華能新能源股份有限公司
Huaneng Renewables Corporation Limited*

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

(Stock Code: 0958)

Interim Report 2018

Energy of LIVING

** For identification purpose only*

CONTENT

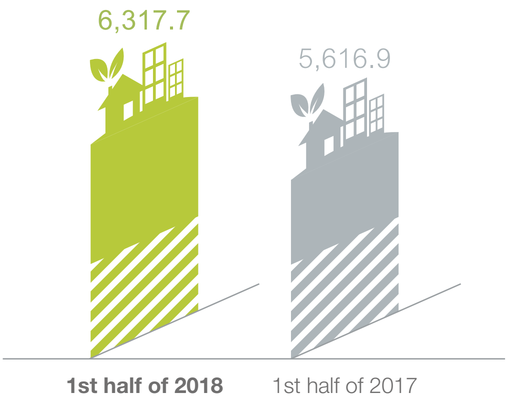
Interim Results

The board of directors (the "**Board**") of Huaneng Renewables Corporation Limited (the "**Company**") is pleased to announce the unaudited operating results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 and a comparison with the operating results for the corresponding period of 2017.

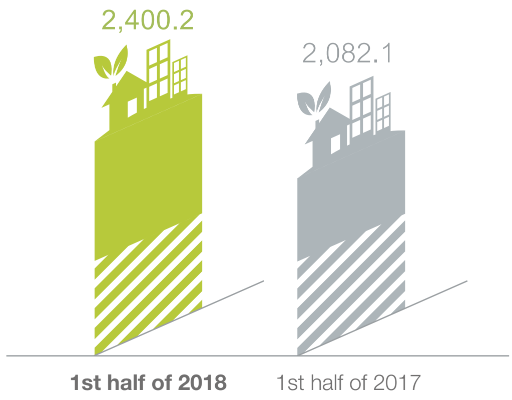
For the six months ended 30 June 2018, the Group recorded a revenue of RMB6,317.7 million, representing an increase of 12.5% over the corresponding period of last year; the Group's profit before taxation amounted to RMB2,799.5 million, representing an increase of 22.4% over the corresponding period of last year; the Group's net profit amounted to RMB2,400.2 million, representing an increase of 15.3% over the corresponding period of last year; net profit attributable to equity shareholders of the Company amounted to RMB2,348.9 million, representing an increase of 15.6% over the corresponding period of last year; earnings per share amounted to RMB0.2223.

Note: Certain figures in this report have been subject to rounding adjustments. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

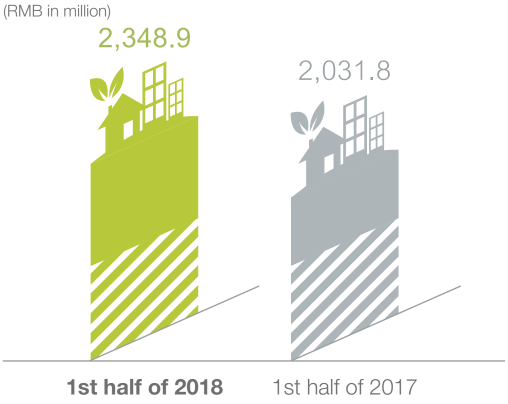
1. Revenue
(RMB in million)



2. Net profit
(RMB in million)

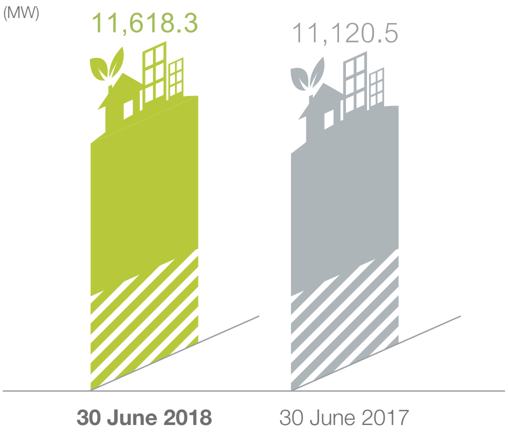


3. Net profit attributable to equity shareholders of the Company
(RMB in million)

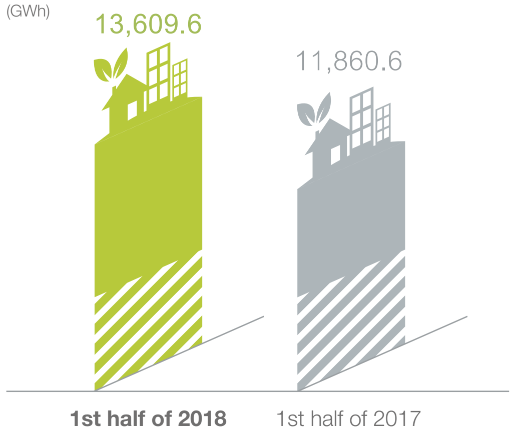


4. Net gearing ratio[1]
(%)

5. Installed capacity
(MW)



6. Gross power generation
(GWh)



Note:

(1) The net gearing ratio is calculated by dividing the net debt (total borrowings and obligations under finance leases minus cash and cash equivalents) by the net debt plus total equity.

Financial Highlights

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**6,317,712**	5,616,869
Profit before taxation	**2,799,545**	2,286,431
Income tax	**(399,360)**	(204,329)
Net profit for the period	**2,400,185**	2,082,102
Attributable to:		
Equity shareholders of the Company	**2,348,909**	2,031,788
Non-controlling interests	**51,276**	50,314
Total comprehensive income for the period	**2,337,960**	2,116,689
Attributable to:		
Equity shareholders of the Company	**2,286,684**	2,066,375
Non-controlling interests	**51,276**	50,314
Basic and diluted earnings per share (RMB cents)	**22.23**	20.46

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Total non-current assets	**73,691,685**	75,106,816
Total current assets	**14,783,795**	11,241,753
TOTAL ASSETS	**88,475,480**	86,348,569
Total current liabilities	**26,746,351**	27,086,065
Total non-current liabilities	**34,391,763**	33,820,602
TOTAL LIABILITIES	**61,138,114**	60,906,667
NET ASSETS	**27,337,366**	25,441,902
Total equity attributable to equity shareholders of the Company	**26,462,673**	24,601,613
Non-controlling interests	**874,693**	840,289
TOTAL EQUITY	**27,337,366**	25,441,902

Business Review for the First Half of 2018

During the first half of 2018, with focus of promoting the quality of future development and economic efficiency, the Company consolidated the foundation of operation safety, steadily promoted the project construction, made constant efforts to improve the level of refined management, strictly monitored costs and expenditures in all aspects, thus maintained favorable operating performance.

1. POWER GENERATION

Following the dynamics of power market, the Company grasped favorable opportunities brought about by the State's commitment to solve clean energy consumption issues, proactively carried out power sales, and achieved a further reduction in curtailment rate with a substantial growth in utilization hours.

In the first half of 2018, the gross power generation of the Company reached 13,609,562.7 MWh, representing an increase of 14.7% compared to the corresponding period of last year, of which 12,906,457.0 MWh was derived from wind power (representing an increase of 14.8% compared with the corresponding period of last year) and 703,105.7 MWh was derived from solar power (representing an increase of 13.7% compared with the corresponding period of last year). During the first half of 2018, the weighted average utilization hours of the Company's wind power projects was 1,229 hours, representing an increase of 120 hours compared with the corresponding period of last year, and the weighted average utilization hours of the Company's solar power projects was 839 hours, representing an increase of 15 hours compared with the corresponding period of last year.

