龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

Interim Results Announcement
For the Six Months Ended 30 June 2013

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2013, the revenue amounted to RMB9,654 million, representing an increase of 14.5% over the corresponding period of 2012
- For the six months ended 30 June 2013, profit before taxation amounted to RMB2,290 million, representing an increase of 15.2% over the corresponding period of 2012
- For the six months ended 30 June 2013, net profit attributable to shareholders of the Company amounted to RMB1,464 million, representing an increase of 0.3% over the corresponding period of 2012
- For the six months ended 30 June 2013, basic earnings per share amounted to approximately RMB0.1822

The board of directors (the "Board") of China Longyuan Power Group Corporation Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with comparative figures for the corresponding period of 2012. The results were prepared in accordance with the International Accounting Standards ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB") and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013 — unaudited

(Expressed in Renminbi unless otherwise stated)

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	4	**9,653,974**	8,435,059
Other net income	5	**209,880**	767,503
Operating expenses			
Depreciation and amortisation		**(2,085,553)**	(1,773,535)
Coal consumption		**(1,084,300)**	(1,386,070)
Coal sales costs		**(1,445,237)**	(1,595,246)
Service concession construction costs		**(499,433)**	(175,116)
Personnel costs		**(445,189)**	(416,705)
Material costs		**(164,342)**	(227,402)
Repairs and maintenance		**(221,306)**	(85,979)
Administration expenses		**(125,132)**	(118,631)
Other operating expenses		**(219,914)**	(184,860)
		(6,290,406)	(5,963,544)
Operating profit		**3,573,448**	3,239,018
Finance income		**332,237**	40,235
Finance expenses		**(1,639,366)**	(1,339,766)
Net finance expenses	6	**(1,307,129)**	(1,299,531)
Share of profits less losses of associates and joint ventures		**23,202**	48,355
Profit before taxation	7	**2,289,521**	1,987,842
Income tax	8	**(362,240)**	(118,855)
Profit for the period		**1,927,281**	1,868,987

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation of Senior Perpetual Securities		**(42,228)**	—
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the fair value reserve		**(983)**	(224)
Exchange difference on net investment		**(8,761)**	1,089
Exchange difference on translation of financial statements		**(11,803)**	(826)
		(21,547)	39
Other comprehensive income for the period, net of tax	9	**(63,775)**	39
Total comprehensive income for the period		**1,863,506**	1,869,026
Profit attributable to:			
Shareholders of the Company		**1,464,414**	1,460,443
Non-controlling interests		**462,867**	408,544
Profit for the period		**1,927,281**	1,868,987
Total comprehensive income attributable to:			
Shareholders of the Company		**1,442,867**	1,460,482
Non-controlling interests		**420,639**	408,544
Total comprehensive income for the period		**1,863,506**	1,869,026
Basic and diluted earnings per share (RMB cents)	10	**18.22**	19.57

CONSOLIDATED BALANCE SHEET

At 30 June 2013 — unaudited

(Expressed in Renminbi unless otherwise stated)

	Note	**At 30 June 2013** *RMB'000*	At 31 December 2012 *RMB'000*
Non-current assets			
Property, plant and equipment		**75,226,445**	73,352,443
Investment properties		**47,937**	76,163
Lease prepayments		**1,539,584**	1,417,432
Intangible assets		**8,618,288**	8,321,840
Goodwill		**11,541**	11,541
Investments in associates and joint ventures		**2,256,964**	2,127,151
Other assets		**4,175,037**	4,552,962
Deferred tax assets		**159,922**	194,214
Total non-current assets		**92,035,718**	90,053,746
Current assets			
Inventories		**837,442**	816,414
Trade debtors and bills receivable	11	**7,172,434**	7,997,537
Prepayments and other current assets		**2,703,454**	3,155,428
Tax recoverable		**161,185**	145,883
Trading securities		**541,480**	301,737
Restricted deposits		**114,495**	231,530
Cash at bank and on hand		**3,328,346**	5,137,584
Total current assets		**14,858,836**	17,786,113

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current liabilities			
Borrowings		**25,652,379**	26,169,965
Trade creditors and bills payable	12	**835,220**	1,261,005
Other payables		**8,214,781**	8,525,118
Tax payable		**172,312**	118,860
Total current liabilities		**34,874,692**	36,074,948
Net current liabilities		**(20,015,856)**	(18,288,835)
Total assets less current liabilities		**72,019,862**	71,764,911
Non-current liabilities			
Borrowings		**31,516,819**	32,482,141
Deferred income		**1,837,129**	1,903,165
Deferred tax liabilities		**123,819**	97,691
Other non-current liabilities		**880,955**	859,988
Total non-current liabilities		**34,358,722**	35,342,985
NET ASSETS		**37,661,140**	36,421,926

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
CAPITAL AND RESERVES			
Share capital		**8,036,389**	8,036,389
Reserves		**22,301,990**	21,393,045
Total equity attributable to the shareholders of the Company		**30,338,379**	29,429,434
Non-controlling interests		**7,322,761**	6,992,492
TOTAL EQUITY		**37,661,140**	36,421,926

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 IAS 34, *Interim financial reporting*, issued by IASB. It was authorised for issuance on 19 August 2013.

This interim financial report has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 30 June 2013 amounting to RMB20,015,856,000. 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 PRC banks as at 30 June 2013, 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 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 preformed 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 in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 31 December 2012 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 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2013.

2. CHANGES IN ACCOUNTING POLICIES

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 and the Company. Of these, the following developments are relevant to the Group's consolidated financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

The adoption of new IFRSs and amendments does not have any material impact on 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, biomass and solar power generation, provision of consulting services, and maintenance and training services to wind power plants.

