolidate its position as a leading comprehensive wind power solutions provider through our advanced technology, products, and our extensive experience in wind farm development, operations, and maintenance. In addition to our sales of WTGs, we continued to expand alternative sources of profit such as wind farm development and wind power services. Over the past few years, these businesses have become highly profitable and an important complement to our core business. We successfully overcame the challenges posed by the market, strengthened our overall competitiveness, and improved our diversified competitive advantages.

v. Internationalisation

Goldwind is one of China's first wind power manufacturers to expand overseas and we have continued to pursue our internationalisation strategy. Through our principle of "internationalisation through localisation", we achieved several breakthroughs in key target markets that include the Americas, Australia and Europe, and we continued to make progress in other emerging markets such as Africa and Asia. Our overseas projects are distributed across six continents. Our superior WTGs have been recognised by our customers at home and abroad and have laid a solid foundation for our future business development.

Other Information

INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Based on information known to the Directors, as at 30 June 2016, the interests and short positions of the Directors, Supervisors and the Chief Executive in shares of the Company are set out as follows:

Long Position:

Name	Capacity	Share Category	Number of Shares	As a Percentage of A Shares	As a Percentage of Total Shares
Mr. Wu Gang	Beneficial owner	A Shares	40,167,040	1.80%	1.47%
Mr. Wang Haibo	Beneficial owner	A Shares	550,000	0.02%	0.02%
Mr. Cao Zhigang	Beneficial owner	A Shares	9,918,024	0.44%	0.36%
Mr. Yu Shengjun	Beneficial owner	A Shares	6,500	0.00%	0.00%

Other than as disclosed above, as at 30 June 2016, as far as is known to the Directors, none of the Directors, Supervisors or the Chief Executive had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as set out in Appendix 10 of the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF SHARES

Pursuant to an approval by the National Association of Financial Market Institutional Investors, the Company issued the first tranche of the medium-term notes in 2016 on 25 May 2016, with a total principal amount of RMB1 billion at an interest rate of 5% per annum. The notes have a term of five + N years. For details, please refer to the announcements of the Company dated 9 May 2016 and 27 May 2016.

Other than as disclosed above, during the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

INTERIM DIVIDENDS

The Board of the Company has decided not to recommend payment of interim dividends for the six months ended 30 June 2016.

SHARE CAPITAL STRUCTURE

The particulars of the issued share capital of the Company as at 30 June 2016 are set out as follows:

Share Category	Number of Shares	As a Percentage of Total Shares
A Shares	2,235,494,200	81.72%
H Shares	500,046,800	18.28%
Total	2,735,541,000	100.00%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, as far as known to the Directors, the following persons (not being the Directors, the Supervisors and the Chief Executive) had an interest or short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO:

H Shares:

(L) – Long Position, (S) – Short Position, (P) – Lending Pool

Name of Shareholder	Capacity	Number of Shares	Total	As a Percentage of H Shares	As a Percentage of Total Shares
Anbang Insurance Group Co., Ltd. ¹	Interest of controlled corporation	41,224,000 (L)	41,224,000 (L)	8.24%	1.51%
Anbang Life Insurance Co., Ltd. ¹	Interest of controlled corporation	41,224,000 (L)	41,224,000 (L)	8.24%	1.51%
Anbang Wealth Insurance Co., Ltd. ¹	Interest of controlled corporation	41,224,000 (L)	41,224,000 (L)	8.24%	1.51%
Anbang Assets Management (Hong Kong) Co., Ltd. ¹	Beneficial owner	41,224,000 (L)	41,224,000 (L)	8.24%	1.51%
International Finance Corporation	Beneficial owner	32,044,600 (L)	32,044,600 (L)	6.41%	1.17%
JP Morgan Chase & Co ²	Beneficial owner	9,043,800 (L)	35,134,850 (L)	7.03%	1.28%
		47,400 (S)	47,400 (S)	0.00%	0.00%
	Investment manager	8,440,000 (L)	17,651,050 (P)	3.52%	0.65%
Morgan Stanley ³	Interest of controlled corporation	Custodian corporation/	17,651,050 (L)		
		approved lending agent	17,651,050 (P)		
		30,262,812 (L)	30,262,812 (L)	6.05%	1.11%
		23,906,000 (S)	23,906,000 (S)	4.78%	0.87%

Other Information

Notes:

1. Anbang Insurance Group Co. Ltd. (“Anbang Group”) holds 99.98% of the equity interests of Anbang Life Insurance Co., Ltd. (“Anbang Life”). Anbang Group and Anbang Life hold 48.92% and 48.65%, respectively, of the equity interests of Anbang Wealth Insurance Co., Ltd. (“Anbang Wealth”). Anbang Wealth holds 100% of the equity interests of Anbang Assets Management (Hong Kong) Co., Ltd. Under the SFO, each of the Anbang Group, Anbang Life and Anbang Wealth is deemed to be interested in the 41,224,000 H Shares held by Anbang Assets Management (Hong Kong) Co., Ltd.
2. Among the aggregate interests of JP Morgan Chase & Co, 47,400 shares (short position) were held through unlisted cash settled derivatives. JP Morgan Chase & Co also had 17,651,050 shares in a lending pool.
3. Among the aggregate interests of Morgan Stanley, 8,077,200 shares (long position) were held through unlisted cash settled derivatives and 1,330,400 shares (short position) were held through unlisted cash settled derivatives.

A Shares (Long Position):

Name of Shareholder	Capacity	Number of Shares	Total	As a Percentage of A Shares	As a Percentage of Total Shares
Xinjiang Wind Power	Beneficial owner	375,920,386	375,920,386	16.82%	13.74%
China Three Gorges New Energy ¹	Beneficial owner	287,659,287	663,579,673	29.68%	24.26%
	Interest in controlled corporation	375,920,386			
China Three Gorges ²	Interest in controlled corporation	663,579,673	663,579,673	29.68%	24.26%
Anbang Insurance Group Co., Ltd. ^{3,4}	Beneficial owner	17,113,600	368,833,576	16.50%	13.48%
	Interest in controlled corporation	351,719,976			
Anbang Life Insurance Co., Ltd. ^{3,4}	Beneficial owner	214,541,738	351,719,976	15.73%	12.86%
	Interest in controlled corporation	137,178,238			
Anbang Wealth Insurance Co., Ltd. ⁴	Interest in controlled corporation	113,248,111	113,248,111	5.07%	4.14%
Hexie Health Insurance Co., Ltd.	Beneficial owner	113,248,111	113,248,111	5.07%	4.14%
Anbang Annuity Insurance Co., Ltd.	Beneficial owner	23,930,127	23,930,127	1.07%	0.87%

Notes:

1. China Three Gorges New Energy directly holds 287,659,287 A Shares. China Three Gorges New Energy and China Three Gorges hold 43.33% of the issued share capital of Xinjiang Wind Power. Under the SFO, besides directly holding interests in our Company, China Three Gorges New Energy is deemed to be interested in the 375,920,386 A Shares held by Xinjiang Wind Power.
2. China Three Gorges is the holding company of China Three Gorges New Energy. Under the SFO, the 375,920,386 A Shares held by Xinjiang Wind Power in which China Three Gorges New Energy is deemed to be interested, and the 287,659,287 A Shares directly held by China Three Gorges New Energy are deemed to be the interests of China Three Gorges in our Company.

Other Information

3. Anbang Group holds 99.98% of the equity interests of Anbang Life. Under the SFO, Anbang Group is deemed to be interested in the 214,541,738 A Shares held by Anbang Life.

Anbang Life also holds 86.36% of the equity interests of Anbang Annuity Insurance Co., Ltd. (“Anbang Annuity”). Under the SFO, Anbang Group is deemed to be interested in the 23,930,127 A Shares held by Anbang Annuity.

Anbang Group and Anbang Wealth hold 34.73% and 65.17%, respectively, of the equity interests of Hexie Health Insurance Co., Ltd. (“Hexie Health”). Under the SFO, Anbang Group is deemed to be interested in the 113,248,111 A Shares held by Hexie Health.

Accordingly, aside from directly holding interest in the Company, Anbang Group is deemed to be interested in the 214,541,738 A Shares, the 23,930,127 A Shares and the 113,248,111 A Shares held by Anbang Life, Anbang Annuity, and Hexie Health, respectively.

4. Under the SFO, aside from the directly holding interests in the Company, Anbang Life is deemed to be interested in the 113,248,111 A Shares and the 23,930,127 A Shares held by Hexie Health and Anbang Annuity, respectively Anbang Wealth is also deemed to be interested in the 113,248,111 A Shares by Hexie Health.

