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

2009 Annual Report




**For identification purpose only*

Contents

Chairman's Statement

Dear Shareholders:

In the aftermath of global financial crisis in 2009, the world's major developed countries and emerging economies all revisited their energy strategies, carried out energy reforms, and treated renewable energy as one of the major forces to help restore the economy and drive technological economic development. The renewable energy sector was once again the focus of world's headlines during the Copenhagen Climate Change Conference in December 2009.

Chairman's Statement (Continued)

As a market leader in China's renewable energy sector, the Company captured this opportunity by listing its shares on the Main Board of the Hong Kong Stock Exchange on 10 December 2009. As the largest wind power generation company in China and the fifth largest in the world, the Group was strongly supported in the capital market, with its share price outperforming the market upon listing.

The proceeds raised in the listing has enabled the Company to expedite the development of wind power projects. In 2009, the Group achieved significant success by increasing its consolidated installed capacity of wind power business by 79.9% from 2,502.8 MW last year to 4,503.5 MW as of 31 December 2009. Net profit attributable to shareholders reached RMB894 million, representing an increase of 165.3% over RMB337 million in 2008. Ranking first among industry players in China and fifth worldwide as of 31 December 2009 according to BTM report, the Group managed to maintain its leading position which in turn strengthened its competitiveness.

Chairman of the Board
Zhu Yongpeng

Chairman's Statement (Continued)

With unremitting efforts in the development and construction of wind power and other renewable energy sources, the promotion of energy-saving, emission reduction and the improvement in environmental quality, the Group met the emission reduction target of 6.20 million tons of carbon dioxide in 2009 and saved 2.48 million tons of coal equivalent.

Since the PRC government identified renewable energy, energy-saving and environmental protection industries as major drivers to bolster investment, stimulate spending, stabilise exports and enhance international competitiveness, these sectors have received support on an unprecedented scale. Embarking on 2010, the PRC government is set to add fresh impetus to renewable energy industries such as wind power and solar energy, which will pave way for a healthy and fast-growing renewable energy sector in the PRC. As the leading company of the PRC renewable energy sector, the Group is poised to benefit from the continuous growth of the sector. Moreover, with the global trend to develop a low carbon economy, the Group's value will further emerge over a sustainable term.

Finally, on behalf of the Board, I would like to express our gratitude to our shareholders for their trust and support and our management and staff for their outstanding contributions. We hope to continue our excellant performance in 2010.

Chairman of the Board

Zhu Yongpeng

President's Statement

Dear Shareholders,

2009 witnessed the most challenging year for China's economic development since the millennium, yet, it was also an extraordinary and a landmark year in the Group's history. As a proactive response to the adverse operating environment, under the effective leadership of the Board, the Group embraced the challenges with concerted and relentless efforts, and seized the historic opportunities and was successfully listed in Hong Kong. The listing enabled the Group to speed up its wind power projects development and achieve growth targets, at the same time adjust its development strategy to cope with the unfavourable operating environment, and outstanding operating results were achieved.

SUCCESSFUL LISTING IN HONG KONG

The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 10 December 2009, proudly becoming the first state-controlled wind power company in the PRC to go public. The Company's successful listing in Hong Kong boosted its value and international presence, heralding a key milestone and a new start for the Company.

President's Statement (Continued)

RAPID GROWTH IN WIND POWER INSTALLED CAPACITY, POWER GENERATION AND PROFIT

During the year ended 31 December 2009, the consolidated installed capacity of the Group's wind power business increased by 79.9% to 4,503.5 MW. Total power generation increased by 5.0% over last year to 17,184 million kWh, with wind power generation increasing by 69.9% over the same period to 6,211 million kWh. The average availability factor of wind power units stood at 97.7%. In 2009, the average number of utilisation hours reduced by 86 hours to 2,268 hours compared to 2008, which was mainly due to the limitation on electricity output of certain projects. Net profit attributable to shareholders surged by 165.3% from RMB337 million last year to RMB894 million.

In 2009, some of our projects in Gansu and Inner Mongolia experienced temporary limitation on their electricity output due to the dual impact arising from the financial crisis, the underdevelopment of grid construction and peak adjustment of grid. As a result, the Group actively adjusted development strategy to reduce the number of newly commenced projects in areas with more severe grid constraint issues, at the same time strengthened the development effort in other areas to minimise the impact of such limitation on its performance.

FURTHER INCREASE IN WIND POWER PIPELINE CAPACITY

As of 31 December 2009, the total estimated installed capacity of wind power pipeline projects of the Group was 45,000 MW, an increase of 16,000 MW in 2009 compared to the end of 2008.

ACTIVE PLANNING FOR SOLAR POWER DEVELOPMENT

As part of its strenuous effort to participate in the PRC solar power development, as of 31 December 2009, the Group entered into development and investment agreements with the local governments of seven regions including Inner Mongolia, Gansu, Qinghai, Xinjiang, Ningxia, Tibet and Beijing. These agreements represent a consolidated estimated installed capacity of 1,740 MW for solar power pipeline projects. The Group will closely monitor the new development and policies in the solar sector and take pre-emptive measures in its development.

President's Statement (Continued)

INITIATING OVERSEAS COOPERATION IN WIND POWER PROJECTS

The Group will actively seek quality wind power projects in the overseas markets and steadily push forward overseas wind power project development.

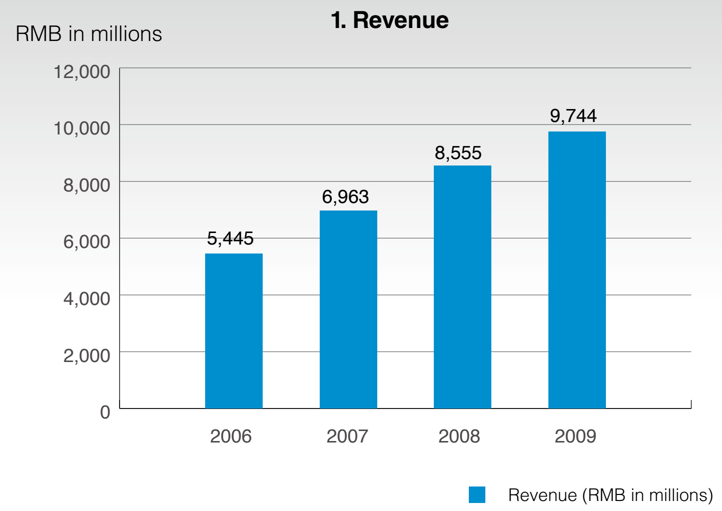
OUTLOOK

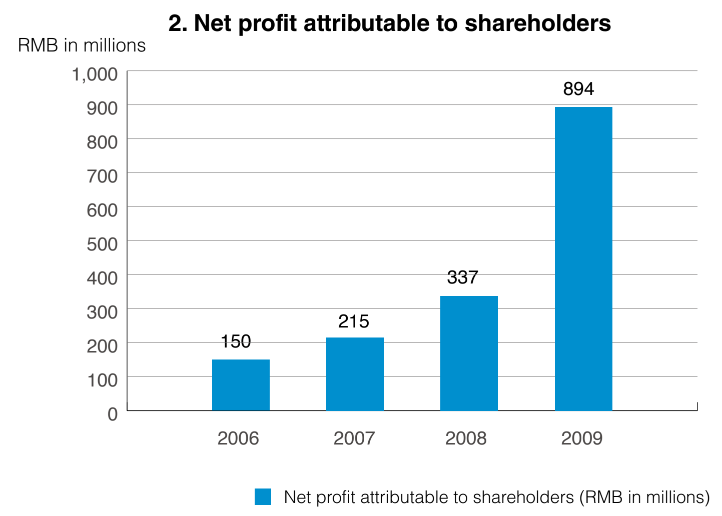
In tandem with the recovering global economy and the more supportive policies from the Chinese government for the renewable energy industry, the Group is presented with encouraging development opportunities. The Group will continue to expedite new wind power projects development, target to increase the Group's consolidated installed capacity of wind power by 2,000 MW in 2010 to 6,500 MW by the end of 2010. With a greater emphasis on capital investment, the Group will actively seek opportunities to acquire quality wind power resources worldwide.

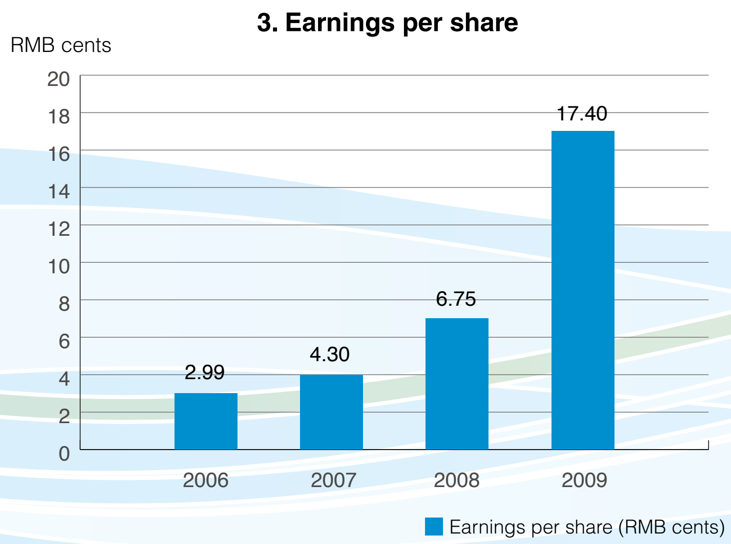
Finally, on behalf of the management, I would like to express my gratitude for the trust and support of the shareholders and the Board of the Company and for the industrious work and contributions of all the staff. In the coming year, we will make our best endeavour to further develop the Company into a world class listed renewable energy company.

President
Xie Changjun

Key Operating and Financial Data

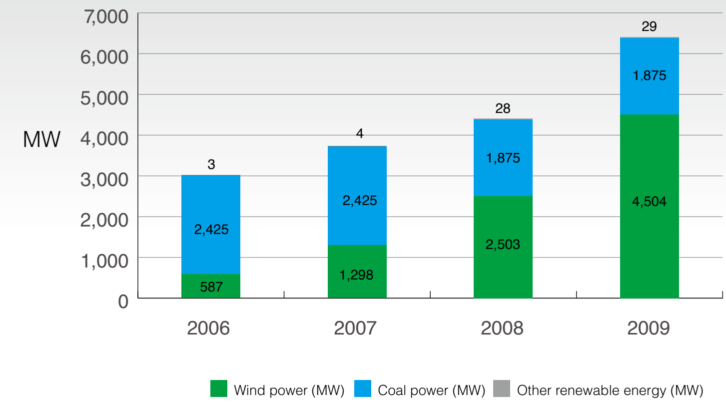




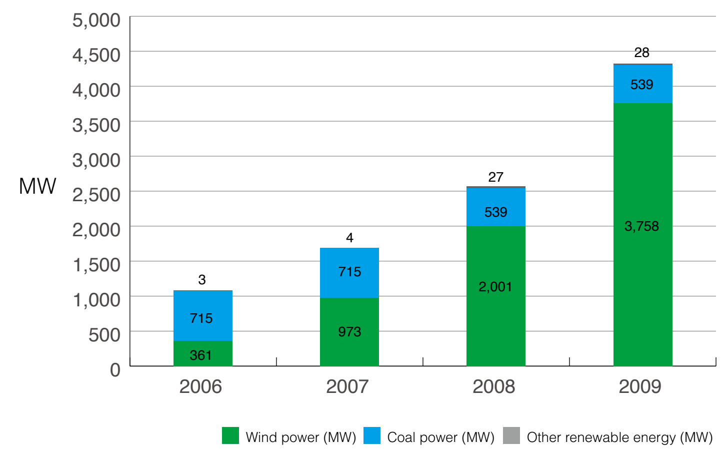


Key Operating and Financial Data (Continued)

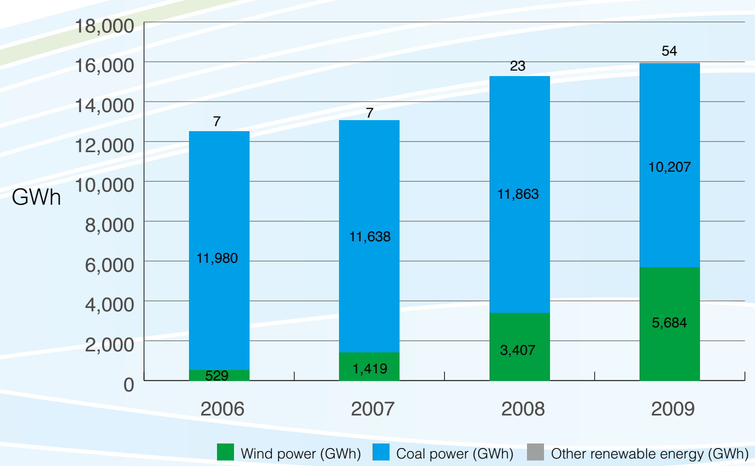
4. Consolidated installed capacity



5. Attributable installed capacity



6. Electricity sales volume



Corporate Profile

Corporate Profile (Continued)

The Company was established by way of the reorganisation of the former China Longyuan Electric Power Group Corporation on 9 July 2009 and was listed on the Main Board of the Hong Kong Stock Exchange on 10 December 2009. The total number of issued shares of the Company after the listing was 7,464,289,000, 63.68% of which is held by the Guodian Group as the controlling shareholder of the Company. Guodian Group is one of the five largest independent power generation groups established during the restructuring of the China power industry in 2002.

The Group is primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, the Group also operates other power projects such as coal power, solar power, tidal, biomass and geothermal energy. Meanwhile, the Company also provides consulting, repair and maintenance, training and other professional services to wind farms, as well as manufactures and sells power equipment used in the power grids, wind farms and coal power plants.

As of 31 December 2009, the total installed wind power capacity of the Group was 4,842.4 MW, and the consolidated installed wind power capacity was 4,503.5 MW, representing 70.3% of the Company's total consolidated installed capacity. According to BTM report, we ranked first in the PRC and Asia Pacific and the fifth in the world in terms of installed wind power capacity.

As of 31 December 2009, the Group's consolidated installed capacity of other renewable energy and coal power were 28.9 MW and 1,875.0 MW, respectively.

Corporate Profile (Continued)

WIND POWER BUSINESS

As of 31 December 2009, the Company operated 64 wind power companies and was constructing 32 wind power projects through its subsidiaries. It also operated 14 wind power projects and was constructing one wind power project through associated companies. The Company's estimated installed capacity of its wind power pipeline projects is approximately 45,000 MW. The projects in operation, projects under construction and pipeline projects span 23 provinces, autonomous regions and municipalities in the PRC and are largely located in six major areas including the Three Northeast Provinces, Inner Mongolia, the Southeast Coastal Provinces, Xinjiang, Gansu and Hebei. The Company is also expanding its footprint in other regions such as Yunnan, Hainan, Shandong, Shanxi, Anhui and Tianjin.

As of 31 December 2009, the Group's consolidated installed capacity and consolidated gross wind power generation for the year were 4,503.5 MW and 6,211,021.7 MWh, respectively.

Corporate Profile (Continued)

OTHER RENEWABLE ENERGY BUSINESSES

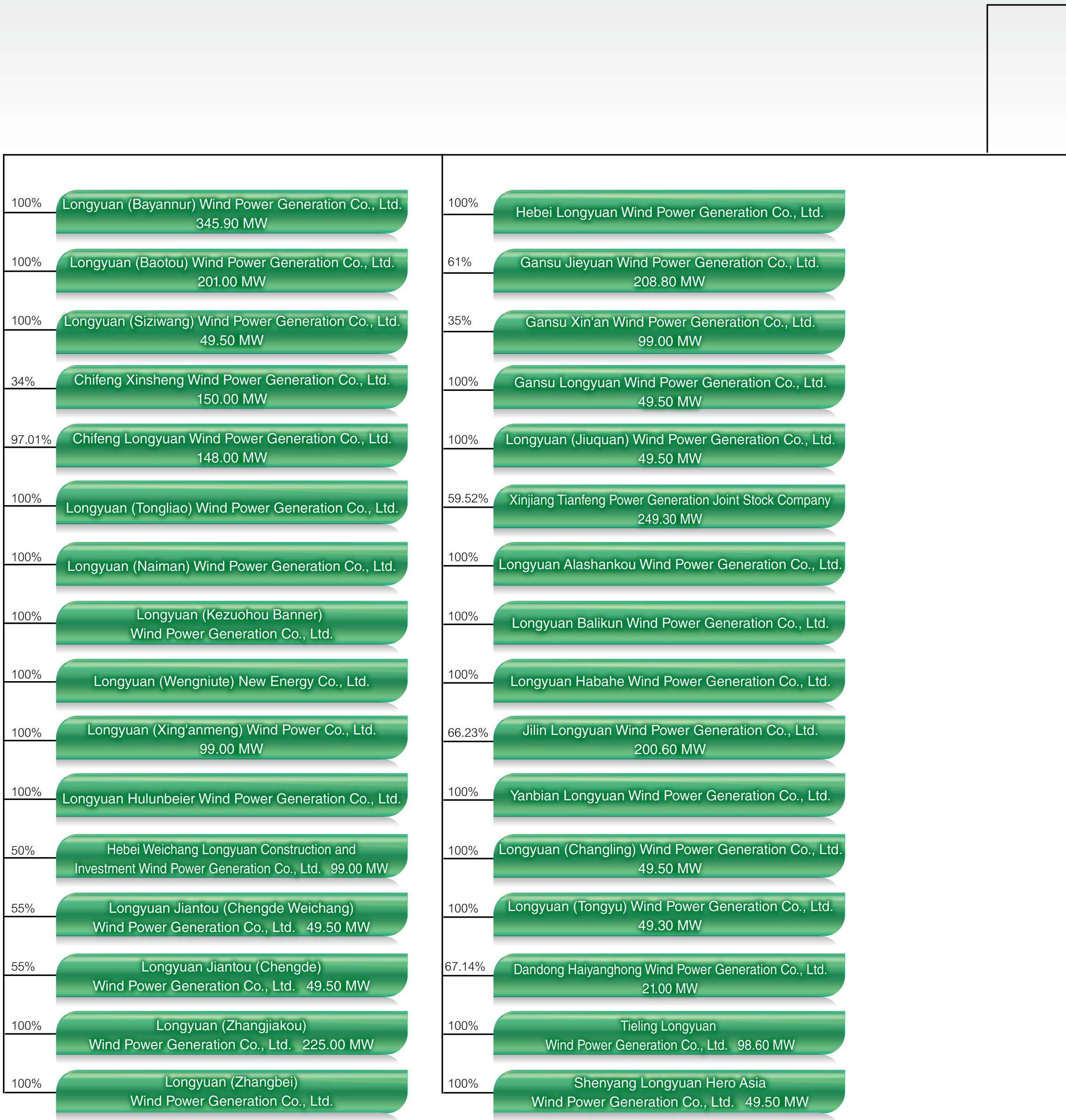
The Group also develops other renewable energy business including solar power, tidal, biomass and geothermal energy. The Group's consolidated installed capacity of other renewable energy amounted to 28.9 MW, in which the pilot tidal power project is the largest in Asia and third in the world based on its consolidated installed capacity of 3.9 MW.

We are developing solar power projects in provinces such as Inner Mongolia, Gansu, Qinghai, Xinjiang, Ningxia, Tibet and Beijing which have abundant solar resources. As of 31 December 2009, the Group had entered into 17 investment and development agreements with local governments in the abovementioned seven major regions, with an estimated total consolidated installed capacity of the pipeline projects of approximately 1,740 MW.

COAL POWER BUSINESSES

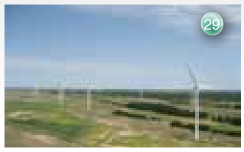
The Group operates two coal power plants, namely Jiangyin Sulong Power Generation Co., Ltd. and Nantong Tianshenggang Power Generation Co., Ltd.. The two coal power companies have a consolidated installed capacity of 1,875.0 MW and a consolidated gross power generation of 10,910,048.4 MWh for the year 2009.

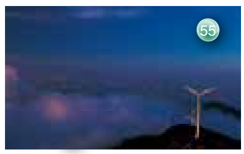
CORPORATE STRUCTURE

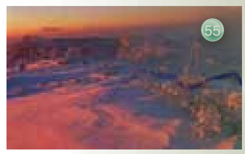


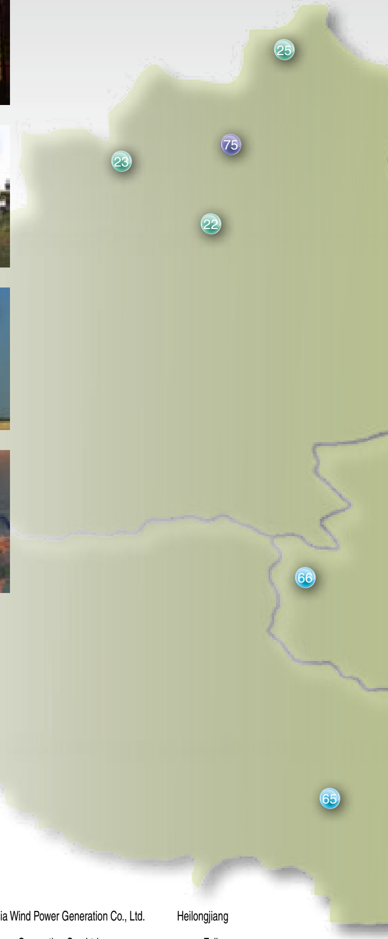

Shareholders of the Company
China Guodian Corporation
62.41%
Guodian Northeast Electric Power Co., Ltd.
1.27%
Shareholders of H Shares
36.32%
The Company
龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited
Hero Asia (BVI) Limited
100%
Hero Asia Investment Limited
100%
Longyuan Kangping Wind Power Generation Co., Ltd. 148.50 MW
100%
Shenyang Longyuan Wind Power Generation Co. Ltd. 141.30 MW
98.60%
Longyuan Shenyang Wind Power Generation Co., Ltd. 148.30 MW
100%
Yichun Xing'anling Wind Power Generation Co., Ltd. 74.80 MW
55%
Fuyuan Longyuan Wind Power Generation Co., Ltd. 31.50 MW
100%
Yichun Longyuan Wind Power Generation Co., Ltd. 49.30 MW
40%
Huanan Longyuan Wind Power Generation Co., Ltd. 139.60 MW
40%
Yichun Longyuan Hero Asia Wind Power Co., Ltd. 99.00 MW
100%
Yichuan Longyuan Jinshan Wind Power Generation Co., Ltd. 98.60 MW
100%
Hailin Longyuan Wind Power Generation Co., Ltd. 20.40 MW
51%
Yilan Longyuan Huineng Wind Power Generation Co., Ltd. 98.60 MW
57%
Shuangyashan Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%
Hegang Longyuan Wind Power Generation Co., Ltd. 49.30 MW
95%
Harbin Longyuan Wind Power Generation Co., Ltd.
100%
Huanan Longyuan Hero Asia Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan Pingtan Wind Power Generation Co., Ltd. 100.00 MW
89.50%
Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. 6.00 MW
60%
Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd. 85.50 MW
91.15%
Fujian Wind Power Co., Ltd.
90%
Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd. 20.00 MW
97.50%
Fujian Putian Nanri Wind Power Generation Co., Ltd. 16.15 MW
41.56%
Longyuan (Putian) Wind Power Generation Co., Ltd.
100%
Zhejiang Wind Power Generation and Development Co., Ltd. 36.60 MW
100%
Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. 40.00 MW
76.29%
Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd.
70%
Jiangsu Longyuan Wind Power Generation Co., Ltd. 150.00 MW
57.99%
Longyuan Qidong Wind Power Generation Co., Ltd. 100.50 MW
69.37%
Longyuan (Rudong) Wind Power Generation Co., Ltd. 100.50 MW
82.99%
Longyuan Binzhou Wind Power Generation Co., Ltd.
100%
Shanxi Longyuan Wind Power Generation Co., Ltd.
100%
Hainan Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%
Yunnan Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan Tibet New Energy Co., Ltd. 1.00 MW
100%
Longyuan Ge'ermu New Energy Development Co., Ltd.
100%
Wenling Jiangxia Pilot Tidal Power Station 3.90 MW
100%
Longyuan Donghai Biomass Power Plant 24.00 MW
95%
Nantong Tianshenggang Power Generation Co., Ltd. 660.00 MW
31.94%
Jiangyin Sulong Power Generation Co., Ltd. 1,215.00 MW
27%
Beijing Zhongneng Lianchuang Wind Power Technology Company Limited
90%
Suzhou Longyuan Bailu Wind Power Technique Vocational Training Center Co., Ltd.
60%
Zhongneng Power-Tech Development Company Limited
80%
China Fulin Wind Power Engineering Co., Ltd.
100%
Xinjiang Wind Power Engineering Consultant Co., Ltd.
100%
Longyuan (Beijing) Carbon Assets Management and Technology Co., Ltd.
100%
Major subsidiaries:
Wind Power Business
Coal Power Business
Other Renewable Energy Business
Other Business