The gross power generation of the Company by business sector and region in the first half of 2018 and 2017 are set out as follows:

	Gross power generation (MWh)		
Business sector and region	**In the first half of 2018**	In the first half of 2017	Change (%)
Wind power generation	**12,906,457.0**	11,241,981.1	14.8%
Of which: Inner Mongolia	**2,566,075.0**	2,348,469.9	9.3%
Yunnan	**2,112,363.6**	1,951,768.3	8.2%
Liaoning	**1,806,181.8**	1,489,879.1	21.2%
Shandong	**1,142,090.3**	989,921.6	15.4%
Shanxi	**909,013.0**	710,751.5	27.9%
Guizhou	**791,831.8**	701,202.8	12.9%
Sichuan	**763,025.1**	761,417.5	0.2%
Xinjiang	**524,956.7**	455,240.9	15.3%
Shaanxi	**517,317.7**	336,084.0	53.9%
Guangdong	**474,060.5**	518,156.5	-8.5%
Hebei	**466,978.7**	402,824.2	15.9%
Jilin	**463,054.6**	353,996.4	30.8%
Guangxi	**189,873.4**	61,469.2	208.9%
Shanghai	**105,066.8**	101,044.1	4.0%
Zhejiang	**74,568.0**	59,755.1	24.8%
Solar power generation	**703,105.7**	618,656.3	13.7%
Total	**13,609,562.7**	11,860,637.4	14.7%

The weighted average utilization hours of the Company by business sector and region in the first half of 2018 and 2017 are set out as follows:

	Weighted average utilization hours (hour)		
Business sector and region	**In the first half of 2018**	In the first half of 2017	Change (%)
Wind power generation	**1,229**	1,109	10.8%
Of which: Guangxi	**1,896**	1,948	-2.7%
Yunnan	**1,893**	1,749	8.2%
Sichuan	**1,318**	1,585	-16.8%
Liaoning	**1,308**	1,081	21.0%
Hebei	**1,254**	1,114	12.6%
Shanxi	**1,223**	983	24.4%
Xinjiang	**1,173**	1,017	15.3%
Shandong	**1,171**	989	18.4%
Jilin	**1,169**	894	30.8%
Shaanxi	**1,142**	937	21.9%
Inner Mongolia	**1,040**	952	9.2%
Guizhou	**1,006**	986	2.0%
Zhejiang	**1,001**	977	2.5%
Shanghai	**973**	936	4.0%
Guangdong	**943**	1,038	-9.2%
Solar power generation	**839**	824	1.8%

2. PROJECT CONSTRUCTION

In the first half of 2018, the Company solidly carried out project construction and attached more attention on project quality supervision and cost control. By 30 June, the Company has successfully realized the commissioning of 51.5 MW photovoltaic projects in Inner Mongolia and Yunnan province.

During the first half of 2018, the newly installed capacity was 51.5 MW. As of 30 June 2018, the Company accumulated a total installed capacity of 11,618.3 MW, representing an increase of 4.5% compared to 30 June 2017, of which wind power capacity amounted to 10,686.8 MW (representing an increase of 4.2% compared to 30 June 2017) and solar power capacity amounted to 931.5 MW (representing an increase of 7.3% compared to 30 June 2017).

The breakdown of the Company's installed capacity by business sector and region as at 30 June 2018 and 2017 are set out as follows:

	Installed capacity (MW)		
Business sector and region	**As at 30 June 2018**	As at 30 June 2017	Change (%)
Wind power installed capacity	**10,686.8**	10,252.5	4.2%
Of which: Inner Mongolia	**2,467.2**	2,467.2	0.0%
Liaoning	**1,408.5**	1,402.5	0.4%
Yunnan	**1,116.5**	1,116.5	0.0%
Shandong	**975.0**	1,002.2	-2.7%*(Note)*
Guizhou	**787.0**	729.0	8.0%
Shanxi	**743.5**	743.5	0.0%
Sichuan	**591.0**	493.5	19.8%
Guangdong	**502.6**	502.6	0.0%
Shaanxi	**458.5**	358.5	27.9%
Xinjiang	**447.5**	447.5	0.0%
Hebei	**411.5**	361.5	13.8%
Jilin	**396.0**	396.0	0.0%
Guangxi	**199.5**	49.5	303.0%
Shanghai	**108.0**	108.0	0.0%
Zhejiang	**74.5**	74.5	0.0%
Solar power installed capacity	**931.5**	868.0	7.3%
Of which: Qinghai	**255.0**	255.0	0.0%
Inner Mongolia	**220.0**	170.0	29.4%
Gansu	**150.0**	150.0	0.0%
Yunnan	**91.5**	90.0	1.7%
Liaoning	**56.0**	44.0	27.3%
Xinjiang	**50.0**	50.0	0.0%
Shanxi	**40.0**	40.0	0.0%
Ningxia	**30.0**	30.0	0.0%
Hebei	**20.0**	20.0	0.0%
Jilin	**10.0**	10.0	0.0%
Zhejiang	**8.0**	8.0	0.0%
Henan	**1.0**	1.0	0.0%
Total	**11,618.3**	11,120.5	4.5%

Note: The Company's Changdao wind power project in Shandong Province was dismantled in the second half of 2017.

3. PRELIMINARY DEVELOPMENT

In the first half of 2018, the Company actively coped with changes in policy environment, and orderly proceeded its preliminary development. A total of 300 MW capacity of the Company's wind power projects were included in the national annual development plan.

4. COST CONTROL

Under the overall tightening trend in the capital market, the Company persisted in financing with various means and channels, actively implemented incremental low interest loans and strictly controlled the cost of funding. The Company also strengthened cost control in all aspects, so as to reduce its cost and expense.

Business Prospect for the Second Half of 2018

In the second half of this year, national economy is expected to continue to have steady development progress, and electricity consumption is expected to maintain steadily rapid growth. With the implementation of various favourable policies, grid curtailment is expected to be further alleviated. However, the implementation of the competitive allocation of wind power projects and the policy for reduction of renewable subsidies for non-poverty alleviation photovoltaic projects will bring great challenges to the development and operation of renewable energy industry. Facing the complex and changing business environment, the Company will precisely study and assess policies and market changes, actively carry out adjustment and adaptions in response to the policy and market trend, and formulate corresponding counter-measures, so as to advance the operation and development of the Company to a new level.

For the second half of 2018, the Company will focus on the following aspects of work:

1. The Company will continuously consolidate the foundation for operation safety, enhance equipment management standards, and further improve the level of operation safety;

2. The Company will strengthen research on policies, explore a marketing mechanism that is more suitable for market competition, adhere to the economic benefit principle to co-ordinate various power tradings, so as to further improve utilization hours;

3. The Company will insist on the priority of quality and profitability, optimize its investment decision management, so as to improve the profitability and competitiveness of projects;

4. The Company will promote project construction in full swing, strive to improve the quality of development and ensure to complete the annual installation target of project operations;

5. The Company will co-ordinate financing plans, optimize financing structure, and strengthen control on funding cost through innovation in financing models; and

6. The Company will strengthen research on policies regarding the competitive allocation of wind projects, proactively respond to new requirements and challenges, and strive to obtain high-quality resources of wind power and photovoltaics.

Management Discussion and Analysis

OVERVIEW

In the first half of 2018, profit before taxation of the Group amounted to RMB2,799.5 million, representing an increase of RMB513.1 million or 22.4% as compared with RMB2,286.4 million for the corresponding period of last year. Net profit amounted to RMB2,400.2 million, representing an increase of RMB318.1 million or 15.3% as compared with RMB2,082.1 million for the corresponding period of last year. Net profit attributable to equity shareholders of the Company amounted to RMB2,348.9 million, representing an increase of RMB317.1 million or 15.6% as compared with RMB2,031.8 million for the corresponding period of last year.

REVENUE

In the first half of 2018, revenue of the Group amounted to RMB6,317.7 million, representing an increase of RMB700.8 million or 12.5% as compared with RMB5,616.9 million for the corresponding period of last year. The increase in revenue was primarily due to: in the first half of 2018, the power sold of the Group amounted to 13,125.3 million kWh, representing an increase of 1,649.3 million kWh or 14.4% as compared with 11,476.0 million kWh for the corresponding period of last year. In the first half of 2018, the average tariff (tax inclusive) of the Group was RMB0.562/kWh, representing a decrease of 1.7% over the corresponding period of last year.

