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

2010 Annual Report

*For identification purpose only

CONTENTS

Chairman's Statement

Dear Shareholders:

Every five years mark a watershed.

Over the past five years, the Group has made remarkable progress by tapping into China's fast-growing new energy industry. Throughout the years, the Group's strategic layout has consistently improved with its business scale continuously expanding. The Group's key competitiveness also strengthened, resulting in the steady growth of its profitability. All these, combined with the successful listing of the Company's H shares, have made us a legend.

As the first new energy enterprise in China listed in Hong Kong, we operate our business with prudence and refine our management so as to safeguard our brand's reputation and deliver a return to our investors. In 2010, the Group enhanced its profitability significantly, with net profit attributable to shareholders amounting to RMB2,019 million and total assets amounting to RMB74,634 million. We steadily proceeded with the strategic layout of our new energy businesses and the optimisation of our wind power pipeline structure. We continued to rank first in Asia in terms of installed capacity of wind power while our offshore wind power businesses opened up a new landscape. By forming business partnerships in South Africa, the United States and other countries, we are deeply incorporated into the world economy and are thereby open to infinite possibilities. We are committed to energy conservation and emission reduction. We delivered 10,200 million kWh of green electricity during the year, representing an emission reduction of 1.02 million tons of carbon dioxide and saving of 3.07 million tons of coal equivalent.

We always remember our origin with gratitude. Looking back, we have come to understand that the Company's sustainable development would not be possible without the upfront support of the Chinese government, the stern support of public investors and our diligent staff.

Year 2011 marks the beginning of the "Twelfth Five-Year Plan". Around the world, enthusiasm for new energy prevails all over Europe, America and Asia and policy support from the Chinese government has been ever increasing. New energy development is not only an antidote to address the deteriorating climate conditions but also part of the key strategy to drive economic growth and ensure national energy security. Faced with such new situations and new requirements, the Group will unceasingly optimize the business layout while paying attention to both offshore and onshore operations, both domestic and overseas markets and both wind power and other new energy sources. We will spare no efforts to encourage innovations in the system, mechanism, management and technology, further expand financing channels and talent resources and enhance our service and management functions in the operation of wind power projects, so as to ensure our sustainable development by achieving greater operation efficiency.

In the long run, we must be strong and resolute for the daunting tasks ahead. With a vision to establishing a safe, stable, economical and clean modern energy industry system, we will be as innovative and relentless as ever to develop into a world's top-notch listed company in the field of new energy sources, to maximize returns to shareholders and to give back to the society.

President's Statement

Dear Shareholders:

In 2010 the Group overcame grave challenges in resources and the capital market and seized opportunities for sustainable development, thereby enhancing our comprehensive strength.

ECONOMIC RESULTS RECORDED NEW HEIGHT

In 2010, the Group saw a significant increase in profitability and reached new heights in economic results. The Group's consolidated operating revenue for the year amounted to RMB14,213 million, representing an increase of 45.9% as compared to that in 2009. Net profit attributable to shareholders amounted to RMB2,019 million, representing an increase of 125.8% as compared to that in 2009. Earnings per share amounted to RMB27.04 cents, representing an increase of 55.4% as compared to that in 2009.

CONTINUOUS INCREASE IN POWER GENERATION

In 2010, the Group recorded a consolidated gross power generation of 21,553 million kWh, representing a year-on-year increase of 25.4%, of which, electricity generated from our wind power business exceeded 10,000 million kWh to 10,094 million kWh, representing a year-on-year increase of 62.5%. The average availability factor of the Group's wind power generating units was 98.28% while the average utilisation hours of wind power were 2,217 hours, both well above national average.

STEADY PROGRESS OF PROJECT CONSTRUCTION

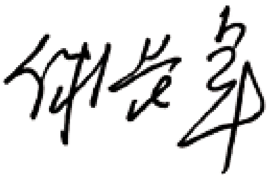
The Group made greater efforts in achieving an additional 2,000 MW consolidated installed capacity of wind power business in 2010. As at 31 December 2010, the consolidated installed capacity of wind power business of the Group reached 6,556 MW, representing a year-on-year increase of 45.6%. The experimental offshore (intertidal zone) wind farm of Jiangsu, with a total capacity of 32 MW, were fully put into operation, which has accumulated rich experience for large-scale construction of offshore wind power projects. The solar PV projects in Yangbajing, Tibet and part of the solar PV projects in Geermu, Qinghai Province were fully put into operation, which marked a breakthrough in solar generation of the Group.

OBVIOUS COMPETITIVE ADVANTAGE IN WIND POWER BUSINESS

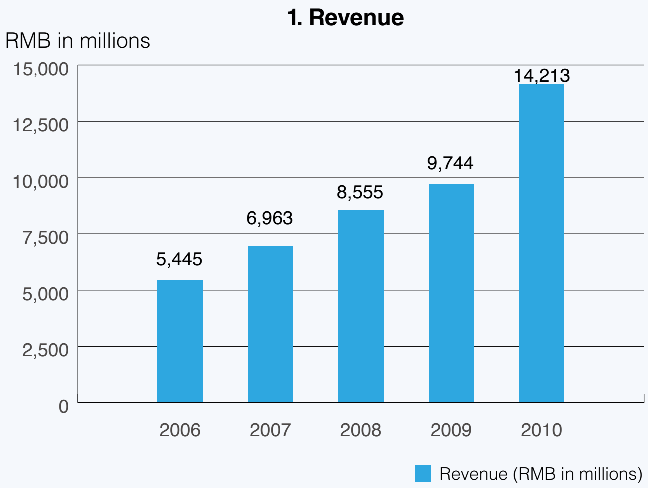
With respect to project pipeline, the estimated installed capacity of the Group's wind power pipeline projects amounted to 61 GW as of 31 December 2010, marking the debut of wind power generation in a number of regions. With respect to the project approvals, the installed capacity of approved wind power projects for the year amounted to 2,376.5 MW, reaching another record high. With respect to the strategic layout, the Group made proactive efforts in its offshore wind power projects. the Company successfully won the bid for the 200 MW offshore (intertidal zone) concession project in Dafeng, Jiangsu in the first round of bidding for offshore wind power concession projects organized by the state. In addition, the approval of the 150 MW offshore (intertidal zone) project in Rudong, Jiangsu laid a firm foundation for the development of the offshore wind power business. In respect of technological research and development, the Company was permitted by the National Energy Administration to establish the "National Wind Power Operation Technology R&D Centre" (國家能源風電營運技術研發中心), being the only wind power enterprise to own a national research and development centre among the five largest power generation conglomerates. With respect to talents training, the Company was permitted to set up the first occupational skill testing station for the wind power industry in the PRC — Occupational Skill Testing Authority Station for Industries with Specific Skills(行業特有工種職業技能鑒定站)and the "Guodian Longyuan National Occupational Skill Testing Authority Station for Wind Power Generation" (國電龍源風力發電國家職業技能鑒定站). The Company also enjoyed increasing brand recognition by being awarded the "Asia Top 500 Brands" in the Fifth Asia Brand Ceremony and our ranking jumped from 300th in 2008 to 89th this year.