Wind Power Projects









01	Longyuan (Bayannur) Wind Power Generation Co., Ltd.	Inner Mongolia
02	Longyuan (Baotou) Wind Power Generation Co., Ltd.	Inner Mongolia
03	Longyuan (Siziwang) Wind Power Generation Co., Ltd.	Inner Mongolia
04	Chifeng Xinsheng Wind Power Generation Co., Ltd.	Inner Mongolia
05	Chifeng Longyuan Wind Power Generation Co., Ltd.	Inner Mongolia
06	Longyuan (Tongliao) Wind Power Generation Co., Ltd.	Inner Mongolia
07	Longyuan (Naiman) Wind Power Generation Co., Ltd.	Inner Mongolia
08	Longyuan (Kezuohou Banner) Wind Power Generation Co., Ltd.	Inner Mongolia
09	Longyuan (Wengniute) New Energy Co., Ltd.	Inner Mongolia
10	Longyuan (Xing'anmeng) Wind Power Co., Ltd.	Inner Mongolia
11	Longyuan Hulunbeier Wind Power Generation Co., Ltd.	Inner Mongolia
12	Hebei Weichang Longyuan Construction and Investment Wind Power Generation Co., Ltd.	Hebei
13	Longyuan Jiantou (Chengde Weichang)Wind Power Generation Co., Ltd.	Hebei
14	Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd.	Hebei
15	Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd.	Hebei
16	Longyuan (Zhangbei) Wind Power Generation Co., Ltd.	Hebei
17	Hebei Longyuan Wind Power Generation Co., Ltd.	Hebei
18	Gansu Jieyuan Wind Power Generation Co., Ltd.	Gansu
19	Gansu Xin'an Wind Power Generation Co., Ltd.	Gansu
20	Gansu Longyuan Wind Power Generation Co., Ltd.	Gansu
21	Longyuan (Jiuquan) Wind Power Generation Co., Ltd.	Gansu
22	Xinjiang Tianfeng Power Generation Joint Stock Company	Xinjiang
23	Longyuan Alashankou Wind Power Generation Co., Ltd.	Xinjiang
24	Longyuan Balikun Wind Power Generation Co., Ltd.	Xinjiang
25	Longyuan Habahe Wind Power Generation Co., Ltd.	Xinjiang
26	Jilin Longyuan Wind Power Generation Co., Ltd.	Jilin
27	Yanbian Longyuan Wind Power Generation Co., Ltd.	Jilin
28	Longyuan (Changling) Wind Power Generation Co., Ltd.	Jilin
29	Longyuan (Tongyu) Wind Power Generation Co., Ltd.	Jilin
30	Dandong Haiyanghong Wind Power Generation Co., Ltd.	Liaoning
31	Tieling Longyuan Wind Power Generation Co., Ltd.	Liaoning
32	Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd.	Liaoning
33	Longyuan Kangping Wind Power Generation Co., Ltd.	Liaoning
34	Shenyang Longyuan Wind Power Generation Co. Ltd.	Liaoning
35	Longyuan Shenyang Wind Power Generation Co., Ltd.	Liaoning
36	Yichun Xing'anling Wind Power Generation Co., Ltd.	Heilongjiang
37	Fuyuan Longyuan Wind Power Generation Co., Ltd.	Heilongjiang
38	Yichun Longyuan Wind Power Generation Co., Ltd.	Heilongjiang
39	Huanan Longyuan Wind Power Generation Co., Ltd.	Heilongjiang
40	Yichun Longyuan Hero Asia Wind Power Co., Ltd.	Heilongjiang
41	Yichuan Longyuan Jinshan Wind Power Generation Co., Ltd.	Heilongjiang
42	Hailin Longyuan Wind Power Generation Co., Ltd.	Heilongjiang
43	Yilan Longyuan Huineng Wind Power Generation Co., Ltd.	Heilongjiang
44	Shuangyashan Longyuan Wind Power Generation Co., Ltd.	Heilongjiang
45	Hegang Longyuan Wind Power Generation Co., Ltd.	Heilongjiang
46	Harbin Longyuan Wind Power Generation Co., Ltd.	Heilongjiang
47	Huanan Longyuan Hero Asia Wind Power Generation Co., Ltd.	Heilongjiang
48	Longyuan Pingtan Wind Power Generation Co., Ltd.	Fujian
49	Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd.	Fujian
50	Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd.	Fujian
51	Fujian Wind Power Co., Ltd.	Fujian
52	Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd.	Fujian
53	Fujian Putian Nanri Wind Power Generation Co., Ltd.	Fujian
54	Longyuan (Putian) Wind Power Generation Co., Ltd.	Fujian
55	Zhejiang Wind Power Generation and Development Co., Ltd.	Zhejiang
56	Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd.	Zhejiang
57	Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd.	Zhejiang
58	Jiangsu Longyuan Wind Power Generation Co., Ltd.	Jiangsu
59	Longyuan Qidong Wind Power Generation Co., Ltd.	Jiangsu
60	Longyuan (Rudong) Wind Power Generation Co., Ltd.	Jiangsu
61	Longyuan Binzhou Wind Power Generation Co., Ltd.	Shandong
62	Shanxi Longyuan Wind Power Generation Co., Ltd.	Shanxi
63	Hainan Longyuan Wind Power Generation Co., Ltd.	Hainan
64	Yunnan Longyuan Wind Power Generation Co., Ltd.	Yunnan

Other Renewable Energy Business

65	Longyuan Tibet New Energy Co., Ltd.	Tibet
66	Longyuan Ge'ermu New Energy Development Co., Ltd.	Qinghai
67	Wenling Jiangxia Pilot Tidal Power Station	Zhejiang
68	Longyuan Donghai Biomass Power Plant	Jiangsu

Coal Power Projects

69	Nantong Tianshenggang Power Generation Co., Ltd.	Jiangsu
70	Jiangyin Sulong Power Generation Co., Ltd.	Jiangsu

Other Business

71	Beijing Zhongneng Lianchuang Wind Power Technology Company Limited	Beijing
72	Suzhou Longyuan Bailu Wind Power Technique Vocational Training Center Co., Ltd.	Jiangsu
73	Zhongneng Power-Tech Development Company Limited	Beijing
74	China Fulin Wind Power Engineering Co., Ltd.	Beijing
75	Xinjiang Wind Power Engineering Consultant Co., Ltd.	Xinjiang
76	Longyuan (Beijing) Carbon Assets Management and Technology Co., Ltd.	Beijing

Financial Highlights

	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Revenue	5,445,371	6,963,086	8,554,654	9,743,707
Profit before taxation	706,080	772,807	615,991	1,943,596
Income tax	(59,465)	(60,394)	(2,082)	(296,490)
Profit for the year	646,615	712,413	613,909	1,647,106
Attributable to:				
Shareholders/equity owner of the Company	149,704	215,035	337,448	894,126
Non-controlling interests	496,911	497,378	276,461	752,980
Total comprehensive income for the year	655,415	731,980	596,294	1,652,749
Attributable to:				
Shareholders/equity owner of the Company	158,504	234,602	319,833	899,769
Non-controlling interests	496,911	497,378	276,461	752,980
Basic and diluted earnings per share *(RMB cents)*	2.99	4.30	6.75	17.40

Financial Highlights (Continued)

	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Total non-current assets	12,772,594	20,235,571	31,168,950	**47,586,896**
Total current assets	1,781,596	3,089,525	4,880,457	**20,366,806**
TOTAL ASSETS	14,554,190	23,325,096	36,049,407	**67,953,702**
Total current liabilities	6,376,887	9,505,814	9,412,916	**23,691,836**
Total non-current liabilities	3,976,560	8,291,317	19,563,626	**18,581,892**
TOTAL LIABILITIES	10,353,447	17,797,131	28,976,542	**42,273,728**
NET ASSETS	4,200,743	5,527,965	7,072,865	**25,679,974**
Total equity attributable to the shareholders/equity owner of the Company	1,964,231	2,865,371	3,875,329	**21,899,807**
Non-controlling interests	2,236,512	2,662,594	3,197,536	**3,780,167**
TOTAL EQUITY	4,200,743	5,527,965	7,072,865	**25,679,974**

Corporate Milestones in 2009

Corporate Milestones in 2009 (Continued)

1. On 25-26 January 2009, the Group held its First Session of the First Meeting of the Labour Union and the 2009 Work Meeting. The meeting summed up the work performed in 2008, analysed latest trends, prepared for the work in 2009, mobilised core staff members, instilled in staff the same mindsets, cemented staff confidence, and brought them together to stand united against future challenges and strive for the better and faster development of the Company. All these efforts significantly contributed to accelerate the establishment of a first-rate integrated energy group by Guodian Group.

2. In May 2009, the jury of the eighth Nationwide Outstanding Start-up Entrepreneurs (全國優秀創業企業家) selected Mr. Xie Changjun, the President of the Company, as one of the eighth Nationwide Outstanding Start-up Entrepreneurs.

3. On June 2009, Phase II of the Company's Inner Mongolia Chuanjing wind farm was awarded the "2009 Premium Quality Power Construction in China".

4. On 9 July 2009, China Longyuan Power Group Corporation Limited was duly established, and Mr. Zhu Yongpeng, Mr. Chen Bin and Mr. Xie Changjun were selected as the Company's Chairman of the Board, Chief Supervisor and President respectively.

Corporate Milestones in 2009 (Continued)

5. On 21 September 2009, the Company, China-Africa Development Fund Company Limited (中非發展基金有限公司) and Mulilo Renewable Energy Limited (in South Africa) (南非穆力洛可再生能源有限公司) signed a memorandum of understanding in Beijing, pursuant to which the three parties intended to cooperate in developing wind power projects in South Africa.

6. In September 2009, the jury of the "Top 50 Green Companies", an event organised by the Business Watch Magazine, honored the Company as one of the country's "Top 50 Green Companies".

7. On 1 September 2009, the Company's Phase II of Jiangsu Rudong Wind Concession (100.5 MW) Project was shortlisted as one of the "100 Classical Construction Projects" (百項經典建設工程) in celebration of the 60th anniversary of the founding of the PRC. Experts in the jury were of the view that the Company's wind power construction project "marked the greatest achievement in wind power construction since the founding of the new China".

8. On 1 October 2009, Mr. Xie Changjun, the President of the Company, as a representative of the new energy industry in the PRC, was invited to get on the float in celebration of the 60th Anniversary of the National Day of the PRC.

9. On 20 October 2009, Jiangsu Longyuan, a subsidiary of the Company, successfully integrated the first two units into the power grid in the pilot wind farms in the intertidal area in Rudong, which marked a breakthrough in wind power generation in intertidal areas in the world.

Corporate Milestones in 2009 (Continued)

10. On 11 November 2009, Mr. Wu Bangguo, member of the Standing Committee of the Political Bureau of the CPC Central Committee and Chairman of the Standing Committee of the National People's Congress, visited the site of the Company's Gansu Yumen Wind Power Project and gave due recognition to the pioneering role taken by the Company in the development of the PRC wind power industry.

11. On 10 December 2009, the Company was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00916). As the largest initial public offering in the global power industry in 2009, the Company raised RMB17.7 billion, which outperformed the rest of the overseas listed PRC power enterprises by then, in terms of proceeds raised.

12. On 31 December 2009, the consolidated installed wind power capacity of the Group reached 4,503.5 MW, among which, the consolidated installed capacity in Northeastern China reached 1,666.7 MW and the consolidated installed capacity in Inner Mongolia reached 993.4 MW, both of which marked the establishment of the Group's nationwide wind power GW capacity base.

Directors' Report

Directors' Report (Continued)

The Board of the Company hereby presents to shareholders the annual report and the audited financial statements for the year ended 31 December 2009 (the "Financial Statements").

SHARE ISSUE AND LISTING

In December 2009, the shares of the Company were listed on the Hong Kong Stock Exchange upon an issue of an aggregate of 2,464,289,000 H shares after exercise of over-allotment option with a nominal value of RMB1.00 each, at the price of HKD8.16 per share by way of an initial public offering (the "IPO"). In connection with the Global Offering, 246,430,000 domestic state-owned shares of RMB1.00 each owned by Guodian Group and Guodian Northeast Electric Power Co., Ltd. were converted into H shares on a one-for-one basis and transferred to the National Council for Social Security Fund of the PRC. As of 31 December 2009, the total share number of the Company was 7,464,289,000 shares, including 4,753,570,000 domestic shares and 2,710,719,000 H shares.

SHARE CAPITAL

As of 31 December 2009, the total issued share capital of the Company was RMB7,464,289,000, divided into 7,464,289,000 shares of RMB1.00 each. Details of movements in the share capital of the Company during the year are set out in Note 34(c) to the Financial Statements.

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 year ended 31 December 2009.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the PRC law, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors' Report (Continued)

PRINCIPAL BUSINESS

The Group is principally engaged in the design, development, construction, management and operation of wind farms in areas with abundant wind resources in the PRC and the sales of electricity to the local grid companies. Details of major subsidiaries and associates and jointly controlled entities of the Company are set out in Note 19 and Note 20 to the Financial Statements respectively.

RESULTS

The audited results of the Company and its subsidiaries for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on pages 86 to 87. The financial position of the Company and its subsidiaries as of 31 December 2009 is set out in the consolidated balance sheet on pages 88 to 89. The consolidated cash flows of the Company and its subsidiaries for the year ended 31 December 2009 is set out in the consolidated statement of cash flows on pages 94 to 96.

A discussion and analysis of the Company's performance during the year and the material factors underlying its results and financial position are set out in the Management's Discussion and Analysis on pages 46 to 66 of this annual report.

PROFIT DISTRIBUTION

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2009, except for the special distribution, details of which are set out in Note 34(b) to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Company and its subsidiaries during the year are set out in Note 15 to the Financial Statements.

RESERVES

Details of the movement in reserves of the Company during the year are set out in Note 34(a) to the Financial Statements, among which, details of reserves attributable to shareholders are set out in Note 34(e) to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as of 31 December 2009 are set out in Note 27 to the Financial Statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, supervisors and senior management of the Company for the year ended 31 December 2009.

Name	Position in the Company	Date of Appointment
Zhu Yongpeng	Chairman of the Board and Non-executive Director	Appointed on 8 July 2009
Xie Changjun	Executive Director and President	Appointed on 8 July 2009
Wang Baole	Non-executive Director	Appointed on 8 July 2009
Tian Shicun	Executive Director and Vice President	Appointed on 8 July 2009
Luan Baoxing	Non-executive Director	Appointed on 8 July 2009
Wang Liansheng	Executive Director	Appointed on 8 July 2009
Li Junfeng	Independent Non-executive Director	Appointed on 8 July 2009
Zhang Songyi	Independent Non-executive Director	Appointed on 8 July 2009
Meng Yan *(Note 1)*	Independent Non-executive Director	Appointed on 8 July 2009
Chen Bin	Chief Supervisor	Appointed on 8 July 2009
Yu Yongping	Supervisor	Appointed on 8 July 2009
Wang Jianting	Employee Representative Supervisor	Appointed on 8 July 2009
Huang Qun	Vice President	Appointed on 8 July 2009
Zhang Yuan	Vice President	Appointed on 8 July 2009
Li Hongmei	Chief Accountant	Appointed on 8 July 2009
Fei Zhi	Vice President	Appointed on 8 July 2009
Jia Nansong	Board Secretary and Joint Company Secretary	Appointed on 8 July 2009

Note 1: Mr. Meng Yan was appointed as an independent non-executive Director at the shareholders' meeting held on 9 November 2009, with retrospective effect from 8 July 2009.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the ''Listing Rules'') and considers that all of the independent non-executive Directors are independent of the Company.

Directors' Report (Continued)

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on pages 39 to 45 of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts are (1) for a term of three years commencing from 8 July 2009; and (2) are subject to termination in accordance with their respective terms.

Each of the supervisors has entered into a contract in respect of, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with the Company.

Save as disclosed above, none of the Directors or supervisors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the remuneration of the Company's Directors and supervisors are set out in Note 9 to the Financial Statements.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no contract of significance to the Group's business in which the Company or its subsidiaries was a party, and in which a director or supervisor had a material interest, either directly or indirectly, subsisted during the year or at the end of the year.

INTEREST OF DIRECTORS IN COMPETING BUSINESS

During the year of 2009, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

Name of Directors	Position in the Company	Other Interests
Zhu Yongpeng	Chairman of the Board	General Manager of Guodian Group
Xie Changjun *(Note 1)*	Executive Director and President	Assistant General Manager of Guodian Group
Wang Baole	Non-executive Director	Assistant General Manager, Head of Plan & Development Department and Head of Nuclear Power Office of Guodian Group
Luan Baoxing	Non-executive Director	Director of Capital Operation and Property Management Department of Guodian Group

Note 1: Mr. Xie Changjun's title as an Assistant General Manager of Guodian Group is merely a title which represents his seniority and conforms to the Company's human resources policy. Mr. Xie Changjun has no direct involvement in the corporate affairs of Guodian Group, nor has he received any remuneration from Guodian Group directly.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

On 31 December 2009, none of the Directors, supervisors or senior management of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 31 December 2009, so far as known to the Directors, the following persons (other than the Directors, senior management or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held *(Share)*	Percentage in the Relevant Class of Share Capital *(%)*	Percentage in the Total Share Capital *(%)*
Guodian Group	Domestic shares	Interests of beneficial owner and controlled corporation	4,753,570,000 (Long position)	100%	63.68%
China Investment Corporation	H shares	Interests of controlled corporation	379,901,000 (Long position)	14.01%	5.09%
National Council for Social Security Fund (全國社會保障基金理事會)	H shares	Beneficial owner	246,430,000 (Long position)	9.09%	3.30%
China Life Insurance (Group) Company	H shares	Interests of beneficial owner and controlled corporation	170,931,000 (Long position)	6.30%	2.29%

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor any such contract subsisted at any time during 2009.

SUBSEQUENT EVENTS

On 9 February 2010, the Company issued unsecured corporate bonds in an aggregate principal amount of RMB1,600 million due 2017, redeemable in 2015 at the option of the bond holders, in the PRC at a coupon rate of 4.52% per annum.

CONNECTED TRANSACTIONS

Major connected transactions of the Group during 2009 are as follows:

(1) Non-exempt One-off Connected Transaction

From the date of listing of the Company, i.e. 10 December 2009, to 31 December 2009, the Group has not entered into any non-exempt one-off connected transactions which were discloseable or subject to independent shareholders' approval under the Listing Rules.

(2) Non-exempt Continuing Connected Transactions

The Group has entered into certain non-exempt continuing connected transactions during the year. At the time of the listing of the Company's H shares, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from strict compliance with the announcement and independent shareholders' approval requirements. The table below has set out the annual caps and the actual transaction amount of such kind of connected transactions:

	Connected Transactions	Connected Person	Annual Cap for 2009 *(RMB'000)*	Actual Transaction Amount for 2009 *(RMB'000)*
1	Provision of products and services by the Group	Guodian Group	115,100	169,793
2	Electricity sales	State Grid Corporation of China	8,000,000	6,215,410
3	Provision of products to the Group	Guodian Group	2,056,900	1,728,316
4	Provision of products and services to the Group	Zhongneng Power-Tech Development Company Limited	379,300	241,136

Directors' Report (Continued)

1. Provision of products and services by the Group

The Company entered into a master agreement on the mutual supply of products and services (綜合產品與服務購銷框架協議) with Guodian Group on 24 July 2009 as amended by a supplementary agreement dated 9 November 2009. Pursuant to the agreement, the Group provides products such as spare parts, equipment and power as well as services such as technical consulting services and CDM-related services to Guodian Group.

Material terms and conditions of the agreement are set out as follows:

- Products to be mutually supplied include spare parts, accessories, materials, water, power, equipment lease, raw materials, fuels, minerals, etc., and the services to be mutually supplied include: design consulting services, technical consulting services, maintenance services, bidding agency services, welfare distribution agency services, staff training services, property services, etc.;

- If the terms and conditions of similar products and services and the fees payable thereof offered by an independent third party are not better than those offered by one party, the other party shall give priority in sourcing the requisite products and services from the first party;

- Relevant subsidiaries of both parties will enter into separate agreements which shall set out the specific scope of products and services, terms and conditions of providing such products and services according to the principles laid down by the agreement;

- The products to be provided under the agreement will be based on the pricing policy described below: the price prescribed by the state, if applicable; where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; where there is neither a state-prescribed price nor a state-guidance price, the market price; and where none of the above is applicable or where it is not practical to apply the above pricing policies in actual transactions, the price agreed between the relevant parties which shall be the reasonable costs incurred in providing the products plus reasonable profits;

- The services to be provided under the agreement will be based on the following pricing policy: the bidding price where the bidding process is required for selecting the service provider; where no bidding process is involved, the market price; and

- The agreement is for a term of three years ending on 8 July 2012. Either party may terminate the agreement upon giving the other party at least three months' written notice.

Guodian Group is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for 2009 was RMB115,100,000 and the actual transaction amount was RMB169,793,000.

2. Electricity sales

The Group has been selling electricity generated by its wind farms and coal power plants to local grid companies controlled by State Grid Corporation of China in accordance with applicable PRC regulations in the ordinary and usual course of business. In 2009, the Company and its subsidiaries entered into written power purchase agreements with relevant local grid companies.

Those power purchase agreements typically contain various standard terms, such as on-grid tariff, metering and payment. According to relevant PRC laws, on-grid tariff are determined by the relevant pricing authorities and approved by NDRC. The power purchase agreements typically have a term of one year.

State Grid Corporation of China is the controlling shareholder of State Grid Xin Yuan Company Limited, which, in turn, is the substantial shareholder of three non-wholly-owned subsidiaries of the Company, namely Chifeng Xinsheng Wind Power Generation Co., Ltd., Xinjiang Tianfeng Power Generation Joint Stock Company and Gansu Xin'an Wind Power Generation Co., Ltd. by virtue of its shareholdings of 33%, 35.02% and 35% respectively therein. State Grid Corporation of China and its local grid companies are connected persons of the Company under the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for 2009 was RMB8,000,000,000 and the actual transaction amount was RMB6,215,410,000.

Directors' Report (Continued)

3. Provision of products to the Group

The Company entered into a master agreement on the mutual supply of products and services with Guodian Group on 24 July 2009 as amended by a supplementary agreement dated 9 November 2009. Pursuant to the agreement, Guodian Group provides products such as substituting generation and wind turbines to the Group.

Please refer to relevant disclosure of the first non-exempt continuing connected transaction above for material terms and conditions of the agreement.

Guodian Group is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for year 2009 was RMB2,056,900,000 and the actual transaction amount was RMB1,728,316,000.

4. Provision of products and services to the Group

The Company entered into a master agreement on the mutual supply of products and services with Zhongneng Power-Tech Development Company Limited*(Note1)* on 30 July 2009. Pursuant to the agreement, the Group provides products such as spare parts and equipment, training and property leasing services and other services to Zhongneng Power-Tech Development Company Limited. Zhongneng Power-Tech Development Company Limited provides products such as construction materials, accessories, spare parts and equipment and services such as wind power testing services, equipment maintenance and technical and bidding agency services.

Material terms and conditions of the agreement are set out as follows:

- If the conditions of similar products and services and the fees payable thereof offered by an independent third party are not better than those offered by one party, the other party shall give priority in sourcing the requisite products and services from the first party;

- Relevant subsidiaries of both parties will enter into separate agreements which shall set out the specific scope of products and services, terms and conditions of providing such products and services according to the principles laid down by the agreement;

- The products to be provided under the agreement will be based on the pricing policy described below: the price prescribed by the state, if applicable; where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; where there is neither a state-prescribed price nor a state-guidance price, the market price; and where none of the above is applicable or where it is not practical to apply the above pricing policies in actual transactions, the price agreed between the relevant parties shall be the reasonable costs incurred in providing the products plus reasonable profits;

- The services to be provided under the agreement will be based on the following pricing policy: the bidding price where the bidding process is required for selecting the service provider; where no bidding process is involved, the market price; and

- The agreement is for a term of three years ending on 8 July 2012. Either party may terminate the agreement upon giving the other party at least three months' written notice.

Zhongneng Power-Tech Development Company Limited is a non wholly-owned subsidiary of the Company. GD Power Development Co., Ltd., an associate of Guodian Group, holds 20% of the equity interest in Zhongneng Power-Tech Development Company Limited. Therefore, Zhongneng Power-Tech Development Company Limited is a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for year 2009 was RMB379,300,000 and the actual transaction amount was RMB241,136,000.

Note 1: The master agreement also covers those transactions to be entered into by subsidiaries and associates of Zhongneng Power-Tech with the Group. Currently, besides Zhongneng Power-Tech, Beijing Zhongneng Lianchuang Wind Power Technology Co., Ltd., in which Zhongneng Power-Tech holds 50% of the equity interests, also provides products and services to the Group.

The independent non-executive Directors of the Company have reviewed each of the abovementioned continuing connected transactions and confirmed that the transactions have been conducted:

(1) in the usual course of business of the Group;

(2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, from the perspective of the Group, on terms no less favorable than the terms available to or from independent third parties; and

Directors' Report (Continued)

(3) in accordance with relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has performed relevant agreed-upon procedures in respect of the abovementioned continuing connected transactions and has provided a letter to the Board confirming that for the year ended 31 December 2009, these transactions:

(1) have been approved by the Board of the Company;

(2) involving the provision of goods and services by the Group have been priced in accordance with the pricing policies set out in relevant contracts;

(3) have been conducted in accordance with the terms of the agreements governing such transactions; and

(4) did not exceed the relevant annual caps for 2009 as disclosed in the Prospectus of the Company, except for the transaction below:

For the year ended 31 December 2009, the provision of products and services by the Group to Guodian Group amounted to approximately RMB169,793,000, which exceeded the annual cap of RMB115,100,000.

The reasons for exceeding the annual cap for the above transaction is set out in the announcement published by the Company on 9 March 2010.

In respect of the abovementioned connected transactions, the Directors also confirmed that except for the transaction as disclosed above, the Company was in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into the Non-Competition Agreement with Guodian Group on 30 July 2009, pursuant to which, Guodian Group provided certain non-competition undertakings to the Company and granted the options and pre-emptive rights to acquire the retained business and any new business opportunities of Guodian Group to the Company. Pursuant to the agreement, the independent non-executive Directors of the Company are responsible for reviewing and considering whether or not to exercise such options and pre-emptive rights and are entitled, on behalf of the Company, to review the implementation of the undertakings under the agreement on an annual basis.

During the year, the independent non-executive Directors of the Company have reviewed the implementation of the Non-Competition Agreement and confirm that Guodian Group has been in full compliance with the agreement and there was no breach by Guodian Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the purchase from the Group's five largest fuel suppliers in aggregate contributed 59.9% of the Group's total purchase of fuel for the year, among which, the total purchase from the largest fuel supplier contributed 20.3% of the Group's total purchase of fuel for the year.

For the year ended 31 December 2009, the sales to the Group's five largest customers in aggregate contributed 57.7% of the Group's total sales for the year, among which, the sales to the largest customer contributed 42.1% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors, associates of Directors or any shareholders of the Company (who to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Company's five largest suppliers or five largest customers during the year.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 32 to the Financial Statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As a company listed on the Hong Kong Stock Exchange, the Company strives to maintain a high standard of corporate governance practices and complies with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules. Please refer to the Corporate Governance Report as set out on pages 71 to 81 of this annual report for details.

Directors' Report (Continued)

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued share capital of the Company was held by the public as at the latest practicable date prior to the issue of this annual report, which was in compliance with the requirements under the Listing Rules.