OTHER NET INCOME

In the first half of 2018, other net income of the Group amounted to RMB192.3 million, representing an increase of RMB10.1 million or 5.5% as compared with RMB182.2 million for the corresponding period of last year.

OPERATING EXPENSES

In the first half of 2018, operating expenses of the Group amounted to RMB2,643.2 million, representing an increase of RMB231.5 million or 9.6% from RMB2,411.7 million for the corresponding period of last year. The increase was primarily due to the increase in depreciation and amortisation expenses, personnel costs, repairs and maintenance, administration expenses and other operating expenses arising from the newly-added installed capacity of operational projects.

Depreciation and amortisation expenses: In the first half of 2018, depreciation and amortisation expenses of the Group amounted to RMB1,977.7 million, representing an increase of RMB92.1 million or 4.9% as compared with RMB1,885.6 million for the corresponding period of last year. The increase was primarily due to the increase in the installed capacity of operational projects.

Personnel costs and administration expenses: In the first half of 2018, personnel costs and administration expenses of the Group amounted to RMB345.3 million, representing an increase of RMB55.1 million or 19.0% as compared with RMB290.2 million for the corresponding period of last year. The increase was primarily due to: (1) the increase in headcount resulting from the Group's scale expansion; and (2) the increase in lease expenses, tax expenses and other relevant expenses.

Repairs and maintenance and other operating expenses: In the first half of 2018, the Group's repairs and maintenance and other operating expenses amounted to RMB320.3 million, representing an increase of RMB84.4 million or 35.8% as compared with RMB235.9 million for the corresponding period of last year. The main reason for the increase was the increase in repairs and maintenance expenses, material costs and other relevant expenses due to the increase in installed capacity of operational projects.

OPERATING PROFIT

In the first half of 2018, operating profit of the Group amounted to RMB3,866.8 million, representing an increase of RMB479.4 million or 14.2% as compared with RMB3,387.4 million for the corresponding period of last year.

NET FINANCE EXPENSES

In the first half of 2018, net finance expenses of the Group amounted to RMB1,058.5 million, representing a decrease of RMB42.5 million or 3.9% as compared with RMB1,101.0 million for the corresponding period of last year. The decrease was primarily due to the exchange losses of RMB60.4 million arising from the fluctuations of exchange rates for the corresponding period of last year.

INCOME TAX

In the first half of 2018, income tax of the Group amounted to RMB399.4 million, representing an increase of RMB195.1 million or 95.5% as compared with RMB204.3 million for the corresponding period of last year. The increase was mainly due to the increase in profit before taxation and more projects having come to the end of their tax holiday.

LIQUIDITY AND SOURCE OF FUNDING

As at 30 June 2018, the current assets of the Group amounted to RMB14,783.8 million, including cash at banks and on hand and restricted deposits of RMB3,157.0 million, trade debtors and bills receivable of RMB10,400.8 million. Current liabilities of the Group amounted to RMB26,746.4 million, comprising RMB20,106.3 million of short-term borrowings (including short-term borrowings and long-term borrowings due within one year), other payables of RMB6,116.0 million (which primarily consist of payables for equipment purchased from suppliers, construction payables and retention payables). As at 30 June 2018, the current ratio (the current assets to current liabilities ratio) of the Group was 0.55, representing an increase of 0.13 as compared with 0.42 as at 31 December 2017.

As at 30 June 2018, the Group's outstanding borrowings (including bonds) amounted to RMB50,814.5 million, representing an increase of RMB1,010.4 million compared with RMB49,804.1 million as at 31 December 2017. As at 30 June 2018, the Group's outstanding borrowings comprised short-term borrowings (including short-term borrowings and long-term borrowings due within one year) of RMB20,106.3 million and long-term borrowings (including bonds) of RMB30,708.2 million, which were all denominated in RMB.

CAPITAL EXPENDITURE

In the first half of 2018, the capital expenditure of the Group amounted to approximately RMB1,049.4 million, representing an increase of RMB158.5 million compared with RMB890.9 million for the corresponding period of last year.

NET GEARING RATIO

As at 30 June 2018, the net gearing ratio of the Group, which was calculated by dividing net debt (total borrowings and obligations under finance lease minus cash and cash equivalents) by the sum of net debt and total equity, was 64.2%, representing a decrease of 1.6 percentage points as compared with 65.8% as at 31 December 2017.

MATERIAL INVESTMENTS

The Group did not make any material investments in the first half of 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

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

PLEDGE OF ASSETS

As at 30 June 2018, certain property, plant and equipment of the Group were pledged for bank loans of Huaneng Ge'ermu Photovoltaic Power Generation Co., Ltd..

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities.

Corporate Governance and Other Information

The Company is committed to maintaining and promoting stringent corporate governance. The guiding principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency of the Board and accountability of the Board to all shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, the Company has complied with the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 of the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules to govern securities transactions by its directors and supervisors. As per specific enquiry made to all directors and supervisors of the Company, all directors and supervisors have confirmed that they strictly complied with the required standard set out in the Model Code for the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the Listing Rules. The primary duties of the audit committee are to review and supervise the Company's risk management, internal control system and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors.

During the reporting period, the audit committee comprised three members, namely, Mr. ZHOU Shaopeng (independent non-executive director), Mr. WANG Kui (non-executive director) and Mr. WAN Kam To (independent non-executive director). Mr. ZHOU Shaopeng is the chairman of the audit committee.

The audit committee has reviewed, discussed with senior management members of the Company 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. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with the senior management members of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company places great emphasis on its risk management and internal control and has established prudent and sound risk management and internal control systems to protect shareholders' investments and the Company's assets. During the reporting period, the Board conducted an assessment of the risk management and internal control systems of the Group with a review of the effectiveness and was not aware of any material deficiencies or any material defaults with respect to financial, operational and compliance controls and risk management. The Board considers that the current risk management and internal control systems of the Group are effective and believes that the Company is in an adequate position regarding the qualifications and experience of the staff in accounting and financial reporting functions, its staff training programs and relevant budget.

BOARD DIVERSITY POLICY

The Company fully understands the benefits of diversity of Board members to its development and has adopted a diversity policy with respect to Board members. It has further enriched the composition of the Board members at the election of a new session of the Board. The composition of the Board members of the current session reflects differentiation and diversity in many aspects such as expertise, industry experience, age, gender and qualification background. In the future, the Company will continue to explore and perfect the composition of the Board based on its business characteristics, and will review the board diversity policy periodically to ensure its continued effectiveness. The Company has formulated policies in relation to diversity for implementation.

CHANGE OF DIRECTORS

On 23 March 2018, Ms. YANG Qing resigned as an executive director of the Company due to work adjustment. On the same day, the Board appointed Mr. WEN Minggang as a supplemental executive director of the third session of the Board of the Company.

The Company convened the 2017 annual general meeting on 21 June 2018. Mr. WEN Minggang was elected as an executive director of the third session of the Board.

On 21 August 2018, Mr. Lu Fei and Mr. Sun Deqiang resigned as non-executive directors of the Company due to work adjustment. On the same day, the Board appointed Mr. Zhang Qi and Mr. Zhai Ji as supplemental non-executive directors of the third session of the Board of the Company.

