



龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CO., LTD.

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

Stock Code: 1010

 / D D 30 2016 A D/ D
 (20 11 12 13 14 15 16 17 18 19 20 21 22)

 /  D D 30 2016 A D/ D
 (20 11 12 13 14 15 16 17 18 19 20 21 22)

Six months ended 30 June

	2016	2015
	RMB'000	B'000
		(14)

Other comprehensive income:

Items that will not be reclassified to
profit or loss:

Exchange difference on translation of senior perpetual securities	–	(1,055)
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Items that may be reclassified subsequently
to profit or loss:

Available-for-sale financial assets: net movement in the fair value reserve	1,721	4,259
Exchange difference on net investment	(10,364)	(26,990)
Exchange difference on translation of financial statements of overseas subsidiaries	(2,144)	(31,083)Exchange

(70 111 8 6 3 66 3 3 11 8 9 4 12 8)

- 4 -

	At 30 June 2016 RMB'000	At 31 December 2015 B'000
Non-current liabilities		
Borrowings	33,898,499	29,969,856
Obligations under finance leases	459,003	—
Deferred income	1,735,613	1,791,775
Deferred tax liabilities	104,050	106,073
Other non-current liabilities	1,754,911	1,425,141
Total non-current liabilities	37,952,076	33,292,845
NET ASSETS	46,377,270	44,532,635
CAPITAL AND RESERVES		
Share capital	8,036,389	8,036,389
Perpetual medium-term note	2,991,000	2,991,000
Reserves	28,762,104	27,072,396
Total equity attributable to the equity holders of the Company	39,789,493	38,099,785
Non-controlling interests	6,587,777	6,432,850
TOTAL EQUITY	46,377,270	44,532,635

NOTES:

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 9 August 2016.

This interim financial report has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group as at 30 June 2016 amounting to RMB37,560,131,000. The directors of the Company (the “**Directors**”) are of the opinion that, based on a review of the forecasted cash flows, the unutilised banking facilities and the unutilised credit lines with banks as at 30 June 2016, the Group will have necessary liquid funds to finance its working capital and capital expenditure.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

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 Prepared by the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2016.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012–2014 Cycle*
- Amendments to IAS 1, *Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to IFRSs 2012–2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3 SEGMENT REPORTING

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

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

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

(a) Segment results

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

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

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2016 and 2015 is set out below:

For the six months ended 30 June 2016:

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers				
– Sales of electricity	7,162,188	1,411,826	243,757	8,817,771
– Others	9,255	2,139,912	24,546	2,173,713
Subtotal	7,171,443	3,551,738	268,303	10,991,484
Inter-segment revenue	–	–	187,264	187,264
Reportable segment revenue	<u>7,171,443</u>	<u>3,551,738</u>	<u>455,567</u>	<u>11,178,748</u>
Reportable segment profit (operating profit)	<u>3,875,747</u>	<u>583,044</u>	<u>96,568</u>	<u>4,555,359</u>
Depreciation and amortisation before inter-segment elimination	(2,796,094)	(167,383)	(96,652)	(3,060,129)
Reversal of impairment losses of property, plant and equipment and lease prepayments	–	–	94,068	94,068
Interest income	15,090	9,857	41,193	66,140
Interest expense	(1,304,243)	(32,065)	11,190	(1,325,118)
Expenditures for reportable segment non-current assets during the period	5,629,956	118,258	204,251	5,952,465

For the six months ended 30 June 2015 (*restated – note 14*)

	Wind power <i>B'000</i>	Coal power <i>B'000</i>	All others <i>B'000</i>	Total <i>B'000</i>
Revenue from external customers				
– Sales of electricity	6,723,026	1,647,735	216,616	8,587,377
– Others	–	1,407,950	174,132	1,582,082
Subtotal	6,723,026	3,055,685	390,748	10,169,459
Inter-segment revenue	–	–	347,798	347,798
Reportable segment revenue	<u>6,723,026</u>	<u>3,055,685</u>	<u>738,546</u>	<u>10,517,257</u>
Reportable segment profit (operating profit)	<u>3,829,407</u>	<u>563,814</u>	<u>71,245</u>	<u>4,464,466</u>
Depreciation and amortisation before inter-segment elimination	(2,397,842)	(217,415)	(88,775)	(2,704,032)
Reversal of impairment losses of trade and other receivables	–	–	1,691	1,691
Interest income	11,344	12,359	44,316	68,019
Interest expense	(1,276,673)	(39,878)	(189,093)	(1,505,644)
Expenditures for reportable segment non-current assets during the period	7,423,094	193,824	260,691	7,877,609

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

	Six months ended 30 June	
	2016	2015
	RMB'000	B'000
		(1,426,243)
Revenue		
Reportable segment revenue	11,178,748	10,517,257
Service concession construction revenue	217,566	381,050
Elimination of inter-segment revenue	(187,264)	(347,798)
Consolidated revenue	11,209,050	10,550,509
Profit		
Reportable segment profit	4,555,359	4,464,466
Elimination of inter-segment profits	29,184	2,303
	4,584,543	4,466,769
Share of profits less losses of associates and joint ventures	239,152	223,669
Net finance expenses	(1,426,243)	(1,413,705)
Unallocated head office and corporate expenses	(40,678)	(40,999)
Consolidated profit before taxation	3,356,774	3,235,734

(c) Geographical information

As the Group does not have material operations outside the People's Republic of China ("PRC"), no geographic segment reporting is presented.

(d) Seasonality of operations

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

4 REVENUE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	B'000
		(14)
Sales of electricity	8,817,771	8,587,377
Sales of steam	203,183	122,388
Service concession construction revenue	217,566	381,050
Sales of electricity equipment	13,756	106,560
Sales of coal	1,793,416	1,120,292
Others	163,358	232,842
	<u>11,209,050</u>	<u>10,550,509</u>

5 OTHER NET INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	B'000
Government grants	269,072	200,533
Rental income from investment properties	584	3,428
Net (loss)/gain on disposal of property, plant and equipment	(572)	348
Penalty income from wind turbine suppliers	–	282
Others	14,071	5,309
	<u>283,155</u>	<u>209,900</u>

6 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2016	2015
	RMB'000	B'000
		(Note 14)
Interest income on financial assets	66,140	68,019
Dividend income from other investments	332	208
Net realised and unrealised gains on other financial assets	—	39,110
Foreign exchange gains	30,547	24,272
Finance income	97,019	131,609
Interest on bank and other borrowings	1,518,282	1,787,476
Less: Interest expenses capitalised into property, plant and equipment and intangible assets	(193,164)	(281,832)
	1,325,118	1,505,644
Foreign exchange losses	66,548	14,412
Net realised and unrealised losses on other financial assets	118,903	2,527
Bank charges and others	12,693	22,731
Finance expenses	1,523,262	1,545,314
Net finance expenses recognised in profit or loss	(1,426,243)	(1,413,705)