MATERIAL LITIGATION

As of 31 December 2009, the Company was not involved in any material litigation or arbitration. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Company.

AUDIT COMMITTEE

The 2009 annual results of the Group and the Financial Statements for the year ended 31 December 2009 prepared in accordance with the International Financial Reporting Standards have been reviewed by the audit committee of the Company.

AUDITORS

KPMG and RSM China Certified Public Accountants Co., Ltd.（中瑞岳華會計師事務所）were appointed as auditors for the financial statements prepared in accordance with International Financial Reporting Standards and Accounting Standards for Business Enterprises of PRC for the year ended 31 December 2009, respectively. The enclosed Financial Statements prepared in accordance with the International Financial Reporting Standards have been audited by KPMG. KPMG and RSM China Certified Public Accountants Co., Ltd. have been appointed by the Company since the date of preparation of its listing.

By order of the Board
China Longyuan Power Group Corporation Limited
Chairman of the Board
Zhu Yongpeng

Beijing, 30 March 2010

Biography of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Zhu Yongpeng, aged 58, is a non-executive Director and Chairman of the Board of the Company. He is a professor-grade senior engineer. He graduated from Northeast Dianli University with a bachelor's degree in Engineering. Mr. Zhu was elected as a Director of the Company in July 2009 and has previously served the Group from 1993 to 2000. Mr. Zhu has served successively as an engineer and deputy head of the Power Generation and Technology Division of the Ministry of Water Resources and Electric Power, head of the General Office of Power Department of the Ministry of Energy Resources, deputy general manager and general manager of China Longyuan Electric Power Group Corporation, vice chairman and general manager of GD Power Development Co., Ltd. Mr. Zhu is currently the general manager of Guodian Group.

Mr. Wang Baole, aged 53, is a non-executive Director of the Company. He is a senior statistician. He graduated from Xiamen University with a bachelor's degree in Economics and has completed post-graduate studies on Statistics (Investment Decision-making Analysis). Mr. Wang was elected as a Director of the Company in July 2009. Mr. Wang has served successively as deputy head of Statistics Division of Planning Department of the Ministry of Water Resources and Electric Power, deputy head and head of Statistics Division of General Planning Department of the Ministry of Energy Resources, head of Statistics & Analysis Division and deputy general director of Planning Department of the Ministry of Electric Power, deputy head of Planning & Investment Department and deputy head of Strategic Study & Planning Department of the State Power Corporation. Mr. Wang is currently the Assistant General Manager, head of Plan & Development Department, and head of Nuclear Power Office of Guodian Group.

Mr. Luan Baoxing, aged 42, is a non-executive Director of the Company. He is a senior accountant. He graduated from Harbin Institute of Technology with a master degree in Business Administration. Mr. Luan was elected as a Director of the Company in July 2009. Mr. Luan has served successively as deputy head of Property and Fund Division and head of Accounting Cost Division of Finance Department of Heilongjiang Electric Power Company, deputy head and head of Accounting Cost Division of Finance Department and deputy head of Finance Department of China Northeast Electric Power Group Company, deputy chief accountant and head of Finance Department of Chongqing Electric Power Company, deputy head of Finance and Property Department and deputy Director of Capital Operation and Property Management Department of Guodian Group. Mr. Luan is currently the head of Capital Operation and Ownership Management Department of Guodian Group.

Biography of Directors, Supervisors and Senior Management (Continued)

EXECUTIVE DIRECTORS

Mr. Xie Changjun, aged 52, is an executive Director and president of the Company, and also the Assistant General Manager of Guodian Group. He is a professor-grade senior engineer. He graduated from Northeast Dianli University with a bachelor's degree in Engineering. Mr. Xie joined the Group in 1993. He has served successively as assistant engineer and engineer of Science & Technology Department of the Ministry of Water Resources and Electric Power, deputy head of Planning Division of Science & Technology Department of China Electricity Council, general manager assistant and deputy general manager of Zhongneng Power-tech Development Company Limited, vice president and president of China Longyuan Electric Power Group Corporation.

Mr. Tian Shicun, aged 57, is an executive Director and the vice president of the Company. He is a professor-grade engineer. He graduated from Wisconsin International University Ukraine Campus with a master degree. Mr. Tian joined the Group in 2006. Mr. Tian has served successively as deputy manager of Ningxia Zhongning Power Plant, chief engineer, deputy manager, and manager of Daba Power Plant, deputy general manager of Ningxia Electric Power Company, general manager of Guodian Group Northwest Branch, and vice president of China Longyuan Electric Power Group Corporation.

Mr. Wang Liansheng, aged 58, is an executive Director of the Company. He is a senior economist. He graduated from Beijing Normal University. Mr. Wang joined the Group in 1997. Mr. Wang has served successively as deputy head and head of Publicity Department of Beijing Power Design Institute, head of Publicity Department of Staff Office Party Committee of the Ministry of Electric Power, and vice president of China Longyuan Electric Power Group Corporation.

Biography of Directors, Supervisors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Junfeng, aged 53, is an independent non-executive Director of the Company. He graduated from Shandong Mining Institute with a bachelor's degree in Engineering. Mr. Li was elected as an independent non-executive Director of the Company in July 2009. He is currently the director of academic members, deputy director general and researcher of the Energy Research Institute under the National Development and Reform Commission. He is also holding various positions in social academic groups, including the vice chairman of the International Wind Energy Council, deputy chairman of the board of directors of the Renewable Energy Society of China, and technology advisor to the People's Government of the Inner Mongolia Autonomous. He was assistant researcher of the Energy Research Institute of the State Economic and Trade Commission and Energy Advisor to the World Bank. Mr. Li is also an independent director of Zhuzhou Times New Materials Technology Co., Ltd (600458.SH) and Trina Solar Limited (NYSE: TSL) respectively.

Mr. Zhang Songyi, aged 54, an independent non-executive Director of the Company. He holds a Juris Doctor from Yale University. Mr. Zhang was elected as an independent Director of the Company in July 2009. Mr. Zhang is currently a director of Sina Corporation (NASDAQ: SINA), a director of Hong Kong Energy (Holdings) Limited (0987.HK), and a director of Lumena Resources Corp. (0067.HK). Mr. Zhang served as a director of Suntech Power Holdings Co., Ltd. (NYSE: STP). He was the vice chairman, executive director, managing director, and department joint head of Morgan Stanley Asia Limited. Since leaving Morgan Stanley, he has been retained as a senior advisor on a contractual basis. Mr. Zhang practiced law at Milbank, Tweed, Hadley & McCloy LLP from 1985 to 1993.

Mr. Meng Yan, aged 54, an independent non-executive Director of the Company. He holds the qualification of PRC Certified Public Accountant and a doctorate degree in Economics (Accounting) from the Research Institute for Fiscal Science of Ministry of Finance. Mr. Meng was elected as an independent non-executive Director of the Company in July 2009. Mr. Meng is currently the dean, professor and supervisor of doctorate students in the School of Accountancy of Central University of Finance and Economics. He is also the executive director of the Accounting Society of China and the Banking Accounting Society of China, member of the Master of Professional Accounting (MPAcc) Education Steering Committee under the Ministry of Education and member of Steering Committee on Teaching and Learning of Business Administration Disciplines of Higher Education Institutions under the Ministry of Education. He was also the expert consultant of the Accounting Standards Committee of the Ministry of Finance for accounting standards and the expert of the Ministry of Finance for enterprise performance evaluation. At present, Mr. Meng serves as an independent director of China Merchants Property Development Company Ltd. (000024.SZ; 200024.SZ), Beijing Bashi Media Co., Ltd. (600386.SH), Yantai Wanhua Polyurethanes Co., Ltd. (600309.SH) and Henan Splendor Science & Technology Co. Ltd. (002296.SZ). Mr. Meng received the special government allowance from the State Council in 1997.

Biography of Directors, Supervisors and Senior Management (Continued)

SUPERVISORS

Mr. Chen Bin, aged 50, is a Supervisor of the Company. He is a senior accountant and has completed post-graduate studies on Management Engineering from Northeast Dianli University. Mr. Chen was elected as a Supervisor of the Company in July 2009. Mr. Chen has served successively as chief account of Dalian Power Plant, head of Accounting Cost Division, as well as a chief accountant and deputy head of Finance Department of Northeast Electric Power Group Company, head of Financial Budget Division of Finance and Property Right Management Department of State Power Corporation, chief accountant of China Hydropower Construction Company, chief accountant and deputy general manager of GD Power Development Co., Ltd., deputy chief accountant and head of Finance and Property Department of Guodian Group. Mr. Chen is currently deputy chief accountant and head of Financial Management Department of Guodian Group.

Mr. Yu Yongping, aged 49, is a Supervisor of the Company. He is a senior accountant. He graduated from Liaoning Institute of Finance and Economics with a bachelor's degree in Economics and has completed post-graduate studies on Civil's Economics. Mr. Yu was elected as a Supervisor of the Company in July 2009. Mr. Yu has served as accountant of Finance Division of Machinery Manufacturing Construction Bureau of the Ministry of Water Resources and Electric Power. He has also served in the Emigration and Development Bureau of the State Council Three Gorges Project Construction Committee as deputy head and head of Finance Division of Financial Planning Department, deputy head of Planning Department, deputy head of Resettlement Department, and assistant Ombudsman of General Office. He has held positions as head of Market Development Division of Marketing Department of Guodian Group, deputy general manager and chief accountant of Guodian Northeast Electric Power Co., Ltd., deputy head of Finance and Property Department of Guodian Group. Mr. Yu is currently head of Audit Department of Guodian Group.

Mr. Wang Jianting, aged 45, is an employee representative Supervisor of the Company. He graduated from the evening class of Beijing Vocational College of Finance and Commerce. Mr. Wang joined the Group in 1994. He has successively served at the Ministry of Water Resources and Electric Power as assistant accountant of Science and Technology Department and accountant of General Office of Technology Education Department. He has also held positions as deputy head and head of Planning and Finance Department, as well as general manager assistant of Zhongneng Power-tech Development Company Limited, deputy general manager of China Fulin Wind Power Development Company, head of Wind Power Project Department, general manager assistant, head of Audit Department, head of Safety Production Department, and head of Construction Engineering Department of China Longyuan Electric Power Group Corporation, general manager of Jiangsu Longyuan Wind Power Co., Ltd., and chief economist of China Longyuan Electric Power Group Corporation. Mr. Wang is currently the chief of disciplinary inspection group and chairman of the trade union of the Company.

Biography of Directors, Supervisors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. Xie Changjun is an executive Director and president of the Company. Biographical details of Mr. Xie Changjun as at the date hereof are set out on Page 40 of this annual report.

Mr. Tian Shicun is an executive Director and the vice president of the Company. Biographical details of Mr. Tian Shicun as at the date of hereof are set out on Page 40 of this annual report.

Mr. Huang Qun, aged 48, is a vice president of the Company. He is a senior engineer. He graduated from Tongji University with a bachelor's degree in Engineering. Mr. Huang joined the Group in 1993. Mr. Huang has worked as engineer at Power Department of the Ministry of Energy Resources and Policy Research Office of the Ministry of Water Resources and Electric Power. He has successively served at China Longyuan Electric Power Group Corporation as deputy head and head of Manager Department, head of the First Division of the Operation Department, chief economist and head of Operation Department, general manager assistant, and deputy general manager.

Mr. Zhang Yuan, aged 53, is a vice president of the Company. He is a professor-grade engineer. He graduated from Northwest Telecommunication Construction University. Mr. Zhang joined the Group in 2003. Mr. Zhang has worked as engineer and office director of Energy Research Institute of Qinghai Province and has worked as engineer of Rural Electrification Department of the Ministry of Energy Resources. He has successively served as deputy division chief of Hydropower and Agriculture Electricity Department of the Ministry of Electric Power, division chief of Hydropower and New Energy Development Department and Power Construction Department of the State Power Corporation, and deputy general manager of China Longyuan Electric Power Group Corporation.

Biography of Directors, Supervisors and Senior Management (Continued)

Ms. Li Hongmei, aged 52, is chief accountant of the Company. She graduated from Central University of Finance & Economics with a college diploma and holds the qualification of PRC Certified Public Accountant. Ms. Li joined the Group in 1994. Ms. Li has served successively as deputy head of Finance Division of China Electronic Appliance Corporation North Branch, deputy head of Shanghai Securities Department of China Information Trust Investment Corporation, deputy head of Beijing Office of Haitong Securities Co., Ltd., head of Planning and Finance Department, deputy chief accountant, head of Finance and Property Department, and chief accountant of China Longyuan Electric Power Group Corporation.

Mr. Fei Zhi, aged 42, is a vice president of the Company. He is a senior engineer. He graduated from Shanghai Institute of Electric Power with a bachelor's degree in Engineering and further graduated from Southeast University with another bachelor's degree in Engineering. Mr. Fei joined the Group in 1995. Mr. Fei has successively served as deputy section chief of Technology Education Section of Tianshenggang Power Plant, head of Fuel Department and Maintenance Department, general manager assistant, and general manager of Nantong Tianshenggang Power Generation Co., Ltd. Mr. Fei has also worked as director of the Preparation Office of Guodian Jiangsu Haimen Power Plant.

Mr. Jia Nansong, aged 47, is the board secretary of the Company and one of the joint company secretaries. He is a senior engineer. He graduated from North China Electric Power University with a bachelor's degree in Engineering. Mr. Jia joined the Group in 1994. Mr. Jia has worked at Electric Power Planning and Design Institute and the Information Center of the Ministry of Electric Power. He has served successively as deputy head of Technical Development Department, head of Marketing and Technical Development Department, head of Project Development Department, and head of Technical Development Department of China Longyuan Electric Power Group Corporation, standing deputy general manager of Longyuan West Heat Power Technology Co., Ltd., head of Human Resources Department and Auditing Supervision Department, deputy chief Economist, general manager assistant and head of the General Manager Office of China Longyuan Electric Power Group Corporation.

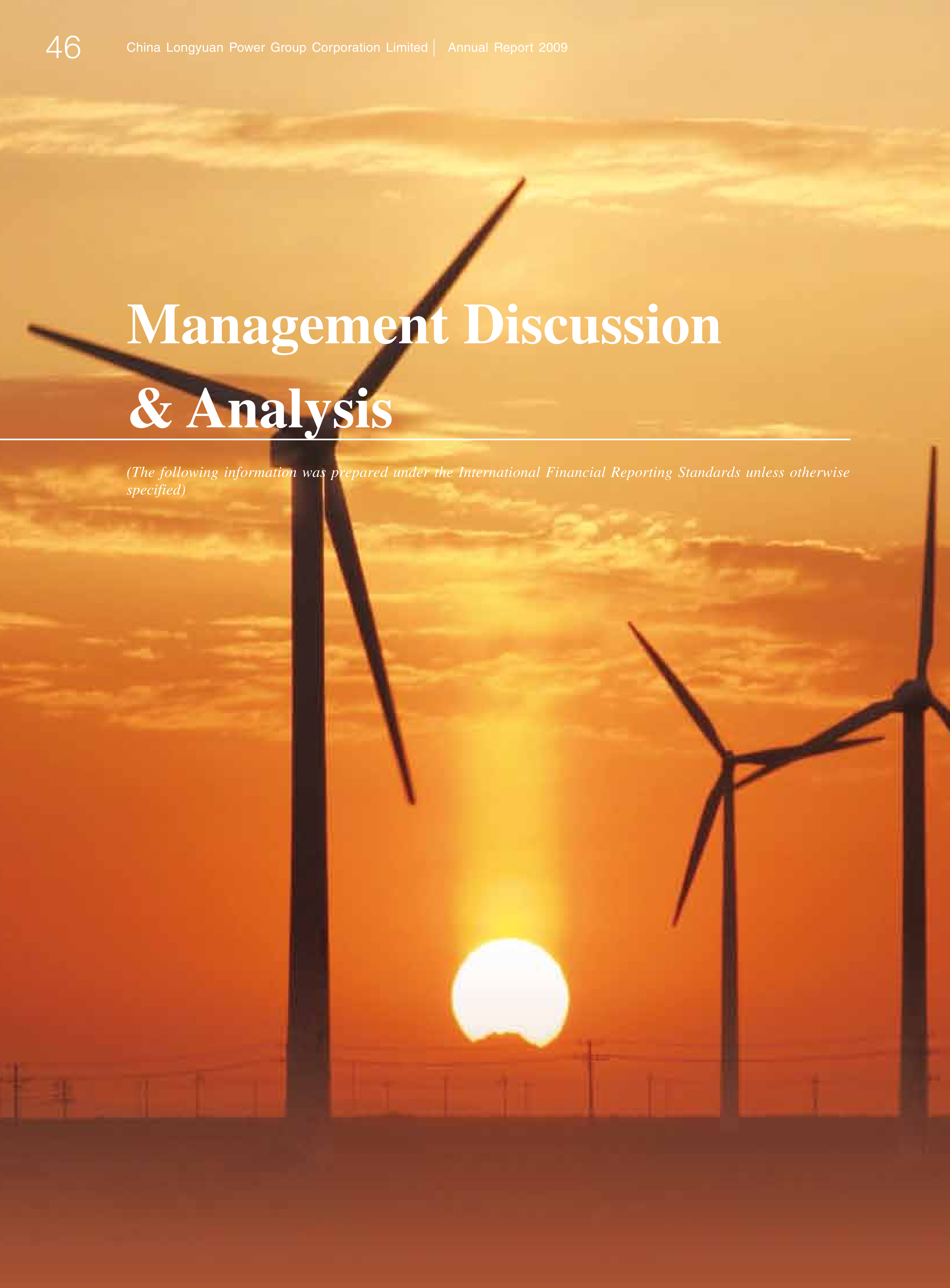
JOINT COMPANY SECRETARIES

Mr. Jia Nansong, is board secretary of our Company and one of the joint company secretaries. Mr. Jia Nansong has profound knowledge and understanding of the PRC power industry and abundant operational and management experience. Biographical details of Mr. Jia Nansong as at the date hereof are set out on Page 44 of this annual report.

Mr. Ngai Wai Fung, aged 48, is the joint company secretary of the Company. Mr. Ngai was appointed as the joint company secretary of our Company on 9 November 2009. Mr. Ngai Wai Fung holds a Master of Corporate Finance Degree from the Hong Kong Polytechnic University, Master of Business Administration Degree from Andrews University of the United States and a Bachelor of Laws (with Honours) Degree from the University of Wolverhampton, the United Kingdom. Mr. Ngai Wai Fung is also undertaking a PhD course (thesis stage) in Finance at the Shanghai University of Finance and Economics. Mr. Ngai Wai Fung is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai Wai Fung is currently the vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its Membership Committee. Mr. Ngai Wai Fung is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom.

Management Discussion & Analysis

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)



Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

I. INDUSTRY REVIEW

In 2009, installed capacity of the PRC power industry continued to expand at a rapid pace. The installed capacity of coal and hydro power remained stable or contracted slightly, while the installed capacity of wind power grew significantly. According to the statistics issued by China Electricity Council, 2009 also saw an increase of 89,700 MW in the additional installed capacity of the PRC power industry, representing an increase of 10.2% over last year, of which 60,760 MW, 19,890 MW and 8,970 MW were attributable to coal power, hydro power and wind power respectively. In 2009, 67.73%, 22.17% and 10.00% of the additional installed capacity were attributable to coal power, hydro power and wind power respectively. As compared with its share of 75% of the total installed capacity, coal power took a much lesser share of additional installed capacity. The above figures indicate a progressive yet significant change in the power source structure wherein the electricity generation installed capacity of clean energy, represented by wind power and hydro power, will gradually increase in proportion while that of coal power will gradually decrease in proportion.

The PRC government has been relentless in promoting energy saving and emission reduction, endorsing renewable energy development, accelerating the economic restructuring and transformations, advocating recycling economy and vigorously working towards an energy-saving and eco-friendly society. With increasing wind power development worldwide and as an effect of deepening of the government's aid, China's wind power industry made remarkable progress and continued to quicken its pace in 2009. According to the statistics issued by China Electricity Council, the total installed capacity of on-grid wind power of the PRC reached 17,580 MW as at the end of 2009.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

In 2009, the PRC government introduced a series of laws and regulations such as the "Circular regarding the Furtherance of On-grid Pricing Policy of Wind Power" and "Renewable Energy Law of the PRC (Amended)"(《中華人民共和國可再生能源法(修正案)》). As stipulated under the "Circular regarding the Furtherance of On-grid Pricing Policy of Wind Power", the PRC is categorised into four wind resource zones, based on the wind resources and project construction conditions. Each zone is subject to a standard wind power on-grid tariff, which represents the first standardised tariff setting mechanism in the renewable power generation industry. The introduction of this policy has not only indicated the evolvement of wind power generation into a more mature power generation sector after recent years of rapid development, but has also further denoted a new phase of advanced and steady development of the PRC wind power industry going forward, which will further promote its rapid development. The document also required the continuous implementation of the wind power tariffs sharing system by the state and specified the ongoing application of a unified state-governed tariff surcharge mechanism for renewable energy, which secured stable funding for industry development of renewable energy including wind power. "Renewable Energy Law of the PRC (Amended)"(《中華人民共和國可再生能源(修正案)》) confirmed the implementation of a full-amount protective acquisition system for renewable power generation and the establishment of a renewable energy development fund by the state. Meanwhile, the PRC government lifted the standard of tariff surcharge for renewable energy from RMB0.002 per kWh to RMB0.004 per kWh in November 2009. In light of the above policies and regulations, the PRC renewable energy industry is set to blossom with healthy and fast-paced growth.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

II. BUSINESS REVIEW

1. Rapid expansion in wind power installed capacity and pipeline projects

In 2009, the Group continued to accelerate the development and construction of wind power projects and further improved the construction of six major wind power bases in Northeast China, Inner Mongolia, the Southeast coastal Provinces, Xinjiang, Gansu and Hebei. Through such effort, the installed capacity for the Group's pipeline wind power projects increased by 16,000 MW during the year and reached 45,000 MW as at the end of 2009. Through conscientious organisation, coordination and schedule planning as well as reasonable allocation of resources, the Group ultimately achieved its commissioning target for the year by putting 41 wind power projects into operation during the year, which generated an additional wind power consolidated installed capacity of 2,000.7 MW. As at the end of 2009, the total installed capacity of the Group was 6,746.3 MW, and for our wind power business, the total installed capacity, consolidated installed capacity and attributable installed capacity was 4,842.4 MW, 4,503.5 MW and 3,757.9 MW, respectively. Furthermore, the installed capacity of our coal power business and other renewable energy business amounted to 1,875.0 MW and 28.9 MW, respectively.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Geographical breakdown of the consolidated installed capacity of the Group's wind farms for the years 2008 and 2009:

Region	Wind power consolidated installed capacity in 2008 *(MW)*	Wind power consolidated installed capacity in 2009 *(MW)*	Percentage of Change
The Three Northeast Provinces	774.50	1,666.70	115.2%
Inner Mongolia	760.90	993.40	30.6%
The Southeast Coastal Provinces	485.25	714.75	47.3%
Gansu	208.80	406.80	94.8%
Xinjiang	223.80	249.30	11.4%
Hebei	49.50	423.00	754.5%
Other regions	—	49.50	—
Total	2,502.75	4,503.45	79.94%

2. Steady increase in electricity generation

During the year, the Group accumulated a gross electricity generation of 17.184 billion kWh, of which electricity generated from our wind power business accounted for 6.211 billion kWh (including electricity generated during the construction period), representing an increase of 69.9% over last year. Such an increase in the Group's wind power electricity output was primarily attributable to the ongoing expansion in wind power installed capacity and the Company's extensive operating and management experience in the industry, which ensured safe and stable operation of wind power generating units. The average availability factor of the Group's wind power generating units was 97.69%, while the average utilisation hours in 2009 decreased by 86 hours from last year to 2,268 hours, primarily due to the limitation on the electricity output of some projects.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Geographical breakdown of the consolidated power generation of the Company's wind farms for the years 2008 and 2009:

Region	**Consolidated gross power generation in 2008** *(MWh)*	**Consolidated gross power generation in 2009** *(MWh)*	**Percentage of Change**
The Three Northeast Provinces	1,112,356.70	1,813,660.60	63.0%
Inner Mongolia	842,617.00	1,819,515.35	115.9%
The Southeast Coastal Provinces	931,084.80	1,312.565.30	41.0%
Gansu	277,387.00	428,155.10	54.4%
Xinjiang	412,019.40	661,436.00	60.5%
Hebei	79,643.00	175,689.30	120.6%
Other regions	—	—	—
Total	3,655,107.9	6,211,021.65	69.93%

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Geographical breakdown of the average utilisation hours of wind power of the Company's wind farms for the years 2008 and 2009:

Region	**Average utilisation hours of wind power in 2008** *(hr)*	**Average utilisation hours of wind power in 2009** *(hr)*	**Percentage of Change**
The Three Northeast Provinces	2,290.7	2,091	-8.7%
Inner Mongolia	2,811.1	2,341	-16.7%
The Southeast Coastal Provinces	2,431.8	2,421	-0.4%
Gansu	1,506.4	1,751	16.2%
Xinjiang	2,345.4	2,927	19.9%
Hebei	3,217.9	2,886	-10.3%
Other regions	—	—	—
Total	2,354	2,268	-3.6%

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Geographical breakdown of the average operating rate of wind power of the Company's wind farms for the years 2008 and 2009:

Region	**Average operating rate in 2008** *(%)*	**Average operating rate in 2009** *(%)*	**Percentage of Change**
The Three Northeast Provinces	93.03	98.63	5.6%
Inner Mongolia	98.26	98.13	-0.13%
The Southeast Coastal Provinces	98.43	97.57	-0.86%
Gansu	98.1	98.94	0.84%
Xinjiang	97.83	96.41	-1.42%
Hebei	94.75	94.42	-0.33%
Other regions	—	—	—
Total	96.35	97.69	1.34%

During the year, the electricity generated from our coal power business decreased to 10.910 billion kWh as compared to last year, primarily due to a decrease in power generation during the same period following the shutdown of four 137.5 MW small coal power generating units of Nantong Tianshenggang Power Generation Co., Ltd., a subsidiary of the Company in 2008. However, upon the decommissioning of these small generating units, the Group actively engaged in the trading of substituting generation output. The average utilisation hours of coal power generating units of the Group were 5,819 hours in 2009.