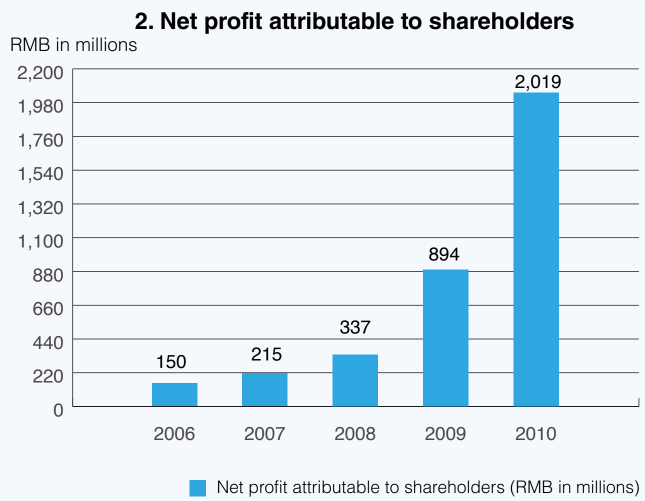
Year 2011 heralds the start of the "Twelfth Five-Year Plan". With the state's poliy support of new energy, our major business is expected to see another round of stable growth. In 2011, the Group will strive to achieve the following tasks: to continue stepping up efforts in wind power development by commissioning wind power projects with an additional capacity of 2,000 MW; to strive for construction up to high specifications and coordinated development of other renewable energy; to maintain efficient and stable production and operation so as to maintain our leading position across all production indicators; to commence construction of large-scale offshore projects to consolidate our unparalleled strength in offshore wind power business; to give priority to participation in overseas projects and seek breakthroughs in overseas projects; to explore photovoltaic power generation and micro-grids projects by initiating constructions of pilot projects; to fully manifest our financing capacity as a whole and strengthen our management on financial cost control; to actively acquire high-quality wind power projects by capitalising effectively on our platform for capital operation; to build a team of outstanding talents with continued commitment to enhancing the overall quality of the corporation; and to maintain a stable operation results throughout the year and ensure steady profit growth.

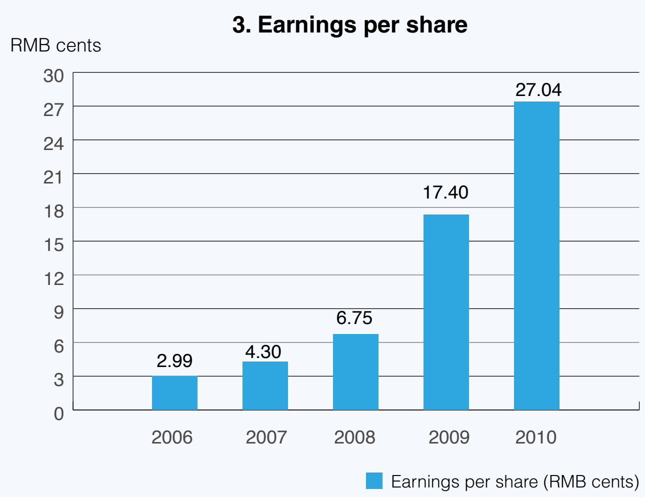
I would like to express our appreciation to each shareholder and public investor for their trust and support of the Company all along, and to all of our staff for their hard work, perseverance and unwavering commitment to our new energy power generation. As enterprising as ever, we will strive to be an industry leader and strive for another successful "Twelfth Five-Year Plan" of Longyuan Power.