(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 2013 and 2012 is set out below:

For the six months ended 30 June 2013

	Wind power	Coal power	All others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers				
— Sales of electricity	**5,119,042**	**1,918,282**	**216,840**	**7,254,164**
— Others	**24**	**1,845,981**	**54,372**	**1,900,377**
Subtotal	**5,119,066**	**3,764,263**	**271,212**	**9,154,541**
Inter-segment revenue	**—**	**—**	**133,721**	**133,721**
Reportable segment revenue	**5,119,066**	**3,764,263**	**404,933**	**9,288,262**
Reportable segment profit (operating profit)	**3,009,771**	**556,400**	**88,705**	**3,654,876**
Depreciation and amortisation before inter-segment elimination	**(1,774,363)**	**(246,026)**	**(79,805)**	**(2,100,194)**
Impairment of trade and other receivables	**(156,422)**	**—**	**(774)**	**(157,196)**
Inventory write-down and losses net of reversal	**—**	**—**	**(12,631)**	**(12,631)**
Interest income	**6,207**	**7,393**	**16,631**	**30,231**
Interest expense	**(1,199,345)**	**(64,256)**	**(134,395)**	**(1,397,996)**
Expenditures for reportable segment non-current assets during the period	**3,685,986**	**236,861**	**161,393**	**4,084,240**

For the six months ended 30 June 2012

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
— Sales of electricity	3,885,580	2,024,190	172,243	6,082,013
— Others	5,145	2,031,896	140,889	2,177,930
Subtotal	3,890,725	4,056,086	313,132	8,259,943
Inter-segment revenue	—	—	89,495	89,495
Reportable segment revenue	3,890,725	4,056,086	402,627	8,349,438
Reportable segment profit (operating profit)	2,797,038	482,617	41,758	3,321,413
Depreciation and amortisation before inter-segment elimination	(1,496,367)	(249,269)	(56,231)	(1,801,867)
Impairment of trade and other receivables	—	—	(874)	(874)
Interest income	8,570	4,588	16,158	29,316
Interest expense	(1,030,484)	(111,217)	(72,627)	(1,214,328)
Expenditures for reportable segment non-current assets during the period	3,342,154	42,733	290,876	3,675,763

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**9,288,262**	8,349,438
Service concession construction revenue	**499,433**	175,116
Elimination of inter-segment revenue	**(133,721)**	(89,495)
Consolidated revenue	**9,653,974**	8,435,059
Profit		
Reportable segment profit	**3,654,876**	3,321,413
Elimination of inter-segment profits	**(23,200)**	(25,869)
	3,631,676	3,295,544
Share of profits less losses of associates and joint ventures	**23,202**	48,355
Net finance expenses	**(1,307,129)**	(1,299,531)
Unallocated head office and corporate expenses	**(58,228)**	(56,526)
Consolidated profit before taxation	**2,289,521**	1,987,842

(c) Geographical information

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

(d) Seasonality of operations

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

4. REVENUE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Sales of electricity	**7,254,164**	6,082,013
Sales of steam	**138,897**	155,990
Service concession construction revenue	**499,433**	175,116
Sales of electricity equipment	**26,018**	92,253
Sales of coal	**1,519,844**	1,715,076
Others	**215,618**	214,611
	9,653,974	8,435,059

5. OTHER NET INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Government grants		
— Sales of Certified Emission Reductions ("CERs") and Voluntary Emission Reductions ("VERs")	**38,420**	446,854
— Others	**175,728**	197,474
Rental income from investment properties	**2,908**	6,646
Net (loss)/gain on disposal of property, plant and equipment	**(15,999)**	159
Penalty income from wind turbine suppliers *(note (i))*	**1,718**	115,089
Gain on disposal of an associate	**4,935**	—
Others	**2,170**	1,281
	209,880	767,503

Note:

(i) Penalty income from wind turbine suppliers for the six months ended 30 June 2012 mainly represented compensations from third party wind turbine suppliers for revenue losses incurred due to the delay on delivery of the wind turbines and certain domestic spare parts of the wind turbines not running stably during the early stage of the operation.

6. FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Interest income on financial assets	**30,231**	29,316
Dividend income from other investments	**208**	8,588
Net unrealised gains on trading securities	**245,064**	—
Foreign exchange gains	**56,734**	2,331
Finance income	**332,237**	40,235
Interest on bank and other borrowings	**1,617,885**	1,567,163
Less: interest expenses capitalised into property, plant and equipment and intangible assets	**(219,889)**	(352,835)
	1,397,996	1,214,328
Foreign exchange losses	**45,579**	40,539
Net unrealised losses on trading securities	**—**	67,833
Net unrealised loss on derivative financial instrument	**10,860**	—
Impairment losses on trade and other receivables	**157,196**	874
Bank charges and others	**27,735**	16,192
Finance expenses	**1,639,366**	1,339,766
Net finance expenses recognised in profit or loss	**(1,307,129)**	(1,299,531)

The borrowing costs have been capitalised at rates of 4.50% to 7.05% for the period ended 30 June 2013 (six months ended 30 June 2012: 4.42% to 7.40%).

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Amortisation		
— lease prepayment	**14,562**	20,737
— intangible assets	**201,155**	177,605
Depreciation		
— investment properties	**1,426**	2,020
— property, plant and equipment	**1,868,410**	1,573,173
Operating lease charges		
— hire of plant and machinery	**1,407**	600
— hire of properties	**4,501**	3,074
Cost of inventories	**2,723,343**	3,268,007
Inventory write-down and losses net of reversal	**12,631**	—

8. INCOME TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**294,121**	213,572
Under/(over) provision in respect of prior years	**19,444**	(86,701)
	313,565	126,871
Deferred tax		
Origination and reversal of temporary differences	**48,675**	(8,016)
	362,240	118,855

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**2,289,521**	1,987,842
Applicable tax rate	**25%**	25%
Notional tax on profit before taxation	**572,380**	496,961
Tax effect of non-deductible expenses	**4,199**	4,832
Tax effect of share of profits less losses of associates and joint ventures	**(5,801)**	(12,089)
Effect of differential tax rate of certain subsidiaries of the Group *(note (i))*	**(301,978)**	(333,041)
Use of unrecognised tax losses in prior years	**(1,503)**	—
Tax effect of unused tax losses and timing differences not recognised	**77,621**	49,858
Under/(over) provision in respect of prior years	**19,444**	(86,701)
Others	**(2,122)**	(965)
Income tax	**362,240**	118,855

Note:

(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 as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30 June 2013 and the six months ended 30 June 2012, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to relevant tax authorities' approvals.

9. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Items that will not be reclassified to profit or loss:		
Translation of Senior Perpetual Securities	**(42,228)**	—
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	**(1,310)**	(298)
— Tax credit	**327**	74
Net of tax amount	**(983)**	(224)
Translation of financial statements		
— Before and net of tax amount	**(11,803)**	(826)
Exchange difference on net investment		
— Before and net of tax amount	**(8,761)**	1,089
	(21,547)	39
Other comprehensive income	**(63,775)**	39

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 2013 of RMB 1,464,414,000 (six months ended 30 June 2012 : RMB1,460,443,000) and the number of shares in issue during the six months ended 30 June 2013 of 8,036,389,000 (six months ended 30 June 2012: 7,464,289,000).