3. Simultaneous growth in profit and scale

In view of the PRC government's attempts to develop wind power and other renewable energy, the Group leveraged on its edges to expand its scale and achieved a significant growth of its installed capacity. Measures were also introduced to improve the evaluation and optimisation of new projects under development, enforce the life-cycle management of project construction, optimise the production operation and administration and tighten the control on tariffs and electricity rate. Coupled with the active development of Clean Development Mechanism ("CDM") projects, the profit of the Group increased significantly. Net profit attributable to shareholders for this year was RMB894 million, representing an increase of 165.3% over last year.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

4. Tariff rate remained stable

As of 31 December 2009, the annual average on-grid tariffs for wind power increased by RMB5 per MWh over last year to RMB567 per MWh (value-added tax ("VAT") included), while the average on-grid tariffs for coal power increased by RMB18 per MWh over last year to RMB421 per MWh (VAT included). Pursuant to the new wind power tariff policy promulgated by the National Development and Reform Commission of the PRC ("NDRC") in July 2009, the Company believes that the average on-grid tariffs for wind power projects approved after 1 August 2009 will be higher than the Group's average on-grid tariffs in 2009.

5. Remarkable progress in the construction of offshore wind farms

The PRC government had promulgated development plans on offshore wind power projects. As the forerunner of this domain in the PRC, the Group has the first-mover advantage in terms of both technology and construction experience. Making the best of its edges, the Group took the initiative to commence the preliminary development work of offshore wind power projects and pushed the construction of wind farms in intertidal areas ahead. Subsequent to meticulous designs and well-thought organisations, the Group took the lead in the construction of the first experimental generating units which became operational in the intertidal area in Rudong, Jiangsu Province. The project marked a breakthrough in international intertidal wind power generation. Further, it offered valuable experience to the Company and laid a solid foundation for development of large-scale offshore wind power projects in the future.

6. Decrease in the purchase cost of equipment

The Group has been seeking to reduce the purchase price of wind power equipment, and leveraging on its economy of scale to centralise the tender process of wind turbines and wind power equipment. This led to a substantial decrease in the purchase cost. The continuous development of the domestic and international wind turbine manufacturing market has left the Group with more options as to which model of turbines to purchase, thereby gradually decreasing the purchase price of equipment each year. In 2009, the purchase cost of wind power equipment of the Group decreased by 12% as compared to that in 2008.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

7. Strengthened finance and capital management and enhanced corporate efficiency

Apart from the unified capital management, the Group actively diversified its financing channels, carried forward the control measures and utilised low-cost capital such as bills and trust loans. The average cost of the Group's borrowings was over 10% below the prevailing benchmark interest rates during the year, resulting in an effective reduction in the borrowing cost. The Group also enhanced the research on central capital management which reduced the amount of non-performing capital and enhanced the efficiency in use of funds which effectively ensured the availability of funds required for the Company's development.

8. Active development of CDM projects

The Group has been proactively developing CDM projects through CDM transaction mechanism. As of 31 December 2009, the Company had developed 116 CDM projects, of which 79 have obtained the approval of the NDRC and 25 have been successfully registered, comprising 24 wind power projects and 1 biomass power project. In 2009, the Company's revenue from CDM projects amounted to RMB197 million, representing an increase of 82% as compared to that of 2008. Apart from CDM projects, the Group has also been developing voluntary emission reduction ("VER") projects. In 2009, the revenue derived from VER projects amounted to RMB14 million.

9. Further improvement and solidification of the supporting system of ten major wind power technical services

Besides rapidly expanding its wind power installed capacity, the Group further improved the supporting system of its ten major wind power technical services, namely renewable energy research, wind power industry services, preliminary wind power development, wind power equipment procurement, wind power consulting and design, wind farm supervision, maintenance, management on spare parts, CDM development and training in respect of wind power technology. The development and improvement of the above supporting system of technical services has lifted the professional management standard and also the economic efficiency of the Company. By stepping up efforts in developing the supporting system of technical services, capitalising on its advantage in talents, technology and management, the Group continued to be the leading wind power generation company in the PRC in 2009.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

10. Strengthened core competitiveness as a whole

Through the efforts and progress made by the Group over the year, all production and operating indicators were met and remarkable results were achieved. The overall strength was further enhanced and developments in terms of both scale and efficiency were made. The Group has significantly strengthened its core competitiveness as a whole and maintained its leading position in the PRC wind power industry.

III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Overview

In 2009, the Group recorded a significant increase in profit. The net profit amounted to RMB1,647 million for the year, representing an increase of 168.2% from RMB614 million in 2008. Net profit attributable to shareholders amounted to RMB894 million, representing an increase of 165.3% from RMB337 million in 2008.

Operating revenue

Operating revenue of the Group amounted to RMB9,744 million in 2009, representing an increase of 13.9% from RMB8,555 million in 2008, primarily due to 1) an increase of RMB1,117 million or 68.4% in revenue from electricity sales as compared with RMB1,635 million in 2008 as a result of an increase in electricity sales following an expansion in the operating capacity of our wind power business; 2) revenue from construction of wind power service concession projects amounted to RMB883 million, representing a decrease of RMB1,317 million or 59.9% from RMB2,200 million in 2008; and 3) revenue from the sales of coal amounted to RMB1,648 million as a result of the establishment of a company engaged in coal trading business in 2009.

Other net income

Other net income of the Group amounted to RMB574 million in 2009, representing an increase of 47.2% from RMB390 million in 2008, primarily due to an increase of RMB93 million or 79.0% in income from sales of CERs and VERs over 2008 as more wind power projects were successfully registered with the United Nations and put into operation. In addition, due to the increase in the electricity sales of our wind power business, other government grants (mainly including VAT rebates and the amortisation of VAT refunds) increased by RMB120 million or 57.2% over 2008.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Operating expenses

The operating expenses of the Group amounted to RMB7,459 million in 2009, representing a decrease of 0.9% from RMB7,524 million in 2008, primarily due to the increase in depreciation and amortisation expenses of wind power business, the decrease in the construction costs of wind power service concession projects, the decrease in coal consumption of coal power business, the increase in material costs as well as the decrease in other operating expenses.

Coal consumption

The coal consumption of the Group amounted to RMB2,290 million in 2009, representing a decrease of 26.8% from RMB3,128 million in 2008, primarily due to the decrease in the coal price in the domestic market in 2009 as compared to 2008, as well as the decrease in electricity generation by coal power companies as compared to 2008.

Service concession construction costs

The Group's construction costs of the wind power service concession projects amounted to RMB883 million in 2009, representing a decrease of 59.9% from RMB2,200 million in 2008, primarily due to fewer wind power concession projects under construction.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB1,590 million in 2009, representing an increase of 46.8% from RMB1,083 million in 2008, primarily due to the increase of 83.7% in depreciation and amortisation expenses of wind power business over 2008 as a result of the increased installed capacity.

Personnel costs

Personnel costs of the Group amounted to RMB540 million in 2009, representing an increase of 40.6% from RMB384 million in 2008, primarily due to the increase in headcount as a result of the Group's expansion. Such increase was also due to the fact that a portion of the remuneration of employees was expensed instead of being capitalised as more projects commenced operation.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Materials costs

The material costs of the Group amounted to RMB1,703 million in 2009, representing an increase of 477.3% from RMB295 million in 2008. Excluding the impact of the increase of RMB1,553 million in the cost of coal sales and the decrease of RMB113 million as compared with 2008 in the external sales of Beijing Zhongneng Lianchuang Wind Power Technology Company Limited, the material costs of wind power and coal power businesses remain stable as compared to 2008.

Repair and maintenance expenses

The repairs and maintenance expenses of the Group amounted to RMB108 million in 2009, representing an increase of 24.1% from RMB87 million in 2008. This was mainly due to the increased installed capacity in wind power business and the expiration of the warranty period of certain wind power projects.

Administrative expenses and other operating expenses

The administration and other operating expenses of the Group amounted to RMB345 million in 2009, representing a decrease of 0.6% from RMB347 million in 2008. Excluding impairment losses provided in 2008 for the projects under construction and construction materials of RMB104 million, the administration and other operating expenses increased 42.0% compared to 2008. This was primarily due to the increases in operating expenses such as travel and office expenses as a result of the expansion in other regions and the extension of management functions. In addition, the relevant expenses such as insurance premiums and taxes increased as a result of more projects under construction and more projects commenced operation.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Operating profit

The operating profit of the Group amounted to RMB2,858 million in 2009, representing an increase of 101.1% from RMB1,421 million in 2008, primarily due to the increase in sales of electricity from wind power business, the increase in average on-grid tariffs of coal power business and the decrease in coal consumption.

Net finance expenses

The net finance expenses of the Group amounted to RMB1,020 million in 2009, representing an increase of 19.0% from RMB857 million in 2008, primarily due to the significant increase in interest-bearing loans, following the expansion of the Group's wind power business and the increase in working capital requirements. The expensed interests also increased significantly as the projects under construction were completed and commenced operation.

Share of profits less losses of associates and jointly controlled entities

The Group's share of profits less losses of associates and jointly controlled entities amounted to RMB105 million in 2009, representing an increase of 98.1% from RMB53 million in 2008, primarily due to the RMB38 million increase in the Company's share of profits in Guodian United Power Technology Co., Ltd. (國電聯合動力技術有限公司), which recorded rapid business growth since its commencement of operations in the second half of 2008.

Income tax

Income tax of the Group amounted to RMB296 million in 2009, representing a significant increase from RMB2 million in 2008, primarily due to the fact that certain wind power companies had the income tax credit approved in respect of the domestically manufactured equipment and recognised the deferred tax assets in 2008, whilst no such tax credits or deferred tax assets were recognised in 2009 due to the implementation of the New Tax Law. As such, deferred tax assets recognised during the year decreased compared to 2008. On the other hand, income tax for the year increased over 2008 due to the fact that the profit of coal power companies increased significantly in 2009, which subject to a higher income tax rate and that the tax holidays of certain wind power companies expired in 2009.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Segment results of operations

In 2009, revenue from electricity sales of wind power business of the Group amounted to RMB2,752 million, representing an increase of 68.3% from RMB1,635 million in 2008. Total operating profit from wind power business amounted to RMB1,924 million, representing an increase of 78.8% from RMB1,076 million in 2008, primarily due to the increase in installed capacity and electricity generated from our wind power companies. Revenue from electricity sales of coal power business amounted to RMB3,669 million, representing a decrease of 10.3% from RMB4,090 million in 2008, primarily due to the decrease in power generation after shutting down the small generating units. Total operating profit of our coal power business amounted to RMB985 million, representing an increase of 198.5% from RMB330 million in 2008, primarily due to the increase in average on-grid tariffs of coal power business in 2009 and the decrease in coal prices as compared to 2008.

Liquidity and sources of fund

As of 31 December 2009, the cash at bank and on hand of the Group amounted to RMB16,503 million, representing an increase of RMB15,448 million over the balance as of 31 December 2008. The principal sources of fund of the Group included cash generated from operating activities, bank loans and proceeds raised from capital markets.

Current assets amounted to RMB20,367 million, including trade debtors and bills receivable amounting to RMB2,180 million (primarily consisted of receivables due to the sales of electricity and equipment), prepayments and other current assets of RMB853 million (primarily consisted of receivables of VAT refund in connection with the domestically manufactured equipment and prepayments for the purchase of inventories and receivables from sales of CERs). Current liabilities amounted to RMB23,692 million, including trade creditors and bills payable amounting to RMB1,943 million (primarily consisted of payables for purchases of coal and bill payables in respect of the procurement of wind power equipment), other payables amounting to RMB4,521 million (primarily consisted of payables of construction and retention) and short-term borrowings amounting to RMB17,087 million. Net current liabilities as of 31 December 2009 amounted to RMB3,325 million, representing a decrease of RMB1,204 million as compared to that as of 31 December 2008. The liquidity ratio was 0.86 as of 31 December 2009 (31 December 2008: 0.52). The decrease in net current liabilities was primarily due to the increase in bank deposits as a result of the proceeds raised from the initial public offering of the Company.

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Restricted deposits amounted to RMB492 million, mainly representing deposits for bills payables.

In 2009, the Group's borrowings increased by RMB11,275 million over 2008. As of 31 December 2009, the outstanding borrowings amounted to RMB33,306 million, of which short-term borrowings amounted to RMB17,087 million (including long-term borrowings due within one year of RMB1,166 million) and long-term borrowings amounted to RMB16,219 million. Abovementioned borrowings include borrowings denominated in RMB amounting to RMB32,748 million, borrowings denominated in US dollars amounting to RMB529 million and borrowings denominated in other currencies amounting to RMB29 million.

Capital expenditure

The capital expenditure of the Group amounted to RMB15,500 million in 2009, representing an increase of 22.2% from RMB12,684 million in 2008. The capital expenditure mainly represented construction costs. The source of fund mainly includes capital, bank borrowings and cash generated from operating activities of the Group.

Net gearing ratio

As of 31 December 2009, the net gearing ratio of the Group, which is calculated by dividing net debt (total borrowings less cash and cash equivalents) by sum of net debt and total equity, was 40%, representing a decrease of 35% from 75% in 2008, primarily due to the significant increase in total equity as a result of proceeds raised from the initial public offering of the Company during the year.

Material investment

The Group had no material investment during the year.

Material acquisition and disposal

The Group did not have any material acquisition and disposal during the year.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

Pledged assets

The Group has pledged certain machinery and equipment to secure certain bank loans. As of 31 December 2009, the aggregate net book value of the assets pledged was RMB768 million.

Contingent liabilities

As of 31 December 2009, the Group provided RMB89 million guarantee for bank loans of a related party, and issued a counter-guarantee of no more than RMB42 million to the controlling shareholder of an associated company.

IV. RISK FACTORS AND RISK MANAGEMENT

The Group is principally engaged in the design, development, construction, management and operation of wind farms. The influence of state-run macro economic adjustments such as a tightened credit policy and changes in industry policies may pose certain risks to the operations and development of the Group. As the PRC government always provides massive support and incentives for the development of wind power and other renewable energy, the macro policy is expected to remain favorable to the wind power development of the Group in the future. The Group will closely monitor the domestic and international macro-economic situation and policy changes so as to grasp market opportunities, eliminate risk exposure and facilitate further development of the Group.

Currently, the Group is not exposed to any material business and development risks but is subject to the following individual factors in the short run:

1. Influence of climatic conditions

Given the distinctive nature of the wind power industry, the amount of electricity generated by, and the profitability of, our wind farms depend on local climatic conditions, particularly wind conditions, which can vary dramatically across the seasons and between locations of our wind farms, and are also subject to general climatic changes.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

If the seasonal variations and fluctuations in wind conditions of the areas where our wind farms are located do not conform to our historical observations or do not correspond to our assumptions, it may result in unexpected fluctuations in the electricity output of such wind farms and consequently, our results of operations. Similarly, extreme wind or weather conditions, particularly those affecting multiple wind farms, could reduce the operational efficiency and electricity production of our wind farms, which could have a material adverse effect on our business, financial conditions or results of operations.

2. Influence of grid conditions

The electricity output of the Group's operating projects will be dampened by the underdevelopment of local grids where certain projects of the Group are located due to delays in grid planning and construction progress. Meanwhile, as affected by factors such as the grid connection structure of the power grid in certain regions and the uneven distribution of power utility loads among different regions, certain projects of the Group in Gansu Province and Inner Mongolia have experienced limitations on their electricity output. Against such setback, however, the Group has adopted countermeasures by arranging a reasonable layout for its new projects, optimising the operation of wind farms and strengthening the management to ever increase the operating and risk resistance capability of the Group.

3. Progress of CDM project

Since the process to register CDM projects with the CDM Executive Board ("CDM EB") is relatively complicated, the timing and outcome of our registration applications are uncertain. In case of failure in registration or should there be any material policy changes in the course of project development, the operating results of the Group would be affected. The Group has designated an institution to take charge of the development and registration process of CDM projects. Striving for more successful registrations within a shorter period of time, the Group will continue to optimise the development process, maintain close communications with relevant authorities and offer comprehensive management on project development.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

4. Changes in interest rate

The Group is principally engaged in wind power investment and its capital is mainly sourced from bank loans. Therefore, the benchmark lending rate announced by the People's Bank of China ("PBOC") will have a direct impact on the Group's cost of debt and future changes in interest rate will also have certain impacts on the Group's cost of debt. With a good credit record, a majority of the Group's cost of debt are charged at an interest rate approximately 10% below the prevailing interest rate of PBOC for RMB loans over the same period. The Group will strive to reduce the finance cost by actively monitoring the changes in credit policies, taking pre-emptive actions, strengthening capital management and expanding financing channels.

5. Fluctuation in foreign exchange rate

A majority of the revenue as well as expenses of the Group are denominated in Renminbi while a small portion of borrowings and revenue from the CDM business of the Group are denominated in foreign currencies. Accordingly, changes in foreign exchange rate will result in foreign exchange losses or gains in those businesses denominated in foreign currencies of the Group. However, as the revenue and loans denominated in foreign currencies made up an insignificant portion in the total revenue and total debt, the Group is not exposed to material and adverse impact. The Group will make efforts in observing and studying any fluctuation in foreign exchange rate whilst enhancing the management and controlling system of exchange risk in pro-active response to any changes in the foreign exchange market.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

6. Changes in fuel price

The changes in coal price will have certain effect on the results of the coal power plants of the Company. The coal price varies depending on several factors such as market demand and supply, seasons and geographical location. In order to reduce the coal cost, the Group will proactively expand its purchasing channels, optimise coal procurement structure, enhance the whole management process over the coal operation and fuel management, as well as closely keep track of the market conditions, optimise the plan of coal procurement and storage and adjust the form of transportation.

As the above risks have limited impact on the operating results of the Group and with an array of corporate initiatives to control and manage such risks, a comprehensive internal risk management system has been established by the Group to ensure risks are assessed, minimised and monitored.

V. OUTLOOK IN 2010

Though the global economy looks set to return to slow growth with international trade expected to recover at a steady pace, there are still uncertainties surrounding the world's economic development in 2010. Structural adjustments and industry restructuring will become the next trend in global development while China's economy is on a smooth recovery. As the global temperatures continue to rise, the world has come to realise the considerable threats posed by global warming to human beings and has gone full steam ahead with various policies and measures to reduce greenhouse gas emissions. As part of the campaign, the future direction of development in the power industry is likely to lie in the adjustment and reform of energy structure. Unprecedented opportunities are arising in the development of renewable energy.

In respect of the global trend of renewable energy, the world shares a growing concern on the issue of the changing global climate and renewable energy high on the agenda of strategic planning of many countries when looking into the future as a major means to tackle the current financial crisis, stimulate economic recovery and increase employment opportunities, as well as a driving force for long term economic development and new economic boom. Furthermore, the PRC government has undertaken to meet the energy saving and emission reduction targets by 2020 and development plans for emerging strategic industries are expected to be delivered soon. The renewable energy industry is expected to undergo more rapid development with growing support from new energy policies, putting the Group in an extremely favourable position in wind power development.

Management Discussion & Analysis (Continued)

(The following information was prepared under the International Financial Reporting Standards unless otherwise specified)

In 2010, the Group will make its best endeavours to fulfil the following performance targets:

1. To enhance operation management by boosting wind power generation to over 10,000 GWh;

2. To enhance construction management by introducing an additional installed capacity of 2,000 MW in wind power production, boosting the consolidated installed capacity of wind power to 6,500 MW by the end of 2010;

3. To enhance market exploration by approving wind power projects of over 2,000 MW;

4. To enhance corporate profitability by achieving a relatively high level increase in profit;

5. To enhance capital market operation by maintaining a good corporate image in the market and steady growth in its results;

6. To enhance technology innovation by perfecting the supporting system of technical services, so as to further build up the "Long Yuan Wind Power" brand.

Human Resources

SUMMARY OF HUMAN RESOURCES

As of 31 December 2009, the Group had a total of 4,110 staff, of which 3,341 or 81.29% were male while 769 or 18.71% were female. The staff structure is as follows:

Table 1: Analysis of the Group's staff by business segments

Number	Segments	Number of staff	Percentage
1	Overall management	93	2.3%
2	Wind power business	1,468	35.7%
3	Coal power business	2,107	51.3%
4	Technical and related services business	267	6.5%
5	Other renewable energy	175	4.2%
	Total	4,110	100%

Table 2: Analysis of the Company's staff by academic qualifications and age

Number	Category	Number of staff	Percentage	Category	Number of staff	Percentage
1	Postgraduate or above	31	33.3%	56 years old and above	4	4.3%
2	Undergraduate	48	51.6%	46-55 years old	17	18.3%
3	College diploma	9	9.7%	36-45 years old	33	35.5%
4	Technical secondary school or below	5	5.4%	35 years old and below	39	41.9%
	Total	93	100%	Total	93	100%

Human Resources (Continued)

Table 3: Analysis of the Group's staff by academic qualifications and age

Number	Category	Number of staff	Percentage	Category	Number of staff	Percentage
1	Postgraduate or above	170	4.1%	55 years old and above	188	4.6%
2	Undergraduate	1,114	27.1%	46-54 years old	657	16.0%
3	College diploma	1,018	24.8%	36-45 years old	1,339	32.6%
4	Technical secondary school or below	1,808	44.0%	35 years old and below	1,926	46.8%
	Total	4,110	100%	Total	4,110	100%

STAFF INCENTIVES

In order to cater for its development needs, the Group, on the basis of its existing position-based accountability system, has further established and perfected an effective mechanism for staff performance appraisal and management. By maintaining a clear division of duties, identification of the performance targets of different positions, formulation of performance standards, appraisal of staff performance in an objective and accurate manner, stimulation of the potential and enthusiasm of the employees, the Group has made clear its approach of stressing on both motivations and regulations, which has laid a solid foundation for developing staff's career path.

STAFF TRAINING

Envisioning the Group's future development and talents needs, a sound staff training system was established, in a bid to duly implement the strategy of strengthening the enterprise by talents, and standardise and strengthen the education and training of the Group's system. The Group has organised and formulated training programmes and designed various training courses tailored for management, technical and skilled personnel.

In 2009, the Group continued its efforts in training all kinds of talents by providing its staff with various forms of training, primarily include regular trainings for management, orientation training for new staff, licensed induction training for operating staff in wind farms, professional qualification training, international cooperation programme training and others. These training courses covered 5,370 people during the year, rendering the percentage of total staff training to exceed 100%.

Through continuous development of various training courses, the Group continuously improved staff quality, reinforced the modern management concept among its management and enhanced the overall management efficiency.

SAFETY PROTECTION FOR STAFF

To provide our staff with a safe working environment is one of the important tasks of the Company. Bearing in mind the safe production principles of “Safety First, Precaution-based and Comprehensive Governance”, the Group has established its people-oriented safe production philosophy, safeguarded the operational safety of its staff in electricity production, and pressed ahead with the systemisation, normalisation and standardisation of safety and production management.

In 2009, the Group made great efforts in safeguarding staff safety and improving their safety standards. The Group further implemented all sorts of safety and production management systems, with each unit having established a sound accountability system for safe production and carried out regular safe production inspections and safety assessments to get rid of any safety incidents.

Meanwhile, the Group provided its staff with regular safety training such as educational training and training on specific operations, and strengthened education and publicity to disseminate safety skills and knowledge. The Group also provided its staff with labour insurance and work injury insurance to protect their safety and safeguard their interests.

REMUNERATION POLICY

The staff remuneration of the Group comprises of basic salary and bonus payment, which is made with reference to the operating results of the Group and results of performance assessment on the employees.

Investor Relations

The Company attaches great importance to maintaining investor relations. In 2009, the Company set up communication channels with investors through the establishment of the Investor Relations Department, to provide quality services to investors. The Company formulated the "Provisions on Information Disclosure" (《信息披露事務管理規定》) which ensured timely and fair disclosures of information and provision of comprehensive and accurate information to investors. Besides, the Company improved the information disclosure via the Company's websites by upgrading and revising both Chinese and English websites.

Since the launch of the listing roadshow on 23 November 2009, the Company made direct contact with about 600 institutional investors and analysts as of 31 December 2009 by way of one-on-one meetings, mini-conferences, teleconferences and presentations and has developed close relationships with investors, analysts and the news media by responding to their queries by emails and phone calls in a timely and accurate manner.

Corporate Governance Report

The Board of the Company hereby presents to the shareholders the corporate governance report for the year ended 31 December 2009.

CORPORATE GOVERNANCE PRACTICES

The Company was established on 9 July 2009, converting from China Longyuan Electric Power Group Corporation (龍源電力集團公司). The shares of the Company were listed on the Hong Kong Stock Exchange on 10 December 2009. Since its establishment, the Company has been committed to ever improving its corporate governance and regarded it as an indispensable part to creating values for shareholders. The Company has established a modern corporate governance structure which comprises a number of independently operated and effectively balanced bodies including general meetings, the Board, the Supervisory Board and senior management with reference to the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules. The Company has also adopted the Code as its own corporate governance practices. Since listing, the Company has strictly complied with the principles and code provisions, and some of the recommended best practices as set out in the Code without any deviation from the code provisions as set out in the Code during 2009.

Corporate governance practices adopted by the Company are summarised below.

1. The Board

The Board exercises its powers and functions in accordance with the provisions as set out in the Articles of Association. Under the principle of acting in the best interest of the Company and its shareholders, the Board reports its works at the general meetings, implements the resolutions passed thereon and is accountable to the general meetings.

Corporate Governance Report (Continued)

1.1 Composition of the Board

As of 31 December 2009, the Board consisted of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 39 to 41 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the shareholders.

Since the listing of the Company, the Board has been in compliance with the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors and the qualifications of the three independent non-executive Directors of the Company are in full compliance with the requirements under Rules 3.10(1) and (2) of the Listing Rules. In addition, the Company has received annual confirmations from independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considered all independent non-executive Directors to be in compliance with the independence requirements as set out in the Listing Rules.