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

As at 30 June 2018, none of the directors, supervisors or 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 (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong (the "**SFO**")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") pursuant to Divisions 7 and 8 of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which have to be recorded in the register under Section 352 of the SFO, referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2018, to the best knowledge of the directors, the following persons (other than the directors, chief executive 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 by the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Class of shares	Capacity/ Nature of interests	Number of shares held (shares)	Approximate percentage in the relevant class of shares[2]	Approximate percentage in the total share capital[3]
Controlling shareholder					
China Huaneng Group Co., Ltd.[1]	Domestic shares	Beneficial owner/Interest of controlled corporation	5,535,311,200 (Long position)	100%	52.39%
Other substantial shareholders					
JPMorgan Chase & Co.	H shares	Beneficial owner/Investment manager/Custodian	453,554,904 (Long position)	9.01%	4.29%
			11,578,000 (Short position)	0.23%	0.11%
			429,116,237 (Lending pool)	8.52%	4.06%
Citigroup Inc.	H shares	Interest of controlled corporation/Custodian/Person having a security interest in share	428,353,560 (Long position)	8.51%	4.05%
			500,000 (Short position)	0.00%	0.00%
			389,179,948 (Lending pool)	7.73%	3.68%
BlackRock, Inc.	H shares	Interest of controlled corporation	302,871,238 (Long position)	6.02%	2.87%
			11,076,000 (Short position)	0.22%	0.10%

Notes:

(1) China Huaneng Group Co., Ltd. is beneficially interested in 5,258,545,640 domestic shares, representing approximately 49.77% of the total share capital of the Company. Huaneng Capital Services Corporation Ltd. ("**Huaneng Capital**") is interested in 276,765,560 domestic shares, representing approximately 2.62% of the total share capital of the Company. Since Huaneng Capital is a wholly-owned subsidiary of China Huaneng Group Co., Ltd., China Huaneng Group Co., Ltd. is therefore taken to be interested in the domestic shares held by Huaneng Capital, with a total interest of 52.39%.

(2) It is calculated on the basis that the Company has issued 5,535,311,200 domestic shares or 5,031,220,992 H shares as of 30 June 2018.

(3) It is calculated on the basis that the Company has issued 10,566,532,192 shares as of 30 June 2018.

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

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

MATERIAL LITIGATION

As of 30 June 2018, the Company was not involved in any material litigation or arbitration nor were the directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.

INTERIM DIVIDEND

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

Review Report

Review report to the board of directors of Huaneng Renewables Corporation Limited
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 61 which comprises the consolidated statement of financial position of Huaneng Renewables Corporation Limited (the "**Company**") as of 30 June 2018 and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement 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 an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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 the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 August 2018

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018
(Expressed in RMB)

		Six months ended 30 June	
		2018	2017
			(Note (i))
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**6,317,712**	5,616,869
Other net income	*6*	**192,280**	182,240
Operating expenses			
Depreciation and amortisation		**(1,977,681)**	(1,885,628)
Personnel costs		**(225,240)**	(185,738)
Repairs and maintenance		**(111,255)**	(76,185)
Administration expenses		**(120,022)**	(104,451)
Other operating expenses		**(209,009)**	(159,673)
		(2,643,207)	(2,411,675)
Operating profit		**3,866,785**	3,387,434
Finance income		**44,804**	38,576
Finance expenses		**(1,103,258)**	(1,139,579)
Net finance expenses	*7*	**(1,058,454)**	(1,101,003)
Share of loss of associates and a joint venture		**(8,786)**	–
Profit before taxation	*8*	**2,799,545**	2,286,431
Income tax	*9*	**(399,360)**	(204,329)
Net profit		**2,400,185**	2,082,102

The notes on pages 28 to 61 form part of this interim financial report.

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018
(Expressed in RMB)

	Note	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 *(Note (i))* RMB'000
Other comprehensive income for the period, net of tax:			
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in the fair value reserve (non-recycling)		**(60,354)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
financial statements of a subsidiary outside mainland China		**(1,871)**	(3,007)
Available-for-sale equity securities: net movement in the fair value reserve (recycling) *(Note (ii))*		**–**	37,594
		(1,871)	34,587
Other comprehensive income for the period		**(62,225)**	34,587
Total comprehensive income for the period		**2,337,960**	2,116,689

The notes on pages 28 to 61 form part of this interim financial report.

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018
(Expressed in RMB)

		Six months ended 30 June	
		2018	2017
			(Note (i))
	Note	***RMB'000***	*RMB'000*
Net profit attributable to:			
Equity shareholders of the Company		**2,348,909**	2,031,788
Non-controlling interests		**51,276**	50,314
Net profit		**2,400,185**	2,082,102
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,286,684**	2,066,375
Non-controlling interests		**51,276**	50,314
Total comprehensive income for the period		**2,337,960**	2,116,689
Basic and diluted earnings per share (RMB cents)	*10*	**22.23**	20.46

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018 the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 3(b).

The notes on pages 28 to 61 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

At 30 June 2018
(Expressed in RMB)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment	*11*	**70,303,165**	71,406,134
Lease prepayments	*12*	**231,924**	357,171
Intangible assets	*13*	**602,477**	621,017
Interest in associates		**134,945**	178,956
Interest in a joint venture		**69,820**	74,940
Other non-current assets	*14*	**2,347,578**	2,466,692
Deferred tax assets		**1,776**	1,906
Total non-current assets		**73,691,685**	75,106,816
Current assets			
Inventories		**52,522**	55,324
Trade debtors and bills receivable	*15*	**10,400,794**	7,214,032
Prepayments and other current assets	*16*	**1,159,348**	1,395,520
Tax recoverable		**14,126**	22,052
Restricted deposits		**58,889**	52,162
Cash at bank and on hand	*17*	**3,098,116**	2,502,663
Total current assets		**14,783,795**	11,241,753
Current liabilities			
Borrowings	*18*	**20,106,260**	20,352,761
Obligations under finance leases	*19*	**356,766**	352,441
Other payables	*20*	**6,116,010**	6,253,042
Tax payable		**167,315**	127,821
Total current liabilities		**26,746,351**	27,086,065
Net current liabilities		**(11,962,556)**	(15,844,312)
Total assets less current liabilities		**61,729,129**	59,262,504

The notes on pages 28 to 61 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

At 30 June 2018
(Expressed in RMB)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 (Note) RMB'000
Non-current liabilities			
Borrowings	*18*	**30,708,211**	29,451,325
Obligations under finance leases	*19*	**1,053,082**	1,230,898
Deferred income		**189,485**	198,069
Other non-current liabilities	*21*	**2,422,770**	2,922,039
Deferred tax liabilities		**18,215**	18,271
Total non-current liabilities		**34,391,763**	33,820,602
NET ASSETS		**27,337,366**	25,441,902
CAPITAL AND RESERVES	*22*		
Share capital		**10,566,532**	10,566,532
Reserves		**15,896,141**	14,035,081
Total equity attributable to equity shareholders of the Company		**26,462,673**	24,601,613
Non-controlling interests		**874,693**	840,289
TOTAL EQUITY		**27,337,366**	25,441,902

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

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

Name: Lin Gang
Position: *Chairman*

Name: Wen Minggang
Position: *Director*

The notes on pages 28 to 61 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018
(Expressed in RMB)

		Attributable to the equity shareholders of the Company								
						Fair value				
				Statutory	Exchange	Reserve	Retained		Non-controlling	
		Share capital	Capital reserve	surplus reserve	reserve	(recycling)	earnings	Subtotal	interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	*(Note 22(b))*	*(Note 22(c)(i))*	*(Note 22(c)(ii))*	*(Note 22(c)(iii))*	*(Note 22(c)(iv))*				
Balance at 1 January 2017		9,727,996	2,601,478	232,438	13,870	(23,563)	7,584,931	20,137,150	856,813	20,993,963
Changes in equity for the six months ended 30 June 2017:										
Net profit		–	–	–	–	–	2,031,788	2,031,788	50,314	2,082,102
Other comprehensive income		–	–	–	(3,007)	37,594	–	34,587	–	34,587
Total comprehensive income		–	–	–	(3,007)	37,594	2,031,788	2,066,375	50,314	2,116,689
Issuance of new shares, netting of issuance expenses	*22(b)*	838,536	1,070,272	–	–	–	–	1,908,808	–	1,908,808
Dividends of subsidiaries to non-controlling interests		–	–	–	–	–	–	–	(20,778)	(20,778)
Dividends to equity shareholders of the Company	*22(a)(ii)*	–	–	–	–	–	(433,228)	(433,228)	–	(433,228)
Balance at 30 June 2017		10,566,532	3,671,750	232,438	10,863	14,031	9,183,491	23,679,105	886,349	24,565,454