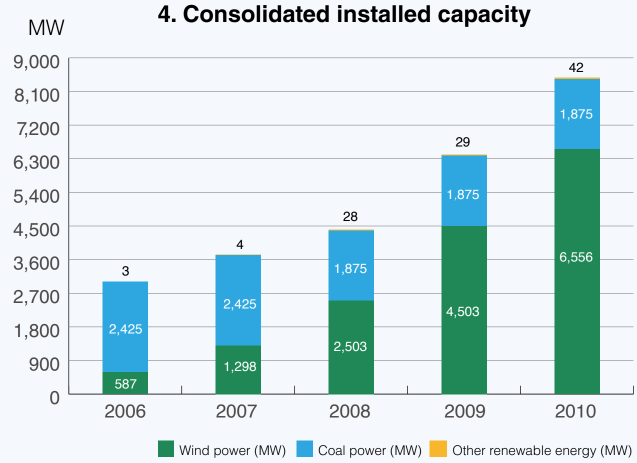
Key Operating and Financial Data



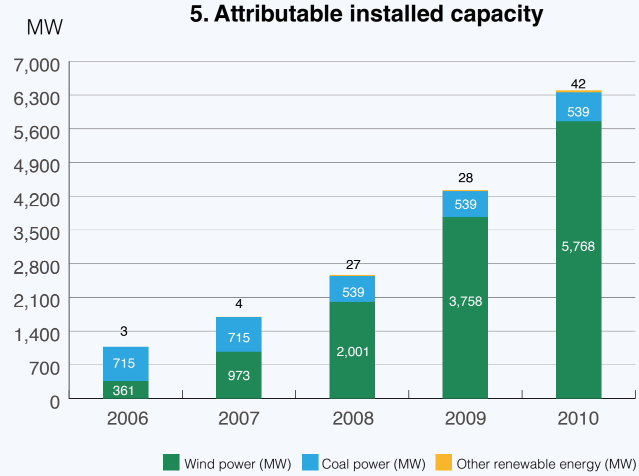




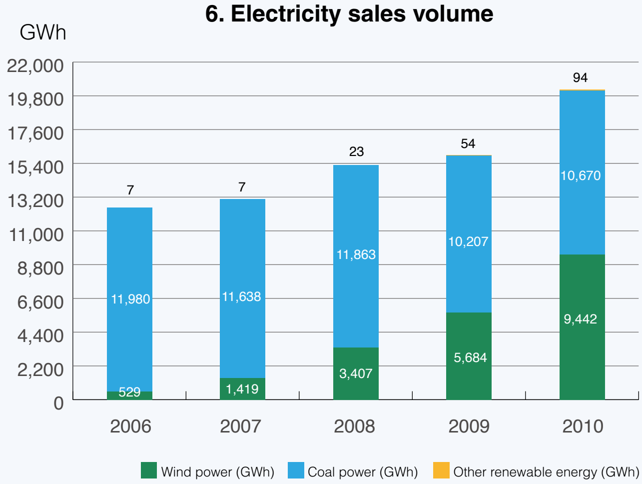
4. Consolidated installed capacity



5. Attributable installed capacity



6. Electricity sales volume



	2006 *RMB'000*	2007 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2010 *RMB'000*
Revenue	5,445,371	6,963,086	8,554,654	9,743,707	**14,212,841**
Profit before taxation	706,080	772,807	615,991	1,943,596	**3,210,985**
Income tax	(59,465)	(60,394)	(2,082)	(296,490)	**(441,024)**
Profit for the year	646,615	712,413	613,909	1,647,106	**2,769,961**
Attributable to:					
Shareholders/equity owners of the Company	149,704	215,035	337,448	894,126	**2,018,570**
Non-controlling equity owners	496,911	497,378	276,461	752,980	**751,391**
Total comprehensive income for the year	655,415	731,980	596,294	1,652,749	**2,758,413**
Attributable to:					
Shareholders/equity owners of the Company	158,504	234,602	319,833	899,769	**2,007,022**
Non-controlling equity owners	496,911	497,378	276,461	752,980	**751,391**
Basic and diluted earnings per share *(RMB cents)*	2.99	4.30	6.75	17.40	**27.04**

	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Total non-current assets	12,772,594	20,235,571	31,168,950	47,586,896	**64,271,402**
Total current assets	1,781,596	3,089,525	4,880,457	20,366,806	**10,362,136**
TOTAL ASSETS	14,554,190	23,325,096	36,049,407	67,953,702	**74,633,538**
Total current liabilities	6,376,887	9,505,814	9,412,916	23,691,836	**24,915,360**
Total non-current liabilities	3,976,560	8,291,317	19,563,626	18,581,892	**22,304,423**
TOTAL LIABILITIES	10,353,447	17,797,131	28,976,542	42,273,728	**47,219,783**
NET ASSETS	4,200,743	5,527,965	7,072,865	25,679,974	**27,413,755**
Total equity attributable to the shareholders/equity owners of the Company	1,964,231	2,865,371	3,875,329	21,899,807	**23,274,787**
Non-controlling equity owners	2,236,512	2,662,594	3,197,536	3,780,167	**4,138,968**
TOTAL EQUITY	4,200,743	5,527,965	7,072,865	25,679,974	**27,413,755**

Corporate Profile

Established on 1 March 1993 and formerly known as China Longyuan Electric Power Group Corporation, the Company was among the earliest power enterprises to engage in new energy development in the PRC, and was officially restructured into China Longyuan Power Group Corporation Limited upon approval by the State-owned Assets Supervision and Administration Commission of the PRC on 9 July 2009. On 10 December 2009, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange with the stock code 00916 and abbreviated as Longyuan Power. 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.

The Group is primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, other power projects such as coal, solar, tidal, biomass and geothermal power are also under its operation. Meanwhile, the Company also provides consulting, repairing, 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 2010, the Group's consolidated installed capacity of power generation business was 8,473 MW. In particular, the consolidated installed capacities of wind power and coal power were 6,556 MW and 1,875 MW respectively, while that of other renewable energies was 42 MW.

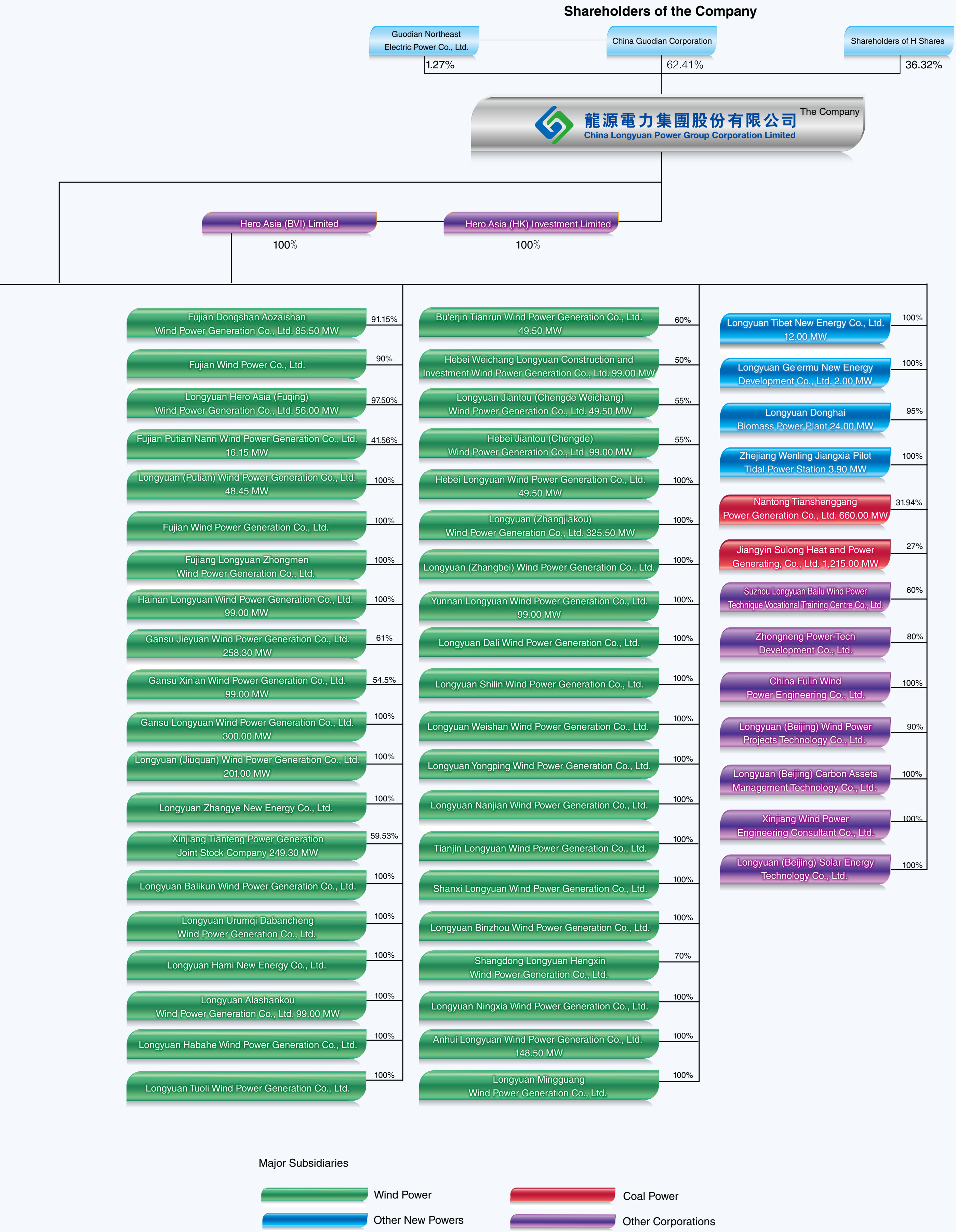
Subsequent to years of development, the Group has established its niche over technology and talents in the new energy arena through the establishment of the supporting system of its ten major wind power technical services, including renewable energy research, preliminary wind power development services, consulting and designing for wind power construction, management on wind power engineering and equipment procurement, wind farm operation, supervision, maintenance and technological services, wind farm management on spare parts, CDM development serices and training in respect of wind power occupational skills as well as a public service platform for the wind power industry. Additionally, the Company was permitted by the National Energy Administration to establish the "National Wind Power Operation Technology R&D Centre" (國家能源風電營運技術研發中心), being the only wind power enterprise to own a national research and development centre among the five largest power generation conglomerates.