The borrowing costs have been capitalised at rates of 2.90% to 6.55% for the period ended 30 June 2016 (six months ended 30 June 2015: 4.57% to 7.15%).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	B'000
		(Note 14)
Amortisation		
– lease prepayments	40,511	39,535
– intangible assets	219,184	213,994
Depreciation		
– investment properties	158	178
– property, plant and equipment	2,783,508	2,434,206
Reversal of impairment losses		
– property, plant and equipment	89,907	–
– lease prepayments	4,161	–
– trade and other receivables	–	1,691
Operating lease charges		
– hire of plant and equipment	94	30
– hire of properties	9,596	9,582
Cost of inventories	2,579,093	2,075,624

8 INCOME TAX

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>B'000</i>
Current tax		
Provision for the period	414,703	361,688
Under provision in respect of prior years	3,242	4,522
	<u>417,945</u>	<u>366,210</u>
Deferred tax		
Origination and reversal of temporary differences	5,248	(3,419)
	<u>423,193</u>	<u>362,791</u>

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

	Six months ended 30 June	
	2016	2015
	RMB'000	B'000
		(14)
Profit before taxation	3,356,774	3,235,734
Notional tax on profit before taxation	838,754	808,934
Tax effect of non-deductible expenses	4,254	4,903
Tax effect of share of profits less losses of associates and joint ventures	(59,788)	(55,917)
Tax effect of non-taxable income	(83)	(52)
Effect of differential tax rate of certain subsidiaries of the Group (14)	(358,443)	(432,836)
Use of unrecognised tax losses in prior years	(34,987)	(2,129)
Tax effect of unused tax losses and timing differences not recognised	29,857	33,378
Under provision in respect of prior years	3,242	4,522
Others	387	1,988
Income tax	423,193	362,791

- (i) The provision for income tax of the PRC subsidiaries of the Group is calculated based on statutory rate of 25% of the assessable profit of the Group for the six months ended 30 June 2016 and the six months ended 30 June 2015, as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to relevant tax authorities' approvals.

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

9 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	B'000
Items that will not be reclassified to profit or loss:		
Exchange difference on translation of senior perpetual securities	—	(1,055)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Net movement in fair value reserve		
– Before tax amount		
Change in fair value recognised during the period	2,295	5,679
– Tax expense	(574)	(1,420)
Net of tax amount	1,721	4,259
Exchange difference on translation of financial statement of overseas subsidiaries	(2,144)	(31,083)
Exchange difference on net investment		
– Before and net of tax amount	(10,364)	(26,990)
Other comprehensive income	(10,787)	(54,869)

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2016 of RMB2,284,011,000 (six months ended 30 June 2015 (restated – note 14): RMB2,205,623,000) and the number of shares in issue during the six months ended 30 June 2016 of 8,036,389,000 (six months ended 30 June 2015: 8,036,389,000).

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 TRADE DEBTORS AND BILLS RECEIVABLE

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>B'000</i>
Amounts due from third parties	6,509,076	4,172,634
Amounts due from fellow subsidiaries	7,397	34,195
Amounts due from associates	61,891	36,941
	<u>6,578,364</u>	<u>4,243,770</u>
Less: allowance for doubtful debts	<u>(5,878)</u>	<u>(6,002)</u>

12 TRADE CREDITORS AND BILLS PAYABLE

	At 30 June 2016 RMB'000	At 31 December 2015 B'000
Bills payable	1,089,562	1,597,602
Creditors and accrued charges	356,693	271,293
Amounts due to associates	80,507	—
Amounts due to fellow subsidiaries	6,846	33,491
	<u>1,533,608</u>	<u>1,902,386</u>

As at 30 June 2016 and 31 December 2015, all trade creditors and bills payable are payable and expected to be settled within one year.

13 DIVIDENDS

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

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB nil).

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

	Six months ended 30 June 2016 RMB'000	2015 B'000
Final dividend in respect of the financial year ended 31 December 2015, approved during the following interim period, of RMB0.0717 per share (year ended 31 December 2014: RMB0.0597 per share)	<u>576,209</u>	<u>479,772</u>

Dividends in respect of the financial year ended 31 December 2015 has been fully paid in August 2016.

14 BUSINESS COMBINATION

In August 2015, the Company obtained control of two wind power plants from a fellow subsidiary, Guodian Guangdong Power Co., Ltd. (“**Guodian Guangdong**”). Details are as follows:

Business name	Combination date	Percentage of interest obtained
Chaozhou City Haishan Island Wind Power Generation Co., Ltd.	August 2015	60%
Guodian Yangjiang Hailing Island Wind Power Generation Co., Ltd.	August 2015	100%

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

	As previously reported <i>B’000</i>	Combined business <i>B’000</i>	Elimination <i>B’000</i>	As restated <i>B’000</i>
Results of operations for the period ended 30 June 2015:				
Operating profit	4,423,675	2,095	–	4,425,770
Profit for the period	2,875,138	(2,195)	–	2,872,943
Profit attributable to:				
– Equity holders of the Company	2,206,743	(2,195)	1,075	2,205,623
– Non-controlling interests	668,395	–	(1,075)	667,320
Basic and diluted earnings per share (<i>B 元/股</i>)	27.46	(0.01)	–	27.45

MANAGEMENT DISCUSSION & ANALYSIS

(2016 年 1 月 1 日至 2016 年 6 月 30 日止)

In the first half of 2016, the national economy maintained generally stable growth momentum that progress was made, advantages manifested and innovations introduced, and major indicators performed smoothly and steadily as expected, which was also consistent with the law of development under the new normality of economic development. However, concerns and difficulties also arose in the stable operation of China's economy. Under the combined effect of changes in the international economic environment and domestic factors such as changing gear in respect of the economic growth, structural adjustments and a shift of driving forces, the electricity market embarked on a course of "Double Reduction and Double Low" ("雙降雙低"), i.e. reduction of tariffs and reduction of utilisation hours, and low power consumption growth and low power load.