Corporate Governance Report (Continued)

The composition of the current Board of the Company are set out as follows:

Name	Position in the Company	Date of Appointment
ZhuYongpeng	Chairman of the Board and Non-executive Director	Appointed on 8 July 2009
Xie Changjun	Executive Director and President	Appointed on 8 July 2009
Wang Baole	Non-executive Director	Appointed on 8 July 2009
Tian Shicun	Executive Director and Vice President	Appointed on 8 July 2009
Luan Baoxing	Non-executive Director	Appointed on 8 July 2009
Wang Liansheng	Executive Director	Appointed on 8 July 2009
Li Junfeng	Independent non-executive Director	Appointed on 8 July 2009
Zhang Songyi	Independent non-executive Director	Appointed on 8 July 2009
Meng Yan *(Note 1)*	Independent non-executive Director	Appointed on 8 July 2009

Note 1: Mr. Meng Yan was appointed as an independent non-executive Director at the shareholders' meeting held on 9 November 2009, with retrospective effect from 8 July 2009.

1.2 Board Meetings

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, to be convened by the Chairman of the Board. A notice of at least 14 days shall be given for a regular board meeting. The notice shall state the time, venue and means by which the board meeting will be convened.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Associations, the quorum for a board meeting is the presentation of at least half of the total number of the Directors. A Director may attend the board meeting in person, or appoint another director in writing as his proxy to attend the board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of board meetings and ensuring that such minutes are available for inspection by any Director.

Corporate Governance Report (Continued)

During 2009, four meetings were held by the Board. Presence of Directors at board meetings is as follows:

Name	Position in the Company	Number of Meetings Attended/Held	Attendance rate
Zhu Yongpeng	Chairman of the Board and Non-executive Director	4/4	100%
Xie Changjun	Executive Director and President	4/4	100%
Wang Baole	Non-executive Director	3/4	75%
Tian Shicun	Executive Director and Vice President	4/4	100%
Luan Baoxing	Non-executive Director	4/4	100%
Wang Liansheng	Executive Director	4/4	100%
Li Junfeng	Independent non-executive Director	4/4	100%
Zhang Songyi	Independent non-executive Director	4/4	100%
Meng Yan *(Note 1)*	Independent non-executive Director	1/1	100%

Note 1: Mr. Meng Yan was appointed as an independent non-executive Director at the shareholders' meeting held on 9 November 2009, with retrospective effect from 8 July 2009. During the period from 9 November 2009 to 31 December 2009, one Board meeting was held.

Corporate Governance Report (Continued)

1.3 Powers Exercised by the Board and the Management

The powers and duties of the Board and the management have been clearly defined in the Articles of Association, which aims to provide adequate check-and-balance mechanism for good corporate governance and internal control.

The Board is responsible for deciding on the Company's business and investment plans, deciding on the establishment of the Company's internal management structure, formulating the Company's basic administration system, determining other material business and administrative matters of the Company and monitoring the performance of the management.

Led by the President (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

1.4 Chairman and President

The posts of the Chairman of the Board and President of the Company are segregated and held by different persons to ensure their respective independence of responsibilities, accountability and the balance of power and authority between them. Mr. Zhu Yongpeng acts as the Chairman of the Board and Mr. Xie Changjun acts as the President (i.e. chief executive officer pursuant to the relevant Listing Rules). The Board considered and approved the Rules and Procedures of the Board Meeting and the Terms of Reference of the Senior Management of the Company, which clearly defined the division of duties between the Chairman and the President.

Mr. Zhu Yongpeng, the Chairman of the Board, is responsible for leading the Board in determining the overall development strategies of the Company, ensuring that the Board is functioning effectively in performing its duties, discussing significant and appropriate matters in a timely manner, ensuring the formulation of good corporate governance practices and procedures by the Company and ensuring that the Board acts in the best interest of the Company and all of its shareholders. Mr. Xie Changjun, the President, is mainly responsible for the Company's day-to-day operation and management, including organising the implementation of Board resolutions, making day-to-day decisions etc.

Corporate Governance Report (Continued)

1.5 Appointment and Re-election of Directors

Pursuant to the Articles of Association, directors shall be elected at shareholders' meetings with a term of office of no more than three years and may be re-appointed. The Company has implemented a set of effective procedures for the appointment of new directors. Nomination of new directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors) for a term of three years commencing from 8 July 2009.

1.6 Directors' Remuneration

The remuneration and assessment committee makes recommendations in respect of Directors' remuneration according to criteria such as educational background and work experience. Directors' remuneration is determined by the Board with reference to Directors' experience, work performance, position and market condition and subject to approval of general meeting.

2. Board Committees

There are four Board committees, namely the audit committee, remuneration and assessment Committee, nomination committee and strategic committee.

2.1 Audit Committee

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

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, to 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.

2.2 Remuneration and Assessment Committee

The remuneration and assessment committee consists of three Directors: Mr. Wang Baole, Mr. Li Junfeng (independent non-executive Director) and Mr. Zhang Songyi (independent non-executive Director). Mr. Wang Baole serves as the chairman of the remuneration and assessment committee.

The primary responsibilities of the remuneration and assessment committee are to formulate and make recommendations to the Board with respect to the compensation policies, schemes or packages for Directors and senior management, review, approve and oversee the overall compensation package for Directors and senior management, formulate the evaluation standards and conduct evaluation of Directors and senior management and ensure that neither the director nor any of his or her associate may determine his or her own compensation etc.

2.3 Nomination Committee

The nomination committee consists of three Directors: Mr. Xie Changjun, Mr. Li Junfeng (independent non-executive Director) and Mr. Meng Yan (independent non-executive Director). Mr. Xie Changjun serves as the chairman of the nomination committee.

The primary responsibilities of the nomination committee are to formulate the nomination procedures and standards for candidates for Directors and senior management and conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management.

Corporate Governance Report (Continued)

2.4 Strategic Committee

The strategic committee consists of four Directors: Mr. Xie Changjun, Mr. Wang Baole, Mr. Tian Shicun and Mr. Wang Liansheng. Mr. Xie Changjun serves as the chairman of the strategic committee.

The primary responsibilities of the strategic committee are to formulate the Company's overall development plans and investment decision-making procedures, review the Company's long-term development strategies, review the Company's strategic planning and implementing reports and review significant capital expenditure, investment and financing projects that require approval of the Board.

As the Company was listed on the Hong Kong Stock Exchange on 10 December 2009, which is less than one month before 31 December 2009 (i.e. the balance sheet date for the current accounting year), the four committees under the Board of the Company had not yet held any meetings during the reporting period.

3. Directors' Responsibility for the Financial Statements

The Board acknowledges its responsibility for preparing the Financial Statements of the Group for the year ended 31 December 2009.

The Board is responsible for presenting a clear and understandable assessment of annual and interim reports, price-sensitive information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In addition, appropriate insurance coverage for Directors' liability has been arranged against possible legal proceedings to be taken against the Directors.

Corporate Governance Report (Continued)

4. Compliance with the Code for Securities Transactions

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 its Directors and Supervisors in the securities of the Company. Having made specific enquiry 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 practices 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.

5. Internal Control

The Company has attached prime importance to internal control. A complete and prudent internal control system has been preliminarily established to protect shareholders' investments and the Company's assets.

In respect of rules and regulations, the Company set up systems on internal control, including "Rules and Procedures of the Board Meeting"(《董事會議事規則》), "Rules and Procedures of Meetings of the Audit Committee"(《審計委員會議事規則》), "Rules and Procedures of Meetings of the Remuneration and Assessment Committee"(《薪酬與考核委員會議事規則》), "Provisions on Information Disclosure"(《信息披露事務管理規定》), "Rules on the Conduct of Connected Transactions"(《關連交易管理辦法》), "Tentative Risk Management Framework" (《風險管理框架(試行)》), "Template for Regular Declaration Requirement by the Directors and Senior Management"(《董事與高管定期聲明規定範本》), "Terms of Reference of the Senior Management of the Company" (《公司高管職責說明書》), "Interim Measures on Anti-Corruption, Complaints and Reports"(《反舞弊及接收投訴、舉報的暫行辦法》) and "Management System of Internal Audit"(《內部審計管理制度》).

Corporate Governance Report (Continued)

In terms of organisational structure, the Company established the Finance and Property Department, Audit Department and Supervision Department. Sufficient personnel were retained to take charge of financial operations, risk management, internal audit and anti-corruption. Besides, the Company arranged reasonable budgets and provided regular trainings to the staff of the Company and subsidiaries performing the duties of financial, risk management and internal audit so as to ensure that they are well trained and experienced.

The effective implementation of the internal control system ensured orderly development of the Company's operating and management activities as well as effective control of risks, safeguarded the security and integrity of the Company's property and guaranteed the realisation of the Company's operating and management objectives.

Each department of the Company has the channel to submit information requests to the Board. Being the most senior point of contact to each department, the President of the Company has the duty to effectively report to the Board in relation to the operations of each department, and to coordinate and mobilise the demands of each department to promote reasonable decision making within the Company. Accordingly, any possible significant matter (if subject to disclosure to the market) discovered by the staff can be reported to the management of the Company in a timely, accurate and effective manner and the decisions from the management of the Company can be implemented accurately and timely, and be exercised with supervision.

During the reporting period, the Board assessed the internal control systems of the Company and subsidiaries and was not aware of any material deficiencies nor any material defaults with respect of financial, operational and compliance controls and risk management. The Board believes that the current monitoring system of the Company is effective and considers that the resources, qualifications and experience of the staff of the Company's accounting and financial reporting functions, its training programs and budget thereof are adequate.

Corporate Governance Report (Continued)

6. Auditors and Remuneration

KPMG and RSM China Certified Public Accountants Co., Ltd. were appointed as auditors for the financial statements prepared in accordance with International Financial Reporting Standards and Accounting Standards for Business Enterprises of PRC for the year ended 31 December 2009, respectively.

For the year ended 31 December 2009, the fees payable to KPMG and RSM China Certified Public Accountants Co., Ltd. for audit services were RMB8,200,000 and RMB5,500,000 respectively. For the year ended 31 December 2009, KPMG and RSM China Certified Public Accountants Co., Ltd. did not provide any non-audit service.

KPMG, the Company's external auditor's responsibility to the financial statements are set out on pages 84 to 85 of this annual report.

7. Communications with Shareholders

The Company highly appreciated shareholders' opinions and advice, actively organised various investor relations activities to maintain connections with shareholders and made timely response to the reasonable requests of shareholders.

The Company set up a website at www.clypg.com.cn, as a channel to promote communication, to publish announcements, financial information and other relevant information of the Company. Shareholders are welcomed to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will respond to all enquiries in a timely and appropriate manner.

The Board welcomes shareholders views and encourages them to attend general meetings to communicate any concerns they might have with the Board or the management. Chairman of the Board and the chairmen of all committees usually attend the annual general meeting and other general meetings to address shareholders' queries.

Since the listing of the Company on 10 December 2009, the Company has not held any general meeting. Mr. Zhu Yongpeng, Chairman of the Company, will attend the 2010 Annual General Meeting and arrange the Board to address shareholders' queries.

A circular to shareholders containing detailed procedures of voting and resolutions voted by way of poll has been dispatched to the shareholders together with the annual report.

Supervisory Board's Report

The current session of the Supervisory Board was established upon approval by the inaugural meeting of the Company held on 9 July 2009 and consists a total of three members.

In 2009, the Supervisory Board of the Company, to be accountable to all shareholders, has diligently performed their duties of supervision strictly in accordance with relevant requirements of the Company Law of the PRC(《中華人民共和國公司法》), Articles of Association, Rules and Procedures of Meetings of the Supervisory Board of China Longyuan Power Group Corporation Limited(《龍源電力集團股份有限公司監事會議事規則》)and Listing Rules of the Hong Kong Stock Exchange.

I. MEETINGS CONVENED BY THE SUPERVISORY BOARD

1. The first meeting of the first session of the Supervisory Board was held on 9 July 2009, at which the Resolutions Regarding the Election of the Chief Supervisor of China Longyuan Power Group Corporation Limited(《關於選舉龍源電力集團股份有限公司第一屆監事會主席的議案》)was considered and approved.

2. The second meeting of the first session of the Supervisory Board was held on 18 November 2009, at which the Rules and Procedures of Meetings of the Supervisory Board of China Longyuan Power Group Corporation Limited(《龍源電力集團股份有限公司監事會議事規則》)was considered and approved.

II. WORK INFORMATION OF THE SUPERVISORY BOARD

The first session of the Supervisory Board mainly carried out the following work:

1. Inspection of the Legal Compliance of the Company's Operation

During the reporting period, members of the Supervisory Board of the Company attended all of the general meetings and board meetings, exercised supervision over the procedures and legal compliance of the convening and decision making of the general meetings and board meetings of the Company. The Supervisory Board is of the opinion that the Company's operation in 2009 was sound and rational, and was in compliance with all laws, regulations and rules. The Company improved its internal management and internal control system and established a sound internal control mechanism. All Directors and members of the senior management of the Company has faithfully performed their duties with due diligence. None of them were found in violation of the laws, regulations and Articles of Association or in prejudice the Company's interests in their performance of duties for the Company.

2. Inspection of the Company's Financial Condition

During the reporting period, the Supervisory Board diligently and carefully inspected and reviewed the 2009 financial report audited by KPMG, and has given opinions and recommendations on the auditors' work. The Supervisory Board is of the opinion that the report was prepared in compliance with relevant requirements of accounting systems and accounting standards, and objectively and truly reflected the financial position and results of operations of the Group.

3. Disclosure of Information

The Supervisory Board is of the opinion that the Company has fully disclosed the relevant information in a timely manner in accordance with the requirements of the Hong Kong Stock Exchange and no misleading information was found.

Chief Supervisor
Chen Bin

Beijing, 30 March 2010

Independent Auditor's Report

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

We have audited the consolidated financial statements of China Longyuan Power Group Corporation Limited (the "**Company**") set out on pages 86 to 211, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

30 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	Note	2009 RMB'000	2008 RMB'000
Revenue	4	9,743,707	8,554,654
Other net income	5	573,832	390,168
Operating expenses			
Coal consumption		(2,290,372)	(3,127,886)
Service concession construction costs		(882,602)	(2,200,360)
Depreciation and amortisation		(1,590,224)	(1,082,895)
Personnel costs		(539,741)	(384,024)
Material costs		(1,703,270)	(294,585)
Repairs and maintenance		(107,820)	(87,369)
Administration expenses		(147,774)	(107,176)
Other operating expenses		(197,265)	(239,775)
		(7,459,068)	(7,524,070)
Operating profit		2,858,471	1,420,752
Finance income		50,514	145,600
Finance expenses		(1,070,861)	(1,003,059)
Net finance expenses	6	(1,020,347)	(857,459)
Share of profits less losses of associates and jointly controlled entities		105,472	52,698
Profit before taxation	7	1,943,596	615,991
Income tax	8	(296,490)	(2,082)
Profit for the year		1,647,106	613,909

The notes on pages 97 to 211 form part of these financial statements.

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	Note	2009 RMB'000	2008 RMB'000
Other comprehensive income/(losses):			
Available-for-sale financial assets:			
net movement in the fair value reserve		7,947	(18,790)
Exchange difference on translation of			
financial statements of overseas subsidiaries		(2,304)	1,175
Other comprehensive income/(losses)			
for the year, net of tax	12	5,643	(17,615)
Total comprehensive income for the year		1,652,749	596,294
Profit attributable to:			
Shareholders/equity owner of the Company		894,126	337,448
Non-controlling interests		752,980	276,461
Profit for the year		1,647,106	613,909
Total comprehensive income attributable to:			
Shareholders/equity owner of the Company		899,769	319,833
Non-controlling interests		752,980	276,461
Total comprehensive income for the year		1,652,749	596,294
Basic and diluted earnings per share			
(RMB cents)	13	17.40	6.75

The notes on pages 97 to 211 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	37,304,544	24,290,215
Investment properties	16	132,874	171,906
Lease prepayments	17	740,978	556,720
Intangible assets	18	6,086,215	5,083,453
Investments in associates and jointly controlled entities	20	799,029	526,560
Other assets	21	2,318,594	349,770
Deferred tax assets	31(b)	204,662	190,326
Total non-current assets		47,586,896	31,168,950
Current assets			
Trading securities		—	54
Inventories	22	332,897	279,250
Trade debtors and bills receivable	23	2,180,667	1,240,868
Prepayments and other current assets	24	853,398	1,804,795
Tax recoverable	31(a)	5,256	462
Restricted deposits	25	491,654	500,043
Cash at bank and on hand	26	16,502,934	1,054,985
Total current assets		20,366,806	4,880,457
Current liabilities			
Borrowings	27(b)	17,087,069	4,686,238
Trade creditors and bills payable	29	1,943,103	2,728,694
Other payables	30	4,521,449	1,917,969
Tax payable	31(a)	140,215	80,015
Total current liabilities		23,691,836	9,412,916
Net current liabilities		(3,325,030)	(4,532,459)
Total assets less current liabilities		44,261,866	26,636,491

The notes on pages 97 to 211 form part of these financial statements.

Consolidated Balance Sheet (Continued)

At 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	Note	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Borrowings	27(a)	16,219,301	17,345,042
Obligations under finance lease	28	50,000	50,000
Deferred income	33	2,267,661	2,145,284
Deferred tax liabilities	31(b)	44,930	23,300
Total non-current liabilities		18,581,892	19,563,626
NET ASSETS		25,679,974	7,072,865
CAPITAL AND RESERVES			
Share capital	34(c)	7,464,289	—
Reserves	34(d)	14,435,518	3,875,329
Total equity attributable to the shareholders/ equity owner of the Company		21,899,807	3,875,329
Non-controlling interests		3,780,167	3,197,536
TOTAL EQUITY		25,679,974	7,072,865

Approved and authorised for issue by the board of directors on 30 March 2010.

Zhu Yongpeng
Chairman

Xie Changjun
Director

The notes on pages 97 to 211 form part of these financial statements.

Balance Sheet

At 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	Note	2009 RMB'000
Non-current assets		
Property, plant and equipment	15	410,313
Investment properties	16	214,336
Lease prepayments		6,820
Investments in subsidiaries	19	6,628,039
Investments in associates and jointly controlled entities	20	449,060
Other assets	21	4,960,908
Total non-current assets		12,669,476
Current assets		
Inventories		830
Trade debtors and bills receivable	23	2,776,833
Prepayments and other current assets	24	5,819,263
Restricted deposits	25	17,709
Cash at bank and on hand	26	15,816,395
Total current assets		24,431,030
Current liabilities		
Borrowings	27(b)	10,920,588
Trade creditors and bills payable		5,135
Other payables	30	1,266,787
Total current liabilities		12,192,510
Net current assets		12,238,520
Total assets less current liabilities		24,907,996

The notes on pages 97 to 211 form part of these financial statements.

Balance Sheet (Continued)

At 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	Note	2009 RMB'000
Non-current liabilities		
Borrowings	27(a)	5,296,400
Deferred tax liabilities		5,268
Total non-current liabilities		5,301,668
NET ASSETS		19,606,328
CAPITAL AND RESERVES	34(a)	
Share capital		7,464,289
Reserves		12,142,039
TOTAL EQUITY		19,606,328

Approved and authorised for issue by the board of directors on 30 March 2010.

Zhu Yongpeng
Chairman

Xie Changjun
Director

The notes on pages 97 to 211 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009 (Expressed in Renminbi unless otherwise stated)

		Attributable to the shareholders/equity owner of the Company								
	Note	Paid-in capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Exchange reserve *RMB'000*	Fair value reserve *RMB'000*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2008		1,662,909	449,247	22,444	2,001	26,647	702,123	2,865,371	2,662,594	5,527,965
Changes in equity:										
Acquisition of non-controlling interests		—	2,102	—	—	—	—	2,102	(35,534)	(33,432)
Disposal of equity interests to non-controlling equity owners		—	(1,887)	—	—	—	—	(1,887)	21,487	19,600
Capital contributions		1,500,000	—	—	—	—	—	1,500,000	451,099	1,951,099
Distribution pursuant to the reorganisation	1(b)	—	(810,090)	—	—	—	—	(810,090)	—	(810,090)
Dividends by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	(178,571)	(178,571)
Total comprehensive income for the year		—	—	—	1,175	(18,790)	337,448	319,833	276,461	596,294
At 31 December 2008		3,162,909	(360,628)	22,444	3,176	7,857	1,039,571	3,875,329	3,197,536	7,072,865

The notes on pages 97 to 211 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2009 (Expressed in Renminbi unless otherwise stated)

		Attributable to the shareholders/equity owner of the Company									
	Note	Share capital RMB'000	Paid-in capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009		—	3,162,909	(360,628)	22,444	3,176	7,857	1,039,571	3,875,329	3,197,536	7,072,865
Changes in equity:											
Capitalisation upon establishment of the Company	1(b)/34	4,900,000	(3,162,909)	(849,976)	(22,444)	(1,012)	(7,881)	(855,778)	—	—	—
Capital contributions	1(b)	100,000	—	30,808	—	—	—	—	130,808	361,043	491,851
Issuance of shares upon public offering, net of issuing expenses	1(b)/34	2,464,289	—	14,531,762	—	—	—	—	16,996,051	—	16,996,051
Dividends by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	—	(504,533)	(504,533)
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	(73,872)	(73,872)
Change of consolidation scope	19(iii)	—	—	—	—	—	—	—	—	47,013	47,013
Deemed distribution		—	—	(2,150)	—	—	—	—	(2,150)	—	(2,150)
Total comprehensive income for the year		—	—	—	—	(2,304)	7,947	894,126	899,769	752,980	1,652,749
At 31 December 2009		7,464,289	—	13,349,816	—	(140)	7,923	1,077,919	21,899,807	3,780,167	25,679,974

The notes on pages 97 to 211 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	2009 RMB'000	2008 RMB'000
Cash flows from operating activities		
Profit before taxation	1,943,596	615,991
Adjustments for:		
Depreciation	1,366,892	953,218
Amortisation	223,332	129,677
Impairment loss on property, plant and equipment	—	103,813
Impairment loss on investments in associates and jointly controlled entities	—	25
Gain on disposal of property, plant and equipment and investment properties	(4,455)	(21,367)
Interest expenses on financial liabilities	1,024,250	932,239
Foreign exchange differences, net	5,607	(52,571)
Interest income on financial assets	(32,774)	(37,075)
Gain on disposal of available-for-sale investments	(643)	—
Dividend income	(15,778)	(46,750)
Share of profits less losses of associates and jointly controlled entities	(105,472)	(52,698)
Changes in working capital:		
Increase in inventories	(17,113)	(68,858)
Decrease in trading securities	54	178
Increase in trade debtors and bills receivable	(927,243)	(374,973)
Increase in prepayments and other current assets	(247,435)	(108,941)
Increase in trade and other payables	1,197,605	945,207
Decrease in deferred income	(89,075)	(32,555)
Cash generated from operations	4,321,348	2,884,560
Income tax paid	(236,440)	(44,784)
Net cash from operating activities	4,084,908	2,839,776

The notes on pages 97 to 211 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	2009 RMB'000	2008 RMB'000
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	(16,184,468)	(11,603,412)
Payments for acquisition of loans and advances	(156,186)	(470,873)
Payments for acquisition of investments in associates and jointly controlled entities	(475,693)	(254,652)
Acquisition of a subsidiary/obtaining control of a subsidiary, net of cash acquired	8,247	—
Government grant received	1,183,865	654,865
Proceeds from disposal of property, plant and equipment and investment properties	63,742	25,175
Proceeds from repayments of loans and advances	250,713	452,583
Proceeds from disposal of investments in associates and jointly controlled entities, available-for-sale investments and unquoted equity investments	41,381	20,050
Dividends received	30,119	95,864
Interest received	31,766	47,775
Time deposits	50,873	(53,050)
Net cash used in investing activities	(15,155,641)	(11,085,675)
Cash flows from financing activities		
Net proceeds from issuance of shares under the public offering	17,022,468	—
Capital contributions	491,851	1,951,099
Proceeds from borrowings	29,313,286	18,446,157
Repayment of borrowings	(18,361,046)	(10,524,527)
Dividends paid by subsidiaries to non-controlling equity owners	(321,874)	(358,349)
Interest paid	(1,566,673)	(1,118,530)
Payment of finance lease obligations	(2,696)	(1,890)
Proceeds from sales and leaseback transaction classified as finance leases	—	50,000
Net cash from financing activities	26,575,316	8,443,960

The notes on pages 97 to 211 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2009 (Expressed in Renminbi unless otherwise stated)

	2009 *RMB'000*	2008 *RMB'000*
Net increase in cash and cash equivalents	**15,504,583**	198,061
Cash and cash equivalents at the beginning of year	**1,001,935**	808,769
Effect of foreign exchange rate changes	**(5,761)**	(4,895)
Cash and cash equivalents at the end of year *(note 26)*	**16,500,757**	1,001,935

Note:

(i) For major non-cash transactions, please refer to note 39.

The notes on pages 97 to 211 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

(a) Principal activities

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

(b) Organisation

The Company was established in the PRC on 9 July 2009 as a joint stock company with limited liability as part of the reorganisation (the "Reorganisation") of China Longyuan Electric Power Group Corporation ("CLEPG"). Prior to the establishment of the Company, CLEPG was the holding company of the subsidiaries now comprising the Group, and was wholly owned by China Guodian Group Corporation ("Guodian Group"). Pursuant to the Reorganisation in September 2008, CLEPG carved out certain assets and liabilities which do not meet the Group's strategic operation plans to Guodian Group without consideration. The details of the carve-out are:

(i) Transferred certain equity interests in the following associates and other entities which mainly carry out coal power generation and other related business to Guodian Group at nil consideration:

Name of the Company	Attributable equity interests
Guodian Electricity Development Joint Stock Co., Ltd. 國電電力發展股份有限公司	7.45%
Guodian Science Technology Environmental Protection Group Co., Ltd. 國電科技環保集團有限公司	6%
Zhejiang Zheneng Leqing Power Generation Co., Ltd. 浙江浙能樂清發電有限責任公司	23%
Guotou Beibuwan Power Generation Co., Ltd. 國投北部灣發電有限公司	18%
Anhui Anqing Wanjiang Power Generation Co., Ltd. 安徽安慶皖江發電有限責任公司	20%
Jiangxi Jingdezhen Power Generation Co., Ltd. 江西景德鎮發電有限責任公司	20%

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION *(Continued)*

(b) Organisation *(Continued)*

(ii) Guodian Group assumed the liabilities of supplementary pension subsidies for employees retired prior to 30 September 2008; and

(iii) Transferred certain receivables to Guodian Group at nil consideration.

