龍源電力集團股份有限公司

China Longyuan Power Group Corporation Limited*

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

Stock Code: 00916

2018 INTERIM REPORT

* For Identification Purpose Only

CONTENTS

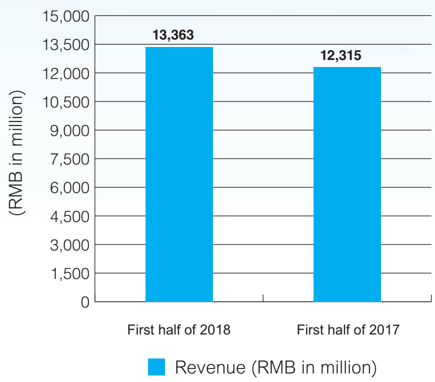
INTERIM RESULTS AND FINANCIAL DATA

The Board of China Longyuan Power Group Corporation Limited* hereby announced the unaudited operating results for the six months ended 30 June 2018 and a comparison with the operating results for the six months ended 30 June 2017 (the "corresponding period of 2017"). For the six months ended 30 June 2018, the Group recorded consolidated operating revenue of RMB13,363 million, representing an increase of 8.5% over RMB12,315 million for the corresponding period of 2017. Profit before taxation amounted to RMB4,372 million, representing an increase of 28.3% over RMB3,407 million for the corresponding period of 2017. Net profit attributable to equity holders of the Company amounted to RMB3,193 million, representing an increase of 28.0% from RMB2,495 million for the corresponding period of 2017. Earnings per share amounted to RMB0.3823, representing an increase of RMB0.0818 from RMB0.3005 for the corresponding period of 2017. As at 30 June 2018, net assets per share (excluding non-controlling interests) amounted to RMB6.01.

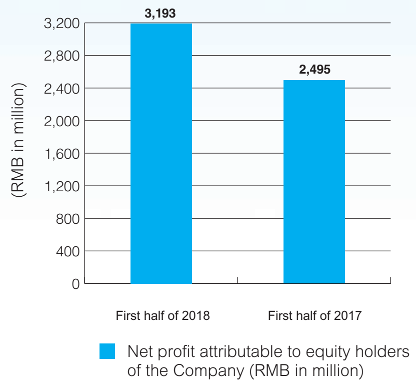
* *For identification purpose only*

INTERIM RESULTS AND FINANCIAL DATA

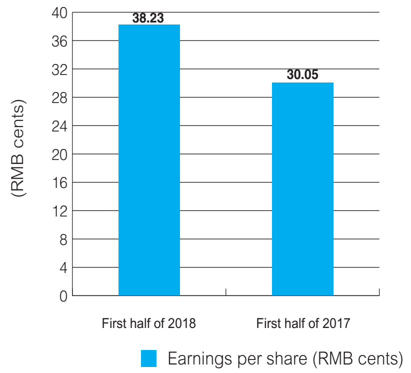
1. Revenue



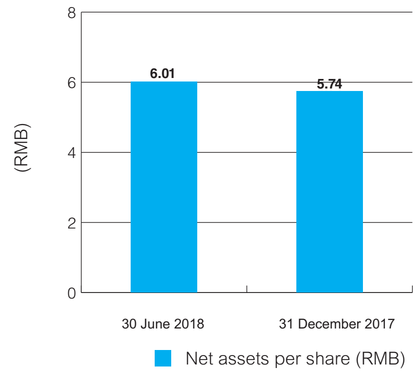
2. Net profit attributable to equity holders of the Company



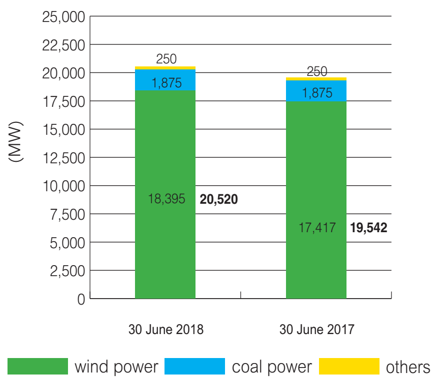
3. Earnings per share



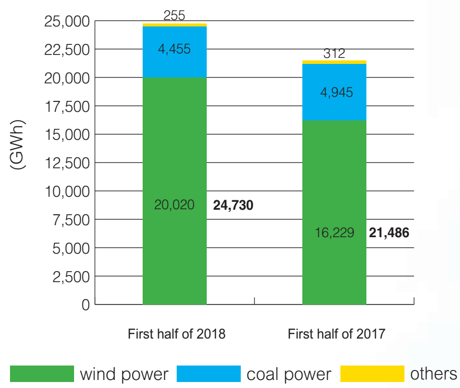
4. Net assets per share



5. Consolidated installed capacity



6. Electricity Sales



INTERIM RESULTS AND FINANCIAL DATA

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**13,362,888**	12,314,785
Profit before taxation	**4,372,194**	3,406,691
Income tax	**(769,202)**	(555,318)
Profit for the period	**3,602,992**	2,851,373
Attributable to:		
Equity holders of the Company	**3,193,499**	2,494,609
Non-controlling interests	**409,493**	356,764
Total comprehensive income for the period	**3,316,535**	2,934,670
Attributable to:		
Equity holders of the Company	**2,931,110**	2,578,077
Non-controlling interests	**385,425**	356,593
Basic and diluted earnings per share *(RMB cents)*	**38.23**	30.05

INTERIM RESULTS AND FINANCIAL DATA

	30 June 2018 RMB'000	31 December 2017 RMB'000
Total non-current assets	**127,760,195**	128,512,863
Total current assets	**18,639,716**	17,122,177
Total assets	**146,399,911**	145,635,040
Total current liabilities	**41,347,803**	47,159,418
Total non-current liabilities	**49,450,152**	45,176,340
Total liabilities	**90,797,955**	92,335,758
Net assets	**55,601,956**	53,299,282
Gearing ratio *(note)*	**0.86**	0.94
Total equity attributable to the equity holders of the Company	**48,305,832**	46,125,851
Non-controlling interests	**7,296,124**	7,173,431
Total equity	**55,601,956**	53,299,282
Net assets per share *(RMB)*	**6.01**	5.74

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

MANAGEMENT DISCUSSION AND ANALYSIS

(Unless otherwise specified, the following information disclosure was based on financial information prepared in accordance with IFRSs)

With the deep advance of the supply-side structural reform, China's economy continued its good momentum of steady growth with a year-on-year GDP growth of 6.8% in the first half of 2018. The power consumption across the country recorded a year-on-year increase of 9.4%. Both the amount of wind power curtailment and wind power curtailment rate across the country declined and endogenous divers to economic growth have been obviously strengthened. Currently, the international political and economic situation is complicated and ever-changing, domestic regulatory policies on credit and environmental protection are tightened and problems such as structural imbalance and excess capacity remain obvious. We must carefully analyze, study and judge the new conditions and changes in the situation we are facing and prepare scientific measures correspondingly.

In the first half of 2018, the accumulated growth in the power consumption across the country expanded year on year. The secondary industry witnessed higher growth in power consumption. The power consumption in the industrial sectors enjoyed a relatively faster growth while daily average power consumption in the manufacturing sector reached record highs for two consecutive months. The power consumption in the four sectors with high energy consumption achieved positive growth with the growth in the total power consumption lower than the industrial sectors. The growth in the power generation installed capacity decreased year-on-year while the new energy power generation maintained relatively high growth. The utilisation hours of power generation facilities except for hydropower increased year on year and trans-regional and trans-provincial power transmission across the country grew rapidly. The newly added power generation capacity increased year on year, of which solar power generation accounted for nearly half. According to the statistics from China Electricity Council, during the first half of the year, power consumption across the country was 3,229.1 billion kWh, representing a year-on-year increase of 9.4%, 3.1 percentage points higher than that of the same period in 2017; the electrical output of above-the-scale power plants across the country amounted to 3,194.5 billion kWh, representing a year-on-year increase of 8.3%, 2.0 percentage points higher than that of the same period in 2017; the power generation of wind farms with capacity at 6,000 kW and above amounted to 191.7 billion kWh, representing a year-on-year increase of 28.6%, 7.7 percentage points higher than that of the same period in 2017; the cumulative average utilisation hours of power generation equipment across the country reached 1,858 hours, representing a year-on-year increase of 68 hours; the average utilisation hours of grid-connected wind power equipment reached 1,143 hours, representing a year-on-year increase of 159 hours; the power generation capacity newly added through infrastructure construction across the country amounted to 52,110 MW, representing a year-on-year increase of 1,550 MW, of which wind power accounted for 7,530 MW, solar power accounted for 25,810 MW.

In July 2017, the National Energy Administration ("NEA") released the 2017-2020 Wind Power New Construction Plan, proposing that installed capacity of wind power to be increased by 110 GW by 2020. Wind power industry in China still has broad room for its development. In March 2018, the NEA issued a letter soliciting opinions on Renewable Electricity Quotas and Assessment Methods (Exposure Draft) (關於徵求可再生能源電力配額及考核辦法(徵求意見稿)的意見函), which sets out the requirements regarding the formulation and implementation of a quota system, renewable electricity certificates and supervision and assessment. The exposure draft, if passed and implemented, will further boost the consumption of renewable energy by alleviating renewable power curtailments from a policy perspective and establishing a mechanism for better consumption of renewable energy, thereby laying an institutional foundation for furthering China's energy production and consumption revolution. In April 2018, the NEA issued the Circular on Interim Administrative Measures for the Development and Construction of Distributed Wind Power Projects (分散式風電項目開發建設暫行管理辦法的通知), which will further promote the development of distributed wind power projects in China. In the same month, the NEA issued the Circular on Matters Concerning Easing Burdens of Enterprises in Renewable Energy Sector (關於減輕可再生能源領域企業負擔有關事項的通知). The circular aims to further standardize the administration of renewable energy sector, reduce the investment and operation burdens of renewable energy enterprises, lower the costs of renewable energy and support the healthy development of the real economy related to renewable energy.

In May 2018, the NEA issued the Circular on the 2018 Administrative Requirements of Wind Power Development (關於2018年度風電建設管理有關要求的通知), which explicitly requires strictly implementing plans and early warning requirements and enforcing competitive allocation of wind farms. From the issue date of the circular, for newly approved centralized onshore wind power projects located in provinces (autonomous regions and municipalities directly under the Central Government) that have not yet issued their respective wind power development plans for 2018 and offshore wind power projects whose investors are not yet to be determined, the allocation and determination of on-grid tariffs shall be conducted through a competitive tender process while the original plans shall continue to apply for provinces (autonomous regions and municipalities directly under the Central Government) that have issued their respective wind power development plans for 2018 and offshore wind power projects whose investors have been determined. From 2019 onwards, a competitive tender process should be adopted for allocation and determination on-grid tariffs of newly approved centralized onshore wind power projects in every province (autonomous region and municipality directly under the Central Government) and all offshore wind power projects. The wind power industry will see a new round of tariffs reduction and the market competition will be intensified.

I. BUSINESS REVIEW

1. Enhanced safety management, improved management standard and achieved significant increase in wind power generation

In response to the new stage, new situation and new requirements, the Group focused on supervision and inspection of production safety in the light of system construction, education and training, special inspection and safety culture, aiming at enhancing employees' safety awareness, subdividing safety responsibilities to specific employees and strengthen the implementation of corporate responsibility system to ensure a stable safety environment. In addition, the Group revised its internal rules and regulations to improve safety risk management and strengthen the awareness of responsibility and duty performance; and advanced the adoption of information technology for safety supervision and innovated safety management procedures and models. Furthermore, trainings were organized for the safety officers of each shift and team to improve the safety awareness and quality of production personnel; spot tests were organised for safety production personnel, covering all safety production positions; the event themed "castigating those violating regulations, preventing occurrence of accidents" was organized on the warning day, and a variety of special activities and emergency drills were held to enhance the safety skills and awareness of all employees. The Group performed all-rounded production safety checks and special inspections to uncover deep-seated issues in production safety management through reviewing the implementation of its rules and regulations, defining the responsibilities of each level of the production system and identifying safety and equipment hazards, thereby facilitating management improvement. Through standardizing its safe and civilized production practice in an orderly way, the Group effectively improved its on-site safety, equipment management and civilized production level. In accordance with the requirements of the Office of Work Safety Commission of the State Council and CHN Energy, the Group held a series of "Work Safety Month"activities themed "life first, safe development" to advocate "being a safety guard, preventing safety risks and building safe wind power farms". All these helped to enhance the concept of safe development and create a safety-aware culture.

In the first half of 2018, the Group continuously improved its equipment management capability and innovated the overhaul system for wind power equipment. It strengthened the reliability management of equipment. Based on its analysis of the overhaul characteristics and differences of wind power equipment, the Group defined the contents, requirements, working procedures and standards for on-site overhaul of wind power equipment, innovated and improved the standardized management system on the overhaul of wind power equipment and developed a "new wind power equipment overhaul system" to continuously improve the overhaul and management. The Group steadily carried out the construction of intelligent wind farms, and improved the efficiency and quality of wind farms in accordance with the principle of insisting on innovation-driven. It implemented the "12 Measures to Strengthen the Supervision of Wind Power Technology", and through the comprehensive analysis of test results and data, provided technical support for equipment management and ensured the equipment was in good condition. It adopted drone patrols, big data analysis and other new technologies to precisely diagnose the health conditions of generating units and further consolidate the results of "lean maintenance". It enhanced the prevention and control of equipment defects, implemented accurate diagnosis on the defects of old units and certain models and prepared targeted modification plans, thus further improving the stability of generating units. It also set out the Incentive Measures on Reporting Defects and Potential Problems of Units and staff will be amply rewarded for identifying significant defects of equipment. It also established special incentive funds for technical transformation and encouraged staff to conduct technology reform, invention and creation.

In the first half of 2018, the Group optimised and refined the benchmarking assessment and enhanced the benchmarking with the whole industry. It carried out benchmarking management on different levels and categories and optimized the special assessment mechanism on utilization hours and time loss for failure, which improved the scientificity and accuracy in the calculation of indicators and boosted the improvement of the production and operation. The Group further addressed grid curtailment through a two-pronged approach. Internally, it enhanced follow-up supervision and performed stringent assessment on grid curtailment; and externally, it strengthened marketing awareness and strove for greater generation load. For the first half of 2018, the Group generated a cumulative gross electricity output of 25,830 GWh, of which electricity generated from our wind power segment amounted to 20,789 GWh, representing a year-on-year increase of 21.55%. In the first half of 2018, the Group's average utilization hours of the wind power segment were 1,181 hours, representing an increase of 151 hours as compared to the corresponding period of 2017 and 38 hours higher than the average utilization hours of the industry, which was primarily attributable to the decrease in grid curtailment rate, the increase in wind resources and the efficiency enhancement of new generators.

Geographical breakdown of the consolidated gross power generation of the Group's wind farms for the first half of 2017 and the first half of 2018 is set out as below:

Region	**First half of 2018** ***(MWh)***	First half of 2017 *(MWh)*	**Percentage of change**
Heilongjiang	**1,389,088**	1,197,882	15.96%
Jilin	**469,610**	429,457	9.35%
Liaoning	**1,359,244**	1,112,106	22.22%
Inner Mongolia	**2,765,248**	2,370,444	16.66%
Jiangsu (Onshore)	**1,411,555**	1,280,171	10.26%
Jiangsu (Offshore)	**980,129**	526,561	86.14%
Zhejiang	**182,888**	184,446	-0.84%
Fujian	**978,926**	820,546	19.30%
Hainan	**60,412**	63,923	-5.49%
Gansu	**1,322,240**	984,087	34.36%
Xinjiang	**1,603,680**	1,325,245	21.01%
Hebei	**1,429,304**	1,333,891	7.15%
Yunnan	**1,220,298**	1,108,354	10.10%
Anhui	**876,649**	786,934	11.40%
Shandong	**493,945**	393,985	25.37%
Tianjin	**215,292**	142,797	50.77%
Shanxi	**1,012,854**	624,135	62.28%
Ningxia	**832,880**	670,226	24.27%
Guizhou	**682,749**	743,018	-8.11%
Shaanxi	**389,389**	308,763	26.11%
Tibet	**8,525**	7,230	17.91%
Chongqing	**149,995**	168,715	-11.10%
Shanghai	**70,189**	69,677	0.73%
Guangdong	**72,932**	57,584	26.65%
Hunan	**72,237**	79,916	-9.61%
Guangxi	**132,613**	134,103	-1.11%
Jiangxi	**48,980**	25,377	93.01%
Hubei	**62,042**	–	–
Canada	**145,945**	153,558	-4.96%
South Africa	**349,636**	–	–
Total	**20,789,474**	17,103,131	21.55%

Geographical breakdown of the average utilisation hours/load factor of wind power of the Group's wind farms for the first half of 2017 and the first half of 2018 is set out as below:

Region	Average utilisation hours of wind power for the first half of 2018 *(hours)*	Average load factor of wind power for the first half of 2018	Average utilisation hours of wind power for the first half of 2017 *(hours)*	Average load factor of wind power for the first half of 2017	Percentage of change of the average utilisation hours of wind power
Heilongjiang	**1,125**	**26%**	970	22%	15.98%
Jilin	**947**	**22%**	866	20%	9.35%
Liaoning	**1,355**	**31%**	1,109	26%	22.18%
Inner Mongolia	**1,069**	**25%**	917	21%	16.58%
Jiangsu (Onshore)	**1,148**	**26%**	1,063	24%	8.00%
Jiangsu (Offshore)	**1,656**	**38%**	1,096	25%	51.09%
Zhejiang	**802**	**18%**	809	19%	-0.87%
Fujian	**1,451**	**33%**	1,401	32%	3.57%
Hainan	**610**	**14%**	646	15%	-5.57%
Gansu	**1,025**	**24%**	763	18%	34.34%
Xinjiang	**1,040**	**24%**	860	20%	20.93%
Hebei	**1,222**	**28%**	1,140	26%	7.19%
Yunnan	**1,586**	**37%**	1,647	38%	-3.70%
Anhui	**1,196**	**28%**	1,149	26%	4.09%
Shandong	**1,332**	**31%**	1,161	27%	14.73%
Tianjin	**1,212**	**28%**	1,082	25%	12.01%
Shanxi	**1,221**	**28%**	911	21%	34.03%
Ningxia	**1,149**	**26%**	949	22%	21.07%
Guizhou	**1,064**	**25%**	1,185	27%	-10.21%
Shaanxi	**1,076**	**25%**	962	22%	11.85%
Tibet	**1,137**	**26%**	964	22%	17.95%
Chongqing	**1,000**	**23%**	1,129	26%	-11.43%
Shanghai	**1,478**	**34%**	1,467	34%	0.75%
Guangdong	**1,115**	**26%**	1,147	26%	-2.79%
Hunan	**1,505**	**35%**	1,665	38%	-9.61%
Guangxi	**1,389**	**32%**	1,404	32%	-1.07%
Jiangxi	**1,224**	**28%**	1,475	34%	-17.02%
Hubei	**1,293**	**30%**	–	–	–
Canada	**1,473**	**34%**	1,550	36%	-4.97%
South Africa	**1,430**	**33%**	–	–	–
Total	**1,181**	**27%**	1,030	24%	14.66%

In the first half of 2018, the consolidated gross power generation from coal power segment of the Group was 4,793 GWh, representing a decrease of 9.96% as compared with 5,323 GWh in the corresponding period of 2017. The average utilisation hours of the Group's coal power segment in the first half of 2018 was 2,556 hours, representing a decrease of 283 hours as compared with 2,839 hours in the corresponding period of 2017. This was mainly due to the increase in the electricity outside the province and additional capacity of local generating units.