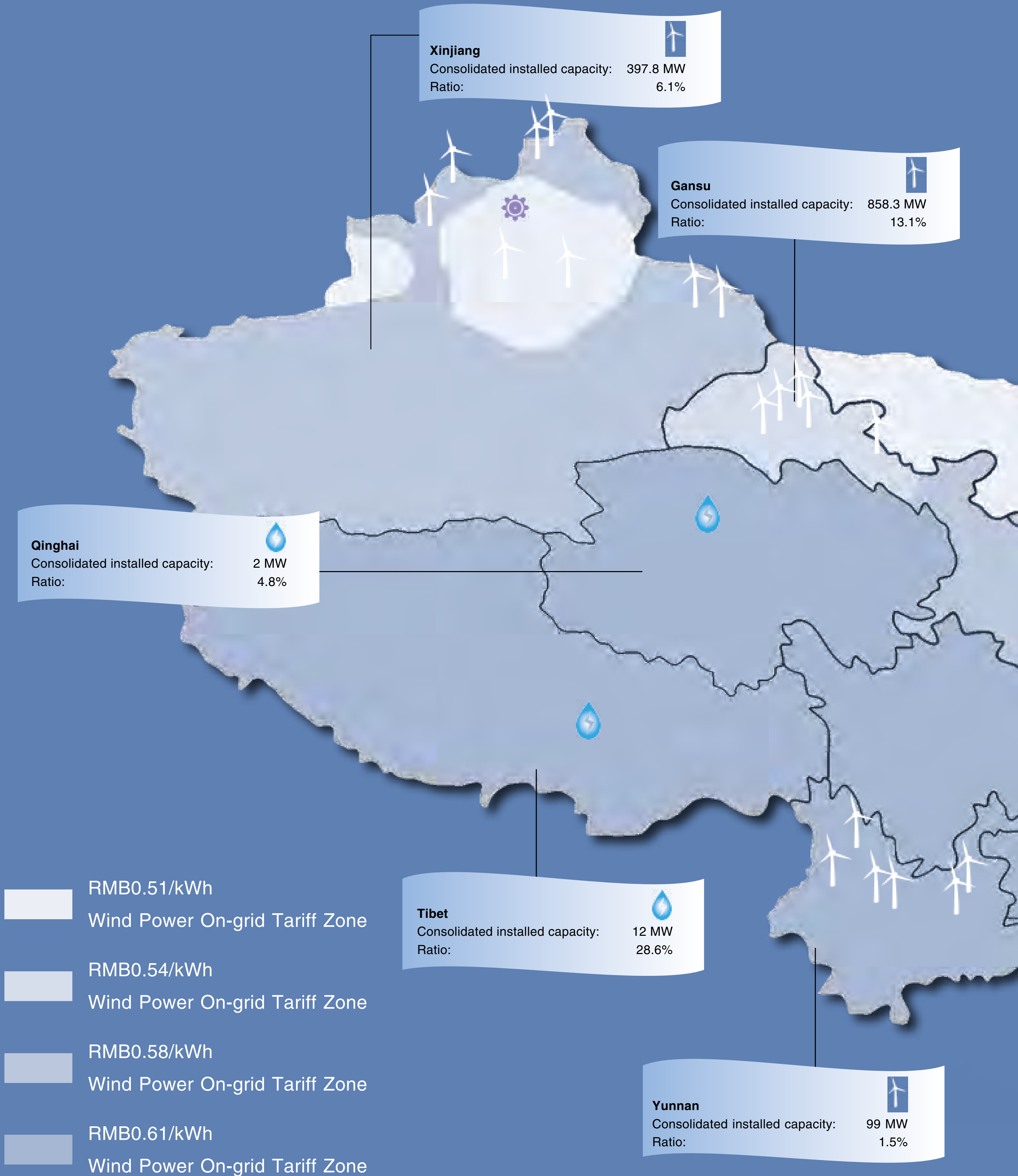
Corporate Structure

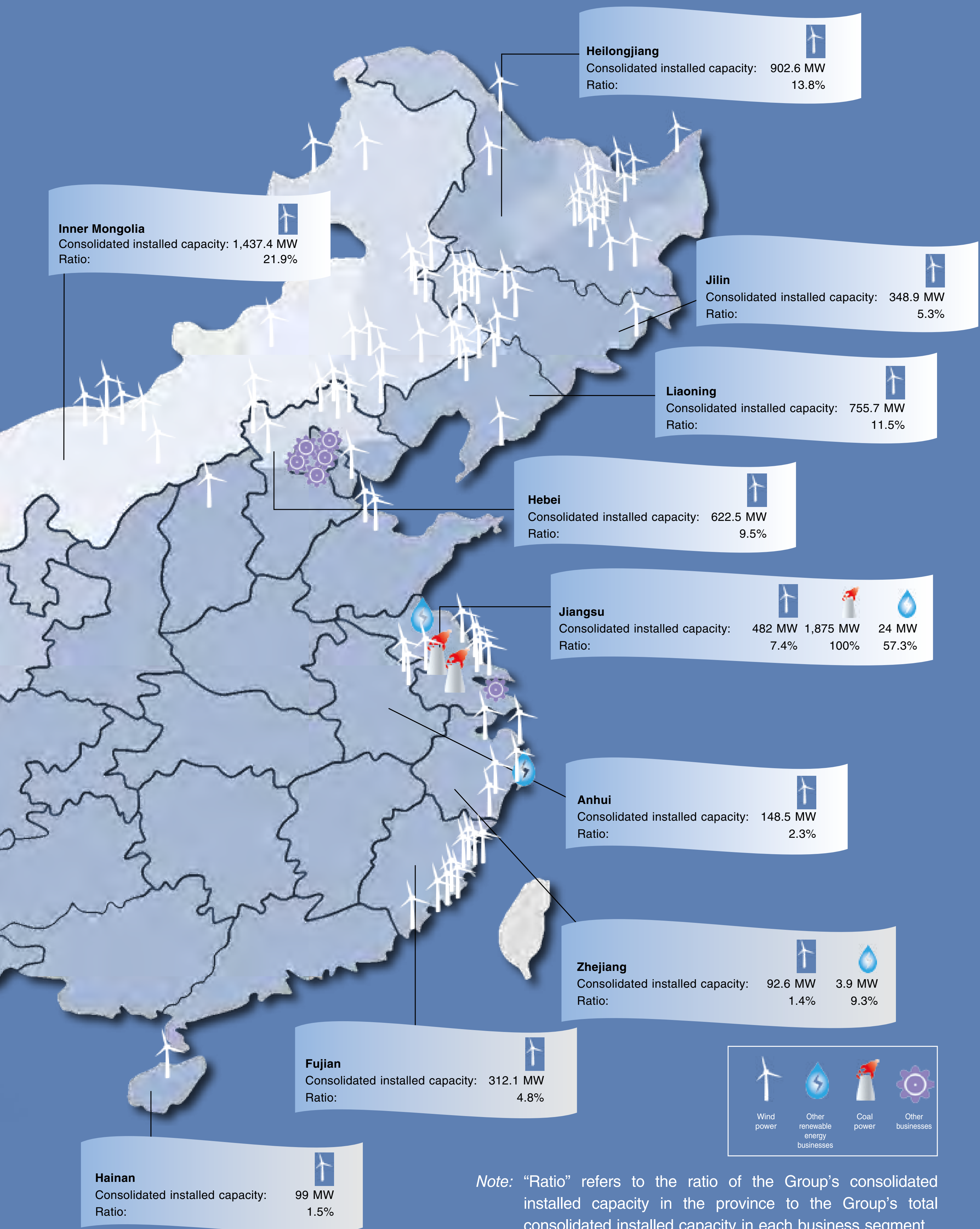
100%	Longyuan (Bayannur) Wind Power Generation Co., Ltd. 345.90 MW
100%	Longyuan (Baotou) Wind Power Generation Co., Ltd. 201.00 MW
100%	Longyuan (Siziwang) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan (Inner Mongolia) Wind Power Generation Co., Ltd.
100%	Longyuan Damao Wind Power Generation Co., Ltd.
100%	Longyuan (Wulatezhong Banner) Wind Power Generation Co., Ltd.
34%	Chifeng Xinsheng Wind Power Generation Co., Ltd. 150.00 MW
97.01%	Chifeng Longyuan Wind Power Generation Co., Ltd. 148.00 MW
100%	Longyuan (Tongliao) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan (Naiman) Wind Power Generation Co., Ltd. 99.00 MW
100%	Longyuan (Kezuohou Banner) Wind Power Generation Co., Ltd. 99.00 MW
100%	Longyuan (Wengniute) New Energy Co., Ltd. 48.00 MW
100%	Longyuan Ningcheng Wind Power Generation Co., Ltd.
100%	Longyuan (Xilinhaote) Wind Power Generation Co., Ltd.
100%	Longyuan Hulunbuir Wind Power Generation Co., Ltd.
100%	Longyuan (Manzhouli) Wind Power Generation Co., Ltd.
100%	Longyuan (Xing'anmeng) Wind Power Co., Ltd. 99.00 MW
100%	Longyuan (Keyouzhou Banner) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan (Tuquan) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan (Keyouqian Banner) Wind Power Generation Co., Ltd. 49.50 MW
55%	Yichun Xing'anling Wind Power Generation Co., Ltd. 74.80 MW

100%	Fuyuan Longyuan Wind Power Generation Co., Ltd. 31.50 MW
40%	Yichun Longyuan Wind Power Generation Co., Ltd. 49.30 MW
40%	Huanan Longyuan Wind Power Generation Co., Ltd. 139.60 MW
100%	Yichun Longyuan Hero Asia Wind Power Co., Ltd. 99.00 MW
51%	Hailin Longyuan Wind Power Generation Co., Ltd. 20.40 MW
57%	Yilan Longyuan Huineng Wind Power Generation Co., Ltd. 98.60 MW
100%	Shuangyashan Longyuan Wind Power Generation Co., Ltd. 49.50 MW
95%	Hegang Longyuan Wind Power Generation Co., Ltd. 49.30 MW
100%	Harbin Longyuan Wind Power Generation Co., Ltd.