The carrying amounts of assets transferred to and liabilities assumed by Guodian Group amounted to RMB839,907,000 and RMB29,817,000, respectively which were recorded as equity transactions and presented as a distribution to Guodian Group in the consolidated statement of changes in equity.

On 9 July 2009, the assets and liabilities of CLEPG and its subsidiaries have been injected into the Company in exchange of issuing 4,900 million ordinary shares with a par value of RMB1.00 each to Guodian Group. The Company also issued 100 million ordinary shares with a par value of RMB1.00 each to Guodian Northeast Electric Power Co., Ltd ("Guodian Northeast") upon establishment.

As there was no change in controlling shareholders before and after the Reorganisation, the financial statements have been prepared as a reorganisation of business under common control. Accordingly, the relevant assets and liabilities of the companies comprising the Group have been recognised at historical cost except for assets/liabilities which are stated at their fair value in accordance with the accounting policies as described in note 2.

In December 2009, the Company issued an aggregation of 2,464,289,000 H shares after exercise of over-allotment option with a nominal value of RMB1.00 each, at a price of HKD8.16 per H share by way of an initial public offering (the "IPO") to Hong Kong and overseas investors. In connection with the IPO, 246,430,000 domestic state-owned shares of RMB1.00 each owned by Guodian Group and Guodian Northeast were converted into H shares on a one-for-one basis and transferred to the National Council for Social Security Fund of the PRC ("NSSF"). As at 31 December 2009, a total of 2,710,719,000 H shares were listed on The Stock Exchange of Hong Kong Limited ("HKSE").

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Financial Reporting Standards, International Accounting Standards and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE.

A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Group and its interest in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements are the historical cost basis except that the financial instruments classified as available-for-sale or as trading securities (see note 2(g)) are stated at their fair value.

Non-current assets held for sale (or disposal groups held for sale) are stated at the lower of carrying amount and fair value less costs to sell (see note 2(x)).

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised IFRSs would not result in substantial changes in the Group's accounting policies applied in these financial statements for the year ended 31 December 2009(see note 3).

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period (see note 42).

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its PRC subsidiaries.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Where losses applicable to the non-controlling shareholders exceed the non-controlling interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling shareholders, are charged against the Group's interest except to the extent that the non-controlling shareholders has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling shareholders' share of losses previously absorbed by the Group has been recovered.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(o) or (p) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(x)).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(x)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(x)).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Business combination for entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholders that controls the Group are accounted for as if the acquisition had occurred at the beginning of the years or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's shareholders' consolidated financial statements.

Upon transfer of interest in an entity to another entity that are under the control of the shareholders that control the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is generally their transaction price. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(u)(v) and (vi).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(l)).

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Other investments in debt and equity securities *(Continued)*

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit and loss in accordance with the policy set out in note 2(u)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(u)(vi). When these investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 2(k)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(l)). Depreciation is calculated to write off the cost less residual value if applicable, using the straight line method over the estimated useful lives ranging from 30 to 50 years. Rental income from investment properties is accounted for as described in note 2(u)(iv).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Other property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

—	Land, buildings and structures	10-40 years
—	Wind turbines	15-20 years
—	Other machinery and equipment	4-30 years
—	Motor vehicles	5-15 years
—	Furniture, fixtures and others	4-18 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (see note 2(l)).

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Concession assets	20 - 25 years
—	Software and others	5 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and

— land held for own use under an operating lease, where the fair value cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries: see note 2(l)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates and jointly controlled entities recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables *(Continued)*

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables *(Continued)*

— For available-for-sale securities, the cumulative loss that has been recognised directly in equity is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— investment property;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets; and

— investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale) (see note 2(x)).

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated first to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

Inventories excluding spare parts are carried at the lower of cost and net realisable value. Spare parts are stated in the balance sheet at cost less provision for obsolescence.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories *(Continued)*

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group provided supplementary pension subsidies to employees in the PRC, who retired before 30 September 2008. Such supplementary pension subsidies are considered as defined benefit retirement plans.

The Group's net obligation in respect of defined benefit retirement plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(ii) Defined benefit retirement plan obligations *(Continued)*

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of electricity, steam and goods

Electricity revenue is recognised when electricity is supplied to the provincial grid companies. Revenue of steam is recognised when steam is supplied to customers. Revenue of goods is recognised when the title of the goods has been passed to customers, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax (“VAT”) or other sales taxes and is after deduction of any trade discounts.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(ii) Service concession revenue

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

(iii) Rendering of services

Revenue from the rendering of services is recognised in the statement of comprehensive income by reference to the stage of completion of the transaction based on the progress of work performed.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(vii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and consequently are recognised in profit or loss on a systematic basis over the useful life of the asset.

The Group sells carbon credits known as Certified Emission Reductions ("CERs"), generated from the wind farms and other renewable energy facilities which have been registered as Clean Development Mechanism ("CDM") projects with CDM Executive Board ("CDM EB") of the United Nations under the Kyoto Protocol. The Group also sells Voluntary Emission Reductions ("VERs"), which are attributable to electricity generation from CDM projects before being registered with CDM EB. Revenue in relation to the CERs and VERs is recognised when following conditions are met:

— the counterparties have committed to purchase the CERs or VERs;

— the sales prices have been agreed; and

— relevant electricity has been generated.

The revenue related to CERs are recognised and recorded in trade receivables for the volume verified by the independent supervisors assigned by CDM EB and in other receivables for the remaining volume.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the consolidated financial statements are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties

For the purposes of the financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 NEW IFRSs, AMENDMENTS AND INTERPRETATIONS

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations 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 financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Improvements to IFRSs (2008)
- Amendments to IAS 27, Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to IFRS 7, Financial instruments: Disclosures- improving disclosures about financial instruments
- IAS 23 (revised 2007), Borrowing costs

Above developments have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

4 REVENUE

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

	2009	2008
	RMB'000	*RMB'000*
Sales of electricity	**6,466,610**	5,752,101
Sales of steam	**230,315**	120,532
Service concession construction revenue *(note 43)*	**882,602**	2,200,360
Sales of electricity equipment	**128,020**	263,706
Sales of coal	**1,647,996**	—
Others	**388,164**	217,955
	9,743,707	8,554,654

5 OTHER NET INCOME

	2009	2008
	RMB'000	*RMB'000*
Government grants		
— CERs and VERs income	**210,362**	117,521
— Others	**327,335**	207,664
Rental income from investment properties	**21,923**	25,035
Net gain on disposal of plant, property and equipment and investment properties	**4,455**	21,367
Others	**9,757**	18,581
	573,832	390,168

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

6 FINANCE INCOME AND EXPENSES

	2009 *RMB'000*	2008 *RMB'000*
Interest income on financial assets	32,774	37,075
Foreign exchange gains	980	61,775
Net realised and unrealised gains on trading securities	200	—
Available-for-sale financial assets — gains on disposal *(note 12)*	643	—
Dividend income from listed securities	139	24,363
Dividend income from other investments	15,778	22,387
Finance income	50,514	145,600
Interest on bank and other borrowings wholly repayable within five years	791,588	595,860
Interest on bank and other borrowings repayable more than five years	781,060	702,675
Less: interest expenses capitalised into property, plant and equipment and intangible assets	(548,398)	(366,296)
	1,024,250	932,239
Foreign exchange losses	6,587	9,204
Net realised and unrealised losses on trading securities	—	178
Impairment losses on trade and other receivables	16,829	42,416
Bank charges and others	23,195	19,022
Finance expenses	1,070,861	1,003,059
Net finance expenses recognised in profit or loss	(1,020,347)	(857,459)

The borrowing costs have been capitalised at rates of 3.60% to 7.05% for the year ended 31 December 2009 (2008: 5.02% to 7.83%).

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2009	2008
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**484,278**	341,413
Contributions to defined contribution retirement plan	**55,463**	41,571
Expenses recognised in respect of defined benefit retirement plan *(note 32(a))*	**—**	1,040
	539,741	384,024

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

7 PROFIT BEFORE TAXATION *(Continued)*

(b) Other items

	2009 *RMB'000*	2008 *RMB'000*
Amortisation		
— lease prepayment	18,016	14,367
— intangible assets	205,316	115,310
Depreciation		
— investment properties	5,307	7,541
— property, plant and equipment	1,361,585	945,677
Impairment losses		
— investment in associates and jointly controlled entities	—	25
— property, plant and equipment	—	103,813
Auditors' remuneration — audit services	13,700	4,137
Operating lease charges		
— hire of plant and machinery	672	13,738
— hire of properties	3,714	2,291
Direct outgoings for investment properties		
— occupied	4,321	5,666
— vacant	685	928
Cost of inventories	4,033,256	3,444,905
Including: personnel costs, depreciation, amortisation, and operating lease charges	1,874	1,764

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2009 *RMB'000*	2008 *RMB'000*
Current tax		
Provision for the year	291,358	103,024
Under/(over) provision in respect of prior years	488	(371)
	291,846	102,653
Deferred tax		
Origination and reversal of temporary differences *(note 31(b))*	4,644	(100,571)
	296,490	2,082

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group except for certain subsidiaries of the Group, which are tax exempted or taxed at a preferential rate, as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2008 and 2009.

(ii) Hero Asia Investment Limited, a subsidiary of the Group incorporated in Hong Kong, is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2008 and 2009. Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), Hero Asia (BVI) Company Limited, a subsidiary of the Group, is not subject to any income tax in the BVI.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

Notes: (Continued)

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which took effect on 1 January 2008. As a result of the New Tax Law, the statutory income tax rate in the PRC was adjusted from 33% to 25%. According to the Implementation Rules of the New Tax Law ("Implementation Rules") and GuoFa [2007] No. 39 Notice on the Implementation of the Transitional Preferential Tax Policies ("Circular 39"), certain subsidiaries of the Group are entitled to apply the transitional rates of 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Further, Circular 39 grandfathers the 2+3 tax holidays, a 2-year full exemption followed by a 3-year 50% exemption commencing from their respective first profit-making year after offsetting accumulated tax losses, and requires them to commence on 1 January 2008 should they be not started earlier. Accordingly, certain subsidiaries of the Group can continue to enjoy the 2+3 tax holidays until they expire.

In addition, pursuant to CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment ("Circular 46"), 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 ("3+3 tax holiday").

(iv) Pursuant to GuoShuiFa [2009] No. 82 Notice on Issues concerning Determination of Tax Resident Enterprise Status of Overseas Registered Enterprises Controlled by China's Capitals in accordance with the Criteria of Place of Effective Management issued by the State Administration of Taxation ("SAT") on 22 April 2009 ("Circular 82"), the directors of the Company are of the opinion that it is more likely than not that Hero Asia Investment Limited and Hero Asia (BVI) Company Limited will be recognised as PRC tax residents under the New Tax Law effective from 1 January 2008 and are subject to PRC income tax at 25%. Accordingly, dividends receivable by them will be exempted from PRC dividend withholding tax under the New Tax Law. The determination of PRC tax resident status under Circular 82 is subject to final approval by the SAT. The Group has not received such approvals from the SAT.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2009 *RMB'000*	2008 *RMB'000*
Profit before taxation	1,943,596	615,991
Applicable tax rates	25%	25%
Notional tax on profit before taxation	485,899	153,998
Tax effect of non-deductible expenses	15,319	10,324
Tax effect of share of profits less losses of associates and jointly controlled entities	(26,368)	(13,174)
Tax effect of non-taxable income	(3,979)	(11,688)
Effect of differential tax rate of certain subsidiaries of the Group	(230,004)	(125,906)
Tax effect of unused tax losses and timing differences not recognised	77,465	51,834
Tax credits for purchase of domestic equipment	(21,204)	(62,488)
Others	(638)	(818)
Income tax	296,490	2,082

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments are as follows:

	Directors' and supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2009 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Zhu Yongpeng *(Chairman)*	—	—	—	—	—
Mr. Xie Changjun	—	270	806	62	1,138
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	265	802	60	1,127
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng	—	225	642	56	923
Independent non-executive directors					
Mr. Li Junfeng	75	—	—	—	75
Mr. Zhang Songyi	75	—	—	—	75
Mr. Meng Yan	75	—	—	—	75
Supervisors					
Mr. Chen Bin	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. Wang Jianting	—	162	522	48	732
	225	922	2,772	226	4,145

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2008 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Zhu Yongpeng *(Chairman)*	—	—	—	—	—
Mr. Xie Changjun	—	257	496	51	804
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	245	496	50	791
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng	—	220	393	48	661
Independent non-executive directors					
Mr. Li Junfeng	—	—	—	—	—
Mr. Zhang Songyi	—	—	—	—	—
Mr. Meng Yan	—	—	—	—	—
Supervisors					
Mr. Chen Bin	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. Wang Jianting	—	169	322	41	532
	—	891	1,707	190	2,788

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended 31 December are set forth below:

	2009	2008
Directors	3	3
Non-directors	2	2
	5	5

The emoluments of the directors are disclosed in note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2009 *RMB'000*	2008 *RMB'000*
Salaries and other emoluments	409	408
Discretionary bonuses	1,196	769
Retirement scheme contributions	107	91
	1,712	1,268

The emoluments of the individuals with the highest emoluments are within the following bands:

	2009	2008
HKD 500,001 to HKD 1,000,000	2	2

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a loss of RMB170,848,000 which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the period:

	Note	2009 *RMB'000*
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements		(170,848)
Final dividends from subsidiaries, associates and jointly controlled entities attributable to the profits of the previous financial year, approved and paid during the period		76,138
Company's loss for the period	34(a)	(94,710)

Details of dividends paid and payable to equity shareholders of the Company are set out in note 34(b).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

12 OTHER COMPREHENSIVE INCOME

	2009 *RMB'000*	2008 *RMB'000*
Available-for-sale financial assets:		
Net movement in fair value reserve		
— Before tax amount		
Change in fair value recognised during the year	11,240	(25,054)
Reclassification adjustments for amounts transferred to gains on disposal	(643)	—
— Tax (expense)/credit	(2,650)	6,264
Net of tax amount	7,947	(18,790)
Translation of financial statements of overseas subsidiaries		
— Before tax amount	(2,304)	1,175
— Tax (expense)/credit	—	—
Net of tax amount	(2,304)	1,175
Other comprehensive income/(losses)	5,643	(17,615)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2009 of RMB894,126,000 (2008: RMB337,448,000) and the weighted average number of shares in issue during the year ended 31 December 2009 of 5,137,965,000 (2008: 5,000,000,000). The weighted average number of shares in issue during the year ended 31 December 2008 represents the number of shares issued and outstanding upon the establishment of the Company on 9 July 2009 as if such shares have been outstanding for the above entire year. The weighted average number of shares for the year ended 31 December 2009 also reflects the issuance of 2,464,289,000 shares in 2009 in connection with the Company's initial public offering (see note 34(c)). The weighted average number of shares in issue is set out below:

	2009 ***Thousands shares***	2008 *Thousands shares*
Shares issued to Guodian Group and Guodian Notheast upon formation of the Company in 2009 as if such shares have been outstanding for the entire year in 2009 and 2008	**5,000,000**	5,000,000
Effects of shares issued in December 2009	**137,965**	—
	5,137,965	5,000,000

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

14 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.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in associates and jointly controlled entities, available-for-sale investments, unquoted equity investments, deferred tax assets, tax recoverable and other corporate assets. Segment liabilities include trade creditors, bills payable, other payables and bank borrowings managed directly by the segments. Segment liabilities do not include deferred tax liabilities, tax payable and other corporate liabilities.

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 jointly controlled entities, net finance expenses, service concession construction revenue and cost and unallocated corporate expenses.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

14 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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 years ended 31 December 2009 and 2008 is set out below:

For the year ended 31 December 2009

	Wind power *RMB'000*	**Coal power** *RMB'000*	**All others** *RMB'000*	**Total** *RMB'000*
Revenue from external customers				
— Sales of electricity	2,752,294	3,668,763	45,553	6,466,610
— Others	1,935	2,204,192	188,368	2,394,495
Subtotal	2,754,229	5,872,955	233,921	8,861,105
Inter-segment revenue	—	—	329,336	329,336
Reportable segment revenue	2,754,229	5,872,955	563,257	9,190,441
Reportable segment profit (operating profit)	1,924,059	985,066	109,683	3,018,808
Depreciation and amortisation before inter-segment elimination	(1,039,901)	(529,650)	(35,160)	(1,604,711)
Impairment of property, plant and equipment	—	—	—	—
Impairment of trade and other receivables	(4,237)	(11,713)	(879)	(16,829)
Interest income	7,933	14,950	9,891	32,774
Interest expense	(680,895)	(165,815)	(177,540)	(1,024,250)
Reportable segment assets	45,752,668	7,097,741	2,876,295	55,726,704
Expenditures for reportable segment non-current assets during the year	15,005,573	429,635	65,041	15,500,249
Reportable segment liabilities	34,547,567	5,017,679	3,934,798	43,500,044

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

14 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

For the year ended 31 December 2008

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
— Sales of electricity	1,634,852	4,089,698	27,551	5,752,101
— Others	3,257	283,672	315,264	602,193
Subtotal	1,638,109	4,373,370	342,815	6,354,294
Inter-segment revenue	—	—	112,375	112,375
Reportable segment revenue	1,638,109	4,373,370	455,190	6,466,669
Reportable segment profit (operating profit)	1,076,130	329,619	73,942	1,479,691
Depreciation and amortisation before inter-segment elimination	(566,099)	(493,595)	(29,807)	(1,089,501)
Impairment of property, plant and equipment	(103,813)	—	—	(103,813)
Impairment of trade and other receivables	(39,102)	(2,500)	(814)	(42,416)
Interest income	15,579	13,258	8,238	37,075
Interest expense	(508,653)	(264,129)	(159,457)	(932,239)
Reportable segment assets	27,851,977	6,928,655	1,004,007	35,784,639
Expenditures for reportable segment non-current assets during the year	12,491,835	159,495	32,924	12,684,254
Reportable segment liabilities	20,751,658	4,937,492	1,645,582	27,334,732

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

14 SEGMENT REPORTING *(Continued)*

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

	2009 *RMB'000*	2008 *RMB'000*
Revenue		
Reportable segment revenue	9,190,441	6,466,669
Service concession construction revenue	882,602	2,200,360
Elimination of inter-segment revenue	(329,336)	(112,375)
Consolidated revenue	9,743,707	8,554,654
Profit		
Reportable segment profit	3,018,808	1,479,691
Elimination of inter-segment profits	(46,023)	(16,765)
	2,972,785	1,462,926
Share of profits less losses of associates and jointly controlled entities	105,472	52,698
Net finance expenses	(1,020,347)	(857,459)
Unallocated head office and corporate expenses	(114,314)	(42,174)
Consolidated profit before taxation	1,943,596	615,991

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

14 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities *(Continued)*

	2009 RMB'000	2008 RMB'000
Assets		
Reportable segment assets	55,726,704	35,784,639
Inter-segment elimination	(17,974,264)	(9,412,137)
	37,752,440	26,372,502
Investments in associates and jointly controlled entities	799,029	526,560
Available-for-sale investments	23,662	13,174
Unquoted equity investments in companies	446,103	256,016
Trading securities	—	54
Tax recoverable	5,256	462
Deferred tax assets	204,662	190,326
Unallocated head office and corporate assets	28,722,550	8,690,313
Consolidated total assets	67,953,702	36,049,407
Liabilities		
Reportable segment liabilities	43,500,044	27,334,732
Inter-segment elimination	(17,930,212)	(9,357,648)
	25,569,832	17,977,084
Tax payable	140,215	80,015
Deferred tax liabilities	44,930	23,300
Unallocated head office and corporate liabilities	16,518,751	10,896,143
Consolidated total liabilities	42,273,728	28,976,542

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

14 SEGMENT REPORTING *(Continued)*

(c) Geographical information

All of the Group's operations are located in the PRC, therefore no geographic segment reporting is presented.

(d) Major customers

Revenue from the PRC government controlled power grid companies amounted to RMB6,227,229,000 for the year ended 31 December 2009 (2008: RMB5,446,314,000). Service concession construction revenue is all from the PRC government.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land, buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2008	2,465,044	11,786,714	134,030	144,497	4,443,836	18,974,121
Additions	27,557	14,930	23,257	22,970	10,283,821	10,372,535
Transfer from construction in progress	247,865	6,939,089	—	4,319	(7,191,273)	—
Transfer from investment properties *(note 16)*	61,264	—	—	—	—	61,264
Transfer to other assets	—	—	—	—	(10,501)	(10,501)
Disposals	(16,159)	(949)	(22,237)	(6,345)	—	(45,690)
At 31 December 2008	2,785,571	18,739,784	135,050	165,441	7,525,883	29,351,729
At 1 January 2009	2,785,571	18,739,784	135,050	165,441	7,525,883	29,351,729
Additions due to the change of consolidation scope *(note 19(iii))*	594	—	903	19	304	1,820
Additions	29,240	123,428	50,202	26,460	14,185,677	14,415,007
Transfer from construction in progress	397,289	8,166,506	241	9,172	(8,573,208)	—
Transfer from investment properties *(note 16)*	40,294	—	—	—	—	40,294
Transfer to other assets	—	—	—	—	(60,653)	(60,653)
Disposals	(5,891)	(1,043)	(2,937)	(3,593)	(142,335)	(155,799)
Reclassification	(67,968)	67,968	—	—	—	—
At 31 December 2009	3,179,129	27,096,643	183,459	197,499	12,935,668	43,592,398

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Land, buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment losses:						
At 1 January 2008	675,316	3,161,277	91,043	66,883	42,326	4,036,845
Depreciation charge for the year	115,539	805,990	11,648	17,182	—	950,359
Impairment loss	—	—	—	—	103,813	103,813
Transfer from investment properties *(note 16)*	6,978	—	—	—	—	6,978
Written back on disposal	(8,567)	(844)	(21,197)	(5,873)	—	(36,481)
At 31 December 2008	789,266	3,966,423	81,494	78,192	146,139	5,061,514
At 1 January 2009	789,266	3,966,423	81,494	78,192	146,139	5,061,514
Additions due to the change of consolidation scope *(note 19(iii))*	—	—	198	4	—	202
Depreciation charge for the year	142,232	1,188,284	15,612	20,853	—	1,366,981
Transfer from investment properties *(note 16)*	6,569	—	—	—	—	6,569
Written back on disposal	(2,113)	(931)	(1,832)	(201)	(142,335)	(147,412)
Reclassification	(27,138)	27,138	—	—	—	—
At 31 December 2009	908,816	5,180,914	95,472	98,848	3,804	6,287,854
Net book value:						
At 31 December 2008	1,996,305	14,773,361	53,556	87,249	7,379,744	24,290,215
At 31 December 2009	2,270,313	21,915,729	87,987	98,651	12,931,864	37,304,544

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Land, buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
Injection to the Company upon establishment	147,619	28,640	12,863	20,007	739,596	948,725
Additions	—	620	8,141	3,317	168,174	180,252
Transfer from construction in progress	—	4,662	—	—	(4,662)	—
Transfer from investment properties *(note 16)*	19,435	—	—	—	—	19,435
Transfer to subsidiaries	—	—	—	(112)	(662,568)	(662,680)
Disposals	—	(107)	(382)	—	—	(489)
At 31 December 2009	167,054	33,815	20,622	23,212	240,540	485,243
Accumulated depreciation and impairment losses:						
Injection to the Company upon establishment	31,358	15,294	9,481	9,707	—	65,840
Depreciation charge for the period	3,062	714	962	1,219	—	5,957
Transfer from investment properties *(note 16)*	3,520	—	—	—	—	3,520
Written back on disposal	—	(5)	(382)	—	—	(387)
At 31 December 2009	37,940	16,003	10,061	10,926	—	74,930
Net book value:						
At 31 December 2009	129,114	17,812	10,561	12,286	240,540	410,313

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company *(Continued)*

Notes:

(i) The Group's property, plants and buildings are located in the PRC.

(ii) Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings and machinery, which had an aggregate net book value of RMB768,161,000 as at 31 December 2009 (2008: RMB1,064,309,000).

None of bank and other borrowings of the Company were secured by the Company's buildings and machinery.

(iii) Property, plant and equipment held under finance leases

Certain properties, plant and equipment of the Group with an aggregate net book value of RMB67,561,000 as at 31 December 2009 (2008: RMB72,881,000), are accounted for as finance leases pursuant to the sales and leaseback transactions.

(iv) As at 31 December 2009, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties. The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

16 INVESTMENT PROPERTIES

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Cost:			
At 1 January/injection to the Company upon establishment	**202,403**	307,854	**282,198**
Transfer to property, plant and equipment *(note 15)*	**(40,294)**	(61,264)	**(19,435)**
Disposals	**—**	(44,187)	**—**
At 31 December	**162,109**	202,403	**262,763**
Accumulated depreciation:			
At 1 January/injection to the Company upon establishment	**30,497**	42,270	**47,054**
Charge for the year/period	**5,307**	7,541	**4,893**
Transfer to property, plant and equipment *(note 15)*	**(6,569)**	(6,978)	**(3,520)**
Written back on disposal	**—**	(12,336)	**—**
At 31 December	**29,235**	30,497	**48,427**
Net book value:	**132,874**	171,906	**214,336**

All the investment properties owned by the Group are located in the PRC, which comprise a number of commercial properties that are leased to third parties. The leases typically run for a short initial period of 1 to 4 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted periodically to reflect market rentals. None of these leases includes contingent rentals. All lease contracts could be terminated with an insignificant penalty.

According to the Property Valuation Report issued by Jones Lang LaSalle Sallmanns Limited, a firm of independent qualified valuer in Hong Kong, on 26 March 2010 and 27 November 2009, the fair value of the Group's investment properties as at 31 December 2009 and 2008 are RMB284,355,000 and RMB391,703,000, respectively.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

17 LEASE PREPAYMENTS

The Group

	2009 *RMB'000*	2008 *RMB'000*
Cost:		
At 1 January	**683,794**	573,836
Additions due to the change of consolidation scope *(note 19(iii))*	**3,008**	—
Additions	**199,992**	109,958
At 31 December	**886,794**	683,794
Accumulated amortisation:		
At 1 January	**127,074**	112,707
Additions due to the change of consolidation scope *(note 19(iii))*	**15**	—
Amortisation for the year	**18,727**	14,367
At 31 December	**145,816**	127,074
Net book value:	**740,978**	556,720

Lease prepayments mainly represent prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties with lease period from 20 to 70 years.