2. Strengthened strategic leadership and emphasized quality and efficiency, thus constantly optimizing the layout of wind power

The Group achieved a development pattern of "nationwide expansion and provincial dispersion" by innovating its development concepts and implementing optimised layout for the first half of 2018. It launched wind power projects in 31 provinces and regions across the country, thereby completing a coverage of the whole country (excluding Hong Kong, Macau and Taiwan). Moreover, the Group strengthened strategic leadership and kept in mind the big picture including the planning and construction progress of power grid across the country and regional grid curtailments rather than limiting on the construction conditions of the project, so as to steadily develop high-quality resources. It enhanced the establishment of the preliminary work system, improved the quality of feasibility study reports, built a professional database, summarized the preliminary development system of wind power and a sound and standard development process, thereby initially establishing a full set of preliminary work system with the Company's characteristics which was domestically leading and sound. The quality and depth of preliminary work have been improved to constantly optimize the preliminary work. In addition, the Group actively responded to national policies, spared no efforts to conduct research and deployment on the distributed projects, carried out forest and land seizures and mapping survey ahead of schedule and conducted accurate control on various risk points, thereby ensuring that the project is able to start construction after being approved.

The Group expanded the proportion of projects located in the regions which boast low-speed wind and are not subject to grid curtailment so as to constantly optimize the layout of wind power for the first half of 2018. 9 projects of the Group with an aggregate capacity of 490 MW, all of which are located in the regions not subject to grid curtailment, are listed under the Wind Power Development Plans issued by the Energy Administration of each province in 2018. In the first half of 2018, the Group was newly approved wind power projects of 330 MW. As at 30 June 2018, the Group had wind power projects of 7.48 GW approved but not yet put into operation.

3. Strict quality management, strengthened management and control over environmental protection and roll out high-quality and competitive projects at full stretch

In the first half of 2018, the Group upheld the general business guidelines of "making progress and optimisation in a steady way" in handling the construction of wind power projects. Project construction was carried out under safe environment without any construction or equipment-related safety accident. The problems identified were timely coordinated and addressed through scientifically optimised design, strengthened supervision and strict supervision on the manufacturing of equipment, thereby effectively reducing potential quality problems and ensuring project quality. Through regularly conducting overall analysis on cost, review on changes, project payments and the maximum price limit and other in-process controls, the Group effectively curbed project changes and strictly controlled the project cost. The Group reinforced management and control over environment risks of projects, strictly implemented measures on environmental and water protection in the course of construction, built ecological wind farms across the country and achieved green and sustainable development.

In June 2018, the wind power project of Shandong Longyuan with an installed capacity of 98.2 MW in Yushan and Qingyun Towns, Linshu County, the wind power project of Guangxi Longyuan with an installed capacity of 48 MW in Liujing Town, Heng County and the wind power project with an installed capacity of 47.5 MW in Beibao Town, Chongming County, Shanghai of the Group obtained the "China Power Quality Engineering Award", the highest project quality prize in the power construction industry in China. The Company has earned this award the most times amongst new energy companies in 2018.

As at 30 June 2018, the consolidated installed capacity of the Group was 20,520 MW, among which, the consolidated installed capacity of the wind power, coal power and other renewable energy segments were 18,395 MW, 1,875 MW and 250 MW, respectively.

Geographical breakdown of the consolidated installed capacity of the Group's wind farms as at 30 June 2017 and 30 June 2018 is set out as below:

Region	**As of 30 June 2018 *(MW)***	As of 30 June 2017 *(MW)*	**Percentage of change**
Heilongjiang	**1,234.7**	1,234.7	0.00%
Jilin	**547.4**	547.4	0.00%
Liaoning	**1,003.2**	1,003.2	0.00%
Inner Mongolia	**2,635.8**	2,635.8	0.00%
Jiangsu (onshore)	**1,248.5**	1,248.5	0.00%
Jiangsu (offshore)	**980.3**	480.3	104.10%
Zhejiang	**227.9**	227.9	0.00%
Fujian	**717.1**	665.1	7.82%
Hainan	**99.0**	99.0	0.00%
Gansu	**1,289.8**	1,289.8	0.00%
Xinjiang	**1,541.3**	1,541.3	0.00%
Hebei	**1,170.1**	1,170.1	0.00%
Yunnan	**769.5**	769.5	0.00%
Anhui	**733.1**	733.1	0.00%
Shandong	**393.4**	393.4	0.00%
Tianjin	**194.0**	132.0	46.97%
Shanxi	**829.5**	829.5	0.00%
Ningxia	**724.7**	724.7	0.00%
Guizhou	**641.5**	641.5	0.00%
Shaanxi	**439.2**	439.2	0.00%
Tibet	**7.5**	7.5	0.00%
Chongqing	**209.5**	149.5	40.13%
Shanghai	**47.5**	47.5	0.00%
Guangdong	**75.74**	75.74	0.00%
Hunan	**48.0**	48.0	0.00%
Guangxi	**95.5**	95.5	0.00%
Jiangxi	**100.0**	40.0	150.00%
Hubei	**48.0**	48.0	0.00%
Canada	**99.1**	99.1	0.00%
South Africa	**244.5**	–	–
Total	**18,395.34**	17,416.84	5.62%

4. Innovated marketing strategies, guaranteed supply and control of price scientifically and increased operating results steadily

In the first half of 2018, the average on-grid tariffs for overall power generation segments of the Group amounted to RMB455 per MWh (value-added tax ("VAT") exclusive), representing a decrease of RMB1 per MWh as compared with RMB456 per MWh (VAT exclusive) in the corresponding period of 2017. The average on-grid tariffs for wind power amounted to RMB478 per MWh (VAT exclusive), representing a decrease of RMB8 per MWh as compared with RMB486 per MWh (VAT exclusive) in the corresponding period of 2017, which was due to: 1) the increase in the sales volume of wind power in the regions with lower tariffs brought by the improvement of grid curtailment as compared with the corresponding period of 2017; and 2) the increase in electricity sales in the regions with wind power trading as compared with the corresponding period of 2017. The average on-grid tariffs for coal power amounted to RMB336 per MWh (VAT exclusive), representing a decrease of RMB2 per MWh as compared with the average on-grid tariffs for coal power of RMB338 per MWh (VAT exclusive) in the corresponding period of 2017, which was mainly due to the higher proportion of direct power supply and the upward adjustments to the benchmark tariff of electricity generated by desulphurization coal power generating units.

5. Innovated management mode, strictly controlled the risk of capital and maintained the leading advantage of capital cost

In the first half of 2018, in the face of the external financial environment with "deleveraging and strengthening regulation", the Group vigorously expanded financing channels, continued to innovate its fund management model and effectively controlled the capital cost. The financing channels have been consistently expanded, and the third green energy financing summit was successfully held, which strengthened the relationship with major partners in the financial market and obtained more credit granted from financial institutions. The Group continued to deepen financing innovation and promoted innovative products such as recycling factoring, asset securitization and supply chain finance, revitalized receivable new energy subsidies and optimized liquidity indicators. It also improved refined capital operation and achieved the management and control of large-capital income and expenditure plans to full coverage at home and abroad to seek the time value of capitals. The Group strengthened the management and control of capital risks and expanded the proportion of long-term financing to ensure the safety of the capital chain.

6. Implemented innovation-driven, strengthened transformation of results and continuously improved capability supporting the scientific development

In the first half of 2018, the Company continued to promote scientific and technological innovation in line with the new requirements of the CHN Energy on scientific and technological innovation under new circumstances. Based on the development needs of the Company and following the principle of scientific research serving for production, it focused on project quality. 6 independent innovation science and technology projects have been approved by the CHN Energy, the most over the years. Meanwhile, various scientific and technological achievements were made in the first half of 2018. As of the end of June 2018, the Group was newly granted 1 invention patent and 18 utility model patents. The "Guidelines on Vibration Evaluation of Wind Turbine" and the "Post-evaluation Procedures for Photovoltaic Power Station Equipment", two standards on the energy industry prepared by the Group, were approved by the NEA for implementation. So far, the Group have undertaken the preparation of 42 national and industry standards.

In the first half of 2018, 10 scientific and technological achievements of the Group were awarded by the CHN Energy, and the Group was awarded the Company of Science and Technology Innovation. 4 persons were awarded advanced individuals in technological innovation. Various science and technology projects have obtained industrial recognitions, and 3 projects were awarded prizes for scientific and technological progress awards in the industry, of which the study on key technology in digitalized wind farms and engineering demonstration results has been certified by the Chinese Society for Electrical Engineering, and the overall technology has reached a world-leading level. The unit capacity expansion project of the tidal test power station of the Group successfully completed the development and achieved safe and stable operation of the world's first three-blade two-way bulb cross-flow tidal generator set. The technology level is world-leading. CCTV's "The Pillars of the Great Power" and "China's Public Opinion Field" introduced the programs.

7. Enhanced management and control over investment risk, steadily expanded overseas markets, continuously improved competitiveness of the Company in the international market

In the first half of 2018, the Group thoroughly implemented the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council on risk prevention and control and steadily carried out overseas business in accordance with the arrangement of the CHN Energy. The Group strengthened project risk assessment and actively expanded the wind power market in countries in Central and Eastern Europe, Central Asia and the America under the "Belt and Road" initiatives.

In the first half of 2018, the Dufferin Wind Farm in Canada recorded a total power generation of 145,945 MWh. As at 30 June 2018, it has maintained safe production for 1,307 consecutive days. The new project development in Alberta was under full advancement, and the submission of documentation on the tender qualification review of Alberta was completed. The land lease, wind measurement, access system application and environmental investigation for the new project were carried out in an orderly manner and progressed smoothly. The safety situation of the 244.5 MW project in De Aar, South Africa was good, with 181 days of safe operation; production, operation and other indicators were good. It recorded a total power generation of 349,636 MWh in the first half of 2018. In terms of safety, health and environmental protection, the indicators met the requirements of the South African government and the Company operated smoothly.

II. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

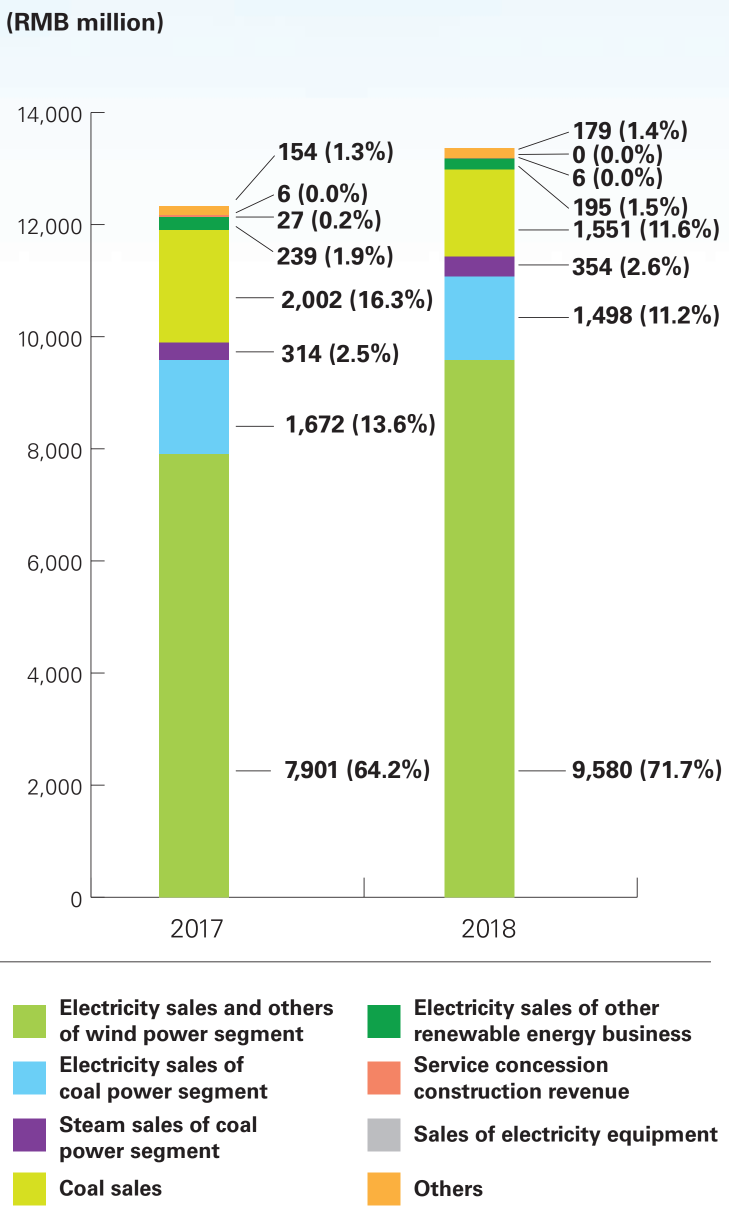
Profit or loss and other comprehensive income

In the first half of 2018, the net profit of the Group amounted to RMB3,603 million, representing an increase of 26.4% as compared to RMB2,851 million in the corresponding period of 2017. Net profit attributable to equity holders of the Company amounted to RMB3,193 million, representing an increase of 28.0% as compared to RMB2,495 million in the corresponding period of 2017. Earnings per share amounted to RMB38.23 cents, representing an increase of RMB8.18 cents as compared to RMB30.05 cents in the corresponding period of 2017.

Operating revenue

Operating revenue of the Group amounted to RMB13,363 million in the first half of 2018, representing an increase of 8.5% as compared to RMB12,315 million in the corresponding period of 2017. The increase in operating revenue was primarily due to: 1) an increase of RMB1,679 million, or 21.3%, in electricity sales and other revenue of wind power segment to RMB9,580 million in the first half of 2018 as compared to RMB7,901 million in the corresponding period of 2017, which was primarily due to the increase of electricity sales volume of wind power segment; 2) a decrease of RMB21 million, or 77.8%, in service concession construction revenue of wind power segment to RMB6 million in the first half of 2018 as compared to RMB27 million in the corresponding period of 2017, which was primarily attributable to the decrease in the construction volume of service concession projects under construction; 3) a decrease of RMB451 million, or 22.5%, in revenue from coal sales of coal power segment to RMB1,551 million in the first half of 2018 as compared to RMB2,002 million in the corresponding period of 2017, which was primarily attributable to the decrease in coal sales and the slight increase of coal price; and 4) a decrease of RMB174 million, or 10.4%, in revenue from electricity sales of coal power segment to RMB1,498 million in the first half of 2018 as compared to RMB1,672 million in the corresponding period of 2017, which was primarily attributable to the decrease in electricity sales volume of coal power segment.

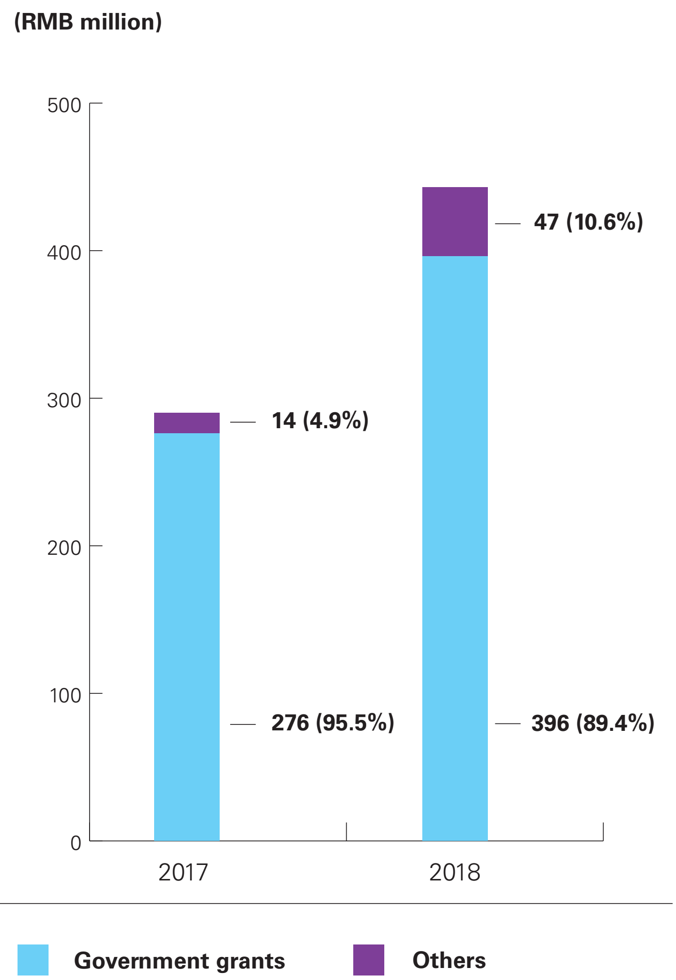
Operating revenue of each segment and their respective proportions are set out in the diagram below (for the six months ended 30 June):



Other net income

Other net income of the Group amounted to RMB443 million in the first half of 2018, representing an increase of 53.3% as compared with RMB289 million in the corresponding period of 2017, mainly due to the increase of RMB113 million in VAT refund as a result of the increase in revenue of electricity sales of wind power segment as compared with the corresponding period of 2017.