Other than as disclosed above, as at 30 June 2016, as far as is known to the Directors, no other persons (excluding Directors, Supervisors, and the Chief Executive) had an interest or short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO.

NUMBER OF SHAREHOLDERS

As at 30 June 2016, the total of the Shareholders was 186,660, among which the numbers of holders of A Shares and H Shares were 185,207 and 1,453, respectively.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Pursuant to the Articles and the relevant laws, regulations and rules of the PRC, following the expiry of the term of office of the fifth session of the Board on 25 June 2016 and upon the Directors ceasing to be in office after election of the sixth session of the Board by the Shareholders at the 2015 AGM, the term of office of members of the various committees established under the Board (including the audit committee, the remuneration and assessment committee and the nomination committee) expired on 28 June 2016. The Board appointed members to each of the Board committees at the Board meeting held on 5 July 2016. Accordingly, during the short interval between the 2015 AGM and the said Board meeting, the Company failed to comply with the relevant requirements regarding its audit committee and remuneration committee under Rule 3.21 and Rule 3.25, respectively, of the Listing Rules and failed to comply with the relevant requirements regarding its nomination committee under Code Provision A.5.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Following the appointment of the chairman and members of the Board committees on 5 July 2016, the Company fully complies with Rule 3.21 and Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code.

Save as disclosed above, during the Reporting Period, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct governing Directors' and Supervisors' dealings in the Company's securities transactions on terms no less exacting than the required standard set out in the Model Code. Upon specific enquiries by the Company, all Directors and Supervisors have confirmed that they had complied with the provisions of the Model Code during the six months ended 30 June 2016 and up to the date of this report.

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2016, the Audit Committee consisted of two independent non-executive Directors, namely Mr. Luo Zhenbang and Mr. Christopher F. Lee, and one non-executive Director, namely Mr. Zhao Guoqing. The chairman of the Audit Committee was Mr. Luo Zhenbang. The Audit Committee and the Company's auditors, Ernst & Young, have reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

CHANGES TO MEMBERS OF THE BOARD AND SUPERVISORY COMMITTEE

The term of office of the fifth session of the Board expired on 25 June 2016. In accordance with the laws of the PRC, the Directors of the fifth session of the Board remained in office and performed their duties until the sixth session of the Board was elected at the 2015 AGM.

The Shareholders at the 2015 AGM approved the election of Mr. Wu Gang (武鋼先生), Mr. Wang Haibo (王海波先生), and Mr. Cao Zhigang (曹志剛先生) as executive directors, Mr. Yu Shengjun (于生軍先生), Mr. Zhao Guoqing (趙國慶先生), and Mr. Feng Wei (馮偉先生) as non-executive Directors, and Mr. Yang Xiaosheng (楊校生先生), Mr. Luo Zhenbang (羅振邦先生), and Mr. Christopher F. Lee (李輝敏先生) as independent non-executive Directors. The term of office of the sixth session of the Board shall be three years beginning from 29 June 2016.

The term of office of the fifth session of the Supervisory Committee expired on 25 June 2016. In accordance with the laws of the PRC, the Supervisors of the fifth session of the Supervisory Committee remained in office and performed their duties until the sixth session of the Supervisory Committee was elected at the 2015 AGM and the Employee Representative Conference.

The Shareholders at the 2015 AGM approved the election of Mr. Wang Mengqiu (王孟秋先生), Mr. Wang Shiwei (王世偉先生), and Mr. Luo Jun (洛軍先生) as Supervisors. The election of Mr. Lu Min (魯敏先生) and Ms. Ji Tian (冀田女士) was considered and approved by the employees of the Company as employee representative Supervisors for the sixth session of the Supervisory Committee at the Employee Representative Conference held on 28 June 2016. The term of the sixth session of the Supervisory Committee shall be three years beginning from 29 June 2016.

On 22 August 2016, the Company received a resignation letter from Mr. Christopher F. Lee (李輝敏先生) resigning as an independent non-executive Director. In accordance with the laws of the PRC, Mr. Lee's resignation shall not be effective until the election of a new independent non-executive Director by the shareholders of the Company. On 26 August 2016, Dr. Tin Yau Kelvin Wong (黃天祐博士) has been proposed to be appointed as an independent non-executive Director and a member of the audit committee by the Board and his appointment will be effective upon approval of the shareholders of the Company.

CHANGES TO INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

On 28 April 2016, Dr. Tin Yau Kelvin Wong resigned as independent non-executive director of AAG Energy Holdings Limited (亞美能源控股有限公司). The securities of the aforementioned company are listed on the main board of Stock Exchange.

Aside from disclosed above, as far as is known to the Company, during the six months ended 30 June 2016, there were no changes to information that were required to be disclosed by the Directors, Supervisors and Chief Executive pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

HUMAN RESOURCES

The Company provides management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We sign individual employment contracts with our employees, covering, among other items, salaries, benefits, training, workplace health and safety, confidentiality obligations relating to trade secrets, and grounds for termination. Remuneration packages offered to our employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration the Group's performance and performance of individual employees. The Company provides pension to its employees as a certain percentage of their applicable salary in accordance with relevant laws and regulations of the PRC and abroad, as well as other benefits such as medical insurance and rent discounts.

As at 30 June 2016, the Group had a total of 6,712 employees.

INVESTOR RELATIONS

The Company is committed to protecting the interests of its investors. The Company adheres to strict disclosure principles and strives to ensure that the information disclosed in its announcements, circulars and periodic reports are true, accurate and complete, and disclosures are made in a timely manner. In addition, the Company encourages regular communication and interaction with its investors and potential investors in order to allow them to better understand the wind power industry, the Company, and its long-term development strategies. The Company had established the Investor Relations division within its Office of Secretary of the Board which is responsible for organizing investor visits and conferences, responding to queries from the Investor Relations Hotline, attending to the Investor Relations email inbox and SZSE's investor interactive platform, analyzing information contained in the Company's disclosure documents and assisting investors with related queries, and updating the "Investor Relations" section on the Company's website in a timely manner.

During the six months ended 30 June 2016, the Company strictly complied with its disclosure obligations, improved its communications with investors, and strived to provide investors with a fair and transparent investment environment. During the same period, the Company's Investor Relations division organized 1 results announcement road show, 2 results announcement telephone conferences, and 1 online Q&A investor interactive session, accommodated a total of 193 investors in such events. In addition, the Company organized 20 investor receptions, attended 8 analyst conferences during the Reporting Period, hosted a total of 312 investors in such events.

Report on Review of Interim Condensed Consolidated Financial Statements



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To the shareholders of Xinjiang Goldwind Science & Technology Co., Ltd.

(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position of Xinjiang Goldwind Science & Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended and 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 condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standard Board. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
26 August 2016

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE	4	10,839,588	9,375,658
Cost of sales		(7,518,746)	(6,670,749)
Gross profit		3,320,842	2,704,909
Other income and gains	4	384,881	393,278
Selling and distribution expenses		(831,835)	(754,856)
Administrative expenses		(787,262)	(586,850)
Other expenses		(160,477)	(120,961)
Finance costs	6	(305,382)	(297,704)
Share of profits and losses of:			
Joint ventures		58,071	48,004
Associates		27,076	34,709
PROFIT BEFORE TAX	5	1,705,914	1,420,529
Income tax expense	7	(199,387)	(156,370)
PROFIT FOR THE PERIOD		1,506,527	1,264,159
Attributable to:			
Owners of the parent		1,450,116	1,245,461
Non-controlling interests		56,411	18,698
		1,506,527	1,264,159

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax:</i>			
Exchange differences on translation of foreign operations		123,397	(96,150)
Net loss on available-for-sale financial assets		(27,109)	(23,254)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax		96,288	(119,404)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		96,288	(119,404)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		1,602,815	1,144,755
Attributable to:			
Owners of the parent		1,546,404	1,126,057
Non-controlling interests		56,411	18,698
		1,602,815	1,144,755
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)	9	0.53	0.46