100%	Huanan Longyuan Hero Asia Wind Power Generation Co., Ltd. 93.00 MW
100%	Yichuan Longyuan Jinshan Wind Power Generation Co., Ltd 98.60 MW
100%	Keshan Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%	Heihe Longyuan Wind Power Generation Co., Ltd. 49.50 MW
80%	Yilan Sanjiang Wind Power Generation Co., Ltd.
70%	Hailin Chenguang Wind Power Generation Co., Ltd.
100%	Hegang Longyuan Xianghe Wind Power Generation Co., Ltd.
66.23%	Jilin Longyuan Wind Power Generation Co., Ltd. 200.60 MW
100%	Longyuan (Changling) Wind Power Generation Co., Ltd. 99.00 MW
100%	Longyuan (Tongyu) Wind Power Generation Co., Ltd. 49.30 MW
90%	Tongyu Xingfa Wind Power Generation Co., Ltd.
100%	Longyuan Gongzhuling Wind Power Generation Co., Ltd.

100%	Yanbian Longyuan Wind Power Generation Co., Ltd.
100%	Longyuan (Nong'an) Wind Power Generation Co., Ltd.
67.14%	Dandong Haiyanghong Wind Power Generation Co., Ltd. 21.00 MW
100%	Tieling Longyuan Wind Power Generation Co., Ltd. 98.60 MW
100%	Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan Kangping Wind Power Generation Co., Ltd. 198.00 MW
98.60%	Shenyang Longyuan Wind Power Generation Co., Ltd. 141.30 MW
100%	Longyuan Shenyang Wind Power Generation Co., Ltd. 247.30 MW
57.99%	Jiangsu Longyuan Wind Power Generation Co., Ltd. 150.00 MW
69.37%	Longyuan Qidong Wind Power Generation Co., Ltd. 100.50 MW
82.99%	Longyuan (Rudong) Wind Power Generation Co., Ltd. 199.50 MW
100%	Longyuan Xuyi Wind Power Generation Co., Ltd.
100%	Jiangsu Off-shore Longyuan Wind Power Generation Co., Ltd. 32.00 MW
100%	Longyuan Dafeng Off-shore Longyuan Wind Power Generation Co., Ltd.
100%	Zhejiang Wind Power Generation and Development Co., Ltd. 36.60 MW
76.29%	Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. 40.00 MW
70%	Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd.
90%	Zhejiang Cangnan Wind Power Generation Co., Ltd. 16.00 MW
90%	Zhejiang Linhai Wind Power Generation Co., Ltd.
89.50%	Longyuan Pingtan Wind Power Generation Co., Ltd. 100.00 MW
60%	Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. 6.00 MW