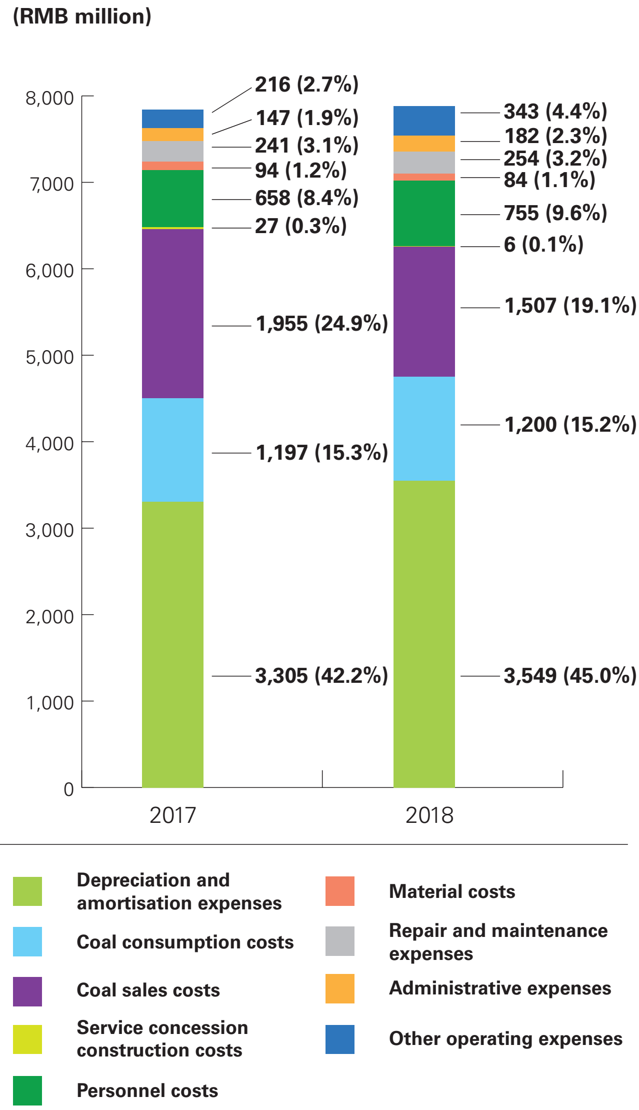
The breakdown of other net income items and their respective proportions are set out in the diagram below (for the six months ended 30 June):



Operating expenses

Operating expenses of the Group amounted to RMB7,882 million in the first half of 2018, representing an increase of 0.5% as compared to RMB7,840 million in the corresponding period of 2017, primarily due to the increase in the depreciation and amortisation expenses in the wind power segment; the decrease in the coal sales cost in the coal power segment and the increase in administrative expenses, personnel costs and other operating expenses.

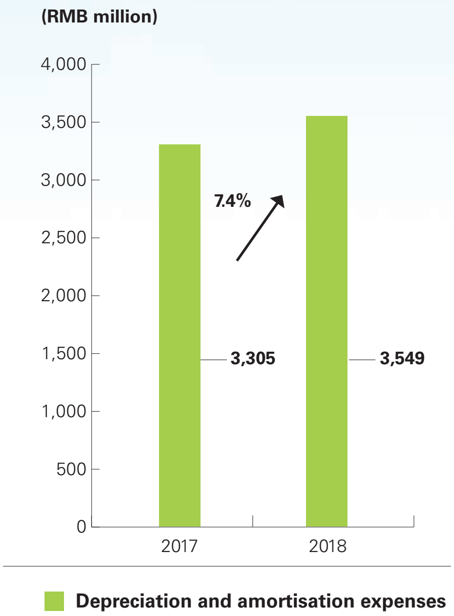
Operating expenses items and their respective proportions are set out in the diagram below (for the six months ended 30 June):



Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB3,549 million in the first half of 2018, representing an increase of 7.4% as compared to RMB3,305 million in the corresponding period of 2017, primarily due to the increase of RMB225 million or 7.4% in depreciation and amortisation expenses of the wind power segment over the corresponding period of 2017 as a result of expansion in the installed capacity of wind power projects.

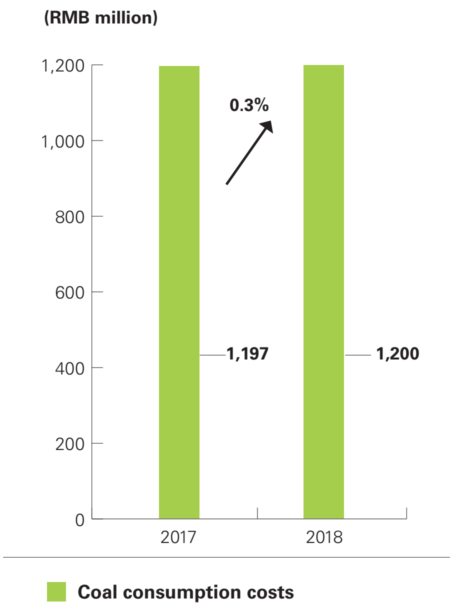
Depreciation and amortisation expenses are set out in the diagram below (for the six months ended 30 June):



Coal consumption costs

Coal consumption costs of the Group amounted to RMB1,200 million in the first half of 2018, representing an increase of 0.3% as compared to RMB1,197 million in the corresponding period of 2017, which were mainly due to: 1) an increase of approximately 8.5% in the average unit price of standard coal for power and steam generation as affected by the increase in the coal price in the first half of 2018; and 2) a decrease of approximately 7.6% in the coal consumption as a result of the decrease in power generation.

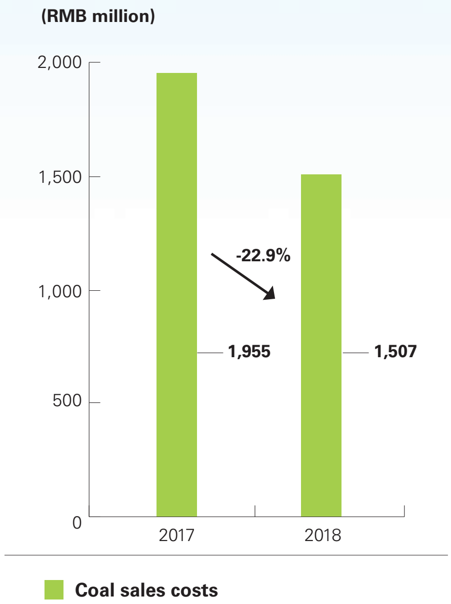
Coal consumption costs are set out in the diagram below (for the six months ended 30 June):



Coal sales costs

Coal sales costs of the Group in the first half of 2018 amounted to RMB1,507 million, representing a decrease of 22.9% as compared to RMB1,955 million in the corresponding period of 2017, which was mainly due to: 1) the sales volume of coal decreased by approximately 26.0% in the first half of 2018 as compared to the corresponding period of 2017; and 2) the average procurement price of coal increased by approximately 4.2% as compared to the corresponding period of 2017.

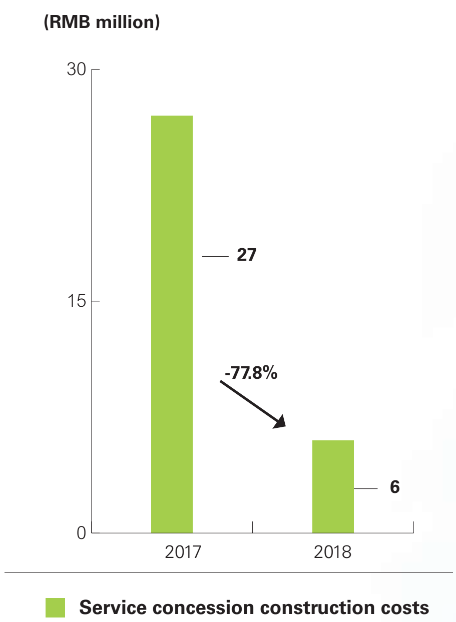
Coal sales costs are set out in the diagram below (for the six months ended 30 June):



Service concession construction costs

The Group's service concession construction costs in the first half of 2018 amounted to RMB6 million, representing a decrease of 77.8% as compared to RMB27 million in the corresponding period of 2017, primarily due to a decrease in the construction volume of service concession projects under construction in the first half of 2018 as compared to the corresponding period of 2017.

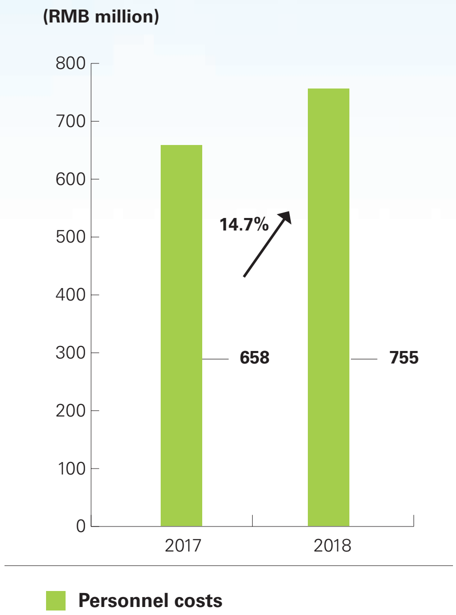
Service concession construction costs are set out in the diagram below (for the six months ended 30 June):



Personnel costs

Personnel costs of the Group amounted to RMB755 million in the first half of 2018, representing an increase of 14.7% as compared to RMB658 million in the corresponding period of 2017, which was mainly due to: 1) an increase in headcounts as a result of the Group's expansion; 2) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation; and 3) the fact that the order of payoff was adjusted during the period with a higher proportion to be paid in the first half of 2018.

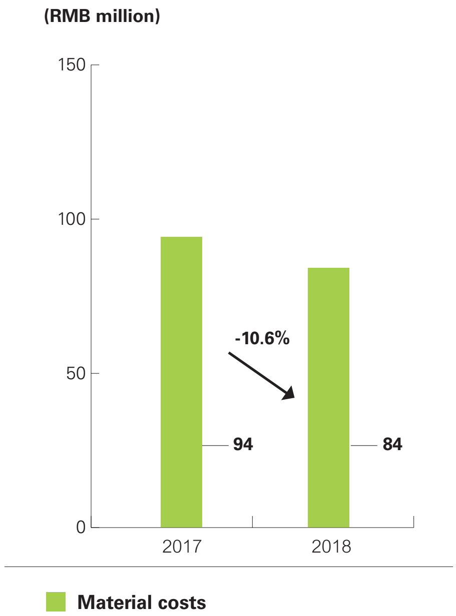
The personnel costs are set out in the diagram below (for the six months ended 30 June):



Material costs

Material costs of the Group amounted to RMB84 million in the first half of 2018, representing a decrease of 10.6% as compared to RMB94 million in the corresponding period of 2017, which was primarily due to a decrease of RMB8 million in material costs as a result of the overhaul of Guodian Youyi Biomass Power Co., Ltd. (國電友誼生物質發電有限公司) in May 2018.

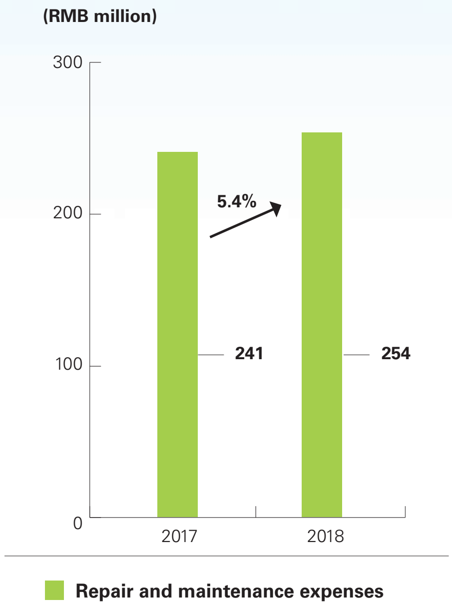
The material costs are set out in the diagram below (for the six months ended 30 June):



Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB254 million in the first half of 2018, representing an increase of 5.4% as compared to RMB241 million in the corresponding period of 2017, which was mainly due to an increase in the repair and maintenance expenses as a result of the extended maintenance period led by more units under overhauls in the coal power segment.

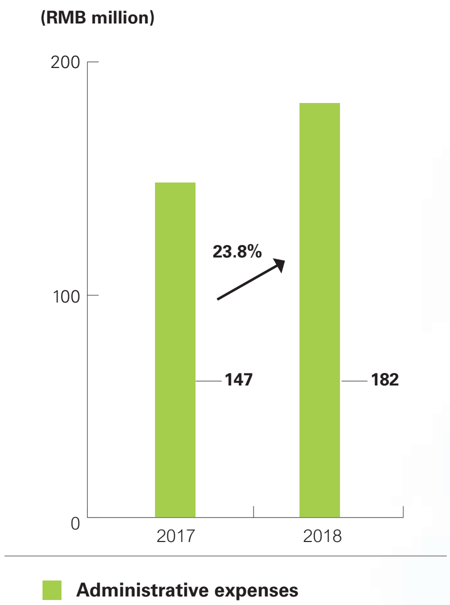
Repair and maintenance expenses are set out in the diagram below (for the six months ended 30 June):



Administrative expenses

Administrative expenses of the Group amounted to RMB182 million in the first half of 2018, representing an increase of 23.8% as compared to RMB147 million in the corresponding period of 2017, which was primarily due to the increase in administrative expenses such as the lease fees, travelling expenses, project consultation fees and office allowance as a result of the business growth of the Group.

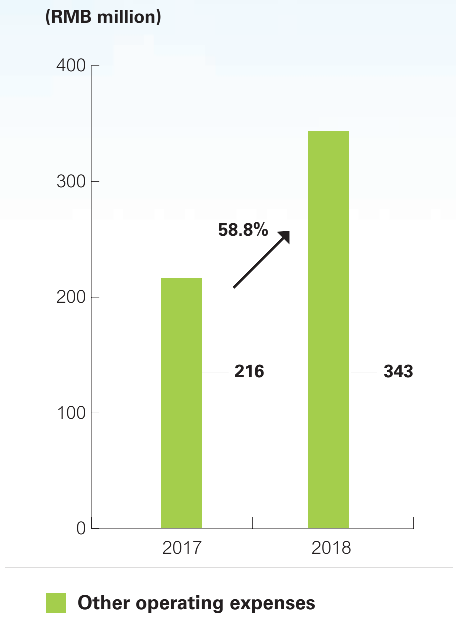
Administrative expenses are set out in the diagram below (for the six months ended 30 June):



Other operating expenses

Other operating expenses of the Group amounted to RMB343 million in the first half of 2018, representing an increase of 58.8% as compared to RMB216 million in the corresponding period of 2017, which were mainly due to: 1) the increase in the equipment property insurances in the first half of 2018; 2) an increase in taxes as a result of the increased revenue from power generation business; and 3) an increase in the total contract costs arising from the provision of Engineering Procurement Construction services by the Group.

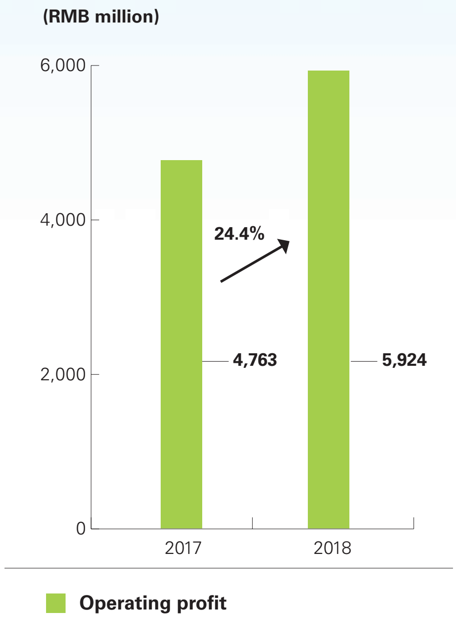
Other operating expenses are set out in the diagram below (for the six months ended 30 June):



Operating profit

In the first half of 2018, the operating profit of the Group amounted to RMB5,924 million, representing an increase of 24.4% as compared to RMB4,763 million in the corresponding period of 2017. The main reasons are as follows: 1) the operating profit of the wind power segment amounted to RMB5,778 million in the first half of 2018, representing an increase of RMB1,331 million, or 29.9% from RMB4,447 million in the corresponding period of 2017. This was mainly attributable to the increase in electricity sales of the wind power segment which leads to higher revenue and operating profits; 2) the operating profit of the coal power segment amounted to RMB217 million in the first half of 2018, representing a decrease of RMB124 million, or 36.4% as compared to RMB341 million in the corresponding period of 2017, which was primarily attributable to the decrease in sales revenue and operating profits of the coal power segment as compared to that of the corresponding period of 2017 as a result of declining coal power sales and rising fuel prices; and 3) the operating profit of other segments amounted to RMB-23 million in the first half of 2018, representing a decrease of 72 million, or 146.9% as compared to the corresponding period of 2017.