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	18,543,014	17,015,112
Investment properties		72,248	73,697
Prepaid land lease payments		234,629	201,881
Goodwill		269,840	316,259
Other intangible assets		662,634	534,673
Investments in joint ventures		512,835	487,921
Investments in associates		592,546	559,279
Available-for-sale investments	11	1,373,658	901,121
Deferred tax assets	12	1,408,015	1,338,436
Trade receivables	13	1,628,829	1,762,112
Financial receivables	14	2,284,040	1,867,047
Prepayments, deposits and other receivables	15	1,773,899	1,938,558
Derivative financial instruments	16	3,351	4,121
Pledged deposits	18	276,924	285,542
Total non-current assets		29,636,462	27,285,759
CURRENT ASSETS			
Inventories	17	3,924,479	3,037,200
Trade and bills receivables	13	17,728,332	14,526,382
Financial receivables	14	240,134	145,126
Prepayments, deposits and other receivables	15	1,943,192	1,271,563
Pledged deposits	18	364,291	158,993
Cash and cash equivalents	18	5,587,087	6,147,378
		29,787,515	25,286,642
Assets of a disposal group classified as held for sale		30,000	–
Total current assets		29,817,515	25,286,642
CURRENT LIABILITIES			
Trade and bills payables	19	13,945,758	14,274,618
Other payables, advances from customers and accruals	20	5,404,944	3,220,532
Interest-bearing bank loans and other borrowings	21	1,950,272	1,734,103
Tax payable		228,686	439,427
Provision		1,307,416	1,290,212
Total current liabilities		22,837,076	20,958,892
NET CURRENT ASSETS		6,980,439	4,327,750
TOTAL ASSETS LESS CURRENT LIABILITIES		36,616,901	31,613,509

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		36,616,901	31,613,509
NON-CURRENT LIABILITIES			
Trade payables	19	801,878	815,887
Other payables	20	125,503	97,493
Interest-bearing bank loans and other borrowings	21	14,381,799	10,760,624
Deferred tax liabilities	12	73,410	58,089
Provision		2,278,248	2,202,699
Government grants		259,170	270,101
Deferred revenue		21,792	18,012
Total non-current liabilities		17,941,800	14,222,905
Net assets		18,675,101	17,390,604
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,735,541	2,735,541
Reserves		15,254,531	14,025,905
Non-controlling interests		17,990,072	16,761,446
		685,029	629,158
Total equity		18,675,101	17,390,604

Wu Gang
Director

Wang Haibo
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the parent										
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Available-for-sale investment revaluation reserve	Other equity instrument	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
As at 1 January 2016	2,735,541	8,215,117	-	816,177	119,314	-	(342,032)	5,217,329	16,761,446	629,158	17,390,604
Profit for the period	-	-	-	-	-	-	-	1,450,116	1,450,116	56,411	1,506,527
Other comprehensive income/(loss) for the period:											
Changes in fair value of available-for-sale investment, net of tax	-	-	-	-	(27,109)	-	-	-	(27,109)	-	(27,109)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	123,397	-	123,397	-	123,397
Total comprehensive income/(loss) for the period	-	-	-	-	(27,109)	-	123,397	1,450,116	1,546,404	56,411	1,602,815
Capital contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	-	5,126	5,126
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	7,709	7,709
Disposal to non-controlling shareholders	-	(1,265)	-	-	-	-	-	-	(1,265)	368	(897)
Final 2015 dividend Declared	-	-	-	-	-	-	-	(1,313,060)	(1,313,060)	-	(1,313,060)
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(13,743)	(13,743)
Transfer to special reserve	-	-	21,221	-	-	-	-	(21,221)	-	-	-
Special reserve utilised	-	-	(21,221)	-	-	-	-	21,221	-	-	-
Issuance of perpetual medium-term notes, net of issuance cost (note 22)	-	-	-	-	-	996,547	-	-	996,547	-	996,547
At 30 June 2016	2,735,541	*8,213,852	*-	*816,177	*92,205	*996,547	* (218,635)	*5,354,385	17,990,072	685,029	18,675,101
As at 1 January 2015	2,694,588	7,962,425	-	652,350	189,143	-	(340,211)	3,609,494	14,767,789	459,220	15,227,009
Profit for the period	-	-	-	-	-	-	-	1,245,461	1,245,461	18,698	1,264,159
Other comprehensive loss for the period:											
Changes in fair value of available-for-sale investment, net of tax	-	-	-	-	(23,254)	-	-	-	(23,254)	-	(23,254)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(96,150)	-	(96,150)	-	(96,150)
Total comprehensive income/(loss) for the period	-	-	-	-	(23,254)	-	(96,150)	1,245,461	1,126,057	18,698	1,144,755
Capital contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	-	59,900	59,900
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	21,293	21,293
Disposal to non-controlling interests	-	-	-	-	-	-	-	-	-	4,080	4,080
Final 2014 dividend declared	-	-	-	-	-	-	-	(1,077,835)	(1,077,835)	-	(1,077,835)
Dividend declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(8,293)	(8,293)
Transfer to special reserve	-	-	17,172	-	-	-	-	-	17,172	-	17,172
Special reserve utilised	-	-	(8,705)	-	-	-	-	-	(8,705)	-	(8,705)
At 30 June 2015	2,694,588	*7,962,425	*8,467	*652,350	*165,889	*-	* (436,361)	*3,777,120	14,824,478	554,898	15,379,376

* As at 30 June 2016, these reserve accounts comprised the consolidated reserves of RMB15,254,531,000 (unaudited) (30 June 2015: RMB12,129,890,000 (unaudited)) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

For the six months ended 30 June

		2016	2015
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,705,914	1,420,529
Adjustments for:			
Finance costs	6	305,382	297,704
Bank interest income	4	(26,228)	(71,273)
Share of profits and losses of joint ventures		(58,071)	(48,004)
Share of profits and losses of associates		(27,076)	(34,709)
Depreciation	5	383,459	234,762
Amortisation of prepaid land lease payments	5	3,217	2,069
Amortisation of other intangible assets	5	32,633	26,497
Gains on disposal of items of property, plant and equipment	5	(692)	(35)
Losses on disposal of items of property, plant and equipment	5	2,285	2,806
Gain on disposal of subsidiaries	4	(51,527)	–
Gain on disposal of available-for-sale investments	4	(98,680)	(42,335)
Dividend income from available-for-sale investments	4	(52,075)	(13,013)
Loss on disposal of investment in an associate	5	4,701	–
Interests from other investments		–	(7,656)
Fair value losses/(gains), net:			
Derivative financial instruments	5	845	(539)
Equity investment at fair value through profit or loss	5	–	(112,279)
Impairment of trade and other receivables	5	93,619	89,313
Impairment of an investment in a joint venture	5	–	5,947
(Reversal of write-down)/write-down of inventories to net realisable value	5	(2,827)	8,820
Government grants		(4,060)	(19,108)
		2,210,819	1,739,496
Increase in inventories		(873,846)	(1,302,293)
Increase in trade and bills receivables		(3,235,253)	(2,791,717)
Increase in prepayments, deposits and other receivables		(425,228)	(128,649)
Increase in financial receivables		(422,158)	(282,324)
Increase in trade and bills payables		461,906	2,464,242
Increase in other payables, advances from customers and accruals		554,662	489,274
Increase in provision		92,753	195,556
Increase/(decrease) in government grants		(3,090)	6,130
Cash generated from/(used in) operations		(1,639,435)	389,715
Interest received		23,515	71,273
Income tax paid		(485,303)	(252,532)
Net cash flows from/(used in) operating activities		(2,101,223)	208,456

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(2,423,329)	(2,519,623)
Additions to other intangible assets		(117,453)	(227,351)
Additions to prepaid land lease payments		(5,516)	(15,839)
Acquisition of a subsidiary, net of cash acquired	23	(55,896)	(9,969)
Purchases of interests in joint ventures		–	(7,354)
Purchases of interests in associates		(12,500)	(3,920)
Purchases of available-for-sale investments		(659,350)	(51,500)
Purchase of other long-term assets		–	(72,412)
Proceeds of disposal of available-for-sale investments		234,722	54,429
Proceeds of disposal of interests in associates		38,475	–
Proceeds of disposal of items of property, plant and equipment		28,774	1,567
Disposal of subsidiaries, net of cash disposed of	24	(240)	17,098
Cash from disposal of subsidiaries in previous periods		–	34,929
Cash and cash equivalents included in assets held for sale		–	(3,603)
Increase in pledged deposits		(158,717)	(24,717)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		–	(100,000)
Interest received		2,375	–
Dividends received from available-for-sale investment		50,389	–
Dividends received from joint ventures and associates		43,877	85,298
Cash from other investments		30,740	32,899
Net cash flows used in investing activities		(3,003,649)	(2,810,068)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		4,025,154	3,938,706
Proceeds from issuance of perpetual medium-term notes		996,547	–
Repayment of bank loans and other borrowings		(297,630)	(4,391,589)
Increase in payables to the non-controlling shareholders of subsidiaries		6,198	–
Interest paid		(320,834)	(499,795)
Capital contributions from non-controlling shareholders		5,126	59,900
Dividends paid to shareholders		–	(1,064,877)
Dividends paid to non-controlling shareholders		(6,600)	(8,293)
Disposal of interests in subsidiaries to non-controlling shareholders		–	5,807
Increase in pledged deposits		–	(7,007)
Net cash flows from/(used in) financing activities		4,407,961	(1,967,148)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		(696,911)	(4,568,760)
Effect of foreign exchange rate changes, net		6,141,430	9,523,826
		11,777	(10,048)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	5,456,296	4,945,018

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

1. CORPORATE AND GROUP INFORMATION

Xinjiang Goldwind Science & Technology Co., Ltd. (the “Company”) is a joint stock company with limited liability registered in the People’s Republic of China (the “PRC”), which was established on 26 March 2001. The Company’s shares have been listed on The Shenzhen Stock Exchange from 26 December 2007 and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) from 8 October 2010. The registered office of the Company is located at 107 Shanghai Road, Economic & Technology Development District, Urumqi, Xinjiang, the PRC.

The Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- Manufacture and sale of wind turbine generators and wind power components;
- Provision of wind power related consultancy, wind farm construction and maintenance services;
- Development and operation of wind farms, consisting of wind power generation service provided by the Group’s wind farms as well as the sale of wind farms, if appropriate; and
- Development and operation of water treatment plants and finance lease services.

In the opinion of the directors, the Company has no controlling shareholder.

2. BASIS OF PREPARATION AND CHANGES IN THE ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (“IASs”) 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (“Listing Rules”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand, except when otherwise indicated.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN THE ACCOUNTING POLICIES (continued)

2.2 New standard and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN THE ACCOUNTING POLICIES (continued)

2.2 New standard and amendments adopted by the Group (continued)

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not have any bearer plants.

Amendments to IAS 27 *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRSs electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group is assessing the impact on the Group's separate financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN THE ACCOUNTING POLICIES (continued)

2.2 New standard and amendments adopted by the Group (continued)

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendments clarify that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendments must be applied prospectively.

IFRS 7 *Financial Instruments: Disclosures*

(i) Servicing contracts

The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendments clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendments must be applied retrospectively.

IAS 19 *Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN THE ACCOUNTING POLICIES (continued)

2.2 New standard and amendments adopted by the Group (continued)

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1
- that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- that entities have flexibility as to the order in which they present the notes to financial statements
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN THE ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the interim condensed consolidated financial statements.

IFRS 9	<i>Financial Instruments</i> ²
Amendments to IAS 7	<i>Disclosure Initiative</i> ¹
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
IFRS 16	<i>Leases</i> ³
Amendments to IFRS 2	<i>Share-based Payment</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IFRS 15	<i>Revenue from Contracts with Customers</i> ²

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the wind turbine generator manufacturing and sale segment engages in the research and development, manufacture and sale of wind turbine generators and wind power components;
- (b) the wind power services segment provides wind power related consultancy, wind farm construction and maintenance services;
- (c) the wind farm development segment engages in the development of wind farms, which consists of wind power generation service provided by the Group's wind farms as well as the sale of wind farms, if appropriate; and
- (d) the others segment mainly engages in the operation of water treatment plants under the service concession arrangement and finance leasing services, which comprises direct finance leasing and sale-lease back.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

Management monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue and profit information about the Group's operating segments for the six months ended 30 June 2016 and 2015:

For the six months ended 30 June 2016

	Wind turbine generator manufacturing and sale (Unaudited) RMB'000	Wind power services (Unaudited) RMB'000	Wind farm development (Unaudited) RMB'000	Others (Unaudited) RMB'000	Eliminations (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:						
Sales to external customers	9,134,944	445,494	1,138,642	120,508	-	10,839,588
Intersegment sales	1,112,687	140,979	-	2,984	(1,256,650)	-
Total revenue	10,247,631	586,473	1,138,642	123,492	(1,256,650)	10,839,588
Segment results:						
Interest income	1,155,377	16,288	694,099	268,946	(149,642)	1,985,068
Finance costs	150,694	83	69,851	6,571	(200,971)	26,228
Finance costs	(108,000)	-	(327,180)	(3,536)	133,334	(305,382)
Profit before tax	1,198,071	16,371	436,770	271,981	(217,279)	1,705,914
Other segment information:						
Share of profits and losses of:						
Joint ventures	-	-	58,071	-	-	58,071
Associates	2,523	(1,141)	5,695	19,999	-	27,076
Depreciation and amortisation	89,447	3,756	355,940	5,403	(35,237)	419,309
Reversal of write-down of inventories to net realisable value	(2,827)	-	-	-	-	(2,827)
Impairment of trade and other receivables	96,831	6,185	5,475	208	-	108,699
Reversal of impairment of trade and other receivables	(14,911)	-	-	(169)	-	(15,080)
Product warranty provision	473,820	-	-	-	(52,015)	421,805
Capital expenditure ⁽¹⁾	150,797	5,765	2,283,154	145,629	(266,741)	2,318,604

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2015

	Wind turbine generator manufacturing and sale (Unaudited) RMB'000	Wind power services (Unaudited) RMB'000	Wind farm development (Unaudited) RMB'000	Others (Unaudited) RMB'000	Eliminations (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:						
Sales to external customers	8,008,317	451,991	833,676	81,674	–	9,375,658
Intersegment sales	2,201,622	92,379	–	3,153	(2,297,154)	–
Total revenue	10,209,939	544,370	833,676	84,827	(2,297,154)	9,375,658
Segment results:						
Interest income	1,270,914	10,067	502,917	209,350	(346,288)	1,646,960
Interest income	101,126	109	3,433	3,044	(36,439)	71,273
Finance costs	(71,264)	(2)	(227,129)	(2,462)	3,153	(297,704)
Profit before tax	1,300,776	10,174	279,221	209,932	(379,574)	1,420,529
Other segment information:						
Share of profits and losses of:						
Joint ventures	–	–	48,004	–	–	48,004
Associates	1,829	(123)	4,506	28,497	–	34,709
Depreciation and amortisation	68,761	3,592	214,149	2,355	(25,529)	263,328
Write-down of inventories to						
net realisable value	8,820	–	–	–	–	8,820
Impairment of trade and other receivables	130,049	3,436	7,223	–	–	140,708
Reversal of impairment of trade and						
other receivables	(51,395)	–	–	–	–	(51,395)
Impairment of an investment in a joint venture	5,947	–	–	–	–	5,947
Product warranty provision	419,592	–	–	–	(33,351)	386,241
Capital expenditure ⁽¹⁾	91,221	3,342	3,110,429	244,054	(568,551)	2,880,495

⁽¹⁾ Capital expenditure mainly consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

The following table presents segment assets and liabilities of the Group's operating segments as at 30 June 2016 and 31 December 2015:

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment assets						
30 June 2016 (Unaudited)	46,414,243	2,291,616	35,176,914	5,152,615	(29,581,411)	59,453,977
31 December 2015 (Audited)	43,801,389	1,982,112	27,031,906	4,733,798	(24,976,804)	52,572,401
Segment liabilities						
30 June 2016 (Unaudited)	28,121,362	1,049,565	25,655,925	2,325,529	(16,373,505)	40,778,876
31 December 2015 (Audited)	26,417,915	755,775	19,276,557	2,159,882	(13,428,332)	35,181,797
Investments in joint ventures						
30 June 2016 (Unaudited)	860	-	581,451	36,750	(106,226)	512,835
31 December 2015 (Audited)	827	-	513,706	36,750	(63,362)	487,921
Investments in associates						
30 June 2016 (Unaudited)	79,030	13,444	278,462	222,960	(1,350)	592,546
31 December 2015 (Audited)	76,507	14,584	211,318	258,697	(1,827)	559,279

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Mainland China	10,186,494	8,232,590
Overseas	653,094	1,143,068
	10,839,588	9,375,658

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
	Mainland China	20,693,518
United States of America	314,286	311,777
Germany	463,352	443,182
Panama	727,768	731,629
Australia and Others	331,101	104,980
	22,530,025	20,995,760

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

For the six months ended 30 June 2016, revenues of RMB1,391,612,000 and RMB1,308,146,000 were derived from sales by the wind turbine generator manufacturing and sale segment to two customers, which individually accounted for over 10% of the Group's total revenue, including sales to a group of entities which are known to be under common control with those customers (for the six months ended 30 June 2015: no revenue generated from any of the Group's customers individually accounted for 10% or more of the Group's total revenue).

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

4. REVENUE, OTHER INCOME AND GAINS

Revenue comprises the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; and the values of services rendered; and gross rental income received and receivable from investment properties during the six months ended 30 June 2016 and 2015.