According to the Monthly Statistics of China Power Industry (《全國電力工業統計月報》) published by China Electricity Council, from January to June in 2016, the power consumption across the country was 2,775.9 billion kWh, representing a year-on-year increase of 2.7%. The electrical output of above-the-scale power plants across the country amounted to 2,759.5 billion kWh, representing a year-on-year increase of 1.0%. The cumulative average utilisation hours of generation equipment across the country reached 1,797 hours, representing a year-on-year decrease of 138 hours. As at the end of June 2016, the installed capacity of above-the-scale power plants across the country reached 1,524,817 MW, representing a year-on-year increase of 11.3%. The regional and structural overcapacity of power became more acute and the competition in the market was going to be much fiercer in the future. In the first half of 2016, wind power output across the country reached 123.2 billion kWh, accounting for 4.5% of the total power generation across the country, which was 0.8 percentage point higher than that for the corresponding period of last year. The average utilisation hours of wind power across the country reached 917 hours, representing a year-on-year decrease of 85 hours.

At the Paris Climate Change Conference held during the year, China committed to reduce its carbon dioxide emission per unit of GDP by 60%–65% of 2005 and increase the share of non-fossil fuels in primary energy consumption to around 20% by 2030. Based on this target, there will be considerable room for the future development of the wind power segment. According to the 2016 National Plan on Development and Construction of Wind Power Industry promulgated by National Energy Administration (“NEA”), wind power installed capacity will increase by 30.83 GW during the year, which surpasses 30 GW for the first time. The main focus for wind power development will be “Rational Development” (“合理開發”). In respect of onshore wind power, the development in central eastern and southern regions has further accelerated. The “Three-North” (“三北”) Areas maintained healthy development with continuous optimisation of layout. In respect of offshore wind power, the Chinese government strives to maintain steady development, formulate plans based on available resources and execute projects as planned. In order to solve the bottleneck issue of “Wind Power Curtailment” (“棄風限電”), in February this year, NEA issued successively two important documents, namely the Notice in Relation to Works for Renewable Energy Consumption in “Three-North” Areas (《關於做好“三北”地區可再生能源消納工作的通知》) and the Guidance in Relation to the Establishment of Renewable Energy Development and Utilisation Objective Guidance System (《關於建立可再生能源開發利用目標引導制度的指導意見》), which stipulated the benchmark proportion of renewable energy power in different provinces for 2020, and the Green Certificate Transaction Mechanism and The Supervision and Evaluation System on development and utilisation will be established. In March and May, NEA further issued the Administrative Measures on Guaranteed Buyout for Renewable Energy Power Generation (《可再生能源發電全額保障性收購管理辦法》) with supplementary documents, requiring to set up of approved minimum guaranteed annual utilisation hours in some restricted power consumption regions according to the types of wind power resources. At present, the directive impacts of these policy documents have gradually shown, which is expected to alleviating the problem of power restriction.

I. BUSINESS REVIEW

1. Safety production management strengthened continuously and wind power generation steadily enhance

In the first half of 2016, the safety production management of our Group got strengthened continuously. The Group conducted safety inspections of “Four Don’ts and Two Directs” (“四不兩直”) on a regular basis, specified the entity responsibilities of all regional companies, standardised the inspection methods and contents, determined the inspection frequency based on the number of plants and radius of management in different entities, and strictly supervised the implementation of inspections. We improved the safety management system by developing a number of systems such as the Wind Power Safety Inspection Program (《風電安全檢查大綱》) and the Measures for Administration of Micro-Lifts for Wind Power Generating Units (《風電機組免爬器管理規定》). We reinforced the effect of “Fine Maintenance” (“精維護”) in all aspects by refining the maintenance of equipment and improving the standards of regular examination over wind power generating units. By then, new standards of regular maintenance for eight types of generating units in seven plants had been formulated. We also innovated in quality management for equipment maintenance and developed an array of indicators to assess the effect of equipment breakdown management, including the “rate of reaching standards for maintenance of wind turbines, average repair time and rate of replacing large parts of wind turbines”.

In the first half of 2016, the Group maintained our leading position in terms of power generation and utilisation hours of wind power. The Group strengthened and optimised its management, established comprehensive management mode and system for economic operations, fully determined the reasons for power loss in different units, adopted specific measures to minimise internal wind power curtailment and enhanced economic operation level. It promoted utilisation hours benchmarking, established comprehensive 4-tier management system covering the headquarter, regional companies, wind farms and individual units, further strengthened advanced benchmarking, market benchmarking and feasibility benchmarking, and strengthened and expanded its competitive advantages in key benchmarks including utilisation hours, unavailable hours, power consumption of plants and repair and maintenance costs.

Facing the severe situation regarding grid curtailment, the Group continued to enhance our marketing standards, thus maximising the profitability. The Group put the greatest efforts in responding to grid curtailment. We strictly implemented double control over the percentage and quantity of electricity subject to grid curtailment, set the average red line value of percentage of electricity subject to grid curtailment in different regions, and improved the evaluation on grid curtailment. Meanwhile, couple with regional horizontal and differential benchmarking, the Group optimised our grid curtailment estimation and formulated and implemented specific power curtailment measure of “One Specific Policy For Each Province” (“一省一策”). Moreover, the Group innovated marketing modes and conducted in-depth analysis of regional electricity markets and characteristics of grids, thereby formulating specific marketing plans for different regions. The Group actively expanded its external distribution channels by means of cross-region delivery, swap of wind power and coal-fired power, as well as direct power supply for big customers, aiming to enhance its profitability through various measures.

In the first half of 2016, the Group generated a cumulative gross electricity output of 20,425 GWh, of which electricity generated from our wind power segment amounted to 15,409 GWh, representing a year-on-year increase of 8.58%. The increase in electricity generated from wind power segment of the Group was primarily due to the increase in installed capacity. In the first half of 2016, the Group’s average utilisation hours of the wind power segment were 980 hours, representing a decrease of 105 hours as compared to the corresponding period of 2015, primarily due to aggravated grid curtailment and decline in wind resources.

In the first half of 2016, the consolidated gross power generation from coal power segment of the Group was 4,688 GWh, representing a decrease of 4.48% as compared with 4,908 GWh in the corresponding period of 2015. This was primarily due to slow growth of power consumption in Jiangsu Province, the growth of newly installed capacity outpacing that of power consumption, and the increase in percentage of power generated from other regions. The average number of utilisation hours of the Group’s coal power segment in the first half of 2016 was 2,500 hours, representing a decrease of 118 hours as compared with 2,618 hours in the corresponding period of 2015.

2. The preliminary work pushed forward steadily and the leading advantage of development remained

In the first half of 2016, adhering to innovative development and management enhancement, the Group conducted in-depth analysis on policy and market condition, strived to fight for high-quality resources, developed offshore wind power properly, and actively expanded overseas markets. With the use of preliminary big data system, the Group conducted in-depth analysis on resources and market condition in different regions, and prepared wind resources development layout and searched for areas for development according to the layout. It also proactively increased the quality resources inventory in regions not subject to grid curtailment. The Group continued its preliminary works regarding offshore wind power in Shandong, Hainan, Hebei and Zhejiang. Meanwhile, seeing that the national carbon emissions permit trading market is to open in 2017, the filing for the Group's first batch of China Certified Emission Reduction ("CCER") projects was completed (nine projects, 642 MW), and subsequent projects were being processed orderly.