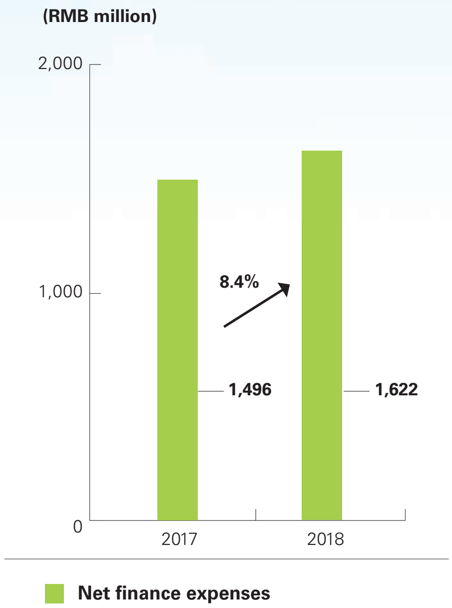
Operating profit is set out in the diagram below (for the six months ended 30 June):



Net finance expenses

Net finance expenses of the Group amounted to RMB1,622 million in the first half of 2018, representing an increase of 8.4% as compared to RMB1,496 million in the corresponding period of 2017. The main reasons are as follows: 1) the interest expenses increased in the first half of 2018 as compared to the corresponding period in 2017 as a result of the increase in the interest rate and factoring expenses; 2) interest income generated from financial assets increased in the first half of 2018 as compared to the corresponding period in 2017; and 3) the Group's net foreign exchange gain decreased in the first half of 2018 as compared to the corresponding period in 2017.

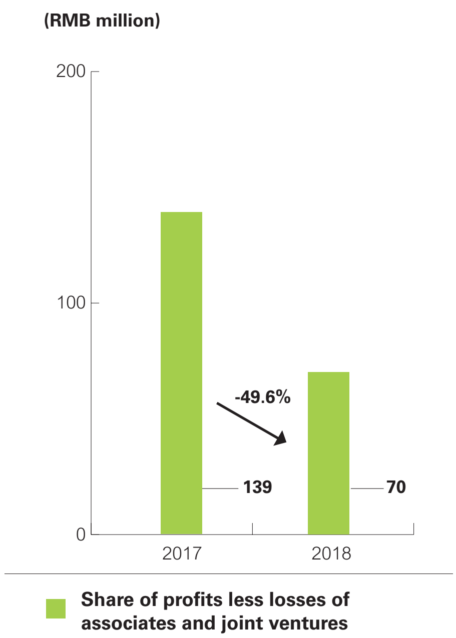
Net finance expenses are set out in the diagram below (for the six months ended 30 June):



Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and joint ventures amounted to RMB70 million in the first half of 2018, representing a decrease of 49.6% as compared to RMB139 million in the corresponding period of 2017, which was mainly due to the significant decline in the net profit of Guodian United Power Technology Co., Ltd. (國電聯合動力技術有限公司), an associate, during the first half of 2018.

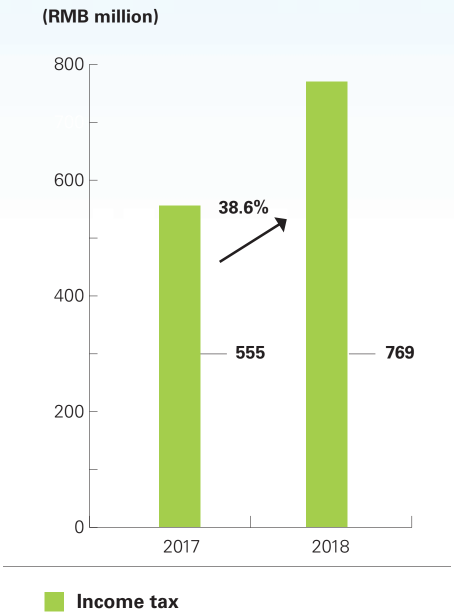
Share of profits less losses of associates and joint ventures is set out in the diagram below (for the six months ended 30 June):



Income tax

Income tax of the Group amounted to RMB769 million in the first half of 2018, representing an increase of 38.6% as compared to RMB555 million in the corresponding period of 2017, which was mainly due to the enhancement of profitability of the wind power segment in the first half of 2018 and the higher tax rate as compared to that in the corresponding period of 2017 as a result of the end of tax holiday for certain wind power projects.

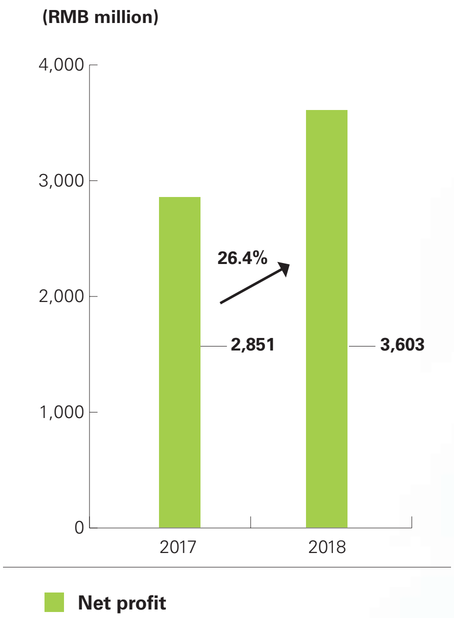
Income tax is set out in the diagram below (for the six months ended 30 June):



Net profit

In the first half of 2018, the net profit of the Group amounted to RMB3,603 million, representing an increase of 26.4% as compared to RMB2,851 million in the corresponding period of 2017, mainly attributable to the year-on-year increase in the net profit of the wind power segment and the year-on-year decrease in the net profit of the coal power and other segments.

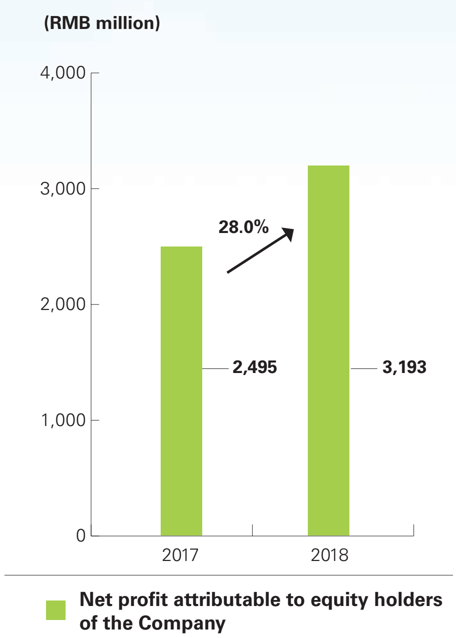
Net profit is set out in the diagram below (for the six months ended 30 June):



Net profit attributable to equity holders of the Company

In the first half of 2018, net profit attributable to equity holders of the Company amounted to RMB3,193 million, representing an increase of 28.0% as compared to RMB2,495 million in the corresponding period of 2017, mainly attributable to the increase in net profit from the wind power segment, most equity interests of which were held by equity holders of the Company.

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



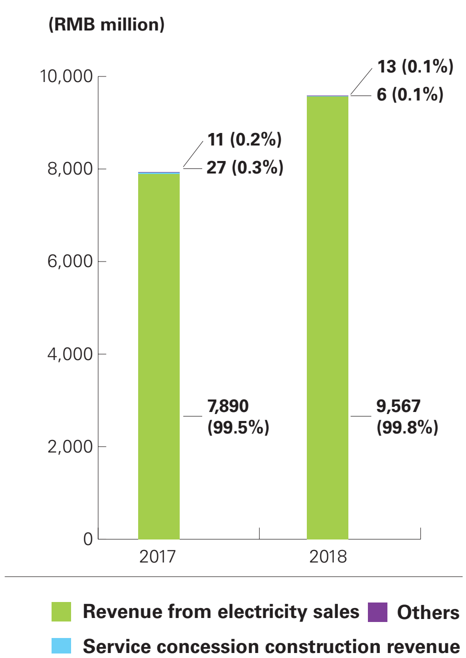
Segment results of operations

Wind power segment

Operating revenue

In the first half of 2018, the operating revenue of the wind power segment of the Group amounted to RMB9,586 million, representing an increase of 20.9% from RMB7,928 million in the corresponding period of 2017, primarily due to the increase in electricity sales revenue derived from growing electricity sales of the wind power segment led by the increase of average utilisation hours and installed capacity of wind power.

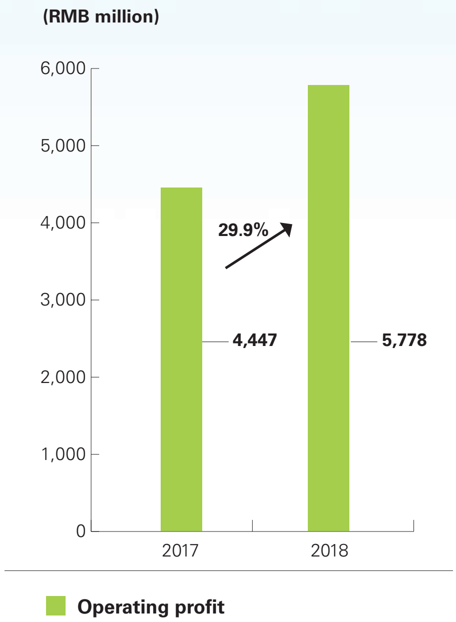
Operating revenue of the wind power segment and proportions are set out in the diagram below (for the six months ended 30 June):



Operating profit

In the first half of 2018, the operating profit of the wind power segment of the Group amounted to RMB5,778 million, representing an increase of 29.9% from RMB4,447 million in the corresponding period of 2017. The higher operating profit of the wind power segment than revenue from electricity sales is primarily due to the higher revenue growth from electricity sales than cost growth led by the increase in average utilization hours of power equipment in the first half of 2018.

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

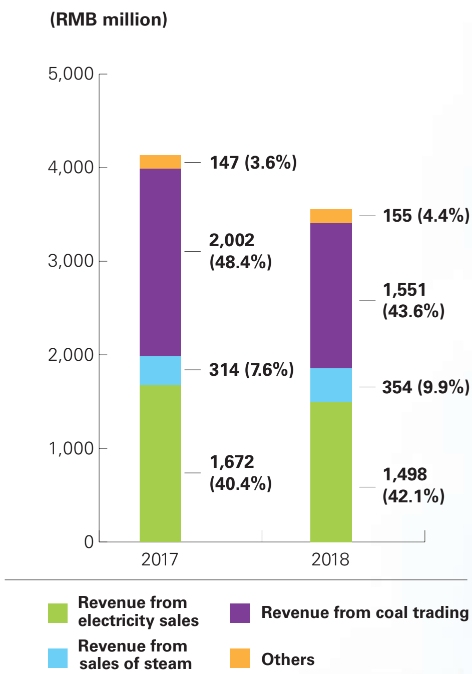


Coal power segment

Operating revenue

In the first half of 2018, operating revenue of coal power segment of the Group amounted to RMB3,558 million, representing a decrease of 14.0% as compared to RMB4,135 million in the corresponding period of 2017, primarily attributable to: 1) a decrease of 9.9% in electricity sales volume of coal power segment in the first half of 2018 as compared to that of the corresponding period of 2017; and 2) the year-on-year decline in revenue led by the declining coal trade.

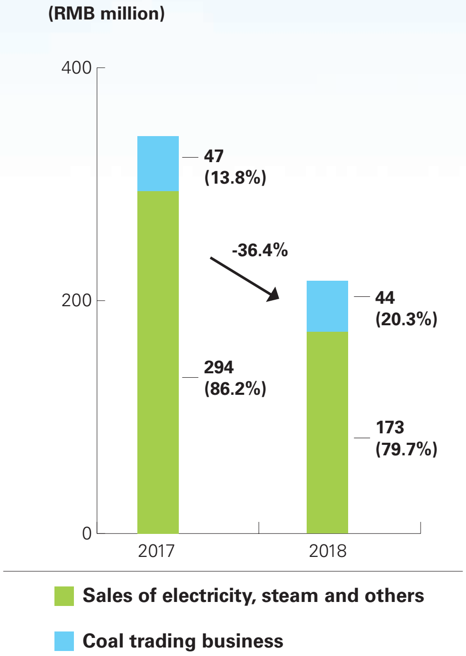
Operating revenue of the coal power segment and proportions are set out in the diagram below (for the six months ended 30 June):



Operating profit

In the first half of 2018, operating profit of coal power segment of the Group amounted to RMB217 million, representing a decrease of 36.4% as compared to RMB341 million in the corresponding period of 2017, which was mainly attributable to the decrease in electricity sales volume of coal power and the rising prices of fuels.

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

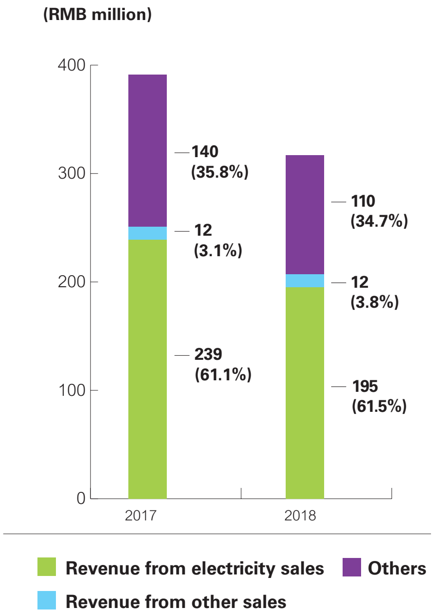


Other segments

Operating revenue

In the first half of 2018, the operating revenue of other segments of the Group amounted to RMB317 million, representing a decrease of 18.9% as compared to RMB391 million in the corresponding period of 2017, which was mainly attributable to the decrease in the solar sales volume and the average tariff, as well as the declining electricity sales of biomass power generation in the first half of 2018.

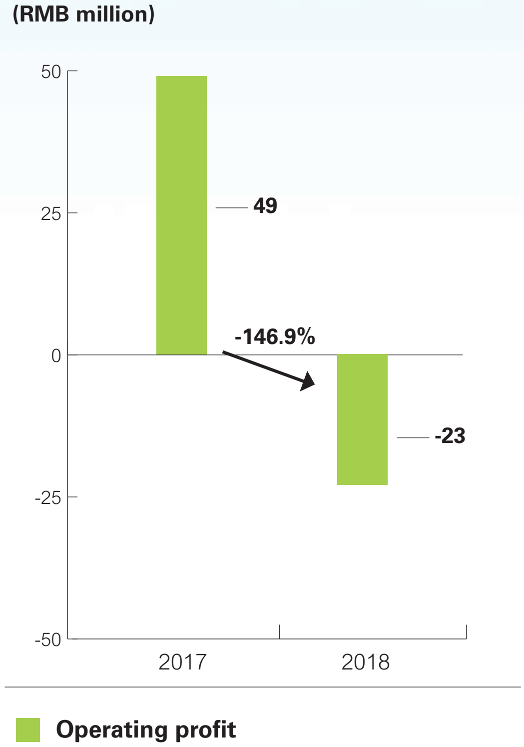
Operating revenue of other segments and proportions are set out in the diagram below (for the six months ended 30 June):



Operating profit

In the first half of 2018, the operating profit of other segments of the Group amounted to RMB-23 million, representing a decrease of 146.9% as compared to RMB49 million in the corresponding period of 2017, which was mainly attributable to the decrease in revenue from electricity sales.

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



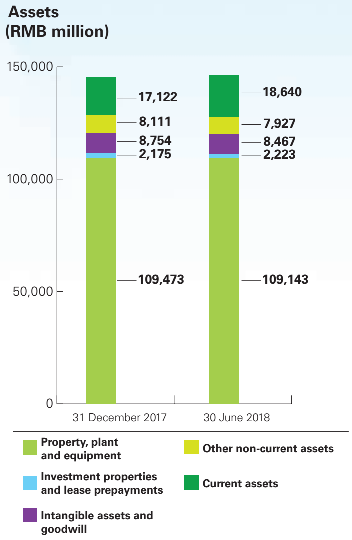
Assets and liabilities

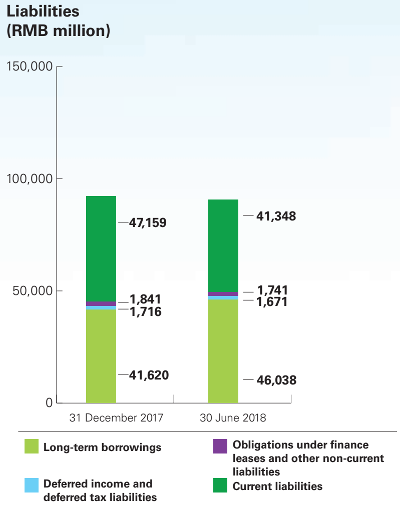
As at 30 June 2018, total assets of the Group amounted to RMB146,400 million, representing an increase of RMB765 million as compared with total assets of RMB145,635 million as at 31 December 2017. This was primarily due to: 1) an increase of RMB1,518 million in current assets including receivables and cash at banks and on hand; and 2) a decrease of RMB753 million in non-current assets including property, plant and equipment.