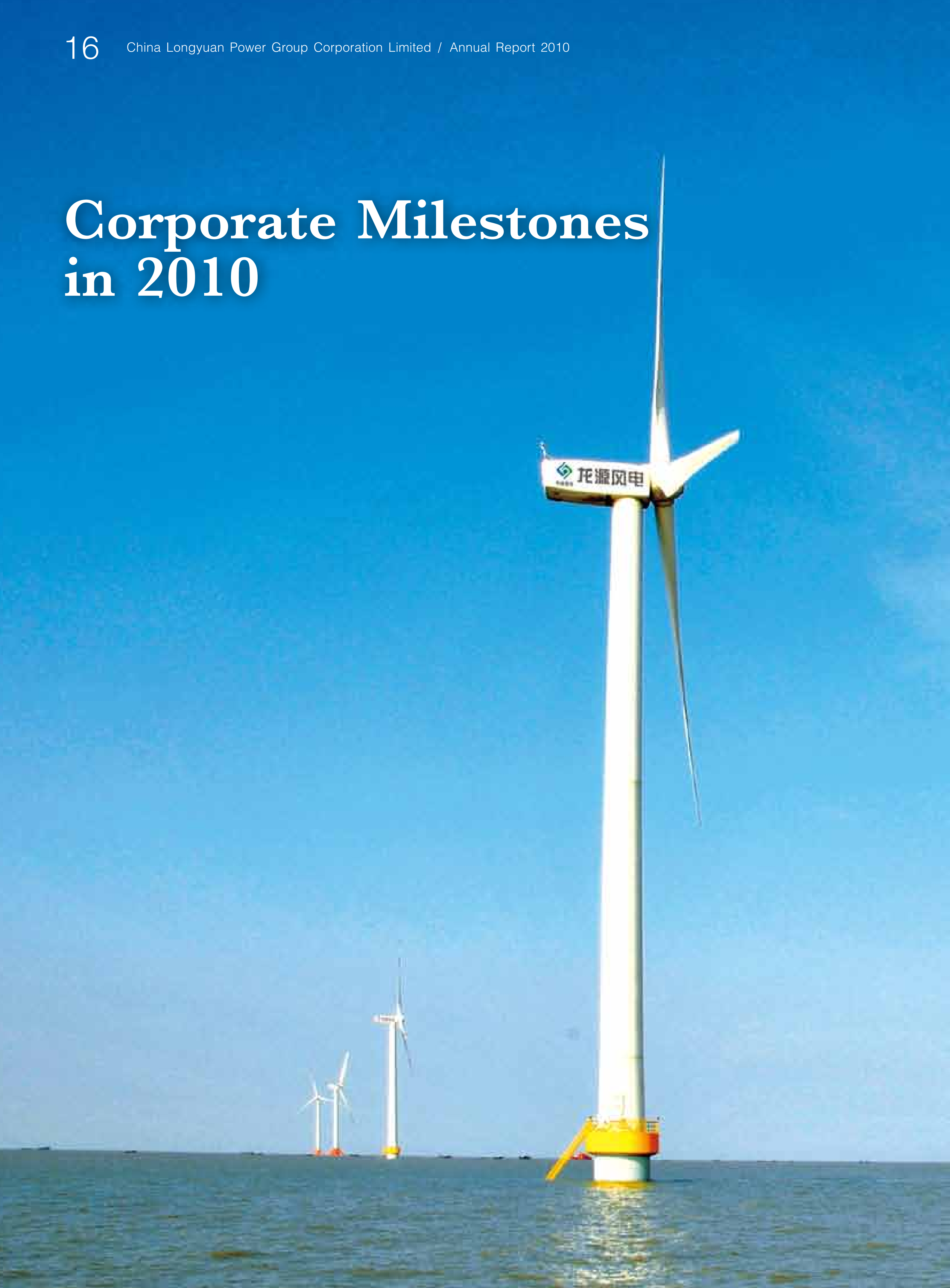

Shareholders of the Company
Guodian Northeast Electric Power Co., Ltd.
China Guodian Corporation
Shareholders of H Shares
1.27%
62.41%
36.32%
The Company
龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited
Hero Asia (BVI) Limited
100%
Hero Asia (HK) Investment Limited
100%
Fujian Dongshan Aozaishan 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. 56.00 MW
97.50%
Fujian Putian Nanri Wind Power Generation Co., Ltd. 16.15 MW
41.56%
Longyuan (Putian) Wind Power Generation Co., Ltd. 48.45 MW
100%
Fujian Wind Power Generation Co., Ltd.
100%
Fujiang Longyuan Zhongmen Wind Power Generation Co., Ltd.
100%
Hainan Longyuan Wind Power Generation Co., Ltd. 99.00 MW
100%
Gansu Jieyuan Wind Power Generation Co., Ltd. 258.30 MW
61%
Gansu Xin'an Wind Power Generation Co., Ltd. 99.00 MW
54.5%
Gansu Longyuan Wind Power Generation Co., Ltd. 300.00 MW
100%
Longyuan (Jiuquan) Wind Power Generation Co., Ltd. 201.00 MW
100%
Longyuan Zhangye New Energy Co., Ltd.
100%
Xinjiang Tianfeng Power Generation Joint Stock Company 249.30 MW
59.53%
Longyuan Balikun Wind Power Generation Co., Ltd.
100%
Longyuan Urumqi Dabancheng Wind Power Generation Co., Ltd.
100%
Longyuan Hami New Energy Co., Ltd.
100%
Longyuan Alashankou Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Habahe Wind Power Generation Co., Ltd.
100%
Longyuan Tuoli Wind Power Generation Co., Ltd.
100%
Bu'erjin Tianrun Wind Power Generation Co., Ltd. 49.50 MW
60%
Hebei Weichang Longyuan Construction and Investment Wind Power Generation Co., Ltd. 99.00 MW
50%
Longyuan Jiantou (Chengde Weichang) Wind Power Generation Co., Ltd. 49.50 MW
55%
Hebei Jiantou (Chengde) Wind Power Generation Co., Ltd 99.00 MW
55%
Hebei Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 325.50 MW
100%
Longyuan (Zhangbei) Wind Power Generation Co., Ltd.
100%
Yunnan Longyuan Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Dali Wind Power Generation Co., Ltd.
100%
Longyuan Shilin Wind Power Generation Co., Ltd.
100%
Longyuan Weishan Wind Power Generation Co., Ltd.
100%
Longyuan Yongping Wind Power Generation Co., Ltd.
100%
Longyuan Nanjian Wind Power Generation Co., Ltd.
100%
Tianjin Longyuan Wind Power Generation Co., Ltd.
100%
Shanxi Longyuan Wind Power Generation Co., Ltd.
100%
Longyuan Binzhou Wind Power Generation Co., Ltd.
100%
Shangdong Longyuan Hengxin Wind Power Generation Co., Ltd.
70%
Longyuan Ningxia Wind Power Generation Co., Ltd.
100%
Anhui Longyuan Wind Power Generation Co., Ltd. 148.50 MW
100%
Longyuan Mingguang Wind Power Generation Co., Ltd.
100%
Longyuan Tibet New Energy Co., Ltd. 12.00 MW
100%
Longyuan Ge'ermu New Energy Development Co., Ltd. 2.00 MW
100%
Longyuan Donghai Biomass Power Plant 24.00 MW
95%
Zhejiang Wenling Jiangxia Pilot Tidal Power Station 3.90 MW
100%
Nantong Tianshenggang Power Generation Co., Ltd. 660.00 MW
31.94%
Jiangyin Sulong Heat and Power Generating, Co., Ltd. 1,215.00 MW
27%
Suzhou Longyuan Bailu Wind Power Technique Vocational Training Centre Co., Ltd.
60%
Zhongneng Power-Tech Development Co., Ltd.
80%
China Fulin Wind Power Engineering Co., Ltd.
100%
Longyuan (Beijing) Wind Power Projects Technology Co., Ltd.
90%
Longyuan (Beijing) Carbon Assets Management Technology Co., Ltd.
100%
Xinjiang Wind Power Engineering Consultant Co., Ltd.
100%
Longyuan (Beijing) Solar Energy Technology Co., Ltd.
100%
Major Subsidiaries
Wind Power
Coal Power
Other New Powers
Other Corporations