An analysis of the Group's revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wind turbine generators and wind power components	9,134,944	8,008,317
Wind power services	445,494	451,991
Wind farm development	1,138,642	833,676
Others	120,508	81,674
	10,839,588	9,375,658
Other income and gains		
Bank interest income	26,228	71,273
Dividend income from available-for-sale investments	52,075	13,013
Gross rental income	3,767	12,388
Government grants	18,463	37,119
Value-added tax refund	29,022	31,503
Insurance compensation on product warranty expenditures	80,764	35,476
Gain on disposal of subsidiaries	51,527	–
Gain on disposal of available-for-sale investments	98,680	42,335
Gain on disposal of items of property, plant and equipment	692	35
Gain on bargain purchase	344	683
Fair value gains, net:		
Derivative instruments – transactions not qualifying as hedges	–	539
Equity investment at fair value through profit or loss	–	112,279
Interest income from other receivable investment	–	7,656
Others	23,319	28,979
	384,881	393,278

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of inventories sold		6,747,268	5,977,124
Cost of services provided		357,319	286,311
Cost of wind power generation		402,901	402,201
Cost of others		11,258	5,113
		7,518,746	6,670,749
Depreciation provided for:			
Property, plant and equipment	10	382,011	233,314
Investment properties		1,448	1,448
		383,459	234,762
Amortisation of prepaid land lease payments		3,217	2,069
Amortisation of other intangible assets		32,633	26,497
		35,850	28,566
Impairment of trade receivables	13	108,699	128,246
Reversal of impairment of trade receivables	13	(7,044)	(51,395)
Impairment of other receivables	15	–	12,462
Reversal of impairment of other receivables	15	(8,036)	–
		93,619	89,313
Impairment of an investment in a joint venture (Reversal of write-down)/write-down of inventories to net realisable value		– (2,827)	5,947 8,820
Gain on disposal of items of property, plant and equipment		(692)	(35)
Loss on disposal of items of property, plant and equipment		2,285	2,806
		1,593	2,771
Lease expenses under operating leases of land and buildings		11,199	6,059
Auditors' remuneration		1,651	1,651
Employee benefit expenses (including directors', supervisors' and the chief executive's remuneration):			
Wages and salaries		631,161	444,043
Pension scheme contributions (defined contribution scheme)		59,377	41,576
Welfare and other expenses		101,708	78,298
		792,246	563,917

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

5. PROFIT BEFORE TAX (continued)

	Note	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Research and development costs:			
Staff costs		151,626	117,463
Depreciation and amortisation		27,591	20,112
Expenditure on materials and others		110,285	80,276
		289,502	217,851
Government grants		(18,463)	(37,119)
Product warranty provision:			
Additional provision		441,686	403,254
Reversals of unutilised provision		(19,881)	(17,013)
		421,805	386,241
Insurance compensation on product warranty expenditures		(80,764)	(35,476)
Foreign exchange differences, net		28,463	13,637
Fair value losses/(gains), net:			
Derivative instruments – transactions not qualifying as hedges		845	(539)
Equity investment at fair value through profit or loss		–	(112,279)
Bank interest income		(26,228)	(71,273)
Gain on disposal of subsidiaries		(51,527)	–
Gain on disposal of available-for-sale investments		(98,680)	(42,335)
Gain on bargain purchase	23	(344)	(683)
Loss on disposal of investment in an associate		4,701	–

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

6. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	318,392	336,764
Interest capitalised	(13,010)	(39,060)
	305,382	297,704

7. INCOME TAX EXPENSE

The Company has been identified as a “high and new technology enterprise” and is to be entitled to preferential income tax at a rate of 15% for the three years ended 31 December 2017 in accordance with the PRC Corporate Income Tax Law.

The Company's certain subsidiaries in Mainland China were exempted from income tax or taxed at a preferential rate of 15% primarily due to their status as “high and new technology enterprises” or their involvement in important public infrastructure investment projects that were supported by the government or development projects in the western region of the PRC.

Except for certain preferential treatment available to certain subsidiaries of the Company and the Company as mentioned above, the entities within the Group in Mainland China have been subject to corporate income tax at a rate of 25%.

Profits tax for Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

7. INCOME TAX EXPENSE (continued)

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current income tax		
– Hong Kong	14,176	40,603
– Mainland China	247,313	204,256
– Elsewhere	9,798	6,035
	271,287	250,894
Deferred income tax (note 12)	(71,900)	(94,524)
Tax charge for the period	199,387	156,370

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate applicable to the Company to the income tax expense at the Group's effective income tax rate is as follows:

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Profit before tax	1,705,914	1,420,529
Income tax charge at the statutory income tax rate of 25%	426,479	355,132
Effect of the different income tax rates for overseas entities	(6,031)	(5,362)
Effect of the preferential income tax rates for domestic entities	(183,709)	(163,592)
Tax losses not recognised	(2,539)	(5,517)
Income not subject to tax	(13,019)	(5,166)
Expenses not deductible for tax	1,215	1,204
Tax effect of share of profits and losses of joint ventures	(14,518)	(12,001)
Tax effect of share of profits and losses of associates	(6,769)	(8,677)
Others	(1,722)	349
Tax charge for the period at the effective rate	199,387	156,370

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

8. DIVIDENDS

The proposed final dividend of RMB0.48 per share, which amounted to RMB1,313,060,000, for the year ended 31 December 2015 was approved by the Company's shareholders on 28 June 2016.

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the period is based on the profit for the six months ended 30 June 2016 attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,735,541,000 (six months ended 30 June 2015: 2,694,588,000) in issue during the period.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>1,450,116</u>	1,245,461
	Number of shares	
	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>2,735,541,000</u>	2,694,588,000

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2016 and 2015.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

10. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2016					
	Buildings (Unaudited) RMB'000	Machinery (Unaudited) RMB'000	Vehicles (Unaudited) RMB'000	Electronic equipment and others (Unaudited) RMB'000	Construction in progress (Unaudited) RMB'000	Total (Unaudited) RMB'000
Cost:						
At 1 January 2016	839,452	9,509,701	92,019	361,222	7,502,255	18,304,649
Additions	13,880	21,307	5,547	32,970	2,019,961	2,093,665
Disposals	-	(5,724)	(3,631)	(4,768)	-	(14,123)
Disposal of subsidiaries (note 24)	-	(80)	(293)	-	(164,186)	(164,559)
Transfers	4,061	6,554,431	-	7,841	(6,566,333)	-
Transfer to prepaid land lease payments	-	-	-	-	(38,018)	(38,018)
Exchange realignment	2,780	25,536	479	1,966	1,157	31,918
At 30 June 2016	860,173	16,105,171	94,121	399,231	2,754,836	20,213,532
Accumulated depreciation and impairment:						
At 1 January 2016	(119,064)	(939,192)	(34,243)	(170,453)	(26,585)	(1,289,537)
Depreciation charge for the period (note 5)	(12,430)	(331,296)	(5,396)	(32,889)	-	(382,011)
Disposals	-	4,625	1,057	2,137	-	7,819
Disposal of subsidiaries (note 24)	-	9	45	-	-	54
Exchange realignment	(527)	(5,108)	(239)	(969)	-	(6,843)
At 30 June 2016	(132,021)	(1,270,962)	(38,776)	(202,174)	(26,585)	(1,670,518)
Net carrying amount:						
At 30 June 2016	728,152	14,834,209	55,345	197,057	2,728,251	18,543,014
At 1 January 2016	720,388	8,570,509	57,776	190,769	7,475,670	17,015,112

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Year ended 31 December 2015					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2015	841,890	7,772,248	74,327	269,181	2,316,858	11,274,504
Additions	1,128	11,094	20,605	90,419	6,882,272	7,005,518
Disposals	-	(55,835)	(3,034)	(12,469)	(161)	(71,499)
Acquisition of subsidiaries	-	416	676	576	63,533	65,201
Disposal of subsidiaries	-	-	(235)	(4)	(17,380)	(17,619)
Transfers	-	1,730,255	-	14,765	(1,745,020)	-
Exchange realignment	(3,566)	51,523	(320)	(1,246)	2,153	48,544
At 31 December 2015	839,452	9,509,701	92,019	361,222	7,502,255	18,304,649
Accumulated depreciation and impairment:						
At 1 January 2015	(96,602)	(535,971)	(25,498)	(134,655)	-	(792,726)
Depreciation charge for the year	(22,992)	(405,914)	(9,988)	(41,798)	-	(480,692)
Provision for impairment	-	-	-	-	(26,585)	(26,585)
Disposals	-	7,531	1,460	5,441	-	14,432
Acquisition of subsidiaries	-	(44)	(356)	(249)	-	(649)
Disposal of subsidiaries	-	-	7	-	-	7
Exchange realignment	530	(4,794)	132	808	-	(3,324)
At 31 December 2015	(119,064)	(939,192)	(34,243)	(170,453)	(26,585)	(1,289,537)
Net carrying amount:						
At 31 December 2015	720,388	8,570,509	57,776	190,769	7,475,670	17,015,112
At 1 January 2015	745,288	7,236,277	48,829	134,526	2,316,858	10,481,778