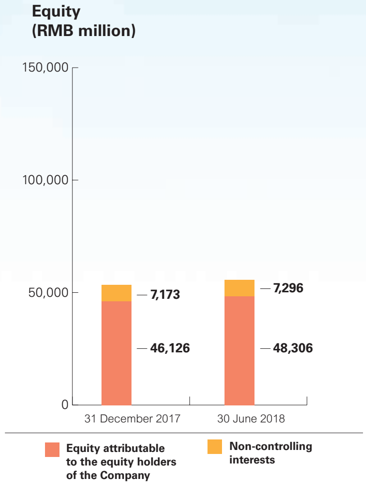
As at 30 June 2018, total liabilities of the Group amounted to RMB90,798 million, representing a decrease of RMB1,538 million as compared to total liabilities of RMB92,336 million as at 31 December 2017. This was primarily due to an increase of RMB4,273 million in non-current liabilities including long-term borrowings and a decrease of RMB5,811 million in current liabilities including short-term borrowings.

As at 30 June 2018, equity attributable to equity holders of the Company amounted to RMB48,306 million, representing an increase of RMB2,180 million as compared with RMB46,126 million as at 31 December 2017, which was mainly income from normal earnings in the year.

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



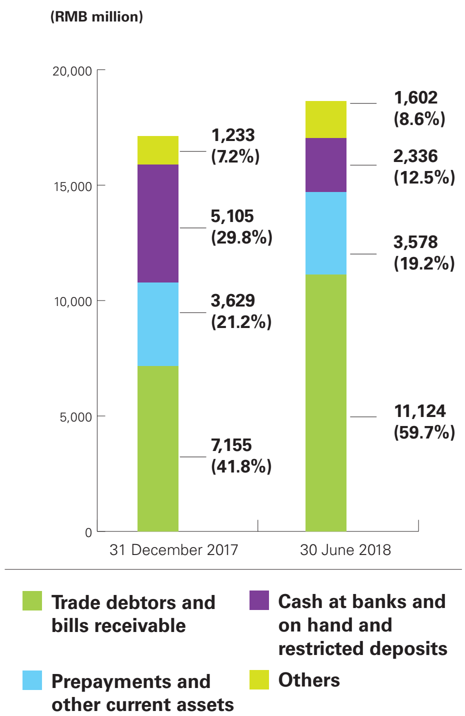




Capital liquidity

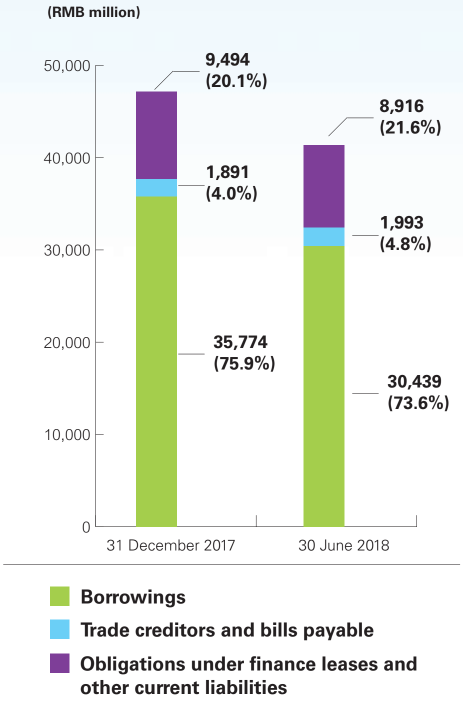
As at 30 June 2018, current assets of the Group amounted to RMB18,640 million, representing an increase of RMB1,518 million as compared with RMB17,122 million as at 31 December 2017, which was mainly attributable to the increase in receivables.

Current assets by item and proportions are set out in the diagram below:



As at 30 June 2018, current liabilities of the Group amounted to RMB41,348 million, representing a decrease of RMB5,811 million as compared with RMB47,159 million as at 31 December 2017, which was mainly due to the repayment of ultra-short-term financial bonds.

Current liabilities by item and proportions are set out in the diagram below:



As at 30 June 2018, net current liabilities of the Group amounted to RMB22,708 million, representing a decrease of RMB7,329 million as compared with RMB30,037 million as at 31 December 2017. The liquidity ratio was 0.45 as at 30 June 2018, representing an increase of 0.09 as compared with the liquidity ratio of 0.36 as at 31 December 2017, which was mainly attributable to the repayment of ultra-short-term financial bonds.

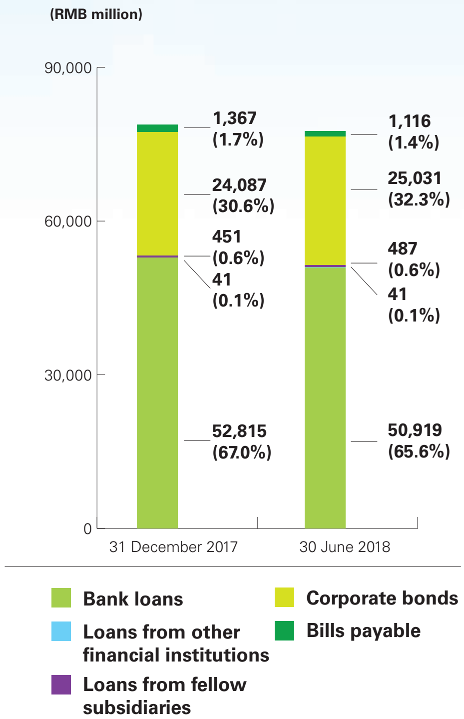
Restricted deposits amounted to RMB53 million, mainly including deposits for bills and issuance of the letter of credit.

Borrowings and bills payable

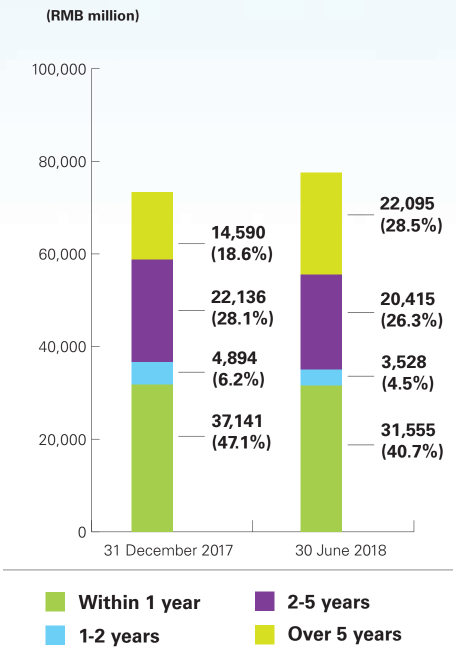
As at 30 June 2018, the Group's balance of the borrowings and bills payable amounted to RMB77,594 million, representing a decrease of RMB1,167 million as compared with the balance of the borrowings and bills payable of RMB78,761 million as at 31 December 2017.

As at 30 June 2018, the Group's borrowings and bills payable included short-term borrowings and bills payable of RMB31,555 million (including long-term borrowings due within one year of RMB5,398 million and bills payable of RMB1,116 million) and long-term borrowings amounting to RMB46,038 million (including debentures payable of RMB21,032 million). The above-mentioned borrowings included borrowings denominated in Renminbi of RMB72,161 million, borrowings denominated in U.S. dollars of RMB2,527 million and borrowings denominated in other foreign currencies of RMB2,906 million. As at 30 June 2018, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB148 million and corporate bonds with fixed interest rates of RMB21,032 million. As at 30 June 2018, the balance of bills payable issued by the Group amounted to RMB1,116 million.

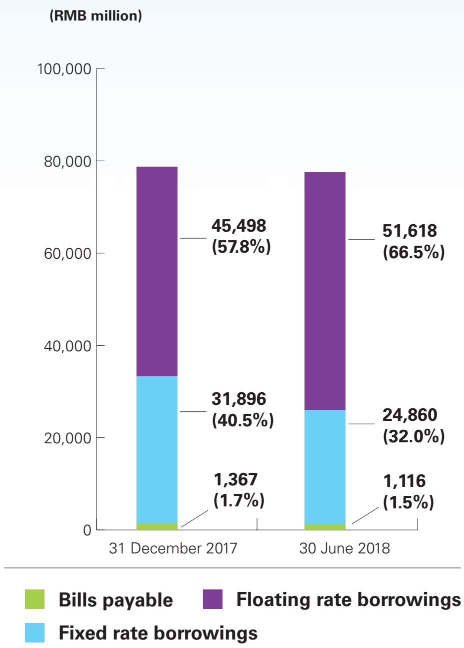
Borrowings and bills payable by category and proportions are set out in the diagram below:



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



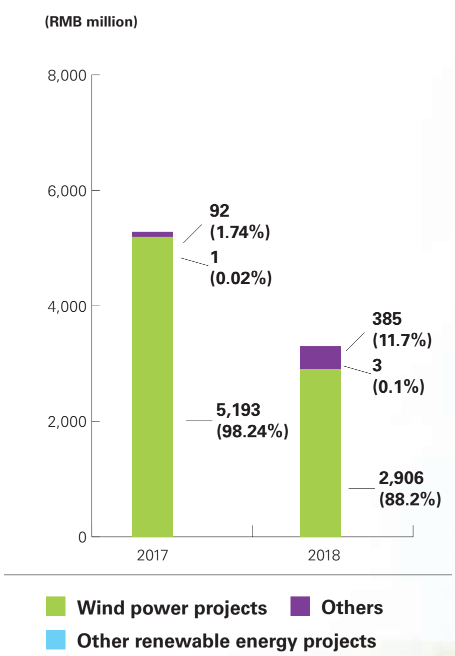
The types of interest rate structure of borrowings and bills payable and their respective proportions are set out in the diagram below:



Capital expenditures

The capital expenditures of the Group amounted to RMB3,294 million in the first half of 2018, representing a decrease of 37.7% as compared with RMB5,286 million in the corresponding period of 2017, among which, the expenditures for the construction of wind power projects amounted to RMB2,906 million, and the expenditures for the construction of other renewable energy projects amounted to RMB3 million. The sources of funds mainly included self-owned funds, the borrowings from banks and other financial institutions and the proceeds from the issuance of bonds.

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



Net gearing ratio

As at 30 June 2018, the net gearing ratio of the Group, which is calculated by dividing net debt (the sum of total borrowings and obligations under finance leases less cash and cash equivalents) by the sum of net debt and total equity, was 57.31%, representing a decrease of 0.42 percentage point from 57.73% as at 31 December 2017. This was primarily attributable to the increase in the Group's retained earnings during the first half of 2018, leading to the increase in scale of debt being lower than the increase in total equity of the Group during the first half of 2018.

Major investments

The Group made no major investment in the first half of 2018.

Material acquisitions and disposals

The Group did not have any material acquisitions and disposals in the first half of 2018.

Pledged assets

As at 30 June 2018, the Group did not pledge any equipment to secure bank loan.

Contingent liabilities/Guarantees

As at 30 June 2018, the Group provided a guarantee of RMB58 million for bank loans of an associate, and issued a counter-guarantee of no more than RMB33 million to the controlling shareholder of an associate. As at 30 June 2018, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB9 million.

Cash flow analysis

As at 30 June 2018, cash and cash equivalents held by the Group amounted to RMB2,283 million, representing a decrease of RMB2,789 million as compared with RMB5,072 million as at 31 December 2017. The decrease was primarily attributable to the net capital outflow from investing and financing activities being higher than the net capital inflow from operating activities in the first half of 2018. The principal sources of funds of the Group mainly include cash inflow generated from operating activities, the issuance of corporate bonds and obtaining more and new bank loans. The Group mainly used the funds for the construction of projects, repayment of borrowings and dividends distribution.

The net cash inflow of the Group's operating activities amounted to RMB6,328 million in the first half of 2018, among which the cash inflow was primarily attributable to revenue from electricity sales. The cash outflow was mainly attributable to purchase of fuels and spare parts, various taxation payments and operating expenses. The net cash inflow from operating activities in the first half of 2018 increased by RMB2,837 million from RMB3,491 million in the first half of 2017, primarily attributable to the increase in the revenue from electricity sales.

The net cash outflow from investing activities of the Group for the first half of 2018 was RMB6,262 million. The cash outflow for investment activities was mainly used for the payment for wind power projects.

The net cash outflow from financing activities of the Group for the first half of 2018 was RMB2,828 million. The cash inflow for financing activities was mainly generated from the proceeds from the issuance of bonds and bank loans. The cash outflow for financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

Risk in currency exchange rate

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

III. PROSPECT FOR THE SECOND HALF OF 2018

In the second half of 2018, the Group will follow the gist of the 19th CPC National Congress, stick to the leadership of Chinese Communist Party, strengthen Party construction and firmly uphold the general business guideline of "making progress in a steady way" under the guidance of thoughts of socialism with Chinese characteristics led by President Xi Jinping in the new era. In the light of the new development concepts, it will vigorously carry out the "year for further corporate governance in line with the Party construction goals" and innovate the management system and mechanism, sturdily push ahead work concerning quality and efficiency enhancement so as to achieve high-quality development and ensure the completion of the annual targets.

Emphasis will be laid on the following aspects in the second half of 2018:

1. Consolidate the base for safety

The Group will make innovation in the safety management system and mechanism, and strengthen the overall safety supervision and inspection to deeply promote the establishment of a standardized process for safe and civilized production.

2. Comprehensively exert more effort in "Capturing Every Single kWh of Electricity (度電必爭)"

The Group will innovate and improve the management and control system on production and operation, optimize the operation and maintenance model for wind power and introduce various measures to address electricity curtailment. It will follow the principle of "one policy for one province" and strictly implement the reporting and "clear explanation" system. It will fully boost market promotion, actively respond to the new changes in policies and the market environment. It will also reasonably control the market scale of power trading, fully display the advantages of regional synergy and rationally control the trading price of electricity to maximize the revenue.

3. Reinforce assets operation and management

The Group will innovate the capital management system, explore innovative financial products and seek low-cost financing through multiple channels. It will innovatively advance the establishment of the budget information system and strengthen the rolling management and dynamic benchmarking of data to promote the transfer of the corporate cost to the downstream. It will enhance the operation efficiency of coal power and other new energy, continue to advance management innovation and deepen refined management to consistently improve the management and profitability.

4. **Improve the quality of preliminary works**

The Group will make unceasing efforts to optimize project development layout and actively explore the development model of distributed wind power projects with the focus on quality resources in central and eastern China, southern China and offshore areas. It will steadily advance overseas projects, strengthen the management and control over overseas investment and financial risks and vigorously explore markets along the "Belt and Road" and American markets.

5. **Roll out high-quality and competitive projects**

The Group will step up efforts to advance the progress of project construction and enhance management and control over the safety and quality of infrastructures. It will reinforce management and control over environmental risks of projects, strictly implement measures on environmental and water protection and carry out water and soil remediation and vegetation restoration for projects under construction in time to achieve harmony between project development and ecological environment.

6. **Insist on innovation-driven strategy**

The Group will boost technological innovation, deeply study key technology on common characteristics of wind power, promote the transformation and application of scientific research results and deepen the preparation of technical standards and the reporting of intellectual property rights. It will push ahead the exchange among professionals and make more effort in introducing talents to contribute to the construction of a world-leading enterprise with talents supporting the enterprise.

7. **Deepen the corporate governance in accordance with the laws**

The Group will continue to deepen the "year for further corporate governance in line with the Party construction goals" to fully strengthen the consciousness on rules and risks. It will further enhance the supervision and inspection on key areas and sectors.

8. **Comprehensively intensify the Party construction**

The Group will learn and spread and put into practice the gist of the 19th CPC National Congress under the guidance of thoughts of socialism with Chinese characteristics led by President Xi Jinping in the new era, strengthen the political construction of the Company and enhance the governance of the Party. It will bring into full play the leading roles of the CPC organizations and Party members, keep the path of serving production and operation and fully stimulate the vitality of grass-root Party organizations and the working enthusiasm of Party members.

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE REQUIREMENTS OF APPENDIX 14 OF THE LISTING RULES

On 25 May 2018, the Company held the 2017 annual general meeting. Mr. Qiao Baoping, the Chairman of the Board, was unable to attend the abovementioned annual general meeting due to business engagement. Save as disclosed above, during the Reporting Period, the Company had fully complied with the code provisions in the Corporate Governance Code and Corporate Governance Report set out in the Appendix 14 to the Listing Rules, and had complied with most of the recommended best practices set out in the Appendix 14 to the Listing Rules.

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

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

BOARD DIVERSITY POLICY

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

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

On 21 August 2018, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2018, the 2018 interim report and the unaudited interim financial statements for the six months ended 30 June 2018 prepared under International Accounting Standards 34, *Interim Financial Reporting* and disclosure requirements under the Listing Rules.

SHARE CAPITAL

As of 30 June 2018, the total share capital of the Company amounted to RMB8,036,389,000 divided into 8,036,389,000 shares of RMB1.00 each. There has been no change in the share capital of the Company during the Reporting Period.

INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

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

On 30 June 2018, none of the Directors, supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2018, so far as known to the Directors, the following persons (other than the Directors, chief executives or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held *(Share)*	Percentage in the Relevant Class of Share Capital *(Note 1) (%)*	Percentage in the Total Share Capital *(Note 1) (%)*
CHN Energy	Domestic shares	Beneficial owner and interest of corporation controlled by substantial Shareholders	4,696,360,000 *(Note 2)* *(Long position)*	100	58.44
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	231,195,493 *(Note 3)* *(Long position)*	6.92	2.88
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	12,997,000 *(Note 4)* *(Short position)*	0.39	0.16
JPMorgan Chase & Co.	H shares	Beneficial owner, investment manager and approved lending agent	301,561,648 *(Note 5)* *(Long position)*	9.03	3.75
JPMorgan Chase & Co.	H shares	Beneficial owner	12,181,714 *(Note 6)* *(Short position)*	0.36	0.15
JPMorgan Chase & Co.	H shares	Approved lending agent	269,569,268 *(Note 7)* *(Shares in a lending pool)*	8.07	3.35

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held *(Share)*	Percentage in the Relevant Class of Share Capital *(Note 1) (%)*	Percentage in the Total Share Capital *(Note 1) (%)*
Wellington Management Group LLP	H shares	Investment manager	403,106,419 *(Note 8)* *(Long position)*	12.07	5.02
National Council for Social Security Fund (全國社會保障基金理事會)	H shares	Beneficial owner	233,758,000 *(Long position)*	7.00	2.91
T. Rowe Price Associates, Inc. and its Affiliates	H shares	Beneficial owner	204,658,000 *(Long position)*	6.13	2.55
The Bank of New York Mellon Corporation	H shares	Interests of corporation controlled by substantial shareholders	167,438,605 *(Note 9)* *(Long position)*	5.01	2.08
The Bank of New York Mellon Corporation	H shares	Approved lending agent	162,173,005 *(Note 10)* *(Shares in a lending pool)*	4.86	2.02

Notes :

1. The percentage is based on the issued number of relevant class of shares/total issued shares of the Company as at 30 June 2018.