The notes on pages 28 to 61 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018
(Expressed in RMB)

	Attributable to the equity shareholders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value Reserve (recycling)	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22(b))	*(Note 22(c)(i))*	*(Note 22(c)(ii))*	*(Note 22(c)(iii))*	*(Note 22(c)(iv))*				
Balance at 1 July 2017	10,566,532	3,671,750	232,438	10,863	14,031	9,183,491	23,679,105	886,349	24,565,454
Changes in equity for the six months ended 31 December 2017:									
Net profit	–	–	–	–	–	979,948	979,948	(728)	979,220
Other comprehensive income	–	–	–	(4,211)	(53,229)	–	(57,440)	–	(57,440)
Total comprehensive income	–	–	–	(4,211)	(53,229)	979,948	922,508	(728)	921,780
Transfer to reserve fund	–	–	404,347	–	–	(404,347)	–	–	–
Dividends of subsidiaries to non-controlling interests	–	–	–	–	–	–	–	(45,332)	(45,332)
Balance at 31 December 2017 *(Note)*	10,566,532	3,671,750	636,785	6,652	(39,198)	9,759,092	24,601,613	840,289	25,441,902

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 28 to 61 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018
(Expressed in RMB)

	Note	Attributable to the equity shareholders of the Company									
		Share capital	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Retained earnings	Subtotal	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 22(b))	*(Note 22(c)(i))*	*(Note 22(c)(ii))*	*(Note 22(c)(iii))*	*(Note 22(c)(iv))*	*(Note 22(c)(v))*				
Balance at 31 December 2017		10,566,532	3,671,750	636,785	6,652	(39,198)	-	9,759,092	24,601,613	840,289	25,441,902
Impact on initial application of IFRS 9	*3(b)*	-	-	-	-	39,198	(10,461)	-	28,737	-	28,737
Adjusted balance at 1 January 2018		10,566,532	3,671,750	636,785	6,652	-	(10,461)	9,759,092	24,630,350	840,289	25,470,639
Changes in equity for the six months ended 30 June 2018:											
Net profit		-	-	-	-	-	-	2,348,909	2,348,909	51,276	2,400,185
Other comprehensive income		-	-	-	(1,871)	-	(60,354)	-	(62,225)	-	(62,225)
Total comprehensive income		-	-	-	(1,871)	-	(60,354)	2,348,909	2,286,684	51,276	2,337,960
Dividends of subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	(16,872)	(16,872)
Dividends to equity shareholders of the Company	*22(a)(ii)*	-	-	-	-	-	-	(454,361)	(454,361)	-	(454,361)
Balance at 30 June 2018		10,566,532	3,671,750	636,785	4,781	-	(70,815)	11,653,640	26,462,673	874,693	27,337,366

The notes on pages 28 to 61 form part of this interim financial report.

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018
(Expressed in RMB)

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**3,258,546**	3,298,541
PRC Corporate Income Tax paid		**(355,492)**	(202,887)
PRC Corporate Income Tax refunded		**3,625**	–
Net cash generated from operating activities		**2,906,679**	3,095,654
Investing activities			
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets		**(1,865,404)**	(1,966,112)
Other cash flows arising from investing activities		**(73,427)**	75,698
Net cash used in investing activities		**(1,938,831)**	(1,890,414)
Financing activities			
Net cash (used in)/generated from financing activities		**(370,313)**	1,267,113
Net increase in cash and cash equivalents		**597,535**	2,472,353
Cash and cash equivalents at 1 January	*17*	**2,502,663**	1,665,389
Effect of foreign exchanges rates changes		**(2,082)**	(63,406)
Cash and cash equivalents at 30 June	*17*	**3,098,116**	4,074,336

The notes on pages 28 to 61 form part of this interim financial report.

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Huaneng Renewables Corporation Limited (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 5 August 2010 as a joint stock company with limited liability. The Company and its subsidiaries (the "**Group**") are mainly engaged in wind power and solar power generation and sale in the PRC.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 21 August 2018.

As at and for the six months ended 30 June 2018, a portion of the Group's funding requirements for capital expenditures were partially satisfied by short-term financing. Consequently, as at 30 June 2018, the Group has net current liabilities of approximately RMB12.0 billion. Taking into consideration of the expected operating cash flows of the Group and the undrawn available banking facilities, the Group are expected to refinance certain short-term borrowings and also consider alternative sources of financing, where applicable and when needed. Therefore, the directors of the Company are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared the consolidated financial statements on a going concern basis.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report 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 report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim 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**").

2 BASIS OF PREPARATION (CONTINUED)

The interim financial report is unaudited, but has been reviewed by KPMG, 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. KPMG's independent review report to the board of directors is included on page 18 in the interim report.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual consolidated financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2018.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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

Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9. The initial application of IFRS 15 did not have a material impact on the consolidated financial statements, see note 3(c) for details.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Overview (continued)

	At 31 December 2017 *RMB'000*	Impact on initial application of IFRS 9 *(note 3(b))* *RMB'000*	**At 1 January 2018** ***RMB'000***
Other non-current assets	2,466,692	28,737	**2,495,429**
Total non-current assets	75,106,816	28,737	**75,135,553**
Total assets	86,348,569	28,737	**86,377,306**
Reserves	14,035,081	28,737	**14,063,818**
Total equity	25,441,902	28,737	**25,470,639**

Further details of these changes are set out in sub-section (b) of this note.

(b) IFRS 9, Financial instruments

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on reserves at 1 January 2018.

	RMB'000
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity investments now measured at fair value through other comprehensive income	39,198
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity investments now measured at fair value through other comprehensive income and increase in fair value reserve (non-recycling) at 1 January 2018	(10,461)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as finance income.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

With respect to the financial assets classified as "available-for-sale" under IAS 39 including unquoted equity investments in non-listed companies and investment in equity securities listed in Hong Kong (see note 14), the Group elected to designate these investments as FVOCI (non-recycling) on 1 January 2018 and has recognised fair value changes in respect of these investments in the fair value reserve (non-recycling) as an adjustment to the opening balance of the Group's equity. The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount At 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	**IFRS 9 carrying amount at 1 January 2018** ***RMB'000***
Financial assets measured at FVOCI (non-recycling)				
Unquoted equity investments in non-listed companies	–	449,617	28,737	**478,354**
Investment in equity securities listed in Hong Kong	–	285,221	–	**285,221**
	–	734,838	28,737	**763,575**
Financial assets classified as available-for-sale, under IAS 39				
Unquoted equity investments in non-listed companies	449,617	(449,617)	–	**–**
Investment in equity securities listed in Hong Kong	285,221	(285,221)	–	**–**
	734,838	(734,838)	–	**–**

With respect to the financial assets classified as "loans and receivables" which were measured at amortised cost under IAS 39, the Group has assessed the business model under which the financial assets are managed and its contractual cash flow characteristics, and these financial assets will continue with their respective classification and measurements upon the adoption of IFRS 9, and the carrying amounts of these financial assets as at 1 January 2018 have not been impacted by the initial application of IFRS 9.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

After initial recognition at fair value, an issuer of such a contract shall subsequently measure it at the higher of: (i) the amount of the loss allowance determined in accordance with note 3(b)(ii) and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

The carrying amounts for all financial liabilities of the Group at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost;

– contract assets as defined in IFRS 15 (see note 3(c));

– debt securities measured at FVOCI (recycling);

– lease receivables; and

– financial guarantee contracts issued (see note 3(b)(i)).