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

11. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Listed equity investment, at fair value	501,792	322,825
Unlisted equity investments, at cost	871,866	578,296
	1,373,658	901,121

12. DEFERRED TAX

The movements in deferred tax assets and liabilities during the period are as follows:

For the six months ended 30 June 2016

Deferred tax assets

	Provision for impairment of assets (Unaudited) RMB'000	Tax losses (Unaudited) RMB'000	Provisions and accruals (Unaudited) RMB'000	Government grants received not yet recognised as income (Unaudited) RMB'000	Unrealised gains arising from intra-group sales (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
At 1 January 2016	140,502	48,064	611,688	8,660	495,558	33,964	1,338,436
Deferred tax credited/(charged) to profit or loss during the period (note 7)	11,730	17,586	10,225	439	38,903	(9,281)	69,602
Deferred tax from disposal of subsidiaries (note 24)	-	(23)	-	-	-	-	(23)
Deferred tax assets at 30 June 2016	152,232	65,627	621,913	9,099	534,461	24,683	1,408,015

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

12. DEFERRED TAX (continued)

Deferred tax liabilities

	Excess of fair values of identifiable assets and liabilities over carrying values arising from acquisition of subsidiaries (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
At 1 January 2016	38,341	19,748	58,089
Deferred tax (credited)/charged to profit or loss during the period (note 7)	(6,307)	4,009	(2,298)
Deferred tax generated from acquisition of subsidiaries (note 23)	9,819	7,291	17,110
Exchange differences	509	–	509
Deferred tax liabilities at 30 June 2016	42,362	31,048	73,410

For the year ended 31 December 2015

Deferred tax assets

	Provision for impairment of assets RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Unrealised gains arising from intra-group sales RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	108,249	30,588	423,731	5,293	265,752	17,220	850,833
Deferred tax credited to profit or loss	32,253	17,476	187,957	3,367	229,806	16,744	487,603
At 31 December 2015	140,502	48,064	611,688	8,660	495,558	33,964	1,338,436

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

12. DEFERRED TAX (continued)

Deferred tax liabilities

	Excess of fair values of identifiable assets and liabilities over carrying values arising from acquisition of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	21,122	5,775	26,897
Deferred tax charged/(credited) to profit or loss	(4,445)	13,973	9,528
Deferred tax generated from acquisition of subsidiaries	22,757	–	22,757
Exchange realignment	(1,093)	–	(1,093)
At 31 December 2015	38,341	19,748	58,089

13. TRADE AND BILLS RECEIVABLES

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Trade receivables	15,406,982	12,616,284
Bills receivable	1,242,594	992,349
Retention money receivables	3,402,893	3,285,247
Provision for impairment	(695,308)	(605,386)
	19,357,161	16,288,494
Portion classified as non-current assets (i)	(1,628,829)	(1,762,112)
Current portion	17,728,332	14,526,382

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

13. TRADE AND BILLS RECEIVABLES (continued)

The Group normally allows a credit period of not more than three months to its customers. For retention money receivables, the due dates usually range from three to five years after the completion of commissioning for wind turbines. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade and bills receivables are non-interest-bearing.

- (i) The non-current portion of trade receivables mainly represents the amount of receivables for retentions held by customers at 30 June 2016 and 31 December 2015.

An aged analysis of the trade and bills receivables, based on the invoice date and net of provisions, is as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Within 3 months	5,465,571	6,533,005
3 to 6 months	2,863,827	2,484,547
6 months to 1 year	5,068,658	2,044,802
1 to 2 years	3,801,484	3,211,365
2 to 3 years	1,191,591	932,819
Over 3 years	966,030	1,081,956
	19,357,161	16,288,494

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

13. TRADE AND BILLS RECEIVABLES (continued)

The movements in the provision for impairment of trade receivables are as follows:

	For the six months ended 30 June 2016 (Unaudited) RMB'000	For the year ended 31 December 2015 (Audited) RMB'000
At beginning of the period/year	605,386	463,984
Impairment losses recognised (note 5)	108,699	271,208
Impairment losses reversed (note 5)	(7,044)	(121,391)
Amounts written off as uncollectible	(12,095)	(6,325)
Exchange realignment	362	(2,090)
	695,308	605,386

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB229,635,000 (31 December 2015: RMB154,147,000) with a carrying amount before provision of RMB282,445,000 (31 December 2015: RMB320,957,000).

The individually impaired trade receivables relate to customers that were default in principal payments and only a portion of the receivables is expected to be recovered.

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Neither past due nor impaired	10,197,606	9,326,167
Less than 6 months past due	4,407,337	3,867,003
	14,604,943	13,193,170

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

13. TRADE AND BILLS RECEIVABLES (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The amounts due from Xinjiang Wind Power Company Limited ("Xinjiang Wind Power") (新疆風能有限責任公司), a shareholder holds a 13.74% interest in the Company, joint ventures and associates included in the trade and bills receivables are as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
A shareholder holding a 13.74% interest in the Company	9,371	1,712
Joint ventures	17,957	23,280
Associates	44,188	49,168
	71,516	74,160

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to independent customers of the Group.

14. FINANCIAL RECEIVABLES

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Receivables for service concession agreements	501,288	393,087
Receivables for finance lease services	2,022,886	1,619,086
	2,524,174	2,012,173
Portion classified as non-current assets	(2,284,040)	(1,867,047)
Current portion	240,134	145,126

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

14. FINANCIAL RECEIVABLES (continued)

Receivables for service concession agreements arose from service concession contracts to build and operate water treatment plants and were recognised to the extent that the Group has an unconditional right to receive cash from or at the direction of the designees.

Receivables for finance lease services arose from finance lease contracts to lease equipment to clients and were recognised to the extent that the Group has the right to collect rental income from clients.

Financial receivables were unbilled receivables, and were neither past due nor impaired. Financial receivables were mainly due from governmental authorities in Mainland China or several clients which have good credit records. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Deductible input value-added tax	1,833,525	1,684,618
Deposits and other receivables	896,375	566,453
Advance to suppliers	860,023	641,540
Prepayments	140,561	338,932
Provision for impairment of deposits and other receivables	(13,393)	(21,422)
	3,717,091	3,210,121
Portion classified as non-current assets (i)	(1,773,899)	(1,938,558)
Current portion	1,943,192	1,271,563

- (i) The non-current portion of deposits and other receivables mainly represent advances to construction suppliers and long term deductible input value-added tax at 30 June 2016 and 31 December 2015.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Movements in the provision for impairment of other receivables are as follows:

	For the six months ended 30 June 2016 (Unaudited) RMB'000	For the year ended 31 December 2015 (Audited) RMB'000
At beginning of the period/year	21,422	16,191
Impairment losses recognised (note 5)	–	30,931
Impairment losses reversed (note 5)	(8,036)	–
Amounts written off as uncollectible	–	(25,691)
Exchange realignment	7	(9)
	<hr/>	<hr/>
At end of the period/year	13,393	21,422

The amounts due from the Group's joint ventures and associates included in the prepayments, deposits and other receivables are as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Joint ventures	5,837	5,837
Associates	121,949	43,584
	<hr/>	<hr/>
	127,786	49,421

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to independent third parties.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

16. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Assets:		
Interest rate swap	3,351	4,121

17. INVENTORIES

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Raw materials	1,599,396	1,365,793
Work in progress, finished and semi-finished goods	2,294,795	1,657,557
Low-value consumables and others	30,288	13,850
	3,924,479	3,037,200

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Cash and bank balances	5,539,028	3,923,586
Time deposits	689,274	2,668,327
	6,228,302	6,591,913
Less: Pledged time deposits for		
– Bank loans	(167,407)	(118,496)
– Letters of credit	(838)	(820)
– Guarantee issued	(196,046)	(39,677)
– Provision for risk	(276,924)	(285,542)
	(641,215)	(444,535)
Cash and cash equivalents in the consolidated statement of financial position	5,587,087	6,147,378
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(130,791)	(5,948)
Cash and cash equivalents in the consolidated statement of cash flows	5,456,296	6,141,430
Pledged deposits	641,215	444,535
Portion classified as non-current assets	(276,924)	(285,542)
Current portion	364,291	158,993

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Cash and cash equivalents and pledged deposits denominated in:		
– RMB	5,255,411	5,437,604
– United States dollar	486,859	597,601
– Euro	215,403	316,343
– Hong Kong dollar	64,368	65,836
– Australian dollar	203,641	172,802
– Other currencies	2,620	1,727
	6,228,302	6,591,913

19. TRADE AND BILLS PAYABLES

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Trade payables	9,687,076	10,263,687
Bills payable	5,060,560	4,826,818
	14,747,636	15,090,505
Portion classified as non-current liabilities (i)	(801,878)	(815,887)
Current portion	13,945,758	14,274,618

- (i) The non-current portion of trade payables mainly represents retention amounts held by the Group as at 30 June 2016 and 31 December 2015.