As at 31 December 2009, the Group is in the process of applying for registration of the ownership certificates for certain of its land use right. The directors are of the opinion that the Group is entitled to lawfully occupy or use these land.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

18 INTANGIBLE ASSETS

The Group

	Concession assets *(note 43)* *RMB'000*	**Software and others** *RMB'000*	**Total** *RMB'000*
Cost:			
At 1 January 2008	3,049,289	2,018	3,051,307
Additions	2,200,360	1,401	2,201,761
At 31 December 2008	5,249,649	3,419	5,253,068
At 1 January 2009	5,249,649	3,419	5,253,068
Additions due to the change of consolidation scope *(note 19(iii))*	335,842	18	335,860
Additions	882,602	2,648	885,250
Disposals	—	(14)	(14)
At 31 December 2009	6,468,093	6,071	6,474,164
Accumulated amortisation:			
At 1 January 2008	53,382	923	54,305
Charge for the year	114,920	390	115,310
At 31 December 2008	168,302	1,313	169,615
At 1 January 2009	168,302	1,313	169,615
Additions due to the change of consolidation scope *(note 19(iii))*	12,897	4	12,901
Charge for the year	204,971	476	205,447
Written back on disposal	—	(14)	(14)
At 31 December 2009	386,170	1,779	387,949
Net book value:			
At 31 December 2008	5,081,347	2,106	5,083,453
At 31 December 2009	6,081,923	4,292	6,086,215

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN SUBSIDIARIES

The Company

	2009
	RMB'000
Unlisted investments, at cost	6,674,039
Less: impairment loss	(46,000)
	6,628,039

The following list contains only the particulars of subsidiaries at 31 December 2009 which principally affected the results, assets or liabilities of the Group. All of these subsidiaries are limited liability companies.

	Name of the Company	Place of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
1	Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd. 福建省東山澳仔山風電開發有限公司	the PRC	RMB256,000,000	66.15%	25%	Wind power generation
2	Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. 福建省平潭長江澳風電開發有限公司 *(note (ii))*	the PRC	RMB14,260,000	60%	—	Wind power generation
3	Gansu Jieyuan Wind Power Generation Co., Ltd. 甘肅潔源風電有限責任公司 *(note (ii))*	the PRC	RMB276,000,000	61%	—	Wind power generation
4	Xinjiang Tianfeng Power Generation Joint Stock Company 新疆天風發電股份有限公司	the PRC	RMB511,016,909	59.52%	—	Wind power generation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

	Name of the Company	Place of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
				Direct	Indirect	
5	Zhejiang Wind Power Generation and Development Co., Ltd. 浙江風力發電發展有限責任公司	the PRC	RMB92,000,000	100%	—	Wind power generation
6	Fujian Wind Power Generation Co., Ltd. 福建風力發電有限公司 *(note (ii))*	the PRC	RMB40,000,000	90%	—	Wind power generation
7	Yichun Xing'anling Wind Power Generation Co., Ltd. 伊春興安嶺風力發電有限公司 *(note (ii))*	the PRC	RMB199,380,000	30%	25%	Wind power generation
8	Jilin Longyuan Wind Power Generation Co., Ltd. 吉林龍源風力發電有限公司 *(note (ii))*	the PRC	RMB438,200,000	56.58%	9.65%	Wind power generation
9	Jiangsu Longyuan Wind Power Generation Co., Ltd. 江蘇龍源風力發電有限公司	the PRC	RMB333,320,000	50%	25%	Wind power generation
10	Longyuan Pingtan Wind Power Generation Co., Ltd. 龍源平潭風力發電有限公司	the PRC	RMB170,000,000	85%	5%	Wind power generation
11	Chifeng Xinsheng Wind Power Generation Co., Ltd. 赤峰新勝風力發電有限公司 *(note (ii))*	the PRC	RMB273,426,200	34%	—	Wind power generation
12	Shenyang Longyuan Wind Power Generation Co., Ltd. 瀋陽龍源風力發電有限公司	the PRC	RMB432,270,000	73.6%	25%	Wind power generation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

	Name of the Company	Place of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
13	Tieling Longyuan Wind Power Generation Co., Ltd. 鐵嶺龍源風力發電有限公司	the PRC	RMB281,690,000	75%	25%	Wind power generation
14	Huanan Longyuan Wind Power Generation Co., Ltd. 樺南龍源風力發電有限公司 *(note (ii))*	the PRC	RMB414,305,000	15%	25%	Wind power generation
15	Yichun Longyuan Wind Power Generation Co., Ltd. 伊春龍源風力發電有限公司 *(note (ii))*	the PRC	RMB135,250,000	5%	35%	Wind power generation
16	Longyuan (Bayannur) Wind Power Generation Co., Ltd. 龍源(巴彥淖爾)風力發電有限責任公司	the PRC	RMB910,800,000	75%	25%	Wind power generation
17	Longyuan Qidong Wind Power Generation Co., Ltd. 龍源啟東風力發電有限公司	the PRC	RMB245,760,000	30%	70%	Wind power generation
18	Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. 河北圍場龍源建投風力發電有限公司 *(note (ii))*	the PRC	RMB187,850,000	50%	—	Wind power generation
19	Longyuan (Baotou) Wind Power Generation Co., Ltd. 龍源(包頭)風力發電有限責任公司	the PRC	RMB394,940,000	75%	25%	Wind power generation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

	Name of the Company	Place of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
20	Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 龍源(張家口)風力發電有限公司	the PRC	RMB581,255,900	75%	25%	Wind power generation
21	Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd. 瀋陽龍源雄亞風力發電有限公司	the PRC	RMB148,310,000	75%	25%	Wind power generation
22	Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. 浙江溫嶺東海塘風力發電有限公司	the PRC	RMB140,020,000	36.29%	40%	Wind power generation
23	Longyuan (Siziwang) Wind Power Generation Co., Ltd. 龍源(四子王)風力發電有限責任公司	the PRC	RMB149,000,000	75%	25%	Wind power generation
24	Yichun Longyuan Hero Asia Wind Power Generation Co., Ltd. 伊春龍源雄亞風力發電有限公司	the PRC	RMB320,140,000	75%	25%	Wind power generation
25	Longyuan (Tongyu) Wind Power Generation Co., Ltd. 龍源(通榆)風力發電有限公司	the PRC	RMB143,470,000	75%	25%	Wind power generation
26	Chifeng Longyuan Wind Power Generation Co., Ltd. 赤峰龍源風力發電有限公司	the PRC	RMB468,570,000	72.01%	25%	Wind power generation
27	Longyuan (Xing'anmeng) Wind Power Co., Ltd. 龍源(興安盟)風力發電有限公司	the PRC	RMB220,330,000	75%	25%	Wind power generation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

	Name of the Company	Place of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
28	Hainan Longyuan Wind Power Generation Co., Ltd. 海南龍源風力發電有限公司	the PRC	RMB142,058,800	75%	25%	Wind power generation
29	Longyuan (Changling) Wind Power Generation Co., Ltd. 龍源(長嶺)風力發電有限公司	the PRC	RMB155,120,000	75%	25%	Wind power generation
30	Longyuan Shenyang Wind Power Generation Co., Ltd. 龍源瀋陽風力發電有限公司	the PRC	RMB96,218,000	100%	—	Wind power generation
31	Gansu Xin'an Wind Power Generation Co., Ltd. 甘肅新安風力發電有限公司 *(note(iii))*	the PRC	RMB75,000,000	54.54%	—	Wind power generation
32	Longyuan (Tongliao) Wind Power Generation Co., Ltd. 龍源(通遼)風力發電有限公司 *(note(iv))*	the PRC	RMB70,070,000	100%	—	Wind power generation
33	Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd. 龍源建投(承德)風力發電有限公司 *(note (ii)(iv))*	the PRC	RMB145,670,000	30%	25%	Wind power generation
34	Longyuan Jiantou (ChengdeWeichang) Wind Power Generation Co., Ltd. 龍源建投(承德圍場)風力發電有限公司 *(note (ii)(iv))*	the PRC	RMB138,320,000	30%	25%	Wind power generation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

	Name of the Company	Place of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
35	Yunnan Longyuan Wind Power Generation Co., Ltd. 雲南龍源風力發電有限公司 *(note(iv))*	the PRC	RMB98,730,000	100%	—	Wind power generation
36	Longyuan Kangping Wind Power Generation Co., Ltd. 龍源康平風力發電有限公司 *(note(iv))*	the PRC	RMB83,195,000	100%	—	Wind power generation
37	Shuangyashan Longyuan Wind Power Generation Co., Ltd. 雙鴨山龍源風力發電有限公司 *(note(iv))*	the PRC	RMB163,570,000	75%	25%	Wind power generation
38	Yilan Longyuan Huineng Wind Power Generation Co., Ltd. 依蘭龍源匯能風力發電有限公司 *(note(iv))*	the PRC	RMB157,830,000	57%	—	Wind power generation
39	Longyuan (Rudong) Wind Power Generation Co., Ltd. 龍源(如東)風力發電有限公司 *(note(iv))*	the PRC	RMB278,850,000	50%	50%	Wind power generation
40	Jiangyin Sulong Power Generation Co., Ltd. 江陰蘇龍發電有限公司 *(note (ii))*	the PRC	USD144,320,000	2%	25%	Coal power generation
41	Nantong Tianshenggang Power Generation Co., Ltd. 南通天生港發電有限公司 *(note (ii))*	the PRC	USD51,180,000	0.65%	31.29%	Coal power generation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

	Name of the Company	Place of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
42	Fujian Putian Nanri Wind Power Generation Co., Ltd. 福建省莆田南日風電有限公司 *(note (ii))*	the PRC	RMB61,400,000	—	43.40%	Wind power Generation
43	Zhongneng Power-Tech Development Company Limited 中能電力科技開發有限公司	the PRC	RMB70,000,000	80%	—	Manufacturing and sales of power equipment
44	Beijing Zhongneng Lianchuang Wind Power Technology Co. Ltd. 北京中能聯創風電技術有限公司	the PRC	RMB10,000,000	50%	50%	Provision of maintenance services to wind power plants
45	Yichun Longyuan Jinshan Wind Power Generation Co., Ltd. 伊春龍源金山風力發電有限公司 *(note(iv))*	the PRC	RMB2,000,000	100%	—	Wind power generation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Notes:

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) The Company directly or indirectly either owns less than half of equity interests in these companies or owns more than half of equity interests but the voting power attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. The Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate had the power to control these companies according to the articles of association. The Company or the Company's subsidiaries had signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company existed since the establishment of these entities. The PRC lawyer of the Company confirmed that the concert party agreements are valid under relevant PRC laws. In addition to the concert party agreements arrangement, the Company controlled the operation of these entities by appointing senior management, approving annual budget and determining the remuneration of employees, etc. Considering above mentioned factors, the directors are of the opinion that the Company controlled these entities during the years presented. Therefore the financial statements of these companies are consolidated by the Company during the years presented (or where the companies were established at a date later than 1 January 2008, for the period from the date of establishment to 31 December 2009).

(iii) Since the concert party agreement signed between the Company and other equity owners of Gansu Xin'an Wind Power Generation Co., Ltd. (甘肅新安風力發電有限公司) was effective on 1 January 2009, the financial statements of the entity are consolidated by the Company from 1 January 2009.

(iv) These companies were newly set up in 2009.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

20 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Unlisted investments, at cost	**—**	—	**449,508**
Share of net assets	**799,029**	526,560	**—**
	799,029	526,560	**449,508**
Less: impairment loss	**—**	—	**(448)**
	799,029	526,560	**449,060**

The following list contains only the particulars of associates and jointly controlled entities at 31 December 2009, all of which are limited liability companies established in the PRC, which principally affected the results or assets of the Group:

	Name of the Company	Place of establishment	Particulars of registered capital *RMB'000*	Percentage of attributable equity interest: Direct	Percentage of attributable equity interest: Indirect	Principal activities
1	Yilan Longyuan Wind Power Co., Ltd. (依蘭龍源風力發電有限公司)	the PRC	293,562	15%	25%	Wind power generation
2	Guodian Union Power Technology Co., Ltd. (國電聯合動力技術有限公司)	the PRC	313,046	30%	—	Manufacturing and sales of power equipment
3	Shanghai Yinhua Shipping Co., Ltd (上海銀樺航運有限公司) *(note (i))*	the PRC	200,000	—	49%	Transportation and logistics

Notes:

(i) This Company was acquired through the acquisition of Jiangsu New Longyuan Investment Co., Ltd.. (note 39(a))

As part of the Reorganisation, the Company transferred certain investments in associates to Guodian Group with nil consideration in September 2008, as described in note 1(b).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

20 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(Continued)*

Summary financial statements on associates and jointly controlled entities:

	2009		2008	
	100 per cent *RMB'000*	Group's effective interest *RMB'000*	100 per cent *RMB'000*	Group's effective interest *RMB'000*
Assets	9,916,884	2,652,692	5,568,868	1,901,712
Liabilities	7,008,558	1,853,663	4,046,691	1,375,152
Equity	2,908,326	799,029	1,522,177	526,560
Revenue	5,023,604	1,223,808	1,354,620	460,329
Profit	543,392	129,813	155,075	52,698

21 OTHER ASSETS

	The Group		The Company
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*
Other financial assets:			
Available-for-sale investments, measured at fair value	23,662	13,174	23,662
Unquoted equity investments in non-listed companies, at cost	446,103	256,016	340,303
Loans and advances to			
— associates *(note (i))*	72,370	80,580	72,370
— subsidiaries *(note (i))*	—	—	4,524,573
— third parties *(note (ii))*	132,750	—	—
Subtotal	674,885	349,770	4,960,908
Deductible VAT *(note (iii))*	1,643,709	—	—
	2,318,594	349,770	4,960,908

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

21 OTHER ASSETS *(Continued)*

Notes:

(i) The loans to associates and subsidiaries are designated loans and are unsecured, not past due as at balance sheet dates, and bear interest at the rates of 5.35% to 7.05% per annum for the year ended 31 December 2009 (2008: 6.48% to 7.05%). The current portion is recorded in other current assets.

(ii) The balance at 31 December 2009 is unsecured, interest free and is expected to be repaid in 2 to 5 years.

(iii) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets, which is deductible from output VAT since 1 January 2009. Such input VAT was recorded as part of the related assets before 1 January 2009.

22 INVENTORIES

The Group

	2009 *RMB'000*	2008 *RMB'000*
Coal	103,907	97,196
Fuel oil	4,078	5,929
Spare parts and others	224,912	176,125
	332,897	279,250

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

23 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company
	2009	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from third parties	2,147,835	1,210,637	9,575
Amounts due from Guodian Group	497	—	—
Amounts due from fellow subsidiaries	34,714	26,764	—
Amounts due from associates	4,660	9,371	980
Amounts due from subsidiaries	—	—	2,766,278
	2,187,706	1,246,772	2,776,833
Less: allowance for doubtful debts	(7,039)	(5,904)	—
	2,180,667	1,240,868	2,776,833

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

23 TRADE DEBTORS AND BILLS RECEIVABLE *(Continued)*

(a) Ageing analysis

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

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Current	**2,179,292**	1,238,095	**2,776,813**
Past due within 1 year	**4,173**	4,922	**—**
Past due between 1 to 2 years	**3,816**	120	**—**
Past due between 2 to 3 years	**120**	20	**—**
Past due over 3 years	**305**	3,615	**20**
	2,187,706	1,246,772	**2,776,833**
Less: allowance for doubtful debts	**(7,039)**	(5,904)	**—**
	2,180,667	1,240,868	**2,776,833**

Trade debtors are generally due within 15 - 30 days from the date of billing. Certain wind power projects collect part of receivables representing 30% to 55% of total electricity sales in 6 to 12 months from the date of recognition of sales as agreed in the electricity sales contracts signed between the Group and local grid companies.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

23 TRADE DEBTORS AND BILLS RECEIVABLE *(Continued)*

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account.

The movement in the allowance for doubtful debts is as follows:

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
At 1 January/injection to the Company upon establishment	**5,904**	2,608	**2,149**
Impairment losses recognised	**4,312**	4,538	**—**
Reversal of impairment losses	**—**	(1,242)	**—**
Uncollectible amounts written off	**(3,177)**	—	**(2,149)**
At 31 December	**7,039**	5,904	**—**

As at 31 December 2009, the Group's trade debtors and bills receivable of RMB7,039,000 (2008: RMB5,904,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

23 TRADE DEBTORS AND BILLS RECEIVABLE *(Continued)*

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Neither past due nor impaired	**2,179,292**	1,238,095	**2,776,813**
Past due within 1 year	**1,215**	1,433	**—**
Past due over 1 year	**160**	1,340	**20**
	2,180,667	1,240,868	**2,776,833**

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

24 PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Loans and advances to *(note (i))*:			
— subsidiaries	**—**	—	**5,582,512**
— associates	**65,615**	346,926	**10,630**
— Guodian Group	**691**	11,405	**691**
— fellow subsidiaries	**407**	21,137	**—**
— third parties	**101,330**	149,001	**17,025**
Government grant and CERs receivables	**423,719**	1,184,467	**—**
Dividend receivable from fellow subsidiaries	**15,000**	—	**15,000**
Prepayments and others	**307,423**	188,802	**193,406**
	914,185	1,901,738	**5,819,264**
Less: allowance for doubtful debts	**(60,787)**	(96,943)	**(1)**
	853,398	1,804,795	**5,819,263**

Notes:

(i) Interest bearing loans and advances amounted to RMB10,630,000 with annum interest rates of 5.35% as at 31 December 2009 (2008: RMB275,713,000, 4.69% to 7.05%).

Interest bearing loans and advances amounted to RMB3,625,247,000 with annum interest rates of 4.69% to 5.35% as at 31 December 2009.

Impairment losses in respect of prepayments and other current assets are recorded using an allowance account.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

24 PREPAYMENTS AND OTHER CURRENT ASSETS *(Continued)*

The movement in the allowance for doubtful debts is as follows:

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
At 1 January/injection to the Company upon establishment	**96,943**	156,315	**36,986**
Impairment losses recognised	**12,557**	39,779	**—**
Reversal of impairment losses	**(40)**	(659)	**—**
Uncollectible amounts written off	**(48,673)**	(98,492)	**(36,985)**
At 31 December	**60,787**	96,943	**1**

The Group's prepayments and other current assets of RMB60,787,000 as at 31 December 2009 (2008: RMB96,943,000) were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

For the other balances of prepayments and other current assets, the management is of the opinion that the counterparties are with good credit quality and the balances are considered fully recoverable.

25 RESTRICTED DEPOSITS

Restricted deposits mainly represent cash pledged as collateral for bills payable and housing maintenance fund designated for specific purposes as requested by PRC regulations. These restricted deposits are expected to be released within one year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

26 CASH AT BANK AND ON HAND

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Cash on hand	**1,022**	663	**371**
Cash at bank and other financial institutions	**16,501,912**	1,054,322	**15,816,024**
	16,502,934	1,054,985	**15,816,395**
Representing:			
— Cash and cash equivalents	**16,500,757**	1,001,935	**15,816,395**
— Time deposits with original maturity over three months	**2,177**	53,050	**—**
	16,502,934	1,054,985	**15,816,395**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS

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

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Bank loans			
— Secured	**6,860,940**	9,473,092	**—**
— Unsecured	**10,522,550**	8,500,603	**5,689,400**
Loan from government			
— Unsecured	**2,000**	2,000	**—**
Other borrowings *(note 27(e)(i))*			
— Secured	**—**	315,000	**—**
	17,385,490	18,290,695	**5,689,400**
Less: Current portion of long-term borrowings *(note 27(b))*			
— Bank loans	**(1,166,189)**	(630,653)	**(393,000)**
— Other borrowings *(note 27(e)(i))*	**—**	(315,000)	**—**
	16,219,301	17,345,042	**5,296,400**

As at 31 December 2009, the Group's bank loans guaranteed by Guodian Group amounted to RMB481,282,000 (2008: RMB6,558,665,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS *(Continued)*

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

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Bank loans			
— Secured	**670,000**	—	**—**
— Unsecured	**9,264,790**	2,992,907	**5,144,998**
Loans from other financial institutions and others			
— Unsecured *(note (i))*	**5,986,090**	141,000	**5,382,590**
Other borrowings (unsecured) *(note 27(e)(ii))*	**—**	606,678	**—**
Current portion of long-term borrowings *(note 27(a))*			
— Bank loans	**1,166,189**	630,653	**393,000**
— Other borrowings *(note 27(e)(i))*	**—**	315,000	**—**
	17,087,069	4,686,238	**10,920,588**

Notes:

(i) The Group had unpaid loans of RMB40,000,000 as at 31 December 2009 (2008: RMB40,000,000). These unpaid loans represent loans borrowed by a subsidiary, China Fulin Wind Power Engineering Co., Ltd., from third parties.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS *(Continued)*

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

	The Group		The Company
	2009	2008	**2009**
Long-term			
Bank loans	**3.80%~5.94%**	3.22%~7.83%	**5.35%~5.64%**
Loan from government	**2.55%**	2.55%	**—**
Short-term			
Bank loans	**4.37%~5.31%**	4.54%~7.47%	**4.37%~4.78%**
Loans from other financial institutions	**3.60%~6.12%**	3.60%~6.72%	**3.74%~4.46%**
Other borrowings	**—**	3.74%~6.25%	**—**

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

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Within 1 year or on demand	**1,166,189**	945,653	**393,000**
After 1 year but within 2 years	**1,483,593**	1,343,607	**488,000**
After 2 years but within 5 years	**5,333,002**	5,196,374	**1,660,000**
After 5 years	**9,402,706**	10,805,061	**3,148,400**
	17,385,490	18,290,695	**5,689,400**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS *(Continued)*

(e) Significant terms of other borrowings

The Group

	2009	2008
	RMB'000	*RMB'000*
Short-term		
Other borrowings *(note (i))*	—	315,000
Debentures *(note (ii))*	—	606,678
	—	921,678

Notes:

(i) In August 2006, Nantong Tianshenggang Power Generation Co., Ltd. (南通天生港發電有限公司) issued a debt of RMB630,000,000 to finance its working capital, which was pledged by its future electricity revenue with a maturity period of three years. The effective interest rate is 3.74% per annum. The debt has been fully repaid in 2009.

(ii) On 28 October 2008, Jiangyin Sulong Power Generation Co., Ltd. (江陰蘇龍發電有限公司) issued short-term debentures of RMB600,000,000 at par with a maturity period of 365 days in the PRC inter-bank debenture market. The effective annual interest rate is 6.25%. The debentures have been fully repaid in 2009.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

28 OBLIGATIONS UNDER FINANCE LEASES

The Group

The Group had obligations under finance leases repayable as follows:

	2009		2008	
	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	—	2,025	—	2,930
After 1 year but within 2 years	50,000	51,350	—	2,835
After 2 year but within 5 years	—	—	50,000	51,417
	50,000	53,375	50,000	57,182
Less: total future interest expenses		(3,375)		(7,182)
Present value of finance lease obligations		50,000		50,000

At inception in 2008, the lease period of the finance lease obligation in 2008 is three years. Except for the interest expenses to be paid annually, the principal obligation is to be paid at the end of the lease period.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

29 TRADE CREDITORS AND BILLS PAYABLE

The Group

	2009 *RMB'000*	2008 *RMB'000*
Bills payable	1,513,086	2,689,475
Creditors and accrued charges	249,943	38,275
Amounts due to associates	178,161	—
Amounts due to fellow subsidiaries	1,913	944
	1,943,103	2,728,694

As at 31 December 2009 and 2008, all trade creditors and bills payable are payable and expected to be settled within one year.

30 OTHER PAYABLES

	The Group		The Company
	2009 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*
Payables for acquisition of property, plant and equipment	3,109,920	1,306,879	—
Payables for staff related costs	218,213	166,987	77,220
Payables for other taxes	99,639	105,841	3,940
Dividends payable	196,653	13,994	—
Receipts in advance	150,410	23,105	—
Amounts due to subsidiaries *(note (i))*	—	—	1,074,228
Amounts due to associates and jointly controlled entities *(note (i))*	407,575	76,638	3,554
Amounts due to fellow subsidiaries *(note (i))*	51,447	14,756	—
Amounts due to Guodian Group *(note (i))*	431	—	431
Other accruals and payables	287,161	209,769	107,414
	4,521,449	1,917,969	1,266,787

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

30 OTHER PAYABLES *(Continued)*

Notes:

(i) Amounts due to Guodian Group, subsidiaries, fellow subsidiaries, associates and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

(ii) All other payables are expected to be settled or recognised as income within one year or are repayable on demand.

31 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Tax payable/(tax recoverable) in the consolidated balance sheet represents:

The Group

	2009 RMB'000	2008 RMB'000
Net tax payable at 1 January	79,553	21,684
Provision for the year *(note 8(a))*	291,358	103,024
Under/(over) provision in respect of prior years *(note 8(a))*	488	(371)
Income tax paid	(236,440)	(44,784)
Net tax payable at 31 December	134,959	79,553
Representing:		
Tax payable	140,215	80,015
Tax recoverable	(5,256)	(462)
	134,959	79,553

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

31 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the years are as follows:

The Group

Deferred tax assets arising from:	Provision for impairment of assets	Tax credits for domestic equipment	Tax losses	Provision for defined benefit retirement plan	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	15,354	43,229	1,178	4,665	27,249	91,675
Credited/(charged) to profit or loss	22,191	33,479	44,892	(22)	2,754	103,294
Charged to reserves	—	—	—	(4,643)	—	(4,643)
At 31 December 2008	37,545	76,708	46,070	—	30,003	190,326
At 1 January 2009	37,545	76,708	46,070	—	30,003	190,326
Credited/(charged) to profit or loss	(18,078)	851	(34,963)	—	66,526	14,336
At 31 December 2009	19,467	77,559	11,107	—	96,529	204,662

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

31 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

The Group

Deferred tax liabilities arising from:	Available-for-sale investments	Amortisation of intangible assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	(8,882)	(16,102)	(1,857)	(26,841)
(Charged)/credited to profit or loss	—	(3,161)	438	(2,723)
Credited to reserves	6,264	—	—	6,264
At 31 December 2008	(2,618)	(19,263)	(1,419)	(23,300)
At 1 January 2009	(2,618)	(19,263)	(1,419)	(23,300)
Charged to profit or loss	—	(8,251)	(10,729)	(18,980)
Charged to reserves	(2,650)	—	—	(2,650)
At 31 December 2009	(5,268)	(27,514)	(12,148)	(44,930)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses and certain provision for impairment of assets of RMB848,997,000 as at 31 December 2009 (2008: RMB642,278,000) as it is not probable that future taxable profits against which the losses and the provisions can be utilised will be available in the relevant entity. The tax losses that will expire in the year ending 31 December 2010, 2011, 2012, 2013, and 2014 are RMB18,324,000, RMB91,668,000, RMB167,603,000, RMB162,272,000 and RMB343,638,000 respectively.