Xinjiang
Consolidated installed capacity: 397.8 MW
Ratio: 6.1%
Gansu
Consolidated installed capacity: 858.3 MW
Ratio: 13.1%
Qinghai
Consolidated installed capacity: 2 MW
Ratio: 4.8%
Tibet
Consolidated installed capacity: 12 MW
Ratio: 28.6%
Yunnan
Consolidated installed capacity: 99 MW
Ratio: 1.5%
RMB0.51/kWh
Wind Power On-grid Tariff Zone
RMB0.54/kWh
Wind Power On-grid Tariff Zone
RMB0.58/kWh
Wind Power On-grid Tariff Zone
RMB0.61/kWh
Wind Power On-grid Tariff Zone



Note: "Ratio" refers to the ratio of the Group's consolidated installed capacity in the province to the Group's total consolidated installed capacity in each business segment.

Corporate Milestones in 2010



On 6 January, the Award Presentation Ceremony for the listing of the Company (公司上市表彰大會) was held in Beijing, attended by Zhu Yongpeng, the General Manager and Deputy Secretary to the Party Group of Guodian Group and Qiao Baoping, the Secretary to the Party Group and Deputy General Manager of Guodian Group. The Company was awarded the “Guodian Outstanding Certificate” (“國電特級獎狀”) and Xie Changjun and Huang Qun were awarded “Guodian Outstanding Medal” (“國電特級獎章”).

On 9 February, the Company issued “Longyuan’s Grade AAA, Unsecured, 7-year fix-rated bonds for 2010” (“2010年龍源公司AAA級、無擔保、7年期固定利率債券”) as scheduled, raising proceeds of RMB1.6 billion at a coupon rate of 4.52% per annum. It was unprecedented for a Subsidiary Unit of Central Enterprise within the Power System (電力系統央企二級單位) to be awarded the highest grade of AAA.

On 27 May, the Company held its 2009 Annual General Meeting in Hong Kong, with Zhu Yongpeng, the Chairman of the Board of the Company as the host of the meeting. The meeting considered and approved 11 proposals including the “Proposal in relation to the Work Report of the Board of China Longyuan Power Group Corporation Limited for the year ended 31 December 2009”《關於龍源電力集團股份有限公司截至二零零九年十二月三十一日止年度的董事會工作報告的議案》.

On 4 June, Phase III of Tongyu Project (通榆三期項目), Bayin Concession Project and Huananxi Wind Farm (樺南西風電場) were awarded the “2010 Premium Quality Power Construction in China” respectively.

On 21 June, the Company was granted “Commonwealth Honor Award” at the Annual Awarding Ceremony of Community Chest of Hong Kong.

On 23 July, the Company was permitted by the National Energy Administration to establish the “National Wind Power Operation Technology R & D Centre”.

On 9 September, the Company was awarded the great prize of “Asia Top 500 Brands” in the Fifth Asia Brand Ceremony and our ranking jumped from the 300th in 2008 to the 89th this year. Meanwhile, Xie Changjun, the President of the Company, was awarded “Asia Brand Figure of This Year”.

On 28 September, Longyuan Jiangsu’s 32 MW experimental offshore (intertidal zone) wind farm was fully completed and put into operation, being the first intertidal wind farm in the world.

On 8 October, the Company successfully won the bid for the Jiangsu Dafeng’s 200 MW offshore (intertidal zone) wind power concession project in the first round of bidding for offshore wind power concession projects organised by the NDRC, which opened new frontiers for the Company’s large-scale offshore wind power business.

On 15 November, during Vice President of the PRC, Xi Jinping's visit to South Africa, Xie Changjun, President of the Company, attended upon invitation the Energy Sub-Commission Meeting under the China-South Africa Bi-National Commission (中南國家雙邊委員會之能源分委會會議) during which the joint venture agreement with joint venture partners and the articles of association were officially executed .

On 6 December, following the successful bid of the Jiangsu Dafeng's 200 MW offshore (intertidal zone) wind power concession project, the Company's another intertidal project, the Jiangsu Rudong's 150 MW offshore (intertidal zone) pilot wind farm was approved. The Company has once again seized the first-mover advantage in offshore wind power development.

On 10 December, the Company successfully completed the issuance of the first tranche of the corporate bonds in 2010, and raised proceeds of RMB4 billion, including 5-year bonds of RMB2 billion at a coupon rate of 4.89%, and 10-year bonds of RMB2 billion at a coupon rate of 5.05%.

On 23 December, the Company's Tibet Yangbajing 10 MW Photovoltaic Power Generation Project (龍源西藏羊八井10兆瓦光伏發電項目) was fully connected to the grid and put into operation, marking another success of the Company in pursuing multiple strategies for renewable energy development.

Directors' Report

The Board of the Company hereby presents to shareholders the annual report and the audited financial statements for the year ended 31 December 2010 (the "Financial Statements").

SHARE CAPITAL

As of 31 December 2010, 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 37(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 2010.

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.

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 20 and 21 to the Financial Statements respectively.

RESULTS

The audited results of the Company and its subsidiaries for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on pages 98 to 99. The financial position of the Company and its subsidiaries as of 31 December 2010 is set out in the consolidated balance sheet on pages 100 to 101. The consolidated cash flow of the Company and its subsidiaries for the year ended 31 December 2010 is set out in the consolidated statement of cash flow on pages 106 to 107.

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 69 of this annual report.