Trade and bills payables are non-interest-bearing and are normally settled in 180 days. For the retention money payables in respect of warranties granted by the suppliers, the due dates usually range from one to three years after the completion of the preliminary acceptance of goods.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

19. TRADE AND BILLS PAYABLES (continued)

An aged analysis of the trade and bills payables, based on the invoice date, as at the reporting date is as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Within 3 months	9,726,180	10,371,358
3 to 6 months	2,409,252	2,983,146
6 months to 1 year	1,279,624	471,717
1 to 2 years	632,670	709,267
2 to 3 years	318,146	206,391
Over 3 years	381,764	348,626
	14,747,636	15,090,505

The amounts due to the Group's associates included in the trade and bills payables are as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Associates	1,478,688	2,019,579

The above amounts are repayable on credit terms similar to those offered by the Group's related parties to their major customers.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

20. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Advances from customers	3,031,262	1,889,394
Accrued salaries, wages and benefits	444,012	606,536
Dividend payable	1,317,535	–
Other taxes payable	77,964	265,836
Others	659,674	556,259
	5,530,447	3,318,025
Portion classified as non-current liabilities (i)	(125,503)	(97,493)
Current portion	5,404,944	3,220,532

- (i) The non-current portion of other payables mainly represents guarantee amounts held by the Group as at 30 June 2016 and 31 December 2015.

The amounts due to the Group's joint ventures and associates included in other payables and accruals are as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Joint ventures	2,592	2,592
Associates	264,213	70
	266,805	2,662

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

21. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	As at 30 June 2016 (Unaudited)			As at 31 December 2015 (Audited)		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Short-term bank loans:						
– Unsecured	2.65-3.70	2016	1,220,000	2.65-2.90	2016	1,300,718
– Secured	4.75	2017	198,000	4.55	2016	18,756
Current portion of long-term bank loans:						
– Unsecured	Six-month LIBOR +3.5-4.90	2016-2017	16,489	Six-month LIBOR+3.5	2016	10,390
– Secured	2.29-6.00	2016-2017	515,783	2.29-6.15	2016	404,239
			1,950,272			1,734,103
Non-current						
Long-term bank loans:						
– Unsecured	Six-month LIBOR +3.5-4.90	2017-2026	191,248	Six-month LIBOR+3.5	2017-2021	6,494
– Secured	2.29-6.00	2017-2035	11,764,197	2.29-6.15	2017-2031	8,382,077
Corporate bond (i):						
– Unsecured	2.50-4.98	2018	2,426,354	2.50-4.98	2018	2,372,053
			14,381,799			10,760,624
			16,332,071			12,494,727
Interest-bearing bank loans and other borrowings denominated in:						
– RMB			13,594,311			9,705,880
– Euro			69,402			170,496
– United States dollar			2,668,358			2,618,351
			16,332,071			12,494,727

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

21. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

- (i) In May 2015, the Company received an approval from National Association of Financial Market Institutional Investors (中國銀行間交易商協會) to issue medium-term notes registration up to RMB2.3 billion. In June 2015, the Company issued the first portion of medium-term notes in an aggregate amount of RMB500 million, which is repayable in June 2018 and its applicable interest rate is 4.98% per annum. The issue price for each of the medium-term notes is RMB100.

In July 2015, Goldwind New Energy (HK) Investment Limited, a subsidiary of the Company, issued an overseas corporate bond in an aggregate principal amount of US\$300 million, which is repayable in July 2018 and its applicable interest rate is 2.50% per annum. The issue price for each of the overseas corporate bond is US\$100. Subsequent to the completion of the issue of the corporate bond, the corporate bond was listed on the Hong Kong Stock Exchange.

The maturity profile of the interest-bearing bank loans and other borrowings as at 30 June 2016 and 31 December 2015 is as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	1,950,272	1,734,103
In the second year	1,077,577	896,883
In the third to fifth years, inclusive	3,036,714	2,285,510
Above five years	7,841,154	5,206,178
	13,905,717	10,122,674
Corporate bond repayable:		
In the second year	496,690	–
In the third year	1,929,664	2,372,053
	2,426,354	2,372,053
	16,332,071	12,494,727

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

22. OTHER EQUITY INSTRUMENT

In May 2016, the Company received an approval from National Association of Financial Market Institutional Investors (中國銀行間交易商協會) to issue long-term option-embedded medium-term notes registration up to RMB3 billion, which shall be effective for two years commencing from the date of the approval. In May 2016, the Company issued the first portion of medium-term notes (the “Perpetual Medium-term Notes”) in an aggregate amount of RMB1 billion at the initial distribution rate of 5%. The proceeds from issuance of the Perpetual Medium-term Notes after the issuance costs is RMB996,547,000. The issue price for each of the Perpetual Medium-term Notes is RMB100.

Pursuant to the terms of the Perpetual Medium-term Notes, the Company has no contractual obligation to repay their principal or to pay any coupon distribution. The Perpetual Medium-term Notes are classified as equity and subsequent distribution declared will be treated as distribution to equity owners.

23. BUSINESS COMBINATIONS

In January, February and March 2016, the Group acquired 75%, 95% and 90% equity interests in Jinan Ruifeng New Energy Co., Ltd., Xianyang Golden Lotus Water Service Co., Ltd. and Fuzhou Environmental Science & Technology Co., Ltd. from independent parties, respectively, at cash considerations of RMB15,000,000, RMB47,310,000 and RMB44,375,000 respectively.

The fair values of the identifiable assets and liabilities of these companies as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition (Unaudited) RMB'000
Financial receivables		190,907
Trade and bills receivables		3,336
Other intangible assets		49,296
Prepayments, deposits and other receivables		7,631
Cash and cash equivalents		4,229
Trade and bills payables		(15,314)
Other payables and accruals		(70,248)
Interest-bearing bank loans		(52,240)
Deferred tax liabilities	12	(17,110)
Total identifiable net assets at fair value		100,487
Non-controlling interests		(7,708)
Goodwill on acquisition		14,250
Gain on bargain purchase recognised in other income and gains in profit or loss	5	(344)
Total consideration		106,685
Satisfied by cash		106,685

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

23. BUSINESS COMBINATIONS (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries above is as follows:

	(Unaudited) RMB'000
Cash consideration	(106,685)
Cash consideration payable at end of the period	46,560
Cash and cash equivalents paid	(60,125)
Cash and cash equivalents acquired	4,229
Net outflow of cash and cash equivalents included in cash flows from investing activities	(55,896)

Since the acquisition, the newly acquired subsidiaries contributed RMB4,530,000 to the Group's revenue and profit of RMB1,448,000 to the consolidated profit or loss for the six months ended 30 June 2016.

Had the acquisitions taken place at the beginning of the period, the revenue of the Group and the profit after tax of the Group for the six months ended 30 June 2016 would have been RMB10,843,902,000 and RMB1,507,461,000, respectively.

24. DISPOSAL OF SUBSIDIARIES

In February 2016, the Group disposed of its 50% equity interests in Tongzi Tiantong Wind Power Co., Ltd. ("Tongzi Tiantong") to an independent third party by capital injection of RMB4,000,000 from the independent third party. Therefore, the Group lost the control of Tongzi Tiantong due to the amendment to the articles of association of this entity and Tongzi Tiantong is being accounted for as an associate of the Group.