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 2013	At 31 December 2012
	RMB'000	*RMB'000*
Amounts due from third parties	**7,280,376**	7,785,972
Amounts due from China Guodian Group Corporation ("Guodian Group")	**—**	84
Amounts due from fellow subsidiaries	**34,341**	59,317
Amounts due from associates	**5,883**	155,910
	7,320,600	8,001,283
Less: allowance for doubtful debts	**(148,166)**	(3,746)
	7,172,434	7,997,537

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

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
Current	**7,311,999**	7,996,039
Past due within 1 year	**3,702**	3,852
Past due between 1 to 2 years	**3,583**	1,006
Past due between 2 to 3 years	**1,006**	191
Past due over 3 years	**310**	195
	7,320,600	8,001,283
Less: allowance for doubtful debts	**(148,166)**	(3,746)
	7,172,434	7,997,537

12. TRADE CREDITORS AND BILLS PAYABLE

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
Bills payable	**308,068**	874,966
Creditors and accrued charges	**482,505**	262,349
Amounts due to associates	**22,000**	—
Amounts due to fellow subsidiaries	**22,647**	123,690
	835,220	1,261,005

As at 30 June 2013 and 31 December 2012, all trade creditors and bills payable are payable and expected to be settled within one year.

13. DIVIDENDS

(a) 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 2013 (six months ended 30 June 2012: RMB nil).

(b) Dividends payable to shareholders attributable to the previous financial year, approved and paid during the interim period:

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2012, approved during the following interim period, of RMB0.0637 per share (year ended 31 December 2011: RMB0.069)	**511,918**	515,215

14. ACQUISITION OF BUSINESSES

During the six months ended 30 June 2013, the Group acquired a subsidiary from third parties for the purpose of business expansion. Acquisition of equity interests in the subsidiary have been accounted for using the acquisition method of accounting effective from the date when the subsidiary is controlled by the Group. Details are as follows:

Company name	**Acquisition date**	**Percentage of interest acquired**	**Cash consideration**
Ningxia Tianjing Wind Power Corporation Limited	9 April 2013	100%	RMB100,000,000

The aggregate assets and liabilities at the date of acquisition are as follows:

	At the acquisition date	
	Carrying value of the acquiree	**Fair value**
	RMB'000	*RMB'000*
Cash and cash equivalents	1,128	1,128
Trade debtors and bills receivable	7,653	7,653
Prepayments and other current assets	33,397	33,397
Inventory	1,192	1,192
Property, plant and equipment	447,588	495,877
Intangible assets	221	221
Investments in associate	400	400
Less: Current liabilities	(80,821)	(80,821)
Non-current liabilities	(346,850)	(346,850)
Net assets	63,908	112,197
Less: Deferred tax liabilities	—	(12,072)
	63,908	100,125

An analysis of the net outflow/(inflow) of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	At the acquisition date
	RMB'000
Cash consideration paid/to be paid	100,000
Less: Cash and cash equivalents acquired	(1,128)
Net outflow of cash and cash equivalents in respect of the acquisition	98,872

15. SUBSEQUENT EVENTS

A subsidiary of the Company issued a senior bond on 5 August 2013. The total issuance amount of the senior bond is US$300,000,000 with a maturity period of three years at a coupon rate of 3.25% per annum.

II. MANAGEMENT DISCUSSION & ANALYSIS

(The following information disclosure was based on financial information prepared in accordance with IFRS unless otherwise specified)

The global economy continues to recover with difficulty but the international situation is still very complicated. The global economy steers into the period of in-depth transformation and adjustment. In the first half of 2013, China's economy remained steady on the whole, with GDP increased by 7.6% year on year. The structural adjustment advanced steadily, while transformation and upgrading improved steadily.

In the first half of 2013, supply and demand of China's electricity was basically balanced. There was medium-speed growth in the national electricity market, as it was last year. The total national electricity consumption was 2,496.1 billion KWh, representing an increase of 5.1% year on year. The growth rate dropped slightly as compared with the corresponding period of 2012. The gross power generation of hydropower maintained a double-digit growth, representing an increase of 11.8% year on year. There was a considerable increase in the utilisation hours of hydropower. Its national average utilisation hours had rose by 76 hours as compared to the corresponding period of 2012. The gross power generation of coal power grew slowly, with a year-on-year increase of 2.6%, and its national average utilisation hours fell by 83 hours as compared to the corresponding period of 2012. The gross power generation of wind power rose significantly by 39.3% year on year. Its national average utilisation hours increased by 91 hours to 1,101 hours year on year.

Under the strong leadership of the Board, the Group focused on economic efficiency, promoted restructuring and development in enterprises and launched the "third venture" comprehensively and deployed working strategies according to the idea of "Six Adherence, Six Elevation", thus sustaining a sound momentum in its operation and development while it was facing a severe and complex operating environment.

(I) BUSINESS REVIEW

1. Scientific layout and steady development

In the first half of 2013, the Group, committed itself to the efficiency-foremost principle, reinforced its management, controlled risks, planned scientifically, optimised the layout and pushed forward development of projects actively and steadily amidst a complex and changing external environment. It devoted its greater efforts in increasing and preparing for projects with favourable resources and construction conditions in regions not subject to grid curtailment. It reserved wind power projects in areas where power grid connection planning had taken place in the Three-North Regions. The Group also concentrated on Jiangsu and Fujian for the development of offshore wind power. In the meantime, to ensure considerable project profitability, the Group deepened and streamlined the management of its preliminary processes, strictly assessed the accountability system for the preliminary processes, continue to conduct special researches, further refined the rules and regulations, improved the quality and depth of the technical and economic evaluations of the projects with a continuous effort and prevented investment risks.

During the reporting period, 33 projects of the Group were included in the third batch of the wind power projects approved plans under the "Twelfth Five-Year Plan" (十二五) released by the National Energy Administration. With the total capacity up to 2,270 MW, the Group ranked the first among its peers. 8,874.3 MW of the Group's projects were included in the first three batches of the approved plans (including supplement), which accounted for 10.71% of the total approved plans. The proportion was the highest among similar enterprises. In the first half of 2013, the Group obtained approvals for 6 wind power projects with total capacity of 397.5 MW, all being located in regions not subject to grid curtailment. It also obtained approval for 1 solar power project with capacity of 20 MW in Qinghai Province. As of 30 June 2013, the Group had wind power projects of 3,596 MW capacity which were approved but not yet put into operation. It had a total of 63.41 GW wind power project reserves, distributed in 27 provinces, municipalities and autonomous regions other than Qinghai, Sichuan, Chongqing, Henan, Hong Kong, Macao and Taiwan.