Financial assets measured at fair value, including debt securities or equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations, the credit risk on a financial instrument is considered low.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Opening balance adjustment

The Group assessed the ECLs of financial assets measured at amortised cost as at 1 January 2018. There was not significant change to the loss allowance for these financial assets of the Group as at 1 January 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018:
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018, referred to as open contracts.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 15, *Revenue from contracts with customers* (continued)

Since more than 99% of the Group's revenue comprised of contracts with customers from sales of electricity, where revenue continues to be recognised upon transmission to the customers. The adoption of IFRS 15 did not have a material impact on the consolidated financial statements.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers, whereas, revenue arising from construction contracts and provision of services was recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Since more than 99% of the Group's revenue comprised of contracts with customers from sales of electricity, where revenue continues to be recognised upon transmission to the customers. The adoption of IFRS 15 did not have a significant impact on timing of revenue recognition.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 15, *Revenue from contracts with customers* (continued)

(ii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of IFRS 15 did not have a significant impact on the presentation of the consolidated financial statements.

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 did not have any material impact on the financial position and the financial result of the Group.

4 SEASONALITY OF OPERATIONS

The Group's main business is wind power business which generates more revenue in certain period in the year, depending on different wind conditions of the wind farms such as wind speed. Generally the wind speed is more favourable for power generation in spring and winter. As a result, the revenue and profit of the Group fluctuate during the year.

5 REVENUE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of electricity *(note (i))*	**6,315,623**	5,613,977
Others	**2,089**	2,892
	6,317,712	5,616,869

Note:

(i) Sales of electricity were mainly generated by the wind power plants of the Group. The Group has a single reportable operating segment. As the Group does not have material operations outside the PRC, no geographic segment information is presented.

6 OTHER NET INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Government grants	**185,336**	182,097
Others	**6,944**	143
	192,280	182,240

7 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest income on financial assets	**16,402**	13,523
Foreign exchange gains	**–**	337
Dividend income	**28,402**	24,716
Finance income	**44,804**	38,576
Interest on borrowings and other financial liabilities	**1,157,403**	1,140,491
Less: interest expenses capitalised into property, plant and equipment *(note (i))*	**54,619**	61,806
	1,102,784	1,078,685
Foreign exchange losses	**99**	60,440
Bank charges and others	**375**	454
Finance expenses	**1,103,258**	1,139,579
Net finance expenses recognised in profit or loss	**(1,058,454)**	(1,101,003)

Note:

(i) The borrowing costs have been capitalised at rates of 4.34% to 4.44% per annum for the six months ended 30 June 2018 (six months ended 30 June 2017: 3.19% to 4.92% per annum).

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	**6,944**	3,879
– intangible assets	**20,129**	19,656
Depreciation		
– Property, plant and equipment	**1,950,608**	1,862,093
Operating lease charges		
– hire of properties	**46,009**	32,633
Cost of inventories	**59,469**	40,451

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**388,895**	209,149
Under/(over)-provision in respect of prior periods	**10,391**	(5,080)
	399,286	204,069
Deferred tax		
Reversal of temporary differences	**74**	260
	399,360	204,329

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**2,799,545**	2,286,431
Applicable tax rate	**25%**	25%
Notional tax on profit before taxation	**699,886**	571,608
Tax effect of non-deductible expenses	**7,601**	806
Tax effect of non-taxable income	**(7,100)**	(6,265)
Tax effect of differential tax rates and tax concessions of certain subsidiaries of the Group *(note (i))*	**(321,190)**	(374,390)
Tax effect of unused tax losses not recognised	**29,854**	62,329
Tax effect of tax losses utilised while not recognised in prior periods	**(961)**	(21,284)
Tax credits in relation to purchase of certain environmental protection equipment *(note (ii))*	**(19,809)**	(23,908)
Under/(over)-provision in respect of prior periods	**10,391**	(5,080)
Others	**688**	513
Income tax	**399,360**	204,329

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group, except for certain subsidiaries of the Group, which are tax exempted or taxed at preferential rates, as determined in accordance with the relevant PRC Corporate Income Tax rules and regulations for the six months ended 30 June 2018 and 2017, and except for a subsidiary of the Group incorporated in Hong Kong which is subject to Hong Kong Profits Tax calculated at 16.5% (six months ended 30 June 2017: 16.5%) of its estimated assessable profit for the period. This subsidiary had no assessable profit for six months ended 30 June 2018 and 2017.

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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

Notes: (continued)

(ii) Pursuant to Caishui [2008]No. 48 Notice on Issues Concerning Implementation of Catalogue of Corporate Income Tax Incentives for Special Equipment for Environmental Protection, the Catalogue of Corporate Income Tax Incentives for Special Equipment for Energy and Water Conservation, and the Catalogue of Corporate Income Tax Incentives for Special Equipment for Work Safety (關於執行環境保護專用設備企業所得稅優惠目錄、節能節水專用設備企業所得稅優惠目錄和安全生產專用設備企業所得稅優惠目錄有關問題的通知), certain subsidiaries of the Group, being enterprises have purchased special equipment for use in environmental protection, energy and water conservation and work safety purposes stipulated in above mentioned catalogues, 10% of the amount invested in the special equipment can be deducted from the income tax in the current year, and such unused tax credit could be carried forward to the following five years.

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to the equity shareholders of the Company for the six months ended 30 June 2018 of RMB2,348,909,000 (six months ended 30 June 2017: RMB2,031,788,000) and the weighted average number of shares in issue during the six months ended 30 June 2018 of 10,566,532,000 shares (six months ended 30 June 2017: 9,931,839,000 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.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment of approximately RMB849,597,000 (six months ended 30 June 2017: approximately RMB750,130,000). Items of property, plant and equipment with a net book value of approximately RMB127,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

12 LEASE PREPAYMENTS

During the six months ended 30 June 2018, the Group disposed land use right with a net book value of approximately RMB132,407,000 (six months ended 30 June 2017: Nil), resulting in a loss on disposal of RMB1,410,000 (six months ended 30 June 2017: Nil).

13 INTANGIBLE ASSETS

Intangible assets mainly represent service concession assets of approximately RMB579,485,000 (31 December 2017: approximately RMB595,506,000), software and other intangible assets of approximately RMB22,992,000 (31 December 2017: approximately RMB25,511,000).

14 OTHER NON-CURRENT ASSETS

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Deductible value added tax ("**VAT**") *(note (i))*	**1,194,623**	1,510,258
Unquoted equity investments in non-listed companies *(notes 3(b) and 23(a))*	**589,588**	449,617
Investment in equity securities listed in Hong Kong *(notes 3(b) and 23(a))*	**248,633**	285,221
Deposits and advances to third parties *(note (ii))*	**45,904**	53,632
Receivables of land use right disposal *(note 12)*	**108,800**	–
Other long-term assets	**160,030**	167,964
	2,347,578	2,466,692

Notes:

(i) Deductible VAT mainly represents the input VAT relating to purchase of property, plant and equipment, which is deductible from output VAT. Those expected to be deducted within one year is presented in prepayments and other current assets (see note 16).

(ii) The deposits and advances to third parties are unsecured and interest-free.

15 TRADE DEBTORS AND BILLS RECEIVABLE

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Amounts due from third parties	**10,400,794**	7,214,032
Less: allowance for doubtful debts	**–**	–
	10,400,794	7,214,032

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Current	**10,400,794**	7,214,032
Past due	**–**	–
	10,400,794	7,214,032
Less: allowance for doubtful debts	**–**	–
	10,400,794	7,214,032

The Group's trade receivables are mainly wind power electricity sales receivables from local grid companies. Generally, the receivables are due within 15-30 days from the date of billing, except for the tariff premium, representing from 31% to 95% of total electricity sales, collected by certain power projects. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement.

15 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

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 in March 2012, a set of standardised procedures for the settlement of the 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 operating projects have been approved for the tariff premium and certain projects are in the process of applying for the approval. The directors of the Company are of the opinion that the approvals will be obtained in due course and the tariff premium receivables are fully recoverable considering that there are no bad debt experiences with the grid companies in the past and the tariff premium is funded by the PRC government.