2. Among these 4,696,360,000 domestic shares, 4,602,432,800 domestic shares were directly held by CHN Energy while the remaining 93,927,200 shares were held by Guodian Northeast Electric Power Co., Ltd.* (國電東北電力有限公司), a subsidiary of CHN Energy Group. Accordingly, CHN Energy was deemed as the owner of the equity interests held by Guodian Northeast Electric Power Co., Ltd.* (國電東北電力有限公司).

* *For identification purpose only*

3. Among these 231,195,493 H shares, 976,100 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 3,018,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 38,607,693 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 70,176,000 H shares were held by BlackRock Fund Advisors, an indirect wholly-owned subsidiary of BlackRock, Inc., 10,294,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 4,695,196 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,120,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 801,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,703,764 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 465,000 H shares were held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 468,804 H shares were held by BlackRock Advisors (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,044,200 H shares were held by BlackRock International Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 29,783,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 37,155,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 18,768,339 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 3,973,396 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 8,118,001 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 28,000 H shares were held by BlackRock Asset Management (Schweiz) AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

4. Among these 12,997,000 H shares, 5,155,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 3,577,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 168,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 4,097,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

5. Among these 301,561,648 H shares, 7,200,000 H shares were held by J.P. Morgan Securities LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 159,000 H shares were held by J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 23,147,666 H shares were held by J.P. Morgan Securities plc, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 269,569,268 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., 1,485,714 H shares were held by J.P. Morgan Chase Bank Berhad, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

6. These 12,181,714 H shares were held by J.P. Morgan Securities plc, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share short positions held by its aforesaid subsidiary.

7. These 269,569,268 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H shares in a lending pool held by its aforesaid subsidiary.

8. Among these 403,106,419 H shares, 290,242,020 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 16,837,099 H shares were held by Wellington Management Hong Kong Ltd, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 96,027,300 H shares were held by Wellington Management International Ltd, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H shares equity interests held by its aforesaid subsidiaries.

9. These 167,438,605 H shares were held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation. Accordingly, The Bank of New York Mellon Corporation was deemed as the owner of the H shares equity interests held by its aforesaid subsidiary.

10. These 162,173,005 H shares were held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation. Accordingly, The Bank of New York Mellon Corporation was deemed as the owner of the H shares in a lending pool held by its aforesaid subsidiary.

OTHER INFORMATION

EMPLOYEES

As at 30 June 2018, the Group had a total of 7,335 employees. The staff remuneration of the Group comprises of position performance-based salary, special bonus and various subsidies. The Group improves staff treatment at multiple job levels, and stimulates the vitality of team personnel through the implementation of a selection mechanism consisting of competitive hiring, gradual promotion and dynamic adjustments; the Group designs a compensation package precisely biased towards front-line staff making prominent contributions and key technical personnel based on performance assessment as evidence and specialized awards as triggers; meanwhile, the Group actively fosters excellent skill sequence personnel, and grants specialized technical subsidies on a monthly basis.

MATERIAL LITIGATION

In the first half of 2018, the Group was not involved in any material litigation or arbitration. So far as known to the Directors, no material litigation or claims are pending or threatened against the Group.

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

Directors of the Company

As elected at the 2017 annual general meeting of the Company, Mr. Liu Jinhuan had been appointed as non-executive Director, member of the Strategic Committee and the Remuneration and Assessment Committee of the Board with effect from 25 May 2018 until the expiry of the third session of the Board. Due to retirement, Mr. Wang Baole has resigned as non-executive Director and member of the Strategic Committee and the Remuneration and Assessment Committee of the Board with effect from 25 May 2018.

Mr. Liu Jinhuan, a non-executive Director, serves as assistant to president and director of strategic planning department of CHN Energy.

Mr. Luan Baoxing, a non-executive Director, serves as director of finance and property rights department of CHN Energy.

Mr. Yang Xiangbin, a non-executive Director, serves as director of capital operation department of CHN Energy.

Mr. Li Enyi, an executive Director, serves as assistant to president of CHN Energy.

Mr. Meng Yan, an independent non-executive Director, has been serving as an independent non-executive director of Sinotrans Limited (HKSE: 598) since 1 June 2018 and an independent non-executive director of China Isotope & Radiation Corporation (listed on 6 July 2018, HKSE: 1763) since 22 February 2017. He resigned as an independent director of COFCO Property (Group) Co, Ltd. (SZSE: 000031) on 13 June 2018.

As elected at the 2018 first extraordinary general meeting of the Company, Mr. Qiao Baoping, Mr. Liu Jinhuan, Mr. Luan Baoxing, Mr. Yang Xiangbin, Mr. Li Enyi, Mr. Huang Qun, Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang had been appointed as the Directors of the fourth session of the Board since 6 July 2018 for a term of three years.

Supervisors of the Company

As elected at the 2017 annual general meeting of the Company, Mr. Chen Bin had been appointed as a supervisor and chairman of the supervisory board of the Company with effect from 25 May 2018 until the expiry of the third session of the supervisory board of the Company. Due to retirement, Mr. Xie Changjun has resigned as supervisor and chairman of the supervisory board of the Company with effect from 25 May 2018.

Mr. Yu Yongping, a supervisor of the Company, serves as the chief auditor of CHN Energy.

As elected at the 2018 first extraordinary general meeting of the Company, Mr. Chen Bin and Mr. Yu Yongping had been appointed as supervisors of the fourth session of the supervisory board of the Company on 6 July 2018 for a term of three years.

Due to work adjustments, Mr. He Shen has ceased to be the employee representative supervisor of the Company since 6 July 2018.

Mr. Ding Yinglong was elected at the employee representatives' meeting of the Company as the employee representative supervisor with effect from 15 August 2018 to the expiry of the fourth session of the supervisory board of the Company.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial statements set out on pages 54 to 111, which comprises the interim condensed consolidated statement of financial position of China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flows statements for the six-month period 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 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 ("IASB"). The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34.

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

21 August 2018

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Expressed in thousands of Renminbi)

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue	5	**13,362,888**	12,314,785
Other net income	6	**443,424**	288,637
Operating expenses			
Depreciation and amortisation		**(3,548,992)**	(3,305,325)
Coal consumption		**(1,200,363)**	(1,197,107)
Coal sales costs		**(1,507,359)**	(1,954,994)
Service concession construction costs		**(5,817)**	(27,316)
Personnel costs		**(755,457)**	(657,715)
Material costs		**(84,402)**	(94,295)
Repairs and maintenance		**(254,408)**	(240,922)
Administration expenses		**(182,159)**	(147,117)
Other operating expenses		**(343,091)**	(215,374)
		(7,882,048)	(7,840,165)
Operating profit		**5,924,264**	4,763,257
Finance income		**115,118**	113,088
Finance expenses		**(1,737,027)**	(1,608,793)
Net finance expenses	7	**(1,621,909)**	(1,495,705)
Share of profits less losses of associates and joint ventures		**69,839**	139,139
Profit before taxation	8	**4,372,194**	3,406,691
Income tax	9	**(769,202)**	(555,318)
Profit for the period		**3,602,992**	2,851,373

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Expressed in thousands of Renminbi)

	Notes	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Other comprehensive (loss)/income			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Net loss on equity instruments at fair value through other comprehensive income		(147,017)	–
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets: net movement in the fair value reserve		–	(662)
Exchange difference on translation of financial statements of overseas subsidiaries		(85,893)	40,670
Exchange difference on net investment in foreign operations		(53,547)	43,289
Other comprehensive (loss)/income for the period, net of tax	10	(286,457)	83,297
Total comprehensive income for the period		3,316,535	2,934,670
Profit attributable to:			
Equity holders of the Company			
– Shareholders		3,072,499	2,415,059
– Perpetual medium-term note holders	25	121,000	79,550
Non-controlling interests		409,493	356,764
Profit for the period		3,602,992	2,851,373
Total comprehensive income attributable to:			
Equity holders of the Company			
– Shareholders		2,810,110	2,498,527
– Perpetual medium-term note holders	25	121,000	79,550
Non-controlling interests		385,425	356,593
Total comprehensive income for the period		3,316,535	2,934,670
Basic and diluted earnings per share *(RMB cents)*	11	38.23	30.05

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018 (Expressed in thousands of Renminbi)

	Notes	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	12	**109,142,620**	109,473,406
Investment properties		**9,954**	10,319
Lease prepayments		**2,213,296**	2,164,613
Intangible assets	13	**8,405,825**	8,692,170
Goodwill		**61,490**	61,490
Investments in associates and joint ventures		**4,541,738**	4,471,899
Other assets	14	**3,214,742**	3,468,257
Deferred tax assets		**170,530**	170,709
Total non-current assets		**127,760,195**	128,512,863
Current assets			
Inventories		**1,026,332**	953,366
Trade debtors and bills receivable	15	**11,123,592**	7,154,516
Prepayments and other current assets	16	**3,578,029**	3,629,367
Tax recoverable		**54,420**	102,065
Other financial assets	17	**521,238**	177,813
Restricted deposits		**53,068**	33,471
Cash at banks and on hand	18	**2,283,037**	5,071,579
Total current assets		**18,639,716**	17,122,177

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018 (Expressed in thousands of Renminbi)

	Notes	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current liabilities			
Borrowings	19	30,439,464	35,774,163
Trade creditors and bills payable	20	1,992,562	1,890,907
Other current liabilities	21	8,559,125	9,219,817
Obligations under finance leases	22	50,000	46,000
Tax payable		306,652	228,531
Total current liabilities		41,347,803	47,159,418
Net current liabilities		(22,708,087)	(30,037,241)
Total assets less current liabilities		105,052,108	98,475,622
Non-current liabilities			
Borrowings	19	46,038,167	41,620,177
Obligations under finance leases	22	388,000	414,945
Deferred income		1,496,603	1,553,605
Deferred tax liabilities		174,335	161,694
Other non-current liabilities		1,353,047	1,425,919
Total non-current liabilities		49,450,152	45,176,340
NET ASSETS		55,601,956	53,299,282

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018 (Expressed in thousands of Renminbi)

	Notes	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
CAPITAL AND RESERVES			
Share capital	23	**8,036,389**	8,036,389
Perpetual medium-term notes	25	**4,894,737**	4,991,000
Reserves		**35,374,706**	33,098,462
Total equity attributable to the equity holders of the Company		**48,305,832**	46,125,851
Non-controlling interests		**7,296,124**	7,173,431
TOTAL EQUITY		**55,601,956**	53,299,282

Approved and authorised for issue by the board of directors on 21 August 2018.

Qiao Baoping
Chairman

Li Enyi
Executive Director

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Expressed in thousands of Renminbi)

		Attributable to the equity holders of the Company									
	Notes	Share capital *RMB'000*	Perpetual medium-term notes *RMB'000* *(Note 25)*	Capital reserve *RMB'000* *(Note 23 (c)(i))*	Statutory surplus reserve *RMB'000* *(Note 23 (c)(ii))*	Exchange reserve *RMB'000* *(Note 23 (c)(iii))*	Fair value reserve *RMB'000* *(Note 23 (c)(iv))*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2017		8,036,389	4,991,000	14,697,943	1,267,175	(280,056)	9,006	17,404,394	46,125,851	7,173,431	53,299,282
Net changes in fair value of equity instruments at fair value through other comprehensive income, net of tax	3	–	–	–	–	–	192,914	–	192,914	–	192,914
At 1 January 2018		8,036,389	4,991,000	14,697,943	1,267,175	(280,056)	201,920	17,404,394	46,318,765	7,173,431	53,492,196
Changes in equity:											
Profit for the period		–	121,000	–	–	–	–	3,072,499	3,193,499	409,493	3,602,992
Other comprehensive income		–	–	–	–	(116,618)	(145,771)	–	(262,389)	(24,068)	(286,457)
Total comprehensive income		–	121,000	–	–	(116,618)	(145,771)	3,072,499	2,931,110	385,425	3,316,535
Capital contributions		–	–	–	–	–	–	–	–	36,378	36,378
Appropriation		–	–	–	219,649	–	–	(219,649)	–	–	–
Dividends by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	–	(299,110)	(299,110)
Dividends to equity holders of the Company		–	–	–	–	–	–	(737,611)	(737,611)	–	(737,611)
Distribution for perpetual medium-term notes		–	(217,263)	–	–	–	–	–	(217,263)	–	(217,263)
Acquisition of a subsidiary	24	–	–	10,831	–	–	–	–	10,831	–	10,831
At 30 June 2018		8,036,389	4,894,737	14,708,774	1,486,824	(396,674)	56,149	19,519,633	48,305,832	7,296,124	55,601,956

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Expressed in thousands of Renminbi)

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

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Expressed in thousands of Renminbi)

	Attributable to the equity holders of the Company									
	Share capital *RMB'000*	Perpetual medium-term notes *RMB'000* *(Note 25)*	Capital reserve *RMB'000* *(Note 23 (c)(i))*	Statutory surplus reserve *RMB'000* *(Note 23 (c)(ii))*	Exchange reserve *RMB'000* *(Note 23 (c)(iii))*	Fair value reserve *RMB'000* *(Note 23 (c)(iv))*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 July 2017	8,036,389	2,991,000	14,690,153	1,040,655	(423,026)	12,120	16,357,920	42,705,211	6,977,399	49,682,610
Changes in equity:										
Profit for the period	–	78,387	–	–	–	–	1,272,994	1,351,381	346,944	1,698,325
Other comprehensive income	–	–	–	–	142,970	(3,114)	–	139,856	11,129	150,985
Total comprehensive income	–	78,387	–	–	142,970	(3,114)	1,272,994	1,491,237	358,073	1,849,310
Capital contributions	–	–	7,921	–	–	–	–	7,921	128,112	136,033
Acquisition of non-controlling interests	–	–	(131)	–	–	–	–	(131)	(4,269)	(4,400)
Appropriation	–	–	–	226,520	–	–	(226,520)	–	–	–
Dividends by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	–	(285,884)	(285,884)
Issuance of perpetual medium-term note	–	2,000,000	–	–	–	–	–	2,000,000	–	2,000,000
Distribution for perpetual medium-term notes	–	(78,387)	–	–	–	–	–	(78,387)	–	(78,387)
At 31 December 2017	8,036,389	4,991,000	14,697,943	1,267,175	(280,056)	9,006	17,404,394	46,125,851	7,173,431	53,299,282

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Expressed in thousands of Renminbi)

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**6,957,393**	4,005,680
Tax paid		**(628,947)**	(515,177)
Net cash generated from operating activities		**6,328,446**	3,490,503
Investing activities			
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets		**(5,742,241)**	(4,476,856)
Payments for investments in associates and joint ventures and equity investments		**162**	–
Redemption of short-term investments		**458,000**	140,000
Other cash arising from investing activities		**(977,497)**	60,026
Net cash used in investing activities		**(6,261,576)**	(4,276,830)
Financing activities			
Proceeds from borrowings		**28,714,806**	35,475,181
Repayment of borrowings		**(29,534,055)**	(31,257,171)
Interest paid for borrowings		**(1,801,905)**	(1,718,572)
Other cash flows used in financing activities		**(206,466)**	(47,841)
Net cash (used in)/from financing activities		**(2,827,620)**	2,451,597

The notes on pages 64 to 111 form part of these interim financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Expressed in thousands of Renminbi)

	Notes	Six months ended 30 June 2018 *RMB'000*	 2017 *RMB'000*
Net (decrease)/increase in cash and cash equivalents		**(2,760,750)**	1,665,270
Cash and cash equivalents at 1 January	18	**5,071,579**	1,901,286
Effect of foreign exchange rate changes		**(27,792)**	6,413
Cash and cash equivalents at 30 June	18	**2,283,037**	3,572,969

The notes on pages 64 to 111 form part of these interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

1 PRINCIPAL ACTIVITIES

China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (the "Group") are principally engaged in wind and coal power generation and sale, coal trading and other related businesses in the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION OF THE FINANCIAL REPORT

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They were authorised for issuance by the board of directors of the Company on 21 August 2018.

The interim financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the fact that the Group has net current liabilities as at 30 June 2018 amounting to RMB22,708,087,000. The directors of the Company are of the opinion that, based on a review of the forecasted cash flows of the Group, the unutilised banking facilities and the unutilised credit lines with banks as at 30 June 2018, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements within the next twelve months.

The preparation of an interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial statements contain condensed consolidated financial statements and selected explanatory notes, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2017 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the 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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial instruments* in these interim financial statements, which result in changes in accounting policies. As required by IAS 34, the nature and effect of these changes are disclosed below.