The State Council issued the "Decisions on Cancellation and Decentralisation of Certain Projects Subject to Administrative Examination and Approval and Other Matters" (關於取消和下放一批行政審批專案等事項的決定) (Guo Fa [2013] No. 19) on 15 May 2013, cancelling and decentralising some projects which used to be subject to administrative examination and approval. The General Office of National Development and Reform Commission then issued the "Notice on the Follow-up of Cancellation and Decentralisation of the First Batch of Investment Examination and Approval" (關於做好第一批取消和下放投資審批事項後續工作的通知) (Fa Gai Ban Investment [2013] No. 1226) on 24 May 2013 to assist the implementation of Guo Fa [2013] No. 19. The National Energy Administration issued the "Letter on Matters Related to Wind Power Project Approval" (關於風電專案核准有關事項的函) on 23 June 2013, passing a portion of the projects which were pending for approval to the local investment authorities.

The approval of wind power projects with capacity of more than 50 MW will be authorised by the local governments after the decentralisation of approval authority. The project approval process will be simplified and the approval of wind power projects in areas with better conditions for power grid connection and power absorption and in offshore areas will be accelerated. In the meantime, economies of scale will increase, for project capacity can be reasonably assured according to the resources, land and other conditions for construction. The decentralisation of approval authority of AC line, 330kV and 500kV will assist the acceleration of the preliminary processes of power transmission projects. It will also facilitate the connection to the grid in a timely manner and the power absorption. According to the above regulations, the Dafeng (大豐) 200 MW offshore wind power concession project in Jiangsu and the Qilinshan (麒麟山) 150 MW wind power project Phase III in Hebei had been transmitted to local investment authorities for approval. The Group will seize the opportunity of the approval policy adjustment to optimize and adjust the layout of the wind power, enhance the quality of project reserves and accelerate project approval.

2. *Enhancement of work process management and steady progress in project construction*

In the first half of 2013, the Group strengthened the overall management on the progress of project construction. The Group reinforced benchmarking management on its schedule. It attempted to locate problems and defects and timely track, inspect, coordinate and supervise the difficulties encountered, thereby assured the construction progress of its projects. The Group established supervision groups to tackle the issues such as grid connection, forest and land expropriation as well as project approval on site. In particular, supervision and inspection were carried out by the supervision groups in key regions such as Yunnan, Guizhou, Fujian, Shanxi and Shaanxi. The supervision groups played a key role in solving issues of road transportation, equipment supply and infrastructure construction and assuring the progress of projects. In addition, the Group reinforced site management of its infrastructure construction and reached conditions for project commencement in advance. By reinforcing communication and co-ordination as well as expanding the scope of work, the Group orderly advanced the progress of its projects. In the meantime, the Group insisted to foster the awareneg of quality and reinforced meticulous management in the four phases of designing, tendering, construction and inspection. In addition, the Group enhanced the quality control of its construction through digital collection, thereby allowed its infrastructure management to be more regulated, standardised and systematic. Meanwhile, the Group reinforced the inspection and improvement on its design, compared construction plans in detail, thereby strictly controlled quality from the beginning. During the reporting period, two of the Group's projects, the 30 MW+150 MW project of Longyuan Rudong Offshore Wind Farm (龍源如東海上風電場30 MW+150 MW工程) and the 20 MWp Longyuan Yangbajing Phase II grid-connected photovoltaic power generation station (龍源羊八井二期20 MWp併網光伏電站工程) were honoured as "Premium Quality Power Construction in China" (中國電力優質工程獎) respectively.

In the first half of 2013, the Group had one wind power project newly put into production, with an additional consolidated installed capacity of 37.5 MW. The Group also completed the acquisition of one wind power project, with an aggregate installed capacity of 79.5 MW. As of 30 June 2013, the consolidated installed capacity of the Group was 12,815 MW, among which the consolidated installed capacity of the wind power business, the consolidated installed capacity of the coal power business and the consolidated installed capacity of other renewable power business were 10,661 MW, 1,875 MW and 279 MW, respectively.

3. *Continuous improvement in operating wind farms and the highest year-on-year power generation in record*

The Group had been continuously strengthening production safety management during the first half of 2013, with a firm grip on the implementation of the responsibility mechanism of production safety. Such responsibility was targeted on individuals. The Group conducted special inspections of production safety to identify security weaknesses carefully so that hazards would be investigated and eliminated in a timely manner and production safety could be well secured. Areas which were up to our standard were expanded. The reasons of disparities were analysed in detail after which effective measures were implemented. As a result, additional power generation capacity was enhanced. The operation optimisation of the wind power equipment which involved the major wind turbine manufacturers and thirteen regional companies continued. The Group strived to improve the productivity of the equipment and the meticulous management level. With the objective of establishing a star-rated power enterprise, the Group pressed ahead with standardised and regulated development as well as boosted the general and professional production safety with itself as a benchmark enterprise.

In the first half of 2013, the Group's cumulative gross power generation was 16,684 million kWh, of which electricity generated from our wind power business accounted for 11,085 million kWh, representing an increase of 31.44% year on year. The increase in the Group's wind power generation was primarily attributable to the growth in wind power installed capacity, the improvement of grid curtailments and the improvement of wind resources. The average availability factor of the Group's wind power generating units was 98.40%, being basically flat with corresponding period of 2012. The average utilisation hours of wind power in the first half of 2013 was 1,104 hours, representing an increase of 101 hours as compared with the corresponding period of 2012, which was primarily attributed to the improvement of grid curtailments and the improvement of wind resources.

During the reporting period, the consolidated power generation from our coal power business decreased by 5.89% to 5,285 million kWh as compared with 5,616 million kWh for the corresponding period of 2012, and this was primarily affected by denitrification renovation of certain generating units. The average utilisation hours of the Group's coal power generating units for the first half of 2013 decreased by 176 hours, from 2,995 hours for the corresponding period of 2012 to 2,819 hours.

4. *Slight increase in the tariff*

The average on-grid tariffs for wind power of the Group for the first half of 2013 amounted to RMB582 per MWh (value-added tax ("VAT") inclusive), representing an increase of RMB4 per MWh as compared with the average on-grid tariffs for wind power of RMB578 per MWh (VAT inclusive) for the corresponding period of 2012. The increase in the average wind power tariffs was mainly due to the percentage increase of wind power installed capacity of the Group located in regions not subject to grid curtailment and regions with higher tariffs. The average on-grid tariffs for coal power amounted to RMB454 per MWh (VAT inclusive), representing an increase of RMB3 per MWh (VAT inclusive) as compared with the average on-grid tariffs for coal power of RMB451 per MWh (VAT inclusive) for the corresponding period of 2012. The average increase in the coal power tariffs was mainly due to (1) the increase in the proportion of planned power generation; and (2) the tariffs of some of the generating units with denitration renovation completed increased by RMB8 per MWh.