Trade receivables that were neither past due nor impaired mainly represented the electricity sales receivable from local grid companies for whom there was no recent history of default.

All trade debtors and bills receivable are expected to be recovered within one year.

16 PREPAYMENTS AND OTHER CURRENT ASSETS

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Government grant receivable	**69,379**	49,076
Amounts due from fellow subsidiaries	**33,170**	27,662
Dividends receivable		
– A fellow subsidiary	**15,290**	–
– A third party	**6,824**	–
Staff advance	**8,225**	4,918
Deposits *(note (i))*	**39,723**	33,441
Prepayments		
– Fellow subsidiaries	**685**	454
– Third parties	**8,638**	6,903
Deductible VAT *(note 14(i))*	**921,675**	1,240,625
Others	**56,557**	33,259
	1,160,166	1,396,338
Less: allowance for doubtful debts	**818**	818
	1,159,348	1,395,520

16 PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

Note:

(i) Deposits mainly represented deposits placed with local authorities for developing wind power and construction. The deposits will be released to the Group during certain development stage or by the completion of the power plants construction.

17 CASH AT BANK AND ON HAND

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Cash on hand	**27**	49
Cash at bank and other financial institutions	**3,098,089**	2,502,614
	3,098,116	2,502,663
Representing:		
– Cash and cash equivalents	**3,098,116**	2,502,663

18 BORROWINGS

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Bank loans		
– Secured	**6,538,164**	6,542,361
– Unsecured	**26,127,122**	24,650,117
Loan from a fellow subsidiary (unsecured)	**600,000**	500,000
Other borrowings *(note 18(e))*		
– Unsecured	**1,139,185**	1,139,057
	34,404,471	32,831,535
Less: Current portion of long-term borrowings		
– Bank loans	**3,696,260**	3,380,210
	30,708,211	29,451,325

18 BORROWINGS (CONTINUED)

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Bank loans (unsecured)	**16,010,000**	14,960,000
Loan from fellow subsidiaries (unsecured)	**400,000**	14,007
Other borrowings *(note 18(e))*		
– Unsecured	**–**	1,998,544
Current portion of long-term borrowings		
– Bank loans	**3,696,260**	3,380,210
	20,106,260	20,352,761

(c) The effective interest rates per annum on borrowings are as follows:

	At 30 June 2018	At 31 December 2017
Long-term (including current portion)		
Bank loans	**4.31% ~ 4.90%**	4.31% ~ 4.90%
Loan from a fellow subsidiary	**4.13%, 4.41%**	4.41%
Other borrowings *(note 18(e))*	**2.98%**	2.98%
Short-term (excluding current portion of long-term borrowings)		
Bank loans	**4.35% ~ 4.57%**	3.92% ~ 4.35%
Loan from fellow subsidiaries	**4.13%**	4.66%
Other borrowings *(note 18(e))*	**n/a**	4.50%, 4.70%

18 BORROWINGS (CONTINUED)

(d) The long-term borrowings (including current portion) are repayable as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 year or on demand	**3,696,260**	3,380,210
After 1 year but within 2 years	**3,899,627**	3,618,195
After 2 years but within 5 years	**12,139,556**	10,510,134
After 5 years	**14,669,028**	15,322,996
	34,404,471	32,831,535

(e) Significant terms of other borrowings:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Long-term		
Corporate bonds *(note (i))*	**1,139,185**	1,139,057
Short-term		
Super short-term debentures *(note (ii))*	**–**	1,998,544

Notes:

(i) On 11 July 2016, the Company issued a five-year unsecured green corporate bond of RMB1,140 million at par with a coupon rate of 2.95% per annum. The effective interest rate of the bond is 2.98% per annum.

(ii) On 3 August 2017, the Company issued an unsecured super short-term debenture of RMB1,000 million at par with a maturity period of 270 days with the issuing interest rate of 4.48% per annum. The effective interest rate is 4.70% per annum.

On 17 November 2017, the Company issued an unsecured super short-term debenture of RMB1,000 million at par with a maturity period of 180 days with the issuing interest rate of 4.29% per annum. The effective interest rate is 4.50% per annum.

19 OBLIGATIONS UNDER FINANCE LEASES

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 *RMB'000*	**Total minimum lease payments** *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	**356,766**	**416,390**	352,441	419,677
After 1 year but within 2 years	**467,388**	**510,138**	500,592	556,042
After 2 years but within 5 years	**469,758**	**517,895**	560,405	621,697
After 5 years	**115,936**	**119,848**	169,901	177,680
	1,053,082	**1,147,881**	1,230,898	1,355,419
	1,409,848	**1,564,271**	1,583,339	1,775,096
Less: total future interest expense		**154,423**		191,757
Present value of finance lease obligations		**1,409,848**		1,583,339

As at 30 June 2018, the balance of obligations under a finance lease with Huaneng Tiancheng Financial Leasing Co., Ltd. ("**Huaneng Tiancheng**") was RMB211,206,000 (31 December 2017: RMB232,478,000).

At inception, the lease periods of the finance lease obligation is approximately 5 to 10 years. The principal obligations and interest expenses are to be paid at least annually within the lease period.

20 OTHER PAYABLES

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Payables for acquisition of property, plant and equipment and intangible assets	**2,975,753**	3,094,733
Retention payable *(note (i))*	**2,148,620**	2,026,029
Bills payable	**71,071**	632,141
Dividends payable	**539,237**	80,921
Amounts due to fellow subsidiaries *(note (ii))*	**69,778**	51,308
Payables for staff related costs	**52,435**	47,794
Payables for other taxes	**66,681**	92,883
Interest payable		
– Fellow subsidiaries	**997**	6,399
– Others	**100,989**	112,493
Other accruals and payables	**90,449**	108,341
	6,116,010	6,253,042

Notes:

(i) Retention payable represents the retention payables due to equipment suppliers and construction contractors which will be settled in accordance with contracted terms during or upon the expiry of the warranty period.

(ii) Amounts due to fellow subsidiaries are all unsecured and interest-free.

All of the other payables are expected to be settled within one year or are repayable on demand.

21 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities primarily included retention payables due to equipment suppliers and construction contractors which is not expected to be settled within one year.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period.

The board of directors of the Company does 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 equity shareholders of the Company attributable to the previous financial year, approved during the interim period.

On 21 June 2018, upon the approval at the annual general meeting, the Company declared final dividend in respect of the financial year ended 31 December 2017 of RMB0.043 per share, with total amount of RMB454,360,884 (2016: RMB433,227,820). The Company did not make any dividend payments during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

(b) Share capital

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Issued and fully paid		
5,535,311,200 domestic state-owned ordinary shares of RMB1.00 each	**5,535,311**	5,535,311
5,031,220,992 H shares (2017: 5,031,220,992 H shares) of RMB1.00 each	**5,031,221**	5,031,221
	10,566,532	10,566,532

On 18 May 2017, the Company issued 838,536,000 H shares with a par value of RMB1.00, at a price of Hong Kong dollars 2.61 per H share. The proceeds of RMB838,536,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB1,070,272,000 (after net of issuance expenses) were credited to the capital reserve account.

(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.

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 and cash injected by the promoters upon the establishment of the Company.

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (continued)

(ii) Statutory surplus reserve

According to the Company's Article of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity 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 foreign operations that have functional currency other than the RMB.

(iv) Fair value reserve (recycling)

Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale equity securities held at the end of the reporting period in accordance with IAS 39. This amount has been reclassified to fair value reserve (non-recycling) upon the initial adoption of IFRS 9 at 1 January 2018 (see note 3(b)).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 3(b)(i)).

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

The IFRS 13, Fair value measurement requires to disclose the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety. 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.