In the first half of 2016, under the development plan for the first batch of wind power projects of the "Thirteenth Five-year Plan" ("十三五") issued by NEA, 35 projects of our Group were listed with total installed capacity

3. Strengthened infrastructure construction management and the production capacity target for the first half of the year outperformed

In the first half of 2016, the Group continued to maintain refined management and completed its construction target for the first half of the year efficiently. Facing the challenging year for wind power construction, the Group operated according to its operating targets, refined its operating procedures, duly performed its duties and tried its best to overcome the adverse environment, thus outperforming the production capacity target for the first half of the year. During the construction phase, the Group strictly complied with construction work procedures, and actively fulfilled work requirements for projects such as forest and land requisition, delivery, environment evaluation and soil and water conservation. Through various works such as price ceiling investigation and water conservation plan review, the construction risks were reduced effectively, thereby increasing the investment income of the project. The Group consistently paid high attention to the communication and coordination works with the governments and grid companies. The Group provided project guidance in a timely manner so as to process surveying and design, tendering and procurement, equipment supply and financial planning and organisation and management works of on-site schedule planning. The Group also strengthened the organisation and coordination with different participating units, and closely monitored key procedures such as delivery and equipment supply, aimed to ensure the construction of project will be progressed orderly and quickly.

Numerous geological hazards occurred during the year with frequent adverse weather conditions. The Group fostered security awareness firmly. During the construction phase, the Group closely monitored weather conditions and formulated flood control plans. We implemented on-site flood control measures, and conducted screening, identification and control works over key areas such as roads, slopes, retaining walls and roadbeds, aiming to ensure no accident would occur at sites. The Group also further enhanced its quality management. Striving to works on design optimisation, design approval, acceptance checks on construction works and supervision of equipment manufacture, the Group amended the Administrative Measures on Inspection and Acceptance of Construction Works (《工程驗收管理辦法》), which strengthened feedback on problems and rectification tracking and defined the responsibilities and division of works between entities, thus achieving closed-loop management. The Group completed the preparation of Standard Handbook for Wind Power Construction Works Part – A (《風電工程建設標準工藝手冊 – 上冊》) and expert review, which actively facilitated the standardisation of construction works and gradually enhanced the quality of construction works.

In the first half of 2016, the Group had 14 new wind power projects put into operation, with the new consolidated installed capacity of 781.7 MW. As at 30 June 2016, the consolidated installed capacity of the Group was 18,732 MW, among which the consolidated installed capacity of the wind power segment was 16,547 MW, while the consolidated installed capacity of the coal power segment and the consolidated installed capacity of other renewable power segment were 1,875 MW and 310 MW, respectively.

4. Tariff decreased slightly

The average on-grid tariffs for overall power generation of the Group for the first half of 2016 amounted to RMB539 per MWh (value-added tax (“VAT”) inclusive), representing a decrease of RMB13 per MWh as compared with RMB552 per MWh (VAT inclusive) in the corresponding period of 2015. The average on-grid tariffs for wind power amounted to RMB578 per MWh (VAT inclusive), representing a decrease of RMB10 per MWh as compared with RMB588 per MWh (VAT inclusive) in the corresponding period of 2015, which was due to the Group’s positive efforts in gaining electricity sales through rigorously calculated bids in provinces with severe grid curtailment in order to increase corporate profitability. The average on-grid tariffs for coal power amounted to RMB379 per MWh (VAT inclusive), representing a decrease of RMB44 per MWh as compared with the average on-grid tariffs for coal power of RMB423 per MWh (VAT inclusive) in the corresponding period of 2015, which was mainly attributable to a reduction of on-grid tariffs of coal power enterprises in April 2015 and January 2016 respectively in Jiangsu Province.

5. Advantage in capital cost remained

In the first half of 2016, the domestic and overseas monetary markets were changing. In response, the Group keenly grasped the favourable opportunity to aggressively conduct replacement of existing loans with an aim to adjust the interest rate, thus taking full advantage of its diversified financing channels. The Group successfully issued a tranche of five-year corporate bonds at a coupon rate of 3.28% and nine tranches of ultra short-term debentures amounting to RMB20.5 billion in aggregate at a weighted average coupon rate of 2.67%. In addition, the Group applied to the National Association of Financial Market Institutional Investors for the registration of a DFI (Debt Financing Instrument) and obtained relevant approval in July. In June, Standard & Poor’s reviewed the rating of the Group and maintained it at A- Class, which is the highest one among comparable new energy listed companies in the world. A stable and relatively high credit standing will bring the Company stronger advantage in domestic and foreign capital operation and will further reduce the cost of its debt financing.

6. Remarkable effects in technological innovation acquired

Staying in line with the trend of energy industry, the Group consolidated its cutting-edge technology leadership and its workforce to lay a sound cornerstone for future development. In the first half of 2016, the wind power big data project which the Group initiated ahead of its domestic peers made smooth progress and received strong support of more than RMB10 million tech capital from the NEA and China Guodian Corporation (“**Guodian Group**”). The establishment of the database was completed in a number of provinces and, with regard to application, systems for “Analysing Efficiency of Wind Farms” (“風電場效能分析”), “Diagnosing Failures of Wind Power Turbines” (“風電機組故障診斷”), “Efficient Operation Control” (“經濟運行管控”) and others were developed, which will help secure a favourable technological commanding height for future wind power development.

In the first half of 2016, the Group obtained four invention patents, three patents for utility models and eight software copyrights. The Group led the technology development in the industry, and formulated six national and industrial standards and two group standards. According to its needs in wind power development, construction and operation, the Group created 19 technological research projects in the first half of 2016. The Group took full advantage of its own technology as the supporting platform. Our subsidiaries specialising in technical services, while focusing on core businesses to further strengthen service awareness, continued to step up their technological endeavours in driving the application of information technology, technological supervision services, offshore wind power design consulting and construction techniques so as to upgrade technological level and business capability.