In May 2016, the Group disposed of its 75% equity interests in White Rock Wind Farm Pty Ltd. ("White Rock") to an independent third party by the capital injection of AUD33,944,000 (approximately RMB161,802,000) from the independent third party. Therefore, the Group lost the control of White Rock due to the amendment to the articles of association of this entity and White Rock is being accounted for as an associate of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

24. DISPOSAL OF SUBSIDIARIES (continued)

The net assets/liabilities of the subsidiaries disposed of during the six months ended 30 June 2016 were as follows:

	Notes	30 June 2016 (Unaudited) RMB'000
Property, plant and equipment	10	164,505
Prepaid land lease payments		7,573
Prepayments, deposits and other receivables		5,353
Cash and cash equivalents		166,042
Deferred tax assets	12	23
Trade and bills payables		(147,572)
Other payables and accruals		(77,636)
Net assets		118,288
Goodwill		53,394
Fair value of net assets not disposed of and remained as investments in associates		(57,407)
Gain on disposal of subsidiaries	4	51,527
Total consideration		165,802
Satisfied by cash		165,802

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	(Unaudited) RMB'000
Cash consideration	165,802
Cash and cash equivalents disposed of	(166,042)
Net outflow of cash and cash equivalents in respect of the disposals of subsidiaries	(240)

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

25. CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, contingent liabilities not provided for in the interim condensed consolidated financial statements were as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Letters of credit issued	148,659	216,725
Letters of guarantee issued	9,248,463	9,122,866
Guarantees given to a bank in connection with a bank loan granted to:		
A joint venture	–	162,000
A third party	314,913	305,094
Compensation arrangement in connection with the bank loans of the Group's customers (i)	512,334	518,860
	10,224,369	10,325,545

The directors are of the view that the fair value of the guarantees is not significant and therefore no provision for financial guarantees was made.

- (i) Pursuant to the agreement entered into between the Company with a bank (the "Bank"), a risk compensation arrangement in connection with the loans of the Group's overseas customers, i.e., the wind farm project companies, was made as follows: (1) the Company deposited with the Bank provisions in cash as a risk compensation fund at 10% of the loan borrowings provided by the Bank to the wind farm project companies. If the wind farm project companies fail to make due payments to the Bank, the Bank is entitled to deduct the amounts from the provisions made by the Company at the designated account. If the wind farm project companies subsequently repaid the amounts due, the Bank will transfer the amounts to the Company's risk compensation fund account; (2) if the wind farm project companies fail to make due payments to the Bank in two consecutive interest periods, the Company shall repay all the outstanding borrowings to the Bank on behalf of the wind farm project companies, then the Bank will transfer its receivables due from the wind farm project companies to the Company.

Up to 30 June 2016, the above risk compensation arrangements covered for bank loans of two overseas wind farm project companies totalled RMB512,334,000.

The bank loans of these overseas wind farm project companies were secured by mortgages over their property, plant and equipment and by the pledge of the electricity charge rights, and/or its shareholders' equity interests in them.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

26. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties and certain equipment under operating lease arrangements, with leases negotiated for terms ranging from one to two years. As at 30 June 2016 and 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Within one year	3,687	2,307
In the second to fifth years, inclusive	164	821
	3,851	3,128

(b) As lessee

As at 30 June 2016 and 31 December 2015, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Within one year	20,526	17,907
In the second to fifth years, inclusive	13,303	19,248
Beyond five years	446	750
	34,275	37,905

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26(b) above, the Group had the following capital commitments as at 30 June 2016 and 31 December 2015:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Contracted, but not provided for Property, plant and equipment and land use rights	2,899,592	2,049,792

28. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with related parties during the period:

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Continuing transactions		
Associates:		
Sales of wind turbine generators and spare parts	1,819	550
Purchases of spare parts	1,012,577	1,717,741
Purchases of processing services	76,326	28,979
Provision of services	44,276	2,028
	1,134,998	1,749,298
Joint ventures:		
Sales of wind turbine generators and spare parts	574	1,904
Provision of technical services	1,887	5,595
	2,461	7,499

In the opinion of the directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties.

In the opinion of the directors, the above related party transactions were conducted in the ordinary course of business.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

28. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties

The amount of total transactions with related parties for the period is included in note 28(a) to the interim condensed consolidated financial statements. The Group expects total transactions with related parties as follows:

	The second half of 2016 (Unaudited) RMB'000
Continuing transactions	
Associates:	
Purchases of spare parts	<u>2,342,279</u>

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 13, 15, 19 and 20 to these interim condensed consolidated financial statements.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Short term employee benefits	6,126	6,368
Pension scheme contributions	256	209
	<u>6,382</u>	<u>6,577</u>

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Financial assets		
Financial assets at fair value through profit or loss:		
Held-for-trading financial assets:		
Derivative financial instruments	3,351	4,121
Loans and receivables:		
Trade and bills receivables	19,357,161	16,288,494
Financial receivables	2,524,174	2,012,173
Financial assets included in prepayments, deposits and other receivables	882,982	545,031
Pledged deposits	641,215	444,535
Cash and cash equivalents	5,587,087	6,147,378
	28,992,619	25,437,611
Available-for-sale financial assets:		
Available-for-sale investments	1,373,658	901,121
	30,369,628	26,342,853
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	14,747,636	15,090,505
Financial liabilities included in other payables, advance from customers and accruals	1,977,209	556,260
Interest-bearing bank loans and other borrowing	16,332,071	12,494,727
	33,056,916	28,141,492

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Financial assets				
Pledged deposits	276,924	285,542	276,924	285,542
Available-for-sale investments	501,792	322,825	501,792	322,825
Derivative financial instruments	3,351	4,121	3,351	4,121
Trade and bills receivables, non-current portion	1,628,829	1,762,112	1,737,453	1,885,298
Financial receivables, non-current portion	2,284,040	1,867,047	2,284,040	1,867,047
Financial assets included in prepayments, deposits and other receivables, non-current portion	131,620	131,620	131,620	131,620
	4,826,556	4,373,267	4,935,180	4,496,453
Financial liabilities				
Interest-bearing bank and other borrowings	14,381,799	10,760,624	14,444,163	10,834,033
Trade and bills payables, non-current portion	801,878	815,887	820,636	894,000
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	125,503	97,493	124,678	96,230
	15,309,180	11,674,004	15,389,477	11,824,263

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, the current portion of trade and bills receivables, the current portion of financial receivables, the current portion of trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, advances from customers and accruals, the current portion of interest-bearing bank loans and other borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of pledged deposits, trade and bills receivables, financial receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, and interest-bearing bank loans and other borrowing have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank loans and other borrowing as at 30 June 2016 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair value of unlisted available-for-sale equity investments cannot be measured reliably because they do not have quoted market prices in an active market and the range of reasonable fair value estimate is so significant.

The Group enters into a derivative financial instrument with a financial institution. The derivative financial instrument is an interest rate swap. The interest rate swap is measured using valuation techniques similar to swap models, using present value calculations; the models incorporate various market observable inputs including the credit quality of counterparties and interest rate curves. The interest rate swap is the same as its fair value.

As at 30 June 2016, the marked to market value of the derivatives is net of credit/debit valuation adjustment attributable to derivative counterparty default risk.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2016

	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Fair value measurement using		Total (Unaudited) RMB'000
		Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Available-for-sale investment:				
Listed equity investment	501,792	–	–	501,792
Derivative financial instrument:				
Interest rate swap	–	3,351	–	3,351
	501,792	3,351	–	505,143

As at 31 December 2015

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total (Audited) RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investment:				
Listed equity investment	322,825	–	–	322,825
Derivative financial instrument:				
Interest rate swap contract	–	4,121	–	4,121
	322,825	4,121	–	326,946

During the six months ended 30 June 2016, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 and 31 December 2015.

Assets for which fair values are disclosed:

As at 30 June 2016

	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Fair value measurement using		Total (Unaudited) RMB'000
		Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Pledged deposits, non-current portion	–	276,924	–	276,924
Trade and bills receivables, non-current portion	–	1,737,453	–	1,737,453
Financial receivables, non-current portion	–	2,284,040	–	2,284,040
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	131,620	–	131,620
	–	4,430,037	–	4,430,037

As at 31 December 2015

	Quoted prices in active markets (Level 1) (Audited) RMB'000	Fair value measurement using		Total (Audited) RMB'000
		Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Pledged deposits, non-current portion	–	285,542	–	285,542
Trade and bills receivables, non-current portion	–	1,885,298	–	1,885,298
Financial receivables, non-current portion	–	1,867,047	–	1,867,047
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	131,620	–	131,620
	–	4,169,507	–	4,169,507

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2016

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2016

	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Fair value measurement using		Total (Unaudited) RMB'000
		Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Interest-bearing bank loans and other borrowing	–	14,444,163	–	14,444,163
Trade and bills payables, non-current portion	–	820,636	–	820,636
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	–	124,678	–	124,678
	–	15,389,477	–	15,389,477

As at 31 December 2015

	Quoted prices in active markets (Level 1) (Audited) RMB'000	Fair value measurement using		Total (Audited) RMB'000
		Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Interest-bearing bank loans and other borrowing	–	10,834,033	–	10,834,033
Trade and bills payables, non-current portion	–	894,000	–	894,000
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	–	96,230	–	96,230
	–	11,824,263	–	11,824,263

31. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there was no any significant subsequent event since 30 June 2016.

32. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2016.