5. Full intensification of management and strict project cost control

In the first half of 2013, the Group further ensured the suitability of equipment tenders through refining the bidding process and further reduced the cost of procurement through scale advantages. The Group's average procurement cost of wind turbines for the first half of 2013 declined by 5.3% as compared to the average level of 2012. Meanwhile, under the premise of a continual increase of forest and land expropriation, infrastructure construction and labour costs, the Group had effectively suppressed the cost of wind power projects through design reviews and design proposal optimisation, as well as strict control over the changes in designs during the construction process and other management endeavors. In the first half of 2013, the average construction cost per kW of wind power projects was basically the same as the average level in 2012.

6. Declining financing costs and continuous improvement in capital management and control

In the first half of 2013, the Company introduced low cost funds, including privately raised company bonds, short-term debentures, ultra short-term debentures, and asset management and financing, etc. The financing cost continued to decline. The balance of interest-bearing liabilities was RMB57.2 billion by the end of June 2013, while the net gearing ratio was 58.8%, representing a decrease of RMB1.5 billion and 0.7 percentage point as compared to that in the beginning of the year, respectively. Solvency indictors were optimising. The Group utilised and upgraded the management platforms of existing funds comprehensively. By auditing and controlling the revenue and expenditure of funds of the subordinate units remotely, centralised capital management was strengthened. Capital precipitation was reduced. Fund management and control standards were continuously enhancing.

7. ***Increase in the number of CDM project registrations and satisfactory recovery of funds***

In the first half of 2013, the Group's registrations of CDM projects continued to increase. There were a total of 25 newly registered CDM projects, accounted for 1,338 MW installed capacity in total. According to the UN CDM rules, 24 projects were retroactively registered in 2012, and accounted for 1,288.5 MW installed capacity in total. As of 30 June 2013, the Group had accumulated 215 successfully registered CDM projects in the CDM Executive Board, with 11,216.3 MW cumulative installed capacity, among which there were 206 wind power projects with 10,998.3 MW installed capacity, 5 biomass power projects with 138 MW installed capacity, and 4 solar power projects with 80 MW installed capacity. In the first half of 2013, the payment collection for CERs sales of the Group was satisfactory. Despite of the continual depression in the carbon market, the Group successfully collected EUR52.27 million in the first half of 2013 through continuous effort on CER verification and actively ensuring the performance of CERs sales contracts.

8. Reinforcement of technical strength to heighten the contribution of technological progresses to the development of the Company

As the Group valued the effect of scale expansion and continued to maintain the leading position in wind power installed capacity, it attached even greater importance to reinforcing technological strengths to raise the contribution of science and technology to the development of the Company. During the reporting period, besides having carried out projects under the National 863 Projects (國家863課題) and 973 Projects (國家973課題) as planned, the Group had established 6 technological projects of Guodian Group and 8 independent projects of the Company. Some research projects meeting the needs of production had made certain progress, and have been underway of producing sample machines and conducting experiments on a larger scale. Four National 863 Projects such as Operation and Maintenance Technology and Equipment Design for Offshore Wind Farm (《海上風電場運維技術及裝備設計》) passed interim review. In addition, four projects including Research and Application on New Single Pile Basic and Auxiliary Installation Equipment for Offshore Wind Farm (《海上風電新型單樁基礎及配套安裝設備研究與應用》) were awarded 1 first prize, 2 second prizes and 1 third prize in the evaluation of the Technology Advancement Award of the Guodian Group in 2013. The Group further improved the development of its production and operation control centre, thereby allowed less or no personnel to be stationed in some of its wind farms. Findings from A Research in Modelling Strategies of Statistics for Prediction of the Power of Wind Power Plants and Development of An Operational System (《風電場功率預測統計模塊建模策略的研究及其業務化系統的開發》) have been applied on a large scale to all the wind farms of the Company, thus effectively increased the accuracy for short-term and ultra short-term power prediction.

9. Breakthroughs in overseas projects

After two years' unremitted effort, the 100 MW wind power project of the Group in Ontario, Canada obtained approval on environment assessment issued by Ministry of the Environment of Ontario, Canada on 10 June 2013. It has also obtained approval on line construction issued by Ontario Energy Board and approval on project construction by Ontario Power Authority. Up till now, all approvals required for the commencement of the project have been obtained and it is ready to commence construction officially. The Group is coordinating between relevant suppliers and construction teams to make sure all preparations have fallen into place with the endeavour to start the project as soon as possible.

(II) RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Overview

In the first half of 2013, the net profit of the Group amounted to RMB1,927 million, representing an increase of 3.1% as compared to RMB1,869 million in the corresponding period of 2012. Net profit attributable to shareholders amounted to RMB1,464 million, representing an increase of 0.3% as compared to RMB1,460 million in the corresponding period of 2012.

Operating revenue

Operating revenue of the Group amounted to RMB9,654 million in the first half of 2013, representing an increase of 14.5% as compared to RMB8,435 million in the corresponding period of 2012. Such increase in operating revenue was primarily due to an increase of RMB1,228 million, or 31.6%, in the revenue from electricity sales and other revenue of our wind power business to RMB5,119 million in the first half of 2013 as compared to RMB3,891 million in the corresponding period of 2012, primarily attributable to the significant increase in the power generation due to the expansion in the operating capacity of our wind power business, less strict grid curtailment and improvement in the wind resources.

Other net income

Other net income of the Group amounted to RMB210 million in the first half of 2013, representing a decrease of 72.7% from RMB768 million in the corresponding period of 2012, primarily due to 1) a decrease of RMB409 million, or 91.5%, in the total net income from sales of CERs and VERs amounting to RMB38 million in the first half of 2013 as compared to RMB447 million in the corresponding period of 2012 as the Group did not enter into new fixed-price CERs sales contracts in the first half of 2013 and all the fixed-price contracts signed in previous years expired at the end of 2012; 2) the penalty income of RMB115 million from a wind turbine supplier was recognised in the first half of 2012, while no such income was recorded in the first half of 2013; and 3) the recognition of a loss of approximately RMB16 million due to the disposal of certain fixed assets in the coal power business in the first half of 2013.

Operating expenses

The operating expenses of the Group amounted to RMB6,290 million in the first half of 2013, representing an increase of 5.5% from RMB5,964 million in the corresponding period of 2012, primarily due to the increase in the depreciation and amortisation expenses of our wind power business, the decrease in the coal consumption costs in the coal power business and the increase in the service concession construction costs.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB2,086 million in the first half of 2013, representing an increase of 17.6% from RMB1,774 million in the corresponding period of 2012, primarily due to an increase of RMB278 million, or 18.6%, in depreciation and amortisation expenses of our wind power business over the corresponding period of 2012 as a result of the expansion in the operating capacity of our wind power projects.