7. Expanding overseas business

Based on research and analysis of different national markets, the Group has established presence overseas in North America (Canada), Africa (South Africa), Europe (Poland and Czech Republic) and South America (Brazil) and has been expanding into surrounding countries and regions. Overseas business has pioneered a new stage. The Group's Dufferin wind farm in Canada recorded stable operation, with works such as noise testing, animal and plant monitoring, verification of the power curve and noise control making orderly progress. In the first half of the year, this farm recorded total power generation of 134,823 MWh, grossing approximately 19.45 million Canadian dollars. The 150 MW wind farm project of Dufferin phase II showed satisfactory progress with respect to land leases, and was to undergo the eligibility evaluation for the tender for an Ontario wind power concession at the end of the year, where a bid is expected to be submitted in the fourth quarter in the following year. The 244.5 MW wind farm project in De Aar, South Africa (南非德阿風電項目) was proceeding on the schedule set in early this year. Through optimised construction and equipment transportation plans and stronger construction cost control, its construction quality and costs were maintained at manageable levels. In addition, the Group also facilitated overseas projects in other regions. On 30 March, under the witness of President Xi Jinping and President of Czech Republic, the Group entered into wind power cooperation agreement with SWH Group of Czech.

II. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Profit or loss and other comprehensive income

In the first half of 2016, the net profit of the Group amounted to RMB2,934 million, representing an increase of 2.1% as compared to RMB2,873 million in the corresponding period of 2015. Net profit attributable to equity holders of the Company amounted to RMB2,364 million, representing an increase of 7.2% as compared to RMB2,206 million in the corresponding period of 2015. Earnings per share amounted to RMB28.42 cents, representing an increase of RMB0.97 cents as compared to RMB27.45 cents in the corresponding period of 2015.

Operating revenue

Operating revenue of the Group amounted to RMB11,209 million in the first half of 2016, representing an increase of 6.2% as compared to RMB10,551 million in the corresponding period of 2015. The increase in operating revenue was primarily due to: 1) an increase of RMB448 million, or 6.7%, in electricity sales and other revenue of wind power segment to RMB7,171 million in the first half of 2016 as compared to RMB6,723 million in the corresponding period of 2015, which was primarily due to the increase of wind power output; 2) a decrease of RMB163 million, or 42.8%, in service concession construction revenue of wind power segment to RMB218 million in the first half of 2016 as compared to RMB381 million in the corresponding period of 2015, which was primarily attributable to the decrease in the construction volume of service concession projects under construction; 3) an increase of RMB673 million, or 60.1%, in revenue from coal sales of coal power segment to RMB1,793 million in the first half of 2016 as compared to RMB1,120 million in the corresponding period of 2015, which was primarily attributable to the significant increase in sale volume of coal; and 4) a decrease of RMB236 million, or 14.3%, in revenue from electricity sales of coal power segment to RMB1,412 million as compared to RMB1,648 million in the corresponding period of 2015, which was primarily attributable to the decrease in electricity sales volume of coal power segment of 200 million kWh, or 4.4%, as compared to that in the corresponding period of 2015, and the decrease of RMB38 per MWh (VAT exclusive), or 10.5%, in average on-grid tariffs for coal power segment as compared to that in the corresponding period of 2015, which was mainly attributable to a reduction of on-grid tariffs of coal power enterprises in Jiangsu Province in April 2015 and January 2016 respectively.

Operating revenue of each segment and their respective proportions are set out in the table below:

Operating revenue	For the six months ended 30 June			
	2016		2015	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Electricity sales and others of wind power segment	7,171	64.0%	6,723	63.7%
Electricity sales of coal power segment	1,412	12.6%	1,648	15.6%
Steam sales of coal power segment	203	1.8%	122	1.2%
Coal sales	1,793	16.0%	1,120	10.6%
Electricity sales of other renewable energies	244	2.2%	217	2.1%
Construction income of concession projects	218	1.9%	381	3.6%
Sales of electricity equipment	14	0.1%	120	1.1%
Others	154	1.4%	220	2.1%
Total	11,209	100%	10,551	100%

Other net income

Other net income of the Group amounted to RMB283 million in the first half of 2016, representing an increase of 34.8% as compared to RMB210 million in the corresponding period of 2015, primarily attributable to the subsidy income of immediate refund of VAT levied of RMB55 million generated from the sales of electricity products through comprehensive utilisation of coal slime of Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司) in the first half of 2016, while there was no similar income in the corresponding period of 2015.

The breakdown of other net income items and their respective proportions are set out in the table below:

Other net income	For the six months ended 30 June			
	2016		2015	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Government grants	269	95.1%	201	95.7%
Others	14	4.9%	9	4.3%
Total	283	100%	210	100%

Operating expenses

Operating expenses of the Group amounted to RMB6,948 million in the first half of 2016, representing an increase of 9.7% as compared to RMB6,335 million in the corresponding period of 2015, primarily due to the increase in the depreciation and amortisation expenses and the decrease in the construction cost of the service concession projects of the wind power segment, the decrease in the coal consumption costs and the increase in the cost of coal sales in the coal power segment, the reversal of provision for impairment on certain assets in the biomass segment and the increase in personnel costs and repair and maintenance expenses.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB3,043 million in the first half of 2016, representing an increase of 13.2% as compared to RMB2,688 million in the corresponding period of 2015, primarily due to an increase of RMB398 million, or 16.6%, in depreciation and amortisation expenses of wind power segment over the corresponding period of 2015 as a result of expansion in the installed capacity of wind power projects.

Coal consumption costs

The coal consumption costs of the Group amounted to RMB673 million in the first half of 2016, representing a decrease of 11.6% as compared to RMB761 million in the corresponding period of 2015. The main reasons are as follows: 1) a decrease of approximately 13.9% in the average unit price of standard coal for power and steam generation as affected by the decrease in the price of coal in the first half of 2016; and 2) a decrease of approximately 5.6% in the coal consumption as a result of the decrease in power generation.

Coal sales costs

The coal sales costs of the Group in the first half of 2016 amounted to RMB1,743 million, representing an increase of 64.4% as compared to RMB1,060 million in the corresponding period of 2015. The main reasons are as follows: 1) an increase of approximately 95.7% in the sales volume of coal in the first half of 2016; and 2) a decrease of approximately 16.2% in the average procurement price of coal as compared to the corresponding period of 2015.

Service concession construction costs

The Group's service concession construction costs in the first half of 2016 amounted to RMB218 million, representing a decrease of 42.8% as compared to RMB381 million in the corresponding period of 2015, primarily due to a decrease of construction volume of service concession projects under construction in the first half of 2016 as compared with that of the corresponding period of 2015.

Personnel costs

Personnel costs of the Group amounted to RMB593 million in the first half of 2016, representing an increase of 7.8% as compared to RMB550 million in the corresponding period of 2015. The main reasons are as follows: 1) an increase in headcounts as a result of the Group's expansion; and 2) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation.