A number of other amendments to IFRSs and a new interpretation are effective from 1 January 2018 but they do not have a material impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 18 *Revenue* and IAS 11 *Construction Contracts*. IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 using the modified retrospective method to all contracts that are not completed at the date of initial application. The Group concluded that the transitional adjustment to be made on 1 January 2018 to retained earnings upon initial adoption of IFRS 15 is nil and the comparative information is not restated. It is because the Group recognised revenue upon the transfer of significant risks and rewards before the adoption, which coincides with the fulfilment of performance obligations. From 1 January 2018, revenue is recognised when a customer obtains control of a good or service and the customer has the ability to direct the use and obtain the benefits from the good or serves. Additionally, the Group's contracts with customers generally have only one performance obligation.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 15 *Revenue from Contracts with Customers* (Continued)

The Group's revenue are substantially generated from the wind and coal power generation and sale, coal trading and other related business.

(a) Power generation and sale

The Group's contracts with customers for the power generation and sale generally include one performance obligation. The Group has concluded that the performance obligation is satisfied at the point in time and revenue continue to be recognised upon transmission to the customers. The adoption of IFRS 15 did not have an impact on the amount of revenue recognised.

(b) Coal trading

Determining whether coal trading revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. Since the Group has sole discretion in determining the pricing, takes full responsibility of the good provided to the customers, and also is responsible for the risk associated with the goods before change of control over the goods, and the customers' complaints and requests, the Group considers it controls the specified goods before their delivery to its customers and is a principal in the transactions. Accordingly, the Group recognises revenue on the gross basis.

(c) Presentation and disclosure requirements

Note 5 has included the disclosures on disaggregated revenue.

IFRS 9 *Financial Instruments*

IFRS 9 replaces of IAS 39 Financial Instruments: *Recognition and Measurement* from 1 January 2018.

The comparative information is not restated and the Group recognised any transition adjustments in relation to the adoption of IFRS 9 against the opening balance of equity at 1 January 2018 as further disclosed below.

(Expressed in thousands of Renminbi)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 *Financial Instruments* (Continued)

(a) Classification and measurement

On initial application of IFRS 9, the available-for-sale equity investments have been reclassified and measured at fair value through other comprehensive income ("OCI"). These equity investments are subsequently measured at fair value. Dividends from the investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

All other financial assets previously measured at amortised cost continue to be measured at amortised cost upon the adoption of IFRS 9.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed and classified its financial assets into the appropriate IFRS 9 categories. The main effects resulting from the reclassification were as follows:

Financial assets – 1 January 2018	**Measured at fair value through profit or loss ("FVPL")** *RMB'000*	**Reclassified and measured at FVOCI (Available-for-sale in 2017)** *RMB'000*	**Measured at amortised cost (Receivables in 2017)** *RMB'000*
Closing balance as at 31 December 2017 under IAS 39	77,813	862,517	14,052,027
Fair value adjustment of unquoted equity investments previously stated at cost which are now categorised as equity investments at fair value through other comprehensive income ("FVOCI")	–	192,914	–
Opening balance as at 1 January 2018 under IFRS 9	77,813	1,055,431	14,052,027

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 *Financial Instruments* (Continued)

(a) Classification and measurement (Continued)

The total impact on the Group's equity as at 1 January 2018 was as follows:

	Fair value reserve *RMB'000*
Closing balance as at 31 December 2017 under IAS 39	9,006
Reclassification of investments from available-for-sale to FVOCI	192,914
Opening balance as at 1 January 2018 under IFRS 9	201,920

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that were estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that were estimated based on the possible default events on its other receivables within the next twelve months. The effect of adoption on the Group's financial statements was nil.

4 SEGMENT REPORTING

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

– Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.

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

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

(a) Segment results

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

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

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below:

(Expressed in thousands of Renminbi)

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results (Continued)

For the six months ended 30 June 2018

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
– Sales of electricity	9,566,838	1,497,516	194,577	11,258,931
– Others	13,597	2,060,832	23,711	2,098,140
Subtotal	9,580,435	3,558,348	218,288	13,357,071
Inter-segment revenue	–	–	98,409	98,409
Reportable segment revenue	9,580,435	3,558,348	316,697	13,455,480
Reportable segment profit/(loss) (operating profit)	5,778,298	217,139	(23,398)	5,972,039
Depreciation and amortisation before inter-segment elimination	(3,259,650)	(193,081)	(111,512)	(3,564,243)
(Provision)/Reversal of impairment losses of property, plant and equipment, trade and other receivables	(3,992)	(6)	4,000	2
Interest income	22,685	1,527	13,435	37,647
Interest expenses	(1,524,331)	(43,264)	(143,906)	(1,711,501)
Expenditures for reportable segment non-current assets during the period	2,905,696	68,939	319,056	3,293,691

(Expressed in thousands of Renminbi)

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results (Continued)

For the six months ended 30 June 2017

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

(Expressed in thousands of Renminbi)

4 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**13,455,480**	12,427,010
Service concession construction revenue	**5,817**	27,316
Elimination of inter-segment revenue	**(98,409)**	(139,541)
Consolidated revenue	**13,362,888**	12,314,785
Profit		
Reportable segment profit	**5,972,039**	4,837,525
Elimination of inter-segment profit/(loss)	**3,772**	(25,988)
	5,975,811	4,811,537
Share of profits less losses of associates and joint ventures	**69,839**	139,139
Net finance expenses	**(1,621,909)**	(1,495,705)
Unallocated head office and corporate expenses	**(51,547)**	(48,280)
Consolidated profit before taxation	**4,372,194**	3,406,691

4 SEGMENT REPORTING (CONTINUED)

(c) Geographical information

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

(d) Seasonality of operations

The Group's wind power business generally generates more revenue in the first and fourth quarters, comparing to the second and third quarters in the year, as the wind speed is more beneficial to power generation in spring and winter. As a result, the revenue from the wind power business fluctuates during the year.

(Expressed in thousands of Renminbi)

5 REVENUE

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

For the six months ended 30 June 2018

	Wind power *RMB'000*	Coal power *RMB'000*	Other business *RMB'000*	Total *RMB'000*
Types of goods and service				
Sale of electricity	9,566,838	1,497,516	194,577	11,258,931
Sale of steam	–	353,787	–	353,787
Service concession construction revenue	5,817	–	–	5,817
Sale of coal	–	1,551,394	–	1,551,394
Others	13,597	155,651	23,711	192,959
	9,586,252	3,558,348	218,288	13,362,888
Geographic market				
Mainland China	9,323,871	3,558,348	218,288	13,100,507
Canada	112,068	–	–	112,068
South Africa	150,313	–	–	150,313
	9,586,252	3,558,348	218,288	13,362,888
Revenue recognition point				
Good transferred at a point of time	9,566,838	3,470,083	196,584	13,233,505
Services transferred over time	19,414	88,265	21,704	129,383
	9,586,252	3,558,348	218,288	13,362,888

(Expressed in thousands of Renminbi)

5 REVENUE (CONTINUED)

For the six months ended 30 June 2017

	For the six months ended 30 June 2017 *RMB'000*
Sale of electricity	9,801,004
Sale of steam	314,267
Service concession construction revenue	27,316
Sale of electricity equipment	6,339
Sale of coal	2,002,259
Others	163,600
	12,314,785

6 OTHER NET INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Government grants	**395,987**	276,104
Rental income from investment properties	**2,907**	412
Net loss on disposal of property, plant and equipment	**(25)**	(524)
Others	**44,555**	12,645
	443,424	288,637

(Expressed in thousands of Renminbi)

7 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest income on financial assets	**37,647**	24,739
Dividend income from short-term investments	**1,603**	462
Net unrealised profits on trading securities and derivative financial instruments	**72,616**	–
Foreign exchange gains	**3,252**	87,887
Finance income	**115,118**	113,088
Less:		
Interest on banks and other borrowings	**1,870,234**	1,676,433
Less: Interest expenses capitalised into property, plant and equipment and intangible assets	**(158,733)**	(183,606)
	1,711,501	1,492,827
Foreign exchange losses	**2,878**	1,609
Net realised and unrealised losses on other financial assets	**–**	97,650
Bank charges and others	**22,648**	16,707
Finance expenses	**1,737,027**	1,608,793
Net finance expenses recognised in profit or loss	**(1,621,909)**	(1,495,705)

The borrowing costs have been capitalised at rates of 3.92% to 4.90% for the period ended 30 June 2018 (six months ended 30 June 2017: 3.92% to 10.80%).

(Expressed in thousands of Renminbi)

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Amortisation		
– lease prepayments	**42,622**	41,718
– intangible assets	**278,003**	291,194
Depreciation		
– investment properties	**366**	157
– property, plant and equipment	**3,228,001**	2,972,256
Provision/(Reversal) of impairment losses		
– property, plant and equipment	**3,998**	26,887
– trade and other receivables	**(4,000)**	2,594
– unquoted equity investments in non-listed companies	**–**	1,333
Operating lease charges		
– rent of plant and equipment	**2,457**	133
– rent of properties	**12,661**	9,808
Cost of inventories	**2,792,124**	3,246,396

(Expressed in thousands of Renminbi)

9 INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**713,601**	512,246
Underprovision in respect of prior years	**41,112**	46,014
	754,713	558,260
Deferred tax		
Origination and reversal of temporary differences	**14,489**	(2,942)
	769,202	555,318

(Expressed in thousands of Renminbi)

9 INCOME TAX (CONTINUED)

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**4,372,194**	3,406,691
Notional tax on profit before taxation	**1,093,049**	851,673
Tax effect of non-deductible expenses	**6,148**	15,514
Tax effect of share of profits less losses of associates and joint ventures	**(17,460)**	(34,785)
Tax effect of non-taxable income	**(202)**	(625)
Effect of differential tax rates of certain subsidiaries of the Group *(Note (i))*	**(396,213)**	(347,117)
Use of unrecognised tax losses in prior years	**(9,019)**	(5,678)
Tax effect of unused tax losses and timing differences not recognised	**51,787**	30,322
Underprovision in respect of prior years	**41,112**	46,014
Income tax	**769,202**	555,318

9 INCOME TAX (CONTINUED)

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates: (Continued)

Note:

(i) The provision for income tax of the PRC subsidiaries of the Group is calculated based on the statutory rate of 25% of the assessable profits of the Group for the six months ended 30 June 2018 and the six months ended 30 June 2017, as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to relevant tax authorities' approvals.

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

(Expressed in thousands of Renminbi)

10 OTHER COMPREHENSIVE (LOSS)/INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		
Net loss on equity instruments in non-listed companies at fair value through other comprehensive income:		
Change in fair value recognised during the period		
Before and net of tax amount	**(142,009)**	–
Net (loss)/profit on equity instruments in listed companies at fair value through other comprehensive income:		
Change in fair value recognised during the period		
Before tax amount	**(6,677)**	–
Tax expense	**1,669**	–
Net of tax amount	**(5,008)**	–
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets:		
Change in fair value recognised during the period		
Before tax amount	**–**	(883)
Tax expense	**–**	221
Net of tax amount	**–**	(662)
Exchange difference on translation of financial statement of overseas subsidiaries:		
Before and net of tax amount	**(85,893)**	40,670
Exchange difference on net investment in foreign operations:		
Before and net of tax amount	**(53,547)**	43,289
Other comprehensive (loss)/income	**(286,457)**	83,297

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2018 of RMB3,072,499,000 (six months ended 30 June 2017: RMB2,415,059,000) and the number of shares in issue during the six months ended 30 June 2018 of 8,036,389,000 (six months ended 30 June 2017: 8,036,389,000 shares).

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

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment of approximately RMB3,194,627,000 (six months ended 30 June 2017: approximately RMB5,077,997,000). Items of property, plant and equipment with a net book value of approximately RMB5,793,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: approximately RMB8,568,000), resulting in loss on disposal of approximately RMB1,019,000 (six months ended 30 June 2017: loss on disposal of approximately RMB524,000). Impairment of RMB3,998,000 was provided during the six months ended 30 June 2018 (six months ended 30 June 2017: impairment of RMB26,887,000 was provided).

13 INTANGIBLE ASSETS

Intangible assets mainly represent service concession assets of approximately RMB8,196,993,000 (31 December 2017: approximately RMB8,465,746,000), software and other assets of approximately RMB208,832,000 (31 December 2017: approximately RMB226,424,000).

During the six months ended 30 June 2018, the additions of intangible assets mainly represent service concession assets of approximately RMB5,817,000 (six months ended 30 June 2017: approximately RMB27,316,000).

(Expressed in thousands of Renminbi)

14 OTHER ASSETS

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Equity instruments in listed companies, at fair value	**31,642**	38,319
Equity instruments in non-listed companies, at fair value *(Note (i))*	**775,102**	724,198
Loans and advances to:		
– associates *(Note (ii))*	**8,000**	8,000
– non-controlling equity owners	**50,222**	55,183
Prepayments for acquisition of business	**–**	87,380
Dividend receivable *(Note (iii))*	**450,000**	–
Others	**2,232**	–
Subtotal	**1,317,198**	913,080
Deductible Value-added Tax ("VAT") *(Note (iv))*	**1,897,544**	2,555,177
	3,214,742	3,468,257

(Expressed in thousands of Renminbi)

14 OTHER ASSETS (CONTINUED)

Notes:

(i) The equity instruments in non-listed companies are investments in limited liability companies established in the PRC. On 1 January 2018 (the initial application date of IFRS 9), the Group's management has assessed and classified these investments into equity instruments through other comprehensive income and measured at fair value.

(ii) The loans to associates are designated loans and are unsecured, not past due as at the end of the reporting period and bear interest at rate of 4.41% per annum for the period ended 30 June 2018 (31 December 2017: 4.75% to 5.08%). The current portion is recorded in other current assets.

(iii) The dividend receivable is all from Nantong Tianshenggang Power Generation's (南通天生港發電有限公司) joint venture, Jiangsu Nantong Power Generation Co., Ltd. (江蘇南通發電有限公司).

(iv) The deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets.

15 TRADE DEBTORS AND BILLS RECEIVABLE

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Amounts due from third parties	**11,119,637**	7,149,127
Amounts due from fellow subsidiaries	**8,565**	14,967
Amounts due from associates	**7,220**	2,252
	11,135,422	7,166,346
Less: Allowance for doubtful debts	**(11,830)**	(11,830)
	11,123,592	7,154,516

(Expressed in thousands of Renminbi)

15 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

The ageing analysis of trade debtors and bills receivable of the Group, based on the invoice date and net of provisions, is as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 year	**11,120,405**	7,142,322
Between 1 and 2 years	**1,523**	2,000
Between 2 and 3 years	**1,544**	5,558
Over 3 years	**120**	4,636
	11,123,592	7,154,516

15 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

The Group's trade debtors are mainly electricity sales receivables and tariff premium receivables. Pursuant to CaiJian [2012] No.102 *Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy* (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration ("NEA") in March 2012, a set of new standardised procedures for the settlement of the aforementioned renewable energy tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 30 June 2018, most of the Group's related projects have been approved for the tariff premium of renewable energy and certain projects were in the process of applying for the approval. The tariff premium receivables are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. There is no due date for settlement.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade debtors. To measure the expected credit losses of trade debtors, trade debtors have been grouped based on shared credit risk characteristics and the ageing.

(Expressed in thousands of Renminbi)

16 PREPAYMENTS AND OTHER CURRENT ASSETS

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Loans and advances to *(Note (i))*:		
– associates and joint ventures	**758,125**	211,553
– China Energy Investment Corporation Limited ("CHN Energy")*	**5,545**	5,273
– fellow subsidiaries	**311,922**	309,162
– third parties	**317,682**	403,218
Government grant receivables	**195,156**	133,173
Dividend receivable from		
– associates	**21,382**	666,899
Deductible VAT	**1,628,851**	1,582,383
Prepayments and others	**373,319**	355,658
	3,611,982	3,667,319
Less: Allowance for doubtful debts	**(33,953)**	(37,952)
	3,578,029	3,629,367

* "CHN Energy" represents China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), previously known as Shenhua Group Corporation Limited. CHN Energy and Guodian Group signed the Agreement on the Merger of China Energy Investment Corporation Limited and China Guodian Corporation on 5 February 2018. After the completion of the implementation of the merger, the controlling shareholder of the Company will be changed from Guodian Group to CHN Energy.

Note:

(i) Included in the loans and advances were interest-bearing loans and advances of the Group amounting to RMB872,000,000 with annual interest rates of 4.35% to 4.75% as at 30 June 2018 (31 December 2017: RMB378,000,000, with annual interest rates of 4.35% to 4.50%).

The Group has applied the general approach and recorded twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group's prepayments and other current assets of RMB33,953,000 as at 30 June 2018 (31 December 2017: RMB37,952,000) were determined to be impaired. The impaired receivables related to the counterparties that were in financial difficulties and management expected default events on these balances that are possible within twelve months after the reporting date. The Group does not hold any collateral over these balances.

(Expressed in thousands of Renminbi)

17 OTHER FINANCIAL ASSETS

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Trading securities measured at FVPL		
– listed equity securities on Hong Kong Stock Exchange	**112,238**	77,813
Short-term investments measured at FVOCI *(Note (i))*	**409,000**	100,000
	521,238	177,813

Note:

(i) The short-term investments represent wealth management products issued by financial institutions with guaranteed principal amounts and variable returns.

18 CASH AT BANKS AND ON HAND

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Cash on hand	**30**	53
Cash at banks and other financial institutions	**2,283,007**	5,071,526
	2,283,037	5,071,579
Including:		
– Cash and cash equivalents	**2,283,037**	5,071,579

(Expressed in thousands of Renminbi)

19 BORROWINGS

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans		
– Secured *(Note (ii))*	**10,941,545**	8,741,511
– Unsecured *(Note (i))*	**18,463,690**	16,190,251
Loans from fellow subsidiaries		
– Unsecured *(Note (i))*	**–**	12,000
Other borrowings *(Note19(c)(i))*		
– Secured	**882,483**	944,183
– Unsecured	**21,148,516**	18,142,174
	51,436,234	44,030,119
Less: Current portion of long-term borrowings *(Note19(b))*		
– Bank loans	**(4,399,361)**	(2,365,162)
– Other borrowings	**(998,706)**	(44,780)
	46,038,167	41,620,177

Notes:

All of the long-term interest-bearing borrowings are carried at amortised cost.