The following table presents the financial instruments of the Group that are measured at fair value as at 30 June 2018 and 31 December 2017:

	Fair value at 30 June 2018	**Fair value measurements as at 30 June 2018 categorised into**	
		Level 1	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***
Financial assets:			
Unquoted equity investments in non-listed companies *(note 14)*	**589,588**	**–**	**589,588**
Investment in equity securities listed in Hong Kong *(note 14)*	**248,633**	**248,633**	**–**

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into Level 1
	RMB'000	*RMB'000*
Financial assets:		
Investment in equity securities listed in Hong Kong *(note 14)*	285,221	285,221

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

As at 31 December 2017, the unquoted equity investments are measured at cost which fair value cannot be measured reliably as these equity investments in non-listed companies do not have quoted market price in an active market. The Group has no intention to dispose of these investments. These investments have been reclassified to financial assets designated at FVOCI (non-recycling) and remeasured upon the adoption of IFRS 9 at 1 January 2018 (see note 3(b)(i)).

The fair values of unquoted equity investments in non-listed companies are determined using the price/earning ratios or price/book value ratios of market comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. Discount for lack of marketability used in the fair value measurement is 40%.

As at 30 June 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB7,159,000.

During the six months ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The movement during the period in the balance of the Level 3 fair value measurements is as follows:

	At 30 June 2018 *RMB'000*
Unquoted equity investments in non-listed companies:	
Balance at 31 December 2017	**–**
Adjustment on initial application of IFRS 9 *(note 3(b))*	**478,354**
Adjusted balance at 1 January 2018	**478,354**
Additional investments	**135,000**
Changes in fair value recognised in other comprehensive income	**(23,766)**
Balance at 30 June 2018	**589,588**

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity investments held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity investments, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, any gains arising from the disposal of the unlisted equity investments were presented in the "Finance income" line item in the consolidated statement of comprehensive income.

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost primarily including receivables, payables and borrowings are not materially different from their fair values as at 30 June 2018 and 31 December 2017, which are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

24 CAPITAL COMMITMENTS

Capital commitments outstanding not provided for in the interim financial report were as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Commitments in respect of property, plant and equipment		
– Contracted for	**5,274,657**	5,352,453

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group is part of a larger group of companies under China Huaneng Group Co., Ltd. ("**Huaneng Group**") and has significant transactions and relationships with the subsidiaries of Huaneng Group.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

Apart from those disclosed elsewhere in the financial statements, the principal related party transactions which were carried out in the ordinary course of business are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of electricity to		
A fellow subsidiary	**1,115**	2,641
Purchase of product and equipment from		
Fellow subsidiaries	**1,916**	21,956
Purchase of power generation rights from		
Fellow subsidiaries	**928**	219
Services provided by		
Fellow subsidiaries	**78,996**	67,977
Net (withdrawal from)/deposit in		
China Huaneng Finance Corporation Ltd. ("**Huaneng Finance**")	**(226,460)**	428,543
Increase of investment in		
Huaneng Tiancheng	**135,000**	–
Interest income		
Huaneng Finance	**13,590**	10,014
Loans received from		
Fellow subsidiaries	**3,351,545**	5,904,506
Loans repaid to		
Fellow subsidiaries	**2,865,552**	5,490,000
Finance lease obligation repaid to		
Huaneng Tiancheng	**21,272**	23,077
Interest expense		
Fellow subsidiaries	**23,035**	23,322
Net working capital provided to		
Fellow subsidiaries	**4,982**	40
Repayments of loan guaranteed by		
Huaneng Group	**–**	19,251

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary, Huaneng Finance, amounted to RMB1,992,278,000 as at 30 June 2018 (31 December 2017: RMB2,218,738,000). As at 30 June 2018, the balances of original investment cost in Huaneng Finance, Huaneng Carbon Asset Management Co., Ltd. and Huaneng Tiancheng were RMB51,225,000, RMB25,000,000 and RMB411,000,000 respectively (31 December 2017: RMB51,225,000, RMB25,000,000 and RMB276,000,000). Details of the other outstanding balances with related parties are set out in notes 16, 18, 19 and 20.

(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 "**government-related entities**").

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

– Sales of electricity;

– Depositing and borrowing money;

– Purchase of materials and receiving construction work services; and

– Service concession arrangement.

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

For the six months ended 30 June 2018 and 2017, almost all revenue from the sales of electricity is made to the provincial power grid companies which are government-related entities. As at 30 June 2018 and 31 December 2017, substantially all the trade debtors and bills receivable are due from these power grid companies.

The Company and its subsidiaries maintained substantially all of the bank deposits in government-related financial institutions while lenders of substantially all of the Company and its subsidiaries' loans are also government-related financial institutions, associated with the respective interest income or interest expense incurred.

Other collectively significant transactions with government-related entities also included a large portion of equipment and materials purchases, and property, plant and equipment construction services received.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Commitments with related parties

Commitments with related parties outstanding not provided for in the financial statements were as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Services to be provided by related parties	**62,889**	76,631
Product and equipment to be provided by related parties	**41,490**	21,635
Investment commitment to Tianjin HIWLR-Taikang Equity Investment Fund Centre (Limited Partnership) ("**HIWLR-Taikang**") *(note (i))*	**339,182**	339,182

Note:

(i) HIWLR-Taikang is the partnership established by the Company, Taikang Life Insurance Co., Ltd., Tianjin Huaxu Renewables Technology Development Co., Ltd. and Tianjin HIWLR Ruichi Enterprise Management Consulting Partnership (Limited Partnership) in 2017. HIWLR-Taikang is the operating entity of the first tranche of HIWLR-Taikang Renewables Development Fund amounting to RMB2,006,000,000. The Company subscribed for RMB400,000,000 as one of the limited partners, representing approximately 19.94% of the amount. As at 30 June 2018, the Company contributed amount of RMB60,818,000 to HIWLR-Taikang.

(e) 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	**1,782**	1,728
Bonus	**2,794**	2,736
Retirement scheme contributions	**460**	420
	5,036	4,884

26 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

Corporate Information

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Ms. SONG Yuhong

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Mr. WEN Minggang

EXECUTIVE DIRECTORS

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Mr. CAO Shiguang *(President)*
Mr. WEN Minggang

NON-EXECUTIVE DIRECTORS

Mr. WANG Kui
Mr. DAI Xinmin
Mr. ZHANG Qi *(Appointed on 21 August 2018)*
Mr. ZHAI Ji *(Appointed on 21 August 2018)*
Mr. LU Fei *(Resigned on 21 August 2018)*
Mr. SUN Deqiang *(Resigned on 21 August 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. QIN Haiyan
Ms. DAI Huizhu
Mr. ZHOU Shaopeng
Mr. WAN Kam To

SUPERVISORS

Mr. HUANG Jian
Mr. WANG Huanliang
Ms. ZHONG Suzhi

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Mr. WAN Kam To
Mr. WANG Kui

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Mr. LIN Gang *(Chairman)*
Mr. ZHOU Shaopeng
Mr. QIN Haiyan

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Mr. QIN Haiyan *(Chairman)*
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Glossary of Technical Terms

"gross power generation"	total power generated by a power plant in a specific period of time, including auxiliary electricity and electricity generated during the construction and testing period
"GWh"	unit of energy, gigawatt-hour. 1 GWh = 1 million kWh. GWh is typically used as a measure for the annual energy production of large power plants
"installed capacity"	the capacity of power generation units or wind turbines that have been completely assembled or erected in the case of wind power. For wind power, installed capacity includes the capacity of wind turbines in testing period
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy commonly 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
"MW"	unit of power, megawatt. 1 MW = 1,000 kW, MW is typically used to measure installed capacity of power plants
"MWh"	unit of energy, megawatt-hour. 1 MWh = 1,000 kWh
"renewable energy"	energy generated from sustainable energy sources that are regenerative or, for all practical purposes, cannot be depleted
"weighted average utilization hours"	the consolidated gross power generation less the electricity generated during the construction and testing period in a specified period divided by the weighted average consolidated operational capacity in the same period

華能新能源股份有限公司
Huaneng Renewables Corporation Limited *