Coal consumption costs

The coal consumption costs of the Group amounted to RMB1,084 million in the first half of 2013, representing a decrease of 21.8% from RMB1,386 million in the corresponding period of 2012, primarily due to 1) a decrease of approximately 17.1% in the average unit price of standard coal for power and steam generation in the first half of 2013 as compared with the corresponding period of 2012; and 2) a decrease in the volume of coal consumption.

Cost of coal sales

The cost of coal sales of the Group in the first half of 2013 amounted to RMB1,445 million, representing a decrease of 9.4% as compared to RMB1,595 million in the corresponding period of 2012, primarily due to decrease of the coal prices in the first half of 2013.

Service concession construction costs

The Group's construction costs of service concession projects in the first half of 2013 amounted to RMB499 million, representing an increase of 185.1% as compared to RMB175 million in the corresponding period of 2012, primarily due to an increase of construction activities of service concession projects under construction in the first half of 2013 compared to the corresponding period of 2012.

Personnel costs

Personnel costs of the Group amounted to RMB445 million in the first half of 2013, representing an increase of 6.7% as compared to RMB417 million in the corresponding period of 2012, primarily due to 1) an increase in headcount 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 RMB164 million in the first half of 2013, representing a decrease of 27.8% as compared to RMB227 million in the corresponding period of 2012, primarily due to a decrease in external sales of products in the first half of 2013 from subsidiaries of the Group, Zhongneng Power-Tech Development Company Limited (中能電力科技開發有限公司) and Longyuan (Beijing) Wind Power Engineering 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 RMB221 million in the first half of 2013, representing an increase of 157.0% as compared to RMB86 million in the corresponding period of 2012. Such increase was mainly due to the fact that: 1) in the first half of 2013, examination and maintenance for the coal power business were arranged during non-peak period, which gave rise to higher repair and maintenance costs; 2) examination and maintenance for wind turbines were strengthened in order to improve the operation of wind power projects and increase the utilization of the wind turbines, and 3) as the warranty periods of wind turbines expired successively, repair and maintenance costs had increased gradually.

Administrative expenses

Administrative expenses of the Group amounted to RMB125 million in the first half of 2013, representing an increase of 5.0% as compared to RMB119 million in the corresponding period of 2012. Such increase was primarily due to an increase in lease charges and taxes along with the expansion of the Group's business and growth in the number of subsidiaries.

Other operating expenses

Other operating expenses of the Group amounted to RMB220 million in the first half of 2013, representing an increase of 18.9% as compared to RMB185 million in the corresponding period of 2012, primarily due to an increase in the operating cost such as insurance premium as more projects commenced operation.

Net finance expenses

The net finance expenses of the Group amounted to RMB1,307 million in the first half of 2013, representing an increase of 0.5% as compared to RMB1,300 million in the corresponding period of 2012, primarily due to: 1) the increase of approximately RMB184 million in the expensed interest expenses as compared with that in the corresponding period of 2012 as the capitalised interest expenses decreased as more projects under construction commenced operations; and 2) impairment losses of RMB144 million recognised for the CDM receivables with low recoverability based on the Group's assessment of the recoverability during the period.

Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and jointly ventures amounted to RMB23 million in the first half of 2013, representing a decrease of 52.1% as compared to RMB48 million in the corresponding period of 2012, primarily due to a decline in business of the associates in the first half of 2013 as compared to the corresponding period of 2012.

Income tax

Income tax of the Group amounted to RMB362 million in the first half of 2013, representing an increase of 204.2% as compared to RMB119 million in the corresponding period of 2012, mainly attributable to the fact that: 1) in the first half of 2013, profit before tax of the coal power business increased as compared with the corresponding period in 2012, therefore income tax of the coal power business increased accordingly; 2) the tax rate increased as compared with the corresponding period of 2012 following the expiry of the tax holidays for certain wind power projects in the first half of 2013; and 3) the corporate income tax refunds of RMB84 million was recognised in the corresponding period of 2012, while there was no similar tax refunds during the first half of 2013.

Segment results of operation

In the first half of 2013, the operating profit of the wind power business of the Group amounted to RMB3,010 million, representing an increase of 7.6% from RMB2,797 million in the corresponding period of 2012, primarily due to the increase of electricity sales of our wind power business. The growth in operating profit of the wind power business of the Group was less significant than the growth in operating revenue, which was mainly attributable to the fact that the net income from sales of CERs and VERs dropped sharply.

Operating profit of our coal power business amounted to RMB556 million, representing an increase of 15.1% as compared to RMB483 million in the corresponding period of 2012, among which operating profit excluding coal trading business amounted to RMB510 million, representing an increase of 15.4% as compared to RMB442 million in the corresponding period of 2012. The increase in operating profit of our coal power business was primarily attributable to the increase in gross profit from sales of electricity and steam resulting from the decrease in coal prices. The operating profit of the coal trading business amounted to RMB46 million, representing an increase of 12.2% as compared to RMB41 million in the corresponding period of 2012, which was primarily due to a decrease in the unit price of coal purchases and transportation costs, which led to an increase in the profit margin of coal trading business.

The operating profit of other segments businesses to RMB89 million, representing an increase of 111.9% as compared to RMB42 million in the corresponding period of 2012, which was primarily due to the increase in revenue from electricity sales and operating profit of solar power business of the Group as a result of the increase in operating capacity.

Assets and liabilities

As at 30 June 2013, total assets of the Group amounted to RMB106,895 million, representing a decrease of RMB945 million as compared to total assets of RMB107,840 million as at 31 December 2012, primarily due to: 1) an increase of RMB1,982 million in non-current assets including property, plant and equipment; and 2) a decrease of RMB2,927 million in current assets including cash at bank and on hand, trade debtors and prepayments. Total liabilities amounted to RMB69,233 million, representing a decrease of RMB2,185 million as compared to total liabilities of RMB71,418 million as at 31 December 2012, primarily due to an decrease of RMB985 million in non-current liabilities including long-term borrowings for construction projects and a decrease of RMB1,200 million in current liabilities including short-term bank loans.

Capital liquidity

As at 30 June 2013, current assets of the Group amounted to RMB14,859 million, including cash at bank and on hand of RMB3,328 million, trade debtors and bills receivable of RMB7,172 million (primarily consisting of receivables from sales of electricity), as well as prepayments and other current assets of RMB2,703 million (primarily consisting of deductible value-added tax and advances).

Current liabilities amounted to RMB34,875 million, including trade creditors and bills payable of RMB835 million (primarily consisting of payables for purchase of coal and spare parts), other payables of RMB8,215 million (primarily consisting of payables for construction of wind power projects and related retention) and short-term borrowings of RMB25,652 million.