(i) As at 30 June 2018, the Group's loans and borrowings guaranteed by CHN Energy amounted to RMB3,946,534,000 (31 December 2017: RMB4,017,125,000).

(ii) Certain secured borrowings of the subsidiaries of the Group are secured by property, plant and equipment with carrying amount of RMB1,782,745,000(31 December 2017:RMB1,760,606,000) and trade debtors beneficial rights arising from future electricity sales.

(Expressed in thousands of Renminbi)

19 BORROWINGS (CONTINUED)

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans		
– Secured *(Note(ii))*	**100,000**	1,505,000
– Unsecured	**21,413,872**	26,378,728
Loans from other financial institutions		
– Unsecured *(Note (i))*	**41,000**	41,000
Loans from fellow subsidiaries		
– Unsecured	**486,525**	439,493
Other borrowings		
– Unsecured *(Note 19(c)(ii))*	**3,000,000**	5,000,000
Current portion of long-term borrowings		
– Bank loans	**4,399,361**	2,365,162
– Other borrowings	**998,706**	44,780
	30,439,464	35,774,163

Notes:

(i) On 30 June 2018, the outstanding loans of the Company amounted to RMB41,000,000 (31 December 2017: RMB41,000,000). These outstanding loans are borrowed from third party by the Company's subsidiary, China Fulin Wind Power Engineering Co., Ltd.

(ii) Certain secured borrowings of the subsidiaries of the Group are secured by trade debtors beneficial rights arising from future electricity sales.

(Expressed in thousands of Renminbi)

19 BORROWINGS (CONTINUED)

(c) Significant terms of other borrowings

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Long-term		
Corporate bonds *(Note (i))*	22,030,999	19,086,357
Short-term		
Corporate bonds *(Note (ii))*	3,000,000	5,000,000

Notes:

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

On 21 January 2011, the Company issued a ten-year corporate bond of RMB1,500 million at par with a coupon rate of 5.04% per annum, which is guaranteed by CHN Energy. The effective interest rate of the bond is 5.14%.

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

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

19 BORROWINGS (CONTINUED)

(c) Significant terms of other borrowings (Continued)

Notes: (Continued)

(i) (Continued)

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

On 17 March 2016, the Company issued a three-year unsecured corporate bond of RMB1,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.75%.

On 25 August 2016, the Company issued a three-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.75%.

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

On 1 August 2017, the Company issued a seven-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 4.78% per annum. The effective interest rate is 4.84%.

On 23 April 2018, the Company issued a seven-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 4.83% per annum. The effective interest rate is 4.89%.

(ii) The short-term corporate bonds represent a series of unsecured corporate bonds with a coupon rate of 3.79% to 3.80% issued in 2018. The effective interest rate of these bonds is 3.83%.

(Expressed in thousands of Renminbi)

20 TRADE CREDITORS AND BILLS PAYABLE

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Bills payable	**1,115,710**	1,366,778
Creditors and accrued charges	**797,529**	261,420
Amounts due to associates	**33,237**	132,910
Amounts due to fellow subsidiaries	**46,086**	129,799
	1,992,562	1,890,907

The ageing analysis of trade creditors and bills payable based on the invoice date is as follows:

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Within 1 year	**1,698,898**	1,792,843
Between 1 and 2 years	**255,422**	53,070
Between 2 and 3 years	**21,418**	40,800
Over 3 years	**16,824**	4,194
	1,992,562	1,890,907

As at 30 June 2018 and 31 December 2017, all trade creditors and bills payable are payable and expected to be settled within one year.

(Expressed in thousands of Renminbi)

21 OTHER CURRENT LIABILITIES

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Payables for acquisition of property, plant and equipment	**4,277,344**	6,524,142
Payables for staff related costs	**216,999**	252,067
Payables for other taxes	**119,335**	253,773
Dividends payable	**956,389**	137,339
Receipts in advance	**207,492**	133,725
Amounts due to associates and joint ventures *(Note (i))*	**1,306,740**	686,871
Amounts due to fellow subsidiaries	**289,118**	237,198
Amounts due to CHN Energy	**48,754**	52,670
Other accruals and payables	**1,064,771**	831,657
Derivative financial instruments – interest rate swap contracts *(Note (ii))*	**72,183**	110,375
	8,559,125	9,219,817

Notes:

(i) Amounts due to associates and joint ventures mainly represent payables to an associate for wind turbines purchased by the Group.

(ii) In 2015, Longyuan Mulilo De Aar 2 North (RF) Proprietary Limited and Longyuan Mulilo De Aar Wind Power (RF) Proprietary Limited, two subsidiaries of the Group, entered into interest rate swap contracts to mitigate the interest rate risks. The interest rate swap contracts were recognised at fair value as at 30 June 2018 and 31 December 2017.

(iii) All other payables are measured at amortised cost and expected to be settled within one year or are repayable on demand.

(Expressed in thousands of Renminbi)

22 OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2018, the Group had obligations under finance leases repayable as follows:

	At 30 June 2018		At 31 December 2017	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**50,000**	**70,131**	46,000	67,213
After 1 year but within 2 years	**59,750**	**77,474**	53,945	72,894
After 2 years but within 5 years	**213,750**	**247,951**	210,000	249,189
After 5 years	**114,500**	**121,984**	151,000	162,037
	388,000	**447,409**	414,945	484,120
	438,000	**517,540**	460,945	551,333
Less: Total future interest expenses		**(79,540)**		(90,388)
Present value of finance lease obligations		**438,000**		460,945

(Expressed in thousands of Renminbi)

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2017, approved during the following interim period, of RMB0.0918 per share (year ended 31 December 2016: RMB0.0850 per share)	**737,611**	683,093

Dividends in respect of the financial year ended 31 December 2017 have been fully paid on 31 July 2018.

(Expressed in thousands of Renminbi)

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Issued and fully paid:		
4,696,360,000 domestic state-owned ordinary shares of RMB1.00 each	**4,696,360**	4,696,360
3,340,029,000 H shares of RMB1.00 each	**3,340,029**	3,340,029
	8,036,389	8,036,389

(c) Nature and purpose of reserves

(i) Capital reserve

Capital reserve includes share premium and other capital reserve.

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

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

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(ii) Statutory surplus reserve

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

(iii) Exchange reserve

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

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments at FVOCI (income tax exclusive) held at the balance sheet date.

24 ASSET ACQUISITION

On 1 January 2018, the Group completed the acquisition of the entire equity interests of Guodian United Power Technology (Changchun) Co., Ltd. ("Guodian Changchun") from an associate company of Guodian United Power Technology Co., Ltd. ("Guodian United Power") for a consideration of RMB253,644,000. Guodian Changchun was a limited company registered in China, whose business was in suspension, with no revenue generation at the acquisition date. On 1 January 2018 (i.e the acquisition date), the carrying value of the net assets of Guodian Changchun amounted to RMB264,475,000, and the Group recognised capital reserve of RMB10,831,000 accordingly. Upon the completion of the acquisition, Guodian Changchun was planned to be transformed into a wind power research and development center. Therefore, the Group did not consider the above acquisition as a business combination for accounting purposes.

25 PERPETUAL MEDIUM-TERM NOTES

On 24 November 2015, the Company issued a perpetual medium-term note amounting to RMB3,000,000,000 (the "2015 Perpetual Medium-term Note"). The 2015 Perpetual Medium-term Note was issued at par value with an initial interest rate of 4.44% and recorded as equity, after netting off related issuance costs of approximately RMB9,000,000. On 17 November 2017, the Company issued a perpetual medium-term note amounting to RMB2,000,000,000 (the "2017 Perpetual Medium-term Note"). The 2017 Perpetual Medium-term Note was issued at par value with an initial interest rate of 5.44% and recorded as equity.

Interest of the 2015 Perpetual Medium-term Note and interest of the 2017 Perpetual Medium-term Note are recorded as distributions, which are paid annually in arrears on 25 November and 21 November in each year, respectively (the "Distribution Payment Date") and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company or repaying any securities of lower rank) have occurred.

The 2015 Perpetual Medium-term Note and the 2017 Perpetual Medium-term Note have no fixed maturity date and are callable at the Company's option on 25 November 2020 and 21 November 2020, respectively (the "First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable interest rate of the 2015 Perpetual Medium-term Note and the 2017 Perpetual Medium-term Note will be reset, on the First Call Date and every five and three years after the respective First Call Date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. The premium for the First Call Date is 300 basis points per annum and will increase by 300 basis points every five years and three years after the respective First Call Date.

During the six months ended 30 June 2018, the profit attributable to the holders of perpetual medium-term notes, based on the applicable interest rate, was RMB121,000,000. During the six months ended 30 June 2017, the profit attributable to the holders of perpetual medium-term notes, based on the applicable interest rate, was RMB79,550,000.

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments carried at fair value

(i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date)

- Level 2 valuations: Fair value measured using Level 2 inputs (i.e. observable inputs which fail to meet Level 1), and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

(Expressed in thousands of Renminbi)

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Fair value hierarchy (Continued)

	Fair value at 30 June 2018	Fair value measurements as at 30 June 2018 categorised into		
		Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Equity instruments in non-listed companies, at fair value through OCI	775,102	–	–	775,102
Equity instruments in listed companies, at fair value through OCI	31,642	31,642	–	–
Short-term investment	409,000	–	409,000	–
Equity instruments in listed companies, at fair value through PL	112,238	112,238	–	–
Financial liabilities:				
Derivative financial instruments – interest rate swap contracts	72,183	–	72,183	–

(Expressed in thousands of Renminbi)

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Equity investments in listed companies, at fair value	38,319	38,319	–	–
Short-term investment	100,000	–	100,000	–
Trading securities	77,813	77,813	–	–
Financial liabilities:				
Derivative financial instruments – interest rate swap contracts	110,375	–	110,375	–

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in thousands of Renminbi)

26 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

The fair value of short-term investment in Level 2 is determined by discounting the cash flow, the future cash flows are estimated based on expected rate of return of comparable products.

(iii) Valuation technique and inputs used in Level 3 fair value measurements

Fair value of equity instruments in non-listed companies have been estimated by using valuation techniques, including price of recent investment, discounted cash flows from the investment, market multiples methods, etc. The fair value was based on value inputs that are not observable market data, but change of these value inputs to reasonably possible alternatives would not have material effect on the Group's results and financial position.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2018 and 31 December 2017 except as follows:

	At 30 June 2018		At 31 December 2017	
	Carrying amount ***RMB'000***	**Fair value** ***RMB'000***	Carrying amount *RMB'000*	Fair value *RMB'000*
Other borrowings	**21,032,293**	**20,735,884**	19,041,577	18,634,537
Fixed rate long-term loans	**147,967**	**201,019**	3,637,866	3,569,920
	21,180,260	**20,936,903**	22,679,443	22,204,457

(Expressed in thousands of Renminbi)

27 TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 30 June 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB7,325,000 (31 December 2017: RMB22,387,000). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the banks in Mainland China default (the "Continuing Involvement"). The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills is equal to their carrying amounts.

The fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). The Endorsement has been made evenly throughout the period.

28 CAPITAL COMMITMENTS

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

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Contracted for	**10,485,304**	24,256,704

(Expressed in thousands of Renminbi)

29 CONTINGENT LIABILITIES

At 30 June 2018, the Group issued the following guarantees:

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

	At 30 June 2018 ***RMB'000***	At 31 December 2017 *RMB'000*
Associates and joint ventures	**58,043**	58,380

(ii) The Company issued a counter-guarantee to Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司), the controlling equity owner of Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司), which is an associate of the Company, in respect of a guarantee issued by Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司) for a banking facility granted to the associate. As at 30 June 2018, the balance counter-guarantee by the Company amounted to RMB9,062,000 (31 December 2017: RMB9,453,000).

(Expressed in thousands of Renminbi)

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

The principal transactions are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of goods/provision of services to		
CHN Energy	**3**	–
Fellow subsidiaries	**19,411**	27,826
Associates and joint ventures	**74,783**	76,795
Purchase of goods/receipt of services from		
Fellow subsidiaries	**597,821**	16,429
Associates and joint ventures	**528,403**	973,422
Working capital provided to/(received from)		
CHN Energy	**4,188**	(19,754)
Fellow subsidiaries	**1,491**	39,515
Associates and joint ventures	**49,536**	55,758

(Expressed in thousands of Renminbi)

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Loans provided to/(repaid from)		
Fellow subsidiaries	**–**	(115,000)
Associates and joint ventures	**494,000**	(63,990)
Loans (provided by)/repaid to		
Fellow subsidiaries	**(35,032)**	(48,703)
Interest income		
CHN Energy	**6**	–
Fellow subsidiaries	**6,331**	8,580
Associates and joint ventures	**7,662**	1,896
Interest expenses		
Fellow subsidiaries	**15,897**	21,089
Deposits (withdrawn from)/placed with		
Fellow subsidiaries	**(1,109,297)**	979,835

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

As at 30 June 2018, except for deposits placed with a fellow subsidiary amounting to RMB1,566,469,000 (31 December 2017: RMB2,675,766,000), details of material outstanding balances with related parties are set out in notes 14, 15, 16, 19, 20 and 21.

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

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

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

– Sale of electricity;

– Depositing and borrowing money;

– Purchase of materials and receipt of construction work services; and

– Service concession arrangements.

(Expressed in thousands of Renminbi)

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of electricity	**10,996,550**	9,686,350
Sales of other products	**179,555**	18,629
Interest income	**23,648**	14,264
Interest expenses	**1,695,604**	1,471,738
Loans (borrowed)/repaid	**1,534,264**	(4,326,189)
(Withdrawn from)/deposits placed with	**(143,291)**	2,186
Purchase of materials and receipt of construction services	**818,613**	1,505,389
Service concession construction revenue	**5,817**	27,316

(Expressed in thousands of Renminbi)

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Receivables from sale of electricity	**10,122,004**	6,199,120
Receivables from sale of other products	**14,229**	143,181
Bank deposits (including restricted deposits)	**231,839**	375,130
Borrowings	**50,672,271**	52,206,535
Payable for purchase of materials and receiving construction work services	**1,193,322**	1,966,923

(d) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2018 *RMB'000*	2017 *RMB'000*
Salaries and other emoluments	**1,314**	1,193
Discretionary bonuses	**3,776**	3,741
Retirement scheme contributions	**382**	315
	5,472	5,249

(Expressed in thousands of Renminbi)

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Commitments with related parties

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Capital commitments with		
Associates and joint ventures	2,607,086	3,316,932

GLOSSARY OF TERMS

"Audit Committee"	the audit committee of the Board
"average utilisation hour(s)"	the consolidated gross power generation in a specified period (in MWh or GWh) divided by the average consolidated installed capacity in the same period (in MW or GW)
"biomass"	plant material, vegetation, or agricultural waste used as a fuel or energy source
"Board"	the board of directors of the Company
"CHN Energy"	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), previously known as Shenhua Group Corporation Limited. CHN Energy and Guodian Group signed the Agreement on the Merger of China Energy Investment Corporation Limited and China Guodian Corporation on 5 February 2018. After the completion of the implementation of the merger, the controlling shareholder of the Company will be changed from Guodian Group into CHN Energy
"Company" or "we"	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司)
"consolidated gross power generation"	the aggregate gross power generation of our project companies that we fully consolidate in our financial statements for a specified period
"consolidated installed capacity"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies that we fully consolidated in our consolidated financial statements only. It is calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Neither consolidated installed capacity nor consolidated capacity under construction includes the capacity of our associated companies
"Director(s)"	the directors of the Company

* *For identification purpose only*

GLOSSARY OF TERMS

"electricity sales"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross power generation less comprehensive auxiliary electricity
"Group"	China Longyuan Power Group Corporation Limited* and its subsidiaries
"Guodian Group"	China Guodian Corporation (中國國電集團有限公司)
"GW"	unit of energy, gigawatt. 1 GW = 1,000 MW
"GWh"	unit of energy, gigawatt-hour. The standard unit of energy used in the electric power industry. One gigawatt-hour is the amount of energy that would be produced by a generator producing one gigawatt for one hour
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"kW"	unit of energy, kilowatt. 1 kW = 1,000 watts
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"load factor"	the ratio (expressed as a percentage) of the gross amount of electricity generated by a power plant in a given period to the number of hours in the given period multiplied by the plant's installed capacity
"Model Codes"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules

GLOSSARY OF TERMS

"MW"	unit of energy, megawatt.1 MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"MWh"	unit of energy, megawatt-hour. The standard unit of energy used in the electric power industry. One megawatt-hour is the amount of energy that would be produced by a generator producing one megawatt for one hour
"regions not subject to grid curtailment"	regions excluding Inner Mongolia, Heilongjiang, Jilin, Gansu, Xinjiang (including corps) and other provinces (regions)
"renewable energy"	energy generated from sustainable sources that is regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight
"Reporting Period"	from 1 January 2018 to 30 June 2018
"RMB"	Renminbi, the official currency of the PRC
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules

CORPORATE INFORMATION

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龍源電力集團股份有限公司

THE COMPANY'S NAME IN ENGLISH

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THE BOARD

Non-executive Directors

Mr. Qiao Baoping *(Chairman of the Board)*
Mr. Liu Jinhuan
Mr. Luan Baoxing
Mr. Yang Xiangbin

Executive Directors

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

Independent Non-executive Directors

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

THE COMPANY'S LEGAL REPRESENTATIVE

Mr. Qiao Baoping

AUTHORISED REPRESENTATIVES

Mr. Li Enyi
Mr. Jia Nansong
Mr. Zhang Songyi (as Mr. Li Enyi's alternate)
Ms. Chan Sau Ling (as Mr. Jia Nansong's alternate)

* *For Identification purpose only*

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

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