Material costs

Material costs of the Group amounted to RMB107 million in the first half of 2016, representing a decrease of 43.1% as compared to RMB188 million in the corresponding period of 2015, which was primarily attributable to the decrease in material costs as a result of the decrease in external sales volume of products of Longyuan (Beijing) Wind Power Projects Technology Co., Ltd. (龍源(北京)風電工程技術有限公司).

Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB236 million in the first half of 2016, representing an increase of 14.6% as compared to RMB206 million in the corresponding period of 2015, mainly due to the increase in repair and maintenance expenses incurred by the wind power segment as there were more wind power turbines commenced operation.

A. 管理费用

Administrative expenses of the Group amounted to RMB142 million in the first half of 2016, representing an increase of 6.0% as compared to RMB134 million in the corresponding period of 2015, which was primarily due to the slight increase in administrative expenses caused by business growth of the Group.

B. 其他经营费用

Other operating expenses of the Group amounted to RMB193 million in the first half of 2016, representing a decrease of 47.4% as compared to RMB367 million in the corresponding period of 2015. The main reasons are as follows: 1) reversal of provision for impairment of assets of RMB94 million according to the transfer price of certain assets in the biomass segment; and 2) a decrease of RMB27 million in costs of engineering, procurement and construction (“EPC”) service, bidding service and design consultancy service of other segments in line with the decrease in business volume.

Operating profit

In the first half of 2016, the operating profit of the Group amounted to RMB4,544 million, representing an increase of 2.7% as compared to RMB4,426 million in the corresponding period of 2015. The main reasons are as follows: 1) the operating profit of the wind power segment amounted to RMB3,876 million in the first half of 2016, representing an increase of RMB47 million, or 1.2% from RMB3,829 million in the corresponding period of 2015. This was mainly attributable to the increase in revenue and operating profit from wind power sales, as a result of the installed capacity expansion of the wind power segment; 2) the operating profit of the coal power segment amounted to RMB583 million in the first half of 2016, representing an increase of RMB19 million, or 3.4% as compared to RMB564 million in the corresponding period of 2015, which was primarily attributable to the increased gross margin of electricity and steam sales business resulting from the decrease in coal price as compared to the corresponding period of 2015; 3) the reversal of provision for impairment of assets of RMB94 million in the biomass segment; and 4) the profit of external sales of electricity equipment and design consultancy service business of other segments decreased by RMB38 million in the first half of 2016 due to decrease in business volume.

Net finance expenses

The net finance expenses of the Group amounted to RMB1,426 million in the first half of 2016, representing an increase of 0.8% as compared to RMB1,414 million in the corresponding period of 2015. The main reasons are as follows: 1) the interest expenses amounted to RMB1,325 million in the first half of 2016, representing a decrease of RMB181 million as compared to that of RMB1,506 million in the corresponding period of 2015 as the People's Bank of

Net profit

In the first half of 2016, the net profit of the Group amounted to RMB2,934 million, representing an increase of 2.1% as compared to RMB2,873 million in the corresponding period of 2015, mainly attributable to: the increase of RMB47 million in operating profit of wind power segment as compared to the first half of 2015; the increase of RMB19 million in operating profit of coal power segment as compared to the first half of 2015; and the increase of RMB12 million in net finance expenses as compared to the first half of 2015.

Net profit attributable to equity holders of the Company

In the first half of 2016, net profit attributable to equity holders of the Company amounted to RMB2,364 million, representing an increase of 7.2% as compared to RMB2,206 million in the corresponding period of 2015, mainly attributable to the wind power segment and other segments, most equity interests of which were held by equity holders of the Company.

Segment results of operations

Wind power segment

Operating revenue

In the first half of 2016, the operating revenue of the wind power segment of the Group amounted to RMB7,389 million, representing an increase of 4.0% from RMB7,104 million in the corresponding period of 2015, primarily due to the increase in electricity sales revenue derived from growing power generation led by the increase of installed capacity of wind power segment.

Operating revenue of the wind power segment and proportions are set out in the table below:

Operating revenue	For the six months ended 30 June			
	2016		2015	
	Amount	Proportion	Amount	Proportion
	(RMB million)	(%)	(RMB million)	(%)
Revenue from electricity sales	7,162	96.9%	6,723	94.6%
Service concession				
construction revenue	218	3.0%	381	5.4%
Others	9	0.1%	—	—
Total	7,389	100%	7,104	100%

In the first half of 2016, operating profit of coal power segment amounted to RMB583 million, representing an increase of 3.4% as compared to RMB564 million in the corresponding period of 2015, which was mainly attributable to the decrease of coal price and the increase of the gross profit margin of sales of electricity and steam as compared with the corresponding period of 2015.

Operating profit of the coal power segment and proportions are set out in the table below:

Operating profit	For the six months ended 30 June			
	2016		2015	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Sales of electricity and steam and others	533	91.4%	501	88.8%
Coal trading business	50	8.6%	63	11.2%
Total	583	100%	564	100%

Other segments

In the first half of 2016, the operating revenue of other segments amounted to RMB456 million, representing a decrease of 38.3% as compared to RMB739 million in the corresponding period of 2015. The main reasons are as follows: 1) revenue of RMB106 million from the general contracting in respect of EPC was recorded under these segments in the first half of 2016, representing a decrease of RMB116 million as compared to RMB222 million in the corresponding period of 2015; and 2) decrease of revenue from sales of products resulted from decrease in sales volume of products such as flanges under these segments in the first half of 2016.

Operating revenue of other segments and proportions are set out in the table below:

Operating revenue	For the six months ended 30 June			
	2016		2015	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Revenue from electricity sales	244	53.5%	217	29.4%
Revenue from other sales	25	5.5%	174	23.5%
Others	187	41.0%	348	47.1%
Total	456	100%	739	100%

Operating profit

In the first half of 2016, the operating profit of other segments of the Group amounted to RMB97 million, representing an increase of 36.6% as compared to RMB71 million in the corresponding period of 2015, which was mainly due to: 1) the reversal of asset impairment provision of RMB94 million in the biomass segment; and 2) the decrease in profit from sales of electric equipment and design consultancy service due to a decrease in business.

Assets and liabilities

As at 30 June 2016, total assets of the Group amounted to RMB138,020 million, representing an increase of RMB4,547 million as compared with total assets of RMB133,473 million as at 31 December 2015. This was primarily due to: 1) an increase of RMB3,434 million in current assets including receivables; and 2) an increase of RMB1,113 million in non-current assets including property, plant and equipment.

As at 30 June 2016, total liabilities of the Group amounted to RMB91,643 million, representing an increase of RMB2,703 million as compared to total liabilities of RMB88,940 million as at 31 December 2015. This was primarily due to an increase of RMB4,659 million in non-current liabilities including long-term borrowings and a decrease of RMB1,956 million in current liabilities including short-term borrowings.