The cumulative tax losses and provision for impairment of assets of the Company not recognised as deferred tax asset are RMB774,600,000 as at 31 December 2009. The tax losses that will expire in the year ending 31 December 2010, 2011, 2012, 2013 and 2014 are RMB14,198,000, RMB91,668,000, RMB153,581,000, RMB148,421,000 and RMB320,283,000 respectively.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

31 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(d) Deferred tax liability not recognised

The Group and the Company had no significant deferred tax liabilities not recognised as at 31 December 2009 and 2008.

32 EMPLOYEE BENEFITS

(a) Defined benefit retirement plan

The Group paid supplementary pension subsidies (including post-retirement medical benefits) and early retirement benefits to its employees who retired prior to 30 September 2008. Pursuant to the Reorganisation as described in note 1(b), Guodian Group agreed to assume the liabilities of the supplementary pension and early retirement benefits of the retired employees of the Group from 30 September 2008, amounting to RMB29,817,000 net of taxation. The Group terminated the supplementary pension and early retirement subsidies plan for its employees who retired after 30 September 2008.

(b) Defined contribution retirement plan

Pursuant to the relevant labour rules and regulations in the PRC, the Group participated in defined contribution retirement schemes (the “Schemes”) organised by the relevant local government authorities for its employees. The Group is required to make contributions to the Schemes at 16% to 20% of the salaries of the employees. The local government authorities are responsible for the entire pension obligations payable to retired employees. In addition, the Group and its staff participate in a retirement plan managed by Guodian Group to supplement the abovementioned Schemes. The Group has no other material obligation to make payments in respect of pension benefits associated with these Schemes and supplementary retirement plan other than the annual contributions described above.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

33 DEFERRED INCOME

The Group

	2009 *RMB'000*	2008 *RMB'000*
At January 1	2,145,284	386,518
Additions	211,452	1,791,321
Credited to profit or loss	(89,075)	(32,555)
At 31 December	2,267,661	2,145,284

Deferred income mainly represents VAT refund granted by the government relating to the purchase of domestic equipment and other subsidies relating to the construction of property, plant and equipment, which would be recognised as income on a straight-line basis over the expected useful life of the relevant assets.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

34 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the period are set out below:

	Share capital	**Capital reserve**	**Fair value reserve**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 34(c))	*(note 34(d)(i))*	*(note 34(d)(iv))*		
Changes in equity:					
Injection upon establishment of the Company	5,000,000	(2,296,557)	—	—	2,703,443
Issuance of shares upon public offering, net of issuing expenses *(note 34(d)(i))*	2,464,289	14,531,762	—	—	16,996,051
Deemed distribution	—	(2,150)	—	—	(2,150)
Total comprehensive income for the period	—	—	3,694	(94,710)	(91,016)
At 31 December 2009	7,464,289	12,233,055	3,694	(94,710)	19,606,328

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

34 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Special distribution

As disclosed in the prospectus of the Company dated 27 November 2009, in accordance with the notice Provisional Regulation Relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment (企業公司制改建有關國有資本管理與財務處理的暫行規定) issued by the Ministry of Finance (the "MOF"), which became effective from 27 August 2002, and pursuant to the resolution passed by the shareholders on 17 July 2009, the Company will make a distribution to Guodian Group, which represents an amount equal to the net profit attributable to the equity holder of the Company, generated during the period from 30 September 2008 (date of the Reorganisation) to 9 July 2009 by the businesses and operations contributed to the Group by CLEPG (together, the "Special Distribution").

Pursuant to a resolution passed at directors' meeting on 30 March 2010, the directors resolved to pay the Special Distribution to Guodian Group amounting to RMB632,041,658.

(ii) The directors resolved on 30 March 2010 that no dividend is to be distributed for the year 2009.

(c) Share capital

	The Group and the Company	
	2009	2008
	RMB'000	*RMB'000*
Issued and fully paid:		
4,753,570,000 (2008: nil) domestic state-owned ordinary shares of RMB1.00 each	**4,753,570**	—
2,710,719,000 (2008: nil) H shares of RMB1.00 each *(note 1(b))*	**2,710,719**	—
	7,464,289	—

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

34 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

Pursuant to the Approval of Establishing China Longyuan Power Group Corporation Limited, issued by State-owned Assets Supervision and Administration Commission of the State Council, the Company was established as a joint stock company on 9 July 2009. The Company issued 5,000 million ordinary shares with a par value of RMB1.00 each on 9 July 2009, with 4,900 million shares to Guodian Group for the assets and liabilities transferred from CLEPG and its subsidiaries and 100 million shares to Guodian Northeast for its cash payment.

In December 2009, the Company issued 2,464,289,000 H shares with a par value of RMB1.00, at a price of HK$8.16 per H share and 246,430,000 domestic state-owned shares of RMB1.00 each owned by Guodian Group were converted into H shares in connection with the initial public offering. For more details, please refer to note 1(b).

All shareholders are entitled to receive dividends as declared from time to time except for the Special Distribution described in note 34(b)(i) and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve includes share premium and other capital reserve.

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the IPO amounting to RMB14,531,762,000.

Other capital reserve mainly represents the difference between the total amount of the nominal value of shares issued and the amount of the net assets injected by Guodian Group and the cash injection in excess of the nominal value of shares issued to Guodian Northeast upon the establishment of the Company.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

34 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(ii) Statutory surplus reserve

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

(iii) Exchange reserve

The Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 2(v).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 2(g) and note 2(s).

(e) Distributability of reserves

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As at 31 December 2009, the retained profits available for distribution were nil.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

34 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of net gearing ratio, which is calculated by dividing net debt (total borrowings less cash and cash equivalents) by sum of net debt and total equity. The net gearing ratio of the Group as at 31 December 2009 is 40% (31 December 2008: 75%).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable and prepayments and other current assets.

Substantially all of the Group's cash and cash equivalents are deposited in the stated owned/controlled PRC banks which the directors assessed the credit risk to be insignificant.

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group have no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 89% of the Group's total trade debtor and bills receivable as at 31 December 2009 (2008: 83%). For other trade receivables and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

The Group provided financial guarantees to third parties and related parties. Except for the financial guarantees extended by the Group as set out in note 37(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 37(a).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, the Group negotiates banking facilities and utilises operating cash inflows in its subsidiaries. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk. The directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the year.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The Group

	Carrying amount *RMB'000*	Contractual cash flows *RMB'000*	1 year or less *RMB'000*	1-2 years *RMB'000*	2-5 years *RMB'000*	more than 5 years *RMB'000*
31 December 2009						
Long-term borrowings *(note 27(a))*	16,219,301	21,828,899	864,246	2,325,903	7,297,053	11,341,697
Short-term borrowings *(note 27(b))*	17,087,069	17,360,925	17,360,925	—	—	—
Obligations under finance leases *(note 28)*	50,000	53,375	2,025	51,350	—	—
Trade creditors and bills payable *(note 29)*	1,943,103	1,943,103	1,943,103	—	—	—
Other payables *(note 30)*	4,371,039	4,371,039	4,371,039	—	—	—
	39,670,512	45,557,341	24,541,338	2,377,253	7,297,053	11,341,697
Financial guarantees issued:						
Maximum amount guaranteed *(note 37(a))*	—	131,040	131,040	—	—	—

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The Group *(Continued)*

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	more than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2008						
Long-term borrowings *(note 27(a))*	17,345,042	25,472,776	1,202,348	2,486,675	7,864,752	13,919,001
Short-term borrowings *(note 27(b))*	4,686,238	4,795,187	4,795,187	—	—	—
Obligations under finance leases *(note 28)*	50,000	57,182	2,930	2,835	51,417	—
Trade creditors and bills payable *(note 29)*	2,728,694	2,728,694	2,728,694	—	—	—
Other payables *(note 30)*	1,917,969	1,917,969	1,917,969	—	—	—
	26,727,943	34,971,808	10,647,128	2,489,510	7,916,169	13,919,001
Financial guarantees issued:						
Maximum amount guaranteed *(note 37(a))*	—	325,640	325,640	—	—	—

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	Carrying amount *RMB'000*	Contractual cash flows *RMB'000*	1 year or less *RMB'000*	1-2 years *RMB'000*	2-5 years *RMB'000*	more than 5 years *RMB'000*
31 December 2009						
Long-term borrowings *(note 27(a))*	5,296,400	7,176,080	285,670	763,402	2,318,185	3,808,823
Short-term borrowings *(note 27(b))*	10,920,588	11,069,845	11,069,845	—	—	—
Trade creditors and bills payable	5,135	5,135	5,135	—	—	—
Other payables *(note 30)*	1,266,787	1,266,787	1,266,787	—	—	—
	17,488,910	19,517,847	12,627,437	763,402	2,318,185	3,808,823
Financial guarantees issued:						
Maximum amount guaranteed *(note 37(a))*	—	1,012,565	1,012,565	—	—	—

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the years ended 31 December 2009 and 2008, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

The following table details the profile of the Group's and the Company's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the balance sheet date. The detailed interest rates and maturity information of the Group's and the Company's borrowings are disclosed in note 27.

The Group

	2009 *RMB'000*	2008 *RMB'000*
Net fixed rate borrowings/(lendings):		
Borrowings	15,365,437	4,155,621
Less: Loans and advances *(note 24(i))*	—	(6,000)
Bank deposits (including restricted deposits)	(457,600)	(540,621)
	14,907,837	3,609,000
Net floating rate borrowings/(lendings):		
Borrowings	17,940,933	17,875,659
Obligations under finance leases	50,000	50,000
Less: Loans and advances *(note 24(i))*	(10,630)	(269,713)
Designated loans *(note 21(i))*	(72,370)	(80,580)
Bank deposits (including restricted deposits)	(16,535,966)	(1,013,744)
	1,371,967	16,561,622
Total net borrowings	16,279,804	20,170,622

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

The Company

		2009 RMB'000
Net fixed rate borrowings/(lendings):		
Borrowings		10,527,588
Net floating rate borrowings/(lendings):		
Borrowings		5,689,400
Less:	Loans and advances *(note 24(i))*	(3,625,247)
	Designated loans *(note 21(i))*	(4,596,943)
	Bank deposits (including restricted deposits)	(15,833,733)
		(18,366,523)
Total net lendings		(7,838,935)

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB13,098,000 (31 December 2008: RMB106,522,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The sensitivity analysis is performed on the same basis for the years.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, Euros and United States dollars.

(i) Recognised assets and liabilities

Except for CERs and VERs sales which were denominated in foreign currencies, all of the revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in Euros and United States dollars. As at 31 December 2009, the Company is applying for converting the net proceeds in Hong Kong dollars from the initial public offering into RMB. The directors considered that the Group's exposure to foreign currency risk is insignificant.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB to which they relate.

The Group

	Exposure to foreign currencies *(expressed in RMB)*				
	2009			2008	
	HKD	USD	EUR	USD	EUR
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	14,473,855	140,643	24,474	52,926	11,920
Trade debtors	—	—	20,479	—	79,074
Other current assets	51,234	—	252,625	—	41,099
Long-term borrowings	—	(529,495)	(28,547)	(1,399,260)	(33,140)
Net exposure	14,525,089	(388,852)	269,031	(1,346,334)	98,953

The Company

	Exposure to foreign currencies *(expressed in RMB)*		
	2009		
	HKD	USD	EUR
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	14,473,855	85	142
Other current assets	51,234	—	—
Net exposure	14,525,089	85	142

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk *(Continued)*

The followings are HKD, USD and EUR exchange rates to RMB:

	Average rate		Reporting date spot rate	
	2009	2008	**2009**	2008
HKD	**0.8812**	0.9094	**0.8805**	0.8819
USD	**6.8314**	7.0696	**6.8282**	6.8346
EUR	**9.7281**	10.1630	**9.7971**	9.6590

A 5% strengthening of RMB against the following currencies as at 31 December 2009 and 2008 would have increased/(decreased) the net profit and retained profit by the amount shown below.

	The Group	
	2009 *RMB'000*	2008 *RMB'000*
HKD	**(544,691)**	(2)
USD	**14,889**	61,637
EUR	**(11,603)**	(4,681)
	(541,405)	56,954

A 5% weakening of RMB against the above currencies as at 31 December 2009 and 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

35 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk *(Continued)*

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the years.

(e) Equity price risk

The Group and the Company are exposed to equity price changes arising from equity investments classified as trading securities and available-for-sale equity securities (note 21). The Group's and the Company's listed investments are listed on Shanghai Stock Exchange and Shenzhen Stock Exchange in the PRC. Listed and unlisted investments held in the available-for-sale portfolio are held for long term purpose. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

The directors considered that the Group's and the Company's exposure to equity price risk is insignificant.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair values

(i) Financial instruments carried at fair value

The amendments to IFRS 7, Financial Instruments: Disclosures, require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2009 and 2008, the financial instruments of the Group and the Company carried at fair value were available-for-sale investments and trading securities. These instruments fall into Level 1 of the fair value hierarchy described above.

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Trading securities	**—**	54	**—**
Available-for-sale investments	**23,662**	13,174	**23,662**
	23,662	13,228	**23,662**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair values *(Continued)*

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008 except as follows:

The Group

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed rate long-term loans	159,557	141,321	100,036	76,581

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Listed securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Interest-bearing borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

36 COMMITMENTS

(a) Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Contracted for	**12,904,438**	8,139,217	**21,237**
Authorised but not contracted for	**17,314,777**	9,996,775	**5,164,989**
	30,219,215	18,135,992	**5,186,226**

(b) At the year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Within 1 year	**2,218**	1,607	**—**
After 1 year but within 5 years	**5,316**	3,287	**—**
After 5 years	**9,177**	5,162	**—**
	16,711	10,056	**—**

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

37 CONTINGENT LIABILITIES

(a) Financial guarantees issued

At 31 December 2009, the Group issued the following guarantees:

(i) Guarantees to banks in respect of the bank loans granted to certain third parties or related parties are set forth below:

	The Group		The Company
	2009	2008	**2009**
	RMB'000	*RMB'000*	***RMB'000***
Subsidiaries	**—**	—	**881,525**
Associates and jointly controlled entities	**88,800**	168,000	**88,800**
Third parties	**—**	125,000	**—**
	88,800	293,000	**970,325**

(ii) A wholly owned subsidiary of the Group issued guarantees to banks in respect of a banking facility granted to a third party for RMB24,000,000 in 1997. Due to the default of the third party, the PRC court ordered the subsidiary to execute the guarantee of RMB19,000,000. According to the relevant PRC regulations and the PRC lawyer's opinion, the Group will not be liable for the guarantee since the bank did not seek for enforcement of the original judgement by the PRC court within the statutory period of time.

(iii) The Company issued a counter-guarantee to Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司), the controlling equity owner of Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司) which is an associate of the Company, in respect of a guarantee issued by Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司) for a banking facility granted to the associate, amounting to RMB32,640,000 on 22 July 2008, which was subsequently adjusted to RMB42,240,000 in November 2009. The directors of the Company are of the opinion that the default of repaying the bank loans by Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司) is remote.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

37 CONTINGENT LIABILITIES *(Continued)*

(b) Contingent liability in respect of taxes on CDM revenue

Up to date, there have been no rules issued on whether the revenue from sales of CERs and VERs is subject to any VAT or business tax. Based on the discussions with local tax authorities, the directors of the Company are of the opinion that no such taxes will be applicable to the revenue from sales of CERs and VERs. Therefore, the Group has not made any provision on such contingencies.

38 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group is part of a large group of companies under Guodian Group and has significant transactions and relationships with the subsidiaries of Guodian Group.

Apart from those disclosed in note1(b) and 34(d)(i), the principal transactions which were carried out in the ordinary course of business are as follows:

	2009 ***RMB'000***	2008 *RMB'000*
Sales of goods to		
Guodian Group	**1,534**	—
Fellow subsidiaries	**168,179**	108,382
Associates and jointly controlled entities	**20,938**	19,556
Purchase of goods and receive service from		
Guodian Group	**1,936**	—
Fellow subsidiaries	**295,125**	10,738
Associates and jointly controlled entities	**1,492,548**	—
Working capital provided to/(received from)		
Guodian Group	**(10,714)**	(4,865)
Fellow subsidiaries	**7,600**	(12,354)
Associates and jointly controlled entities	**(203,804)**	(131,995)
Loan guarantees provided/(revoked) by		
Guodian Group	**(6,077,383)**	3,338,213

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

38 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

	2009 RMB'000	2008 RMB'000
Loan guarantees provided to/(revoked)		
Associates and jointly controlled entities	(79,200)	164,000
Loans repayment from		
Associates and jointly controlled entities	9,000	5,000
Loans repayment to		
Guodian Group	—	(845,000)
Fellow subsidiaries	—	(305,000)
Interest expenses		
Guodian Group	—	17,692
Fellow subsidiaries	—	3,959
Interest income		
Fellow subsidiaries	875	3,684
Associates and jointly controlled entities	8,312	6,543
Deposits placed with/(withdrawn from)		
Fellow subsidiaries	(597,268)	86,604

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMBnil as at 31 December 2009 (31 December 2008: RMB597,268,000). Details of the other outstanding balances with related parties are set out in notes 21, 23, 24, 27, 29, and 30.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

38 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

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

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

— Sales of electricity;
— Depositing and borrowing money;
— Purchase of materials and receiving construction work services; and
— Service concession arrangements.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

38 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

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

	2009 *RMB'000*	2008 *RMB'000*
Sales of electricity	6,403,291	5,658,714
Sales of other products	280,043	24,460
Interest income	18,637	9,046
Interest expenses	1,105,544	1,064,189
Loans received	11,534,935	9,441,405
Deposits placed with	15,613,031	8,690
Purchase of materials and receiving construction service	2,967,206	2,902,880
Service concession construction revenue	882,602	2,200,360

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

	2009 *RMB'000*	2008 *RMB'000*
Receivables from sales of electricity	1,943,373	1,028,676
Receivables from sales of other products	7,611	14,702
Bank deposits (including restricted deposits)	15,962,805	349,774
Borrowings	31,222,470	19,687,535
Payable for purchase of materials and receiving construction work service	1,049,567	413,243

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

38 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2009 *RMB'000*	2008 *RMB'000*
Salaries and other emoluments	1,868	1,634
Discretionary bonus	5,308	3,116
Retirement scheme contributions	493	365
	7,669	5,115

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Acquisition of subsidiaries

On 2 June 2009, Jiangyin Sulong Power Generation Co., Ltd (江陰蘇龍發電有限公司), acquired 100% equity interest in a subsidiary, Jiangsu New Longyuan Investment Co., Ltd. (江蘇新龍源投資有限公司) from a third party with total cash consideration of RMB45,000,000. The acquired operation has no material contribution to the revenue and profit of the Group for year 2009.

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

	At 2 June 2009	
	Carrying value of the acquiree *RMB'000*	Fair value *RMB'000*
Cash and cash equivalents	1,962	1,962
Investments in associates and jointly controlled entities	98,066	98,066
Less: Current liabilities	(55,028)	(55,028)
Net assets	45,000	45,000

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(b) Major non-cash transactions

	2009 *RMB'000*	2008 *RMB'000*
Distributions to Guodian Group pursuant to the Reorganisation *(note 34(d)(i)/1(b))*	2,150	810,090

40 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the ageing of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would by higher than estimated.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

40 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(Continued)*

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, investment properties, lease prepayments, intangible assets and investments in associates and jointly controlled entities, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

40 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(Continued)*

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income tax

The Group files income taxes in numerous tax authorities. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

(f) Provisions for guarantees

Provisions for outstanding guarantees are recognised if they become probable that the holders of these guarantees will call upon the Group under the guarantees and the amount of that claim on the Group is expected to exceed the amount currently carried in payables in respect of the guarantee. The Group reviews the financial position of these guarantee holders regularly and estimates the amount to claim on the Group based on historical experience. If the financial position of these guarantee holders were to deteriorate, actual provisions would be higher than estimated.

41 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be Guodian Group, which is a state-owned enterprise established in the PRC. Guodian Group does not produce financial statement available for public use.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009 (Expressed in thousands of Renminbi unless otherwise stated)

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

As at the date of this report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in preparing the financial statements:

	Effective for accounting periods beginning on or after
IFRS 3 (revised), Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
IAS 27 (revised), Consolidated and separate financial statement	1 July 2009
Amendment to IAS 39, Financial instruments, Recognition and measurement — Eligible hedged items	1 July 2009
IFRIC 17, Distribution of non-cash assets to owners	1 July 2009
Improvements to IFRSs 2009	1 July 2009
Amendment to IAS 32, Financial instruments: Presentation — Classification of rights issues	1 February 2010
IFRIC 19, Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to IFRIC 14, Prepayments of a minimum funding requirement	1 January 2011
IAS 24 (revised), Related party disclosures	1 January 2011
IFRS 9, Financial instruments	1 January 2013

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009 *(Continued)*

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of these new IFRSs is unlikely to have a significant impact on the Group's results of operations and financial position.

43 SERVICE CONCESSION ARRANGEMENT

In recent years, the Group entered into several service concession agreements with local governments (the "Grantor") to construct and operate wind power plants during the concession period, which is normally for 22-25 years of operation. The Group is responsible for construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group either needs to dispose of the wind power plants or transfer the wind power plants to the Grantor at nil consideration. Service concession construction revenue (note 4) recorded during the years represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted.

The Group has recognised intangible assets (note 18) related to the service concession arrangement representing the right the Group receives to charge a fee for sales of electricity. The Group has not recognised service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plants.

The Group recognises the intangible assets at the fair value of the concession construction service and amortises the intangible assets over the operating period of the service concession projects.

44 SUBSEQUENT EVENTS

On 9 February 2010, the Company issued unsecured corporate bonds of RMB1,600 million at par with a coupon rate of 4.52% per annum. The bonds will be mature in seven years and are redeemable after five years of issuance at the option of the bond holders.

Glossary of Terms

"Company", "our Company", "we" or "us"	龍源電力集團股份有限公司 (China Longyuan Power Group Corporation Limited)
"Group"	China Longyuan Power Group Corporation Limited and its subsidiaries
"Guodian Group"	中國國電集團公司 (China Guodian Corporation)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Prospectus"	the prospectus issued by the Company on 27 November 2009
"approved capacity"	the capacity of our projects approved by NDRC or the relevant provincial DRC based on the estimated capacity to be reached after construction work of the projects is completed and the projects become fully operational
"total installed capacity" (also referred to as "cumulative installed capacity" in BTM or other industry reports)"	the aggregate installed capacity of our project companies or individual projects under one project company, which is calculated by including 100% of the installed capacity of project companies in which we have an interest, regardless of the level of our ownership in each of those companies. Total installed capacity include the capacity of both our subsidiaries and associated companies
"attributable installed capacity" or "attributable installed capacity under construction"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies or individual projects under one project company in which we have an interest in proportion to the level of our ownership in each of those companies. It is calculated by multiplying our percentage ownership in each project company in which we have an interest, whether or not such interest is a controlling interest, by its total installed capacity or total capacity under construction (as the case may be). Both attributable installed capacity and attributable installed capacity under construction include the capacity of both our subsidiaries and associated companies but only to the extent of our equity ownership

Glossary of Terms (Continued)

"consolidated installed capacity"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies that we fully consolidated in our consolidated financial statements only. It is calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Both consolidated installed capacity and consolidated capacity under construction does not include the capacity of our associated companies
"average utilisation hours"	the consolidated gross power generation in a specified period (in MWh or GWh) divided by the average consolidated installed capacity in the same period (in MW or GW)
"availability factor"	the amount of time that a wind turbine or a power plant is able to produce electricity over a certain period, divided by the amount of time in such period
"biomass"	plant material, vegetation, or agricultural waste used as a fuel or energy source
"renewable energy sources"	sustainable sources that are regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight
"CDM"	the Clean Development Mechanism, an arrangement under the Kyoto Protocol allowing industrialised countries to invest in projects that reduce greenhouse gas emissions in developing countries in order to earn emission credits
"CDM EB"	the CDM Executive Board, which supervises the clean development mechanism under the authority and guidance of the Conference of the Parties to the United Nation Framework Convention on Climate Change
"CERs"	certified emission reductions, which are carbon credits issued by CDM EB for emission reductions achieved by CDM projects and verified by a DOE under the Kyoto Protocol
"VERs"	Voluntary Emission Reductions that are carbon credits which are not mandated by any law or regulation, but originate from an organisation's desire to take active part in climate change mitigation efforts

Glossary of Terms (Continued)

"consolidated gross power generation" or "consolidated net power generation"	the aggregate gross power generation or net power generation (as the case may be) of our project companies that we fully consolidate in our financial statements for a specified period
"electricity sale"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross power generation less comprehensive auxiliary electricity
"MW"	unit of energy, megawatt. 1 MW = 1,000 kW The installed capacity of power plants is generally expressed in MW
"kW"	unit of energy, kilowatt. 1 kW = 1,000 watts
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"pipeline projects"	wind power projects that have been identified and reserved for future development pursuant to the wind energy investment and development agreements that we entered into with various levels of local government under which we are authorised to develop wind farms at specified sites with certain estimated total capacity.
"projects under construction"	projects for which the construction work on the roads, foundations or electrical infrastructure has commenced, and the project company has received the project approval of the NDRC or provincial DRC and detailed engineering and construction blueprints have been completed

Corporate Information

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THE COMPANY'S NAME IN ENGLISH

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龍源電力集團股份有限公司
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