As at 30 June 2013, net current liabilities amounted to RMB20,016 million, representing an increase of RMB1,727 million as compared to RMB18,289 million as at 31 December 2012. The liquidity ratio was 0.43 as at 30 June 2013, representing a decrease of 0.06 as compared to the liquidity ratio of 0.49 as at 31 December 2012. The increase in net current liabilities and the decrease in liquidity ratio was primarily due to the decrease in current assets as the Group used the proceeds from the issue of new H shares and senior perpetual securities at the end of the year 2012 for its projects under construction in the first half of 2013.

Restricted deposits amounted to RMB114 million, mainly including deposits for bills payable and issuance of the letter of credit.

As at 30 June 2013, the Group's outstanding borrowings amounted to RMB57,169 million, representing a decrease of RMB1,483 million as compared to the outstanding borrowings of RMB58,652 million as at 31 December 2012. As at 30 June 2013, the Group's outstanding borrowings included short-term borrowings of RMB25,652 million (including long-term borrowings due within one year of RMB3,217 million) and long-term borrowings amounting to RMB31,517 million (including debentures payable of RMB9,815 million). The abovementioned borrowings include borrowings denominated in Renminbi of RMB55,400 million, borrowings denominated in U.S. dollar of RMB1,035 million and borrowings denominated in other foreign currencies of RMB734 million. On 30 June 2013, the Group's fixed rate long-term liabilities include fixed rate long-term loans of RMB4,898 million and fixed rate corporate bonds of RMB9,815 million.

Capital expenditures

The capital expenditures of the Group amounted to RMB4,084 million in the first half of 2013, representing an increase of 11.1% as compared to RMB3,676 million in the corresponding period of 2012. Among which, the expenditures for the construction of wind power projects amounted to RMB3,686 million, and the expenditures for the construction of other renewable energy projects amounted to RMB161 million. The sources of funds mainly include the proceeds from the issuance of new H shares upon placing at the end of 2012, borrowings from banks and other financial institutions and issue of bonds.

Net gearing ratio

As at 30 June 2013, 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 58.8%, representing a decrease of 0.7 percentage points from 59.5% as at 31 December 2012, primarily due to the unchanged net debt and the increase in total equity of the Group in the first half of 2013.

Material investments

The Group made no major investment during the first half of 2013.

Material acquisitions and disposals

During the first half of 2013, the Group acquired the 100% equity interests in Ningxia Tianjing Wing Power Generation Corporation Limited* (寧夏天淨風力發電股份有限公司) at a consideration of RMB100 million.

During the first half of 2013, the Group disposed its 33% equity interests in Shanghai Wind Power Generation Co., Ltd. Upon completion of the disposal, the Group would not held any interest in that company.

Pledged assets

The Group has pledged wind turbine equipment to secure certain bank loans. As at 30 June 2013, the aggregate net book value of the pledged assets amounted to RMB257 million, representing a decrease of 3.4% compared to RMB266 million on 31 December 2012, primarily due to the decrease in the net book value of pledged assets as a result of depreciation of wind turbine equipment.

Contingent liabilities/guarantees

As at 30 June 2013, the Group provided a RMB66 million guarantee for bank loans of an associate, and issued a counter-guarantee of no more than RMB38 million to the controlling shareholder of an associate. As at 30 June 2013, the balance of bank loan counter-guaranteed by the Group amounted to RMB30 million.

Cash flow analysis

As at 30 June 2013, bank deposits and cash held by the Group amounted to RMB3,328 million, representing a decrease of RMB1,810 million compared to RMB5,138 million as at 31 December 2012, primarily due to that the Group used the proceeds from the issue of new H shares and senior perpetual securities at the end of the year 2012 for the projects under construction and repaid borrowings. The Group's sources of funds mainly included cash flow generated from operating activities, issue of corporate bonds and bank loans. The Group mainly used the funds for construction of projects and repayment of borrowings.

The net cash inflow of the Group is operating activities amounted to RMB8,040 million in the first half of 2013, among which the cash inflow was primarily attributable to revenue from sales of electricity. The cash outflow was mainly attributable to the purchase of coals and spare parts, payments for taxation and operating costs.

The net cash outflow of the Group’s investing activities amounted to RMB5,631 million in the first half of 2013. Cash outflow of investing activities was primarily attributable to payments for wind power project construction and payments for the acquisition of a wind power subsidiary.

The net cash outflow of the Group’s financing activities amounted to RMB4,141 million in the first half of 2013, primarily attributable to the repayment of borrowings and the payment of loan interest during the period.

Risk in foreign exchange rate

The business of the Group is mainly centered in mainland China where most of its revenue as well as expenses are denominated in Renminbi. A small portion of the Group’s overseas investments, foreign borrowings and revenue from the CDM business 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. To strengthen the management over exchange rate risks, the Group closely monitored and analysed the fluctuations in the foreign exchange rate and adopted various management approaches to cope with such risks.

(III) PROSPECT IN THE SECOND HALF OF 2013

In the second half of 2013, the general business guidelines of the Group are focusing on economic benefits, taking adjusting development roadmap and improving development quality as main principles, emphasizing on enhancing management and deepening reform and innovation, seeking the growing and powerful influence of the brand of Longyuan and deliver a sound and sustainable development.

In the second half of 2013, the Group will endeavour to achieve the following objectives:

1. To expedite corporate transformation and comprehensively improve the development quality

The Group will continue to reinforce its strategic management and control in order to strengthen its major business of new energy. Meanwhile, the Group will also refine its investment management system and enhance its project accountability system. As part of the efforts to strengthen the discipline of decision-making for investment, the decision-making procedures and investment plans of the Group will be strictly implemented. The Group will optimise its development layout of wind power on an on-going basis, which means that it will expand the scale of project development in regions not subject to grid curtailment, selectively develop wind power projects with high returns and prudently advance wind power projects with low wind speed whilst reserving the wind power projects under the grid planning and suspending the advancement of projects with intensified abandonment of wind power generation and grid curtailment in regions subject to grid curtailment. The Group will speed up its development of offshore wind power and effectively foster its advantages in offshore wind power. In addition, the benefits of the Group's projects will be assured through improvement in the quality of its feasibility studies. The Group will steadily advance its development of new energy, such as photovoltaic, tidal and geothermal power. Adhering to the implementation of the "going global" strategy, the Group will commence the high-standard construction of its project in Canada, continue to advance the preliminary work for its projects in countries such as the United States, South Africa and Australia according to its three principles of overseas investment.