As at 30 June 2016, equity attributable to equity holders of the Company amounted to RMB39,789 million, representing an increase of RMB1,689 million as compared with RMB38,100 million as at 31 December 2015.

Details of assets and liabilities are set out in the table below:

	30 June 2016	31 December 2015
Assets	(RMB million)	(RMB million)
Property, plant and equipment	101,464	98,609
Investment properties and lease prepayments	2,074	2,007
Intangible assets and goodwill	8,718	8,699
Other non-current assets	9,633	11,461
Current assets	16,131	12,697
Total	138,020	133,473
	30 June 2016	31 December 2015
Liabilities	(RMB million)	(RMB million)
Long-term borrowings	33,898	29,970
Deferred income and deferred tax liabilities	1,840	1,898
Obligations under finance leases and other non-current liabilities	2,214	1,425
Current liabilities	53,691	55,647
Total	91,643	88,940

Capital liquidity

As at 30 June 2016, current assets of the Group amounted to RMB16,131 million, among which, RMB2,592 million was cash at bank and on hand (including restricted deposits), RMB6,572 million was trade debtors and bills receivable primarily consisted of receivables from sales of electricity; RMB5,108 million was prepayments and other current assets primarily consisted of deductible VAT and advances.

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

Current assets	30 June 2016		31 December 2015	
	Amount (RMB million)	Proportions (%)	Amount (RMB million)	Proportions (%)
Trade debtors and bills receivable	6,572	40.7%	4,238	33.4%
Prepayments and other current assets	5,108	31.7%	3,069	24.2%
Cash at bank and on hand	2,592	16.1%	3,274	25.8%
Others	1,859	11.5%	2,116	16.6%
Total	16,131	100%	12,697	100%

As at 30 June 2016, current liabilities of the Group amounted to RMB53,691 million, including RMB1,534 million of trade creditors and bills payable (primarily consisting of payables for purchase of coal fuels and spare parts), RMB10,609 million of obligations under finance leases and other current liabilities (primarily consisting of payables for construction of wind power projects and related retention payables) and RMB41,376 million of short-term borrowings.

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

Current liabilities	30 June 2016		31 December 2015	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Borrowings	41,376	77.1%	44,688	80.3%
Trade creditors and bills payable	1,534	2.9%	1,902	3.4%
Obligations under finance leases and other current liabilities	10,609	19.7%	8,902	16.0%
Tax payable	151	0.3%	156	0.3%
Others	22	0.0%	—	—
Total	53,691	100%	55,647	100%

As at 30 June 2016, net current liabilities of the Group amounted to RMB37,560 million, representing a decrease of RMB5,390 million as compared with RMB42,950 million as at 31 December 2015. The liquidity ratio was 0.30 as at 30 June 2016, representing an increase of 0.07 as compared with the liquidity ratio of 0.23 as at 31 December 2015.

Restricted deposits amounted to RMB59 million, mainly including deposits for bills and issuance of the letter of credit.

Borrowings and bills payable

As at 30 June 2016, the Group's balance of borrowings and bills payable amounted to RMB76,444 million, representing an increase of RMB165 million as compared with the balance of borrowings and bills payable of RMB76,279 million as at 31 December 2015. As at 30 June 2016, the Group's outstanding borrowings and bills included short-term borrowings and bills payable of RMB42,546 million (including long-term borrowings due within one year of RMB6,378 million and bills payable of RMB1,170 million) and long-term borrowings amounting to RMB33,898 million (including debentures payable of RMB15,417 million). The abovementioned borrowings include borrowings denominated in Renminbi of RMB65,976 million, borrowings denominated in U.S. dollars of RMB7,967

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

Borrowings and bills payable	30 June 2016		31 December 2015	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Within 1 year	42,546	55.6%	46,309	60.7%
1–2 years	5,794	7.6%	7,231	9.5%
2–5 years	17,883	23.4%	8,333	10.9%
Over 5 years	10,221	13.4%	14,406	18.9%
Total	76,444	100%	76,279	100%

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

Borrowings and bills payable	30 June 2016		31 December 2015	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Bills payable	1,170	1.5%	1,621	2.1%
Fixed rate borrowings	39,966	52.3%	38,933	51.0%
Floating rate borrowings	35,308	46.2%	35,725	46.9%
Total	76,444	100%	76,279	100%

Capital expenditures

The capital expenditures of the Group amounted to RMB5,952 million in the first half of 2016, representing a decrease of 24.4% as compared with RMB7,877 million in the corresponding period of 2015, among which, the expenditures for the construction of wind power projects amounted to RMB5,630 million, and the expenditures for the construction of other renewable energy projects amounted to RMB204 million. The sources of funds mainly included the proceeds from borrowings from banks and other financial institutions and the issue of bonds.

Capital expenditures classified by use and proportions are set out in the table below:

Capital expenditures	For the six months ended 30 June			
	2016		2015	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Wind power projects	5,630	94.6%	7,423	94.2%
Other renewable energy projects	204	3.4%	260	3.3%
Others	118	2.0%	194	2.5%
Total	5,952	100%	7,877	100%

Net gearing ratio

As at 30 June 2016, the net gearing ratio of the Group, which is calculated by dividing net debt (total borrowings less cash and cash equivalents) by the sum of net debt and total equity, was 61.07%, representing a decrease of 0.64 percentage points from 61.71% as at 31 December 2015. This was primarily attributable to the increase in debt scale less than the increase in total equity of the Group in the first half of 2016 because of the increase in the Group's retained earnings during the period.

Major investments

The Group made no major investment in the first half of 2016.

Material acquisitions and disposals

The Group had no material acquisitions or disposals in the first half of 2016.

Pledged assets

In 2015, the Group has pledged equipment to secure certain bank loans, and the aggregate net book value of the pledged assets amounted to RMB213 million. As at 30 June 2016, the Group did not pledge any equipment to secure bank loan.

Contingent liabilities/Guarantees

As at 30 June 2016, the Group provided a guarantee of RMB28 million for bank loans of an associate, and issued a counter-guarantee of no more than RMB9 million to the controlling shareholder of an associate. As at 30 June 2016, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB20 million.

Cash flow analysis

As at 30 June 2016, cash at bank and on hand held by the Group amounted to RMB2,533 million, representing a decrease of RMB354 million as compared with RMB2,887 million as at 31 December 2015. The principal sources of funds of the Group mainly include cash inflow generated from operating activities, the issuance of corporate bonds and bank loans. The Group mainly used the funds for the construction of projects, repayment of borrowings and dividends distribution.