2. ***To strengthen infrastructure management and assure commencement of production***

   The Group will meet the required conditions before construction, optimise the design for its plans of equipment selection, ensure a clear construction plan and explicit control on key points, communicate with relevant parties in advance and coordinate the supply for its main generating units and supporting equipment. It will also enhance its schedule management and process control with a more stringent assessment on project construction. It will raise the standards set for commissioning operation and refine its safety management system. In the meantime, the Group will foster a sense of quality in its endeavour for quality projects. It will also enhance the accuracy of its budget and increase the steps in its review process. By adopting approaches such as bulk purchase and centralised procurement, the Group will maintain an effective control on its construction costs. The Group will strictly limit changes in design and implement its budgetary estimates. It will also fully perform audit function throughout the construction period so as to avoid risks of projects. In addition, the Group will assure the achievement of its annual production target.

3. ***To reinforce safe production and improve the operation of stock assets***

   The Group will reinforce its management of safe production and implement accountability for safe production at different levels. It will conduct a thorough investigation of the hidden perils in key fields, critical parts and facilities in a bid to fix them, and establish itself as a star-rated power enterprise. In order to extend the service life of its equipment, the Group will prepare a running account for each wind turbine and conduct in-depth statistical measurement and analysis of operation, which will enable a specific malfunction analysis and operation optimisation. The supervision and guidance on technology will be reinforced to guarantee the control on the operating equipment. The Group will carry out the environment-friendly renovation of coal power, in particular to ensure that the two substantial renovation projects of denitration and electric precipitation can commence operation on schedule and reach the emission standards.

4. *To insist on exploring potential and increasing efficiency for the comprehensive improvement of corporate profitability*

The Group will enhance its management of marketing and further implement the Methods for the Assessment of Power Generation (《發電量專項考核辦法》). It will endeavour for power trading and lower the proportion of power curtailment. The Group will also attempt to obtain an ideal price of power and timely settle and apply for subsidies on renewable energy. In addition, it will expand sales channels in the domestic carbon market, so as to generate more revenue. Financial control of the Group will be reinforced to reduce the cost of funds. The Group will deepen its comprehensive budget management for locating, analysing and tackling the problems in crucial points. It will press on with application of information technology in finance and the development of its management system for internal control. In the meantime, the Group will improve its tax management to prevent the external risks. The Group will improve its operation of the other new energy as well as the management of the other new energy such as photovoltaic, biomass, tidal and geothermal power. It will also improve the operation of its projects.

5. ***To innovate system and mechanism so as to further enhance the corporate competitiveness***

The Group will innovate its assessment and incentive mechanism such that those can be performance-oriented. It will innovate its performance appraisal mechanism so that the income for front-line employees can be increased. In the meantime, the Group will improve its skill appraisal, and refine the monitory system for cultivating talents. In addition, it will innovate its selection and appointment mechanism, deepen the reform on its management system with more management members to be elected through recommendation, appraisals and competition. The Group will put more resources on trainings for management, technical and production positions as well as the testing of occupational skills. It will also provide more chances for employees to exchange ideas and show their talents. The Group will innovate its technology support system, fully utilise its function as the core platform for wind power development so as to improve its capacity to provide technology service for projects. The Group will expedite the development of "One Centre, Two Research Institutes and Three Laboratories", continue the research on key projects including the 863 Offshore Wind Power Project, promote patents application for scientific achievements and recommend them for awards and advance its scientific innovation.

6. *To increase corporate soft power and absorb positive energy from harmony*

The Group will promote anti-corruption behavior, earnestly implement the "Eight Rules" (「八項規定」) proposed by the central government, improve its working style and maintain close contact with the masses. The Group will deepen democratic management and consult the people, so as to leverage on collective wisdom. The Group will vitalize the corporate growth in its pursuit of the National Civilised Unit (「全國精神文明單位」). It will also continue to improve the production and living standards of employees, and promote team building and provide platforms for the employees to grow and make achievements on their positions. In addition, the Group will actively participate in the operation and inspection skills competition in the national wind power industry. It will also consolidate its investor relations and safeguard the sound image of the Company in the global capital market. It will reinforce its publicity and guidance on public opinion, thereby creating a favourable environment of public opinion for the Company's development.

III OTHER INFORMATION

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 2013.

Interim Dividend

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2013.

Compliance With The Requirements Of Appendix 14 Of The Listing Rules

On 31 May 2013, the Company held the 2012 annual general meeting. Mr. Zhu Yongpeng (resigned on 30 July 2013) and Mr. Wang Baole, non-executive directors, Mr. Huang Qun, an executive director, Mr. Zhang Songyi and Mr. Meng Yan, independent non-executive directors, were absent from abovementioned annual general meeting due to work reasons. Save as disclosed above, from 1 January 2013 to 30 June 2013, the Company had fully complied with the code provisions in Corporate Governance Code and Corporate Governance Report set out in the Appendix 14 to the Listing Rules, and had complied with most of the recommended best practices set out in the Appendix 14 to the Listing Rules.

Compliance With The Model Code For Securities Transactions By Directors And Supervisors

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

Audit Committee

The Company has established the audit committee in accordance with the requirements of the Listing Rules. The primary responsibilities of the audit committee are to review the annual internal audit plan of the Company, oversee the appointment, re-appointment and removal of external auditors, and make recommendations to the Board to approve the remuneration and terms of appointment of external auditors, review and oversee the independence and objectiveness of external auditors and effectiveness of audit procedures, formulate and implement policies in relation to non-audit services provided by external auditors, oversee the quality of internal audit and disclosure of financial information of the Company, review interim and annual financial statements before submission to the Board and oversee the financial reporting system and internal control procedures of the Company, evaluate the effectiveness of the internal control and risk management system to ensure co-ordination between the internal and external auditors and to ensure that the internal audit function is adequately resourced and the relevant staff have been trained with sufficient qualifications and experience and are provided with regular training programmes and other similar arrangement.

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

On 19 August 2013, the audit committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2013, the 2013 interim report and the unaudited interim financial statements for the six months ended 30 June 2013 prepared under IAS 34, *Interim financial reporting*.

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.

The Company's 2013 interim report, containing all the information required under the Listing Rules, will be dispatched to the shareholders and will be published on the above websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
China Longyuan Power Group Corporation Limited*
Qiao Baoping
Chairman of the Board

Hong Kong, PRC, 19 August 2013

As at the date of this announcement, the non-executive directors of the Company are Mr. Qiao Baoping, Mr. Wang Baole, Mr. Chen Bin and Mr. Luan Baoxing; the executive directors are Mr. Li Enyi and Mr. Huang Qun; and the independent non-executive directors are Mr. Lv Congmin, Mr. Zhang Songyi and Mr. Meng Yan.

* *For identification purpose only*