The net cash inflow of the Group's operating activities amounted to RMB6,197 million in the first half of 2016, among which the cash inflow was primarily attributable to revenue from electricity sales. The cash outflow was mainly attributable to purchase of fuels and spare parts, various taxation payments and operating expenses.

The net cash outflow from investing activities of the Group for the first half of 2016 was RMB5,361 million. The cash outflow for investment activities was mainly used for the construction of wind power projects.

The net cash outflow from financing activities of the Group for the first half of 2016 was RMB1,180 million. The cash inflow for financing activities was mainly generated from the issue of corporate bonds and bank loans. The cash outflow for financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

Risk in currency exchange rate

The business of the Group is mainly situated in mainland China where most of our revenue as well as expenses are denominated in Renminbi. Meanwhile, a small portion of the Group's investments are carried out abroad and a small amount of its loans are denominated in foreign currencies, therefore fluctuations in the Renminbi exchange rate will result in foreign exchange losses or gains of the Group in those transactions denominated in foreign currencies. The Group closely monitors and analyses the fluctuations in the foreign exchange rate, reasonably designs approaches to use foreign currencies, reduces cross exchanges transaction and adopts various approaches to reinforce risk management of the currency exchange rate.

III. PROSPECT IN THE SECOND HALF OF 2016

In the second half of 2016, the general business guidelines of the Group is that, we, led by the “Five Main Development Ideas” (“五大發展理念”), will thoroughly implement the “One, Five and Five” strategy (“一五五”戰略) of Guodian Group following the main line of innovative management and development. We will solidly proceed with the “Double Enhancement” (“雙提升”) and strengthen operation and management, deepen reform and innovation, enhance quality and efficiency, promote advantageous development, and speed up in building a top tier international new energy company.

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

1. To optimise the development of earned assets with economic benefit as the centre

The Group will spare no effort in seizing high-quality resources and will create an innovative mind-set with respect to innovative development, continuous optimising development plans, vigorously pressing ahead with cooperation and development, and expedite the implementation of “Going-Out” strategy (“走出去”戰略). In respect of the preliminary works, the Group will improve the work quality, maximise the input effort of the preliminary work, innovate in relevant benchmarking management, as well as conscientiously carry out post-project evaluation. Project progress control, innovative work mind-set, schedule and site management and equipment supply will be strengthened. Aiming to build high quality fine projects, the Group will apply science in optimising the design of our constructions, enhance management of safety and quality, strictly control the project costs, well-organise the marine construction and fully leverage the function of audit and supervision.

2. To strengthen operation of stock assets with the “Double Enhancement” (“雙提升”) as the focus

The Group will consolidate the base for safe production, foster the concept of “Comprehensive Safety” (“大安全”), pick up speed in establishing the standardised system for safe production of wind power enterprises, and devote more efforts to implementing safety production responsibility system. “Four Dont’s and Two Directs” (“四不兩直”) safety inspection will be normalized and the education and training on safe production, drills and anti-accident practices will be strengthened. By “Capturing Every Single kWh of Electricity” (“度電必爭”), the Group will establish a sound efficiency control model to enable best responses to grid curtailment, and strengthen management of equipment. By enhancing operation and management of assets and financing level and via innovative financial management, the Group will strengthen operation and management of thermal power business.

3. To intensify reform of system and mechanism and upgrade corporate management standards

The Group will innovate management systems and mechanisms, continuously carry out innovation of performance assessment mechanism, promote the all-round construction of “Six Types” (“六型”) standardised work groups and apply scientific optimisation of operation and maintenance management systems. It will reinforce building of professional and skilled teams by establishing “Big Trainings” (“大培訓”) framework to increase training efforts and develop innovative training mechanisms for skill enhancement. By implementing the technological innovation-driven mechanism and accelerating the construction of the wind power “Big Data” (“大數據”) centre, it will promote management of its technologies, enhance its relevant services and make proactive exploration in application of new technology.

4. To strengthen ideological and political work for Party building to create an overall harmonious atmosphere

The building of the Party will be strengthened thoroughly by boosting of informatisation and the “Two Learns and One Do” (“兩學一做”) education scheme aiming to solidify primary Party organisations. The Group will enhance anti-corruption initiatives and conscientiously execute the “Two Responsibilities” (“兩個責任”) program, which is comprised of risk prevention and integrity appraisal of practitioners and new methods of anti-corruption education. Endeavouring to build a happy Longyuan, the Group will devote more effort to building its corporate culture and brand, vigorously carry out the projects for the benefits of the people, and diversify the forms of Labour Union.

OTHER INFORMATION

Share Capital

As of 30 June 2016, the total share capital of the Company amounted to RMB8,036,389,000 divided into 8,036,389,000 shares of RMB1.00 each. There has been no change in the share capital of the Company for the six months ended 30 June 2016.

Interim Dividend

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2016.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

Compliance with the Requirements of Appendix 14 of the Listing Rules

On 31 May 2016, the Company held the 2015 annual general meeting. Non-executive Directors, namely Mr. Qiao Baoping (Chairman of the Board), Mr. Wang Baole, Mr. Shao Guoyong and Mr. Chen Jingdong; executive Directors, namely Mr. Li Enyi and Mr. Huang Qun; and independent non-executive Directors, namely Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang, who were incumbent on the date when the annual general meeting was held, were absent from the abovementioned annual general meeting due to business engagement. Save as disclosed above, from 1 January 2016 to 30 June 2016, the Company had fully complied with the code provisions in the Corporate Governance Code and Corporate Governance Report set out in the Appendix 14 to the Listing Rules, and had complied with most of the recommended best practices set out in the Appendix 14 to the Listing Rules.

Important Events Subsequent to the Financial Year End Date for the Half Year Ended 30 June 2016

Change of Directors

Mr. Shao Guoyong has tendered his resignation in writing to the Company to resign as a non-executive Director and a member of the audit committee due to changes in job allocation with effect from 12 August 2016. Mr. Chen Jingdong has tendered his resignation in writing to the Company to resign as a non-executive Director and a member of the strategic committee due to changes in job allocation with effect from 12 August 2016.

Mr. Luan Baoxing was nominated as a non-executive Director, with effect from the date on which relevant changes of the Board are approved by Shareholders at the 2016 first exc 016.

Audit Committee

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

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

On 9 August 2016, the audit committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2016, the 2016 interim report and the unaudited interim financial statements for the six months ended 30 June 2016 prepared under IAS 34, / 8 月 9 日 2016 年 6 月 30 日止六個月未經審核中期財務資料。

Publication of Interim Results and Report

This results announcement is published on the HKExnews website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and the Company's website at <http://www.clypg.com.cn>.

By order of the Board
China Longyuan Power Group Corporation Limited*
Qiao Baoping
C / s / s e / B / s

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