PROFIT DISTRIBUTION

The Board recommends to distribute a final dividend of RMB0.054 per share (tax inclusive) in cash for the year ended 31 December 2010. All dividends will be distributed upon being approved by shareholders at the annual general meeting of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in properties, plants 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 movements in reserves of the Company during the year are set out in Note 37(a) to the Financial Statements, among which, details of reserves attributable to the shareholders are set out in Note 37(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 2010 are set out in Note 30 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 2010.

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	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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on page 38 to 45 of this annual report.

SERVICE CONTRACTS OF 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.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year of 2010, 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 Director	Position in the Company	Other Interests
Zhu Yongpeng	Non-executive Director and 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 and Head of Plan & Development Department 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 2010, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 31 December 2010, 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 *(Note 1)* *(%)*	Percentage in the Total Share Capital *(Note 1)* *(%)*
Guodian Group	Domestic shares	Interests of beneficial owner and controlled corporation	4,753,570,000 *(Note 2)* (Long position)	100%	63.68%
China Investment Corporation	H shares	Interests of controlled corporation	379,901,000 *(Note 3)* (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	190,191,000 *(Note 4)* (Long position)	7.02%	2.55%

Notes:

1. Such percentage was accounted at the issued number of relevant class of shares / total shares of the Company as at 31 December 2010.

2. Among such 4,753,570,000 domestic shares, 4,658,498,600 shares were directly held by Guodian Group while the rest 95,071,400 shares were held by Guodian Northeast Electric Power Co., Ltd., a wholly-owned subsidiary of Guodian Group. Accordingly, Guodian Group was deemed as the holder of the equity interests owned by Guodian Northeast Electric Power Co., Ltd..

3. Chengdong Investment Corporation was a wholly-owned subsidiary of China Investment Corporation, which hence was regarded as the holder of the equity interests of 379,901,000 H shares owned by Chengdong Investment Corporation.

4. Among such 190,191,000 H shares, 29,488,000 H shares were directly held by China Life Insurance (Group) Company, 65,741,000 H shares were held by China Life Insurance (Overseas) Company Limited, a wholly-owned subsidiary of China Life Insurance (Group) Company, and 94,962,000 H shares were held by China Life Insurance Company Limited, a subsidiary of China Life Insurance (Group) Company, hence China Life Insurance (Group) Company was deemed as the holder of the H share equity interests owned by the aforesaid subsidiaries.

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 2010.

SUBSEQUENT EVENTS

On 20 January 2011, Nantong Tianshenggang Power Generation Co., Ltd. (南通天生港發電有限公司), a subsidiary of the Company, issued short-term debentures of RMB400,000,000 with a coupon rate of 4.35%, which was due one year later.

On 19 January 2011, the Company issued corporate bonds of RMB1,500,000,000 with a term of five years and a coupon rate of 4.89%, and corporate bonds of the same amount with a term of ten years and a coupon rate of 5.04%, both of which were secured by Guodian Group.

CONNECTED TRANSACTIONS

Major connected transactions of the Group during 2010 are as follows:

(1) Non-exempt One-off Connected Transaction

During 2010, 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.

In respect of the type 1 to type 4 non-exempt continuing connected transactions as set out below, 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. For type 1 and type 3 non-exempt continuing connected transactions as set out below, adjustments to the annual caps for year 2010 and 2011 have been approved at the first extraordinary general meeting of 2010 held on 28 June 2010.

The table below has set out the annual caps for 2010 and the actual transaction amounts of such kind of connected transactions:

	Connected Transactions	Connected Person	Annual Cap for 2010 *(RMB'000)*	Actual Transaction Amount for 2010 *(RMB'000)*
1	Provision of products and services by the Group	Guodian Group	741,000	229,700
2	Electricity sales	State Grid Corporation of China	11,400,000	8,434,569
3	Provision of products to the Group	Guodian Group	5,758,200	1,891,782
4	Provision of products and services to the Group	Zhongneng Power-Tech Development Company Limited	438,000	148,643
5	Provision of financial services to the Group	Guodian Finance	Deposit services: 2,200,000	Daily Maximum Outstanding Balance of Deposit: 1,632,300

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 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 by 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 2010 was RMB741,000,000 and the actual transaction amount was RMB229,700,000.

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 2010, 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 nonwholly- 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%, 34.96% and 15.5% 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 2010 was RMB11,400,000,000 and the actual transaction amount was RMB8,434,569,000.

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 2010 was RMB5,758,200,000 and the actual transaction amount was RMB1,891,782,000.

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 by 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 interests 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 the year 2010 was RMB438,000,000 and the actual transaction amount was RMB148,643,000.

Note 1: The master agreement also covers those transactions entered into by subsidiaries and associates of Zhongneng Power-Tech Development Company Limited with the Group. Currently, besides Zhongneng Power-Tech Development Company Limited, Longyuan (Beijing) Wind Power Projects Technology Co., Ltd., with 50% of its equity interests held by the Group, also provides products and services to the Group.

5. **Provision of financial services to the Group**

On 6 September 2010, the Company and Guodian Finance entered into the Financial Services Agreement, pursuant to which Guodian Finance provides financial services to the Group. Pursuant to the agreement, the services to be provided by Guodian Finance to the Group include credit facilities, intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds; bill acceptance and discount services; deposit services; finance lease; investment and financing advice and consultation services; financial consultation and training services and other services.

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

- Guodian Finance shall ensure the stable operation of fund management system to safeguard the fund, and to monitor the credit risk so as to satisfy the payments needs of the Group.

- In respect of the provision of the loan services under the Financial Services Agreement, Guodian Finance will grant integrated credit facilities of RMB2.5 billion to the Group. The credit facilities shall be utilized as fixed assets loans, project financing loans, working capital loans, letter of guarantee and accounts receivable factoring and etc.

- In respect of the provision of the deposit services under the Financial Services Agreement, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the Group's deposits with Guodian Finance shall be RMB2.2 billion for each of the three years ending 31 December 2010, 31 December 2011 and 31 December 2012.

- The term of the Financial Services Agreement shall be three years, i.e. from 6 September 2010 to 5 September 2013. The term can be extended for another three years subject to the consents of both parties and full compliance with relevant laws and the Listing Rules, as appropriate.

- Guodian Finance shall provide the aforementioned financial services to the Group based on the following pricing principles: the interest rate for the Group's deposits with Guodian Finance shall be fixed as the deposit interest rate as published by the PBOC from time to time; the interest rate for loans granted to the Group by Guodian Finance shall be 10% below the benchmark interest rates as published by the PBOC from time to time; and the fees charged by Guodian Finance for the provision of financial services other than deposits and loans services shall not be higher than the rate charged by the other financial institutions in the PRC for similar services.

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. Guodian Finance is a subsidiary of Guodian, and is therefore a connected person of the Company.

During the reporting period, the cap of daily balance of deposit for deposit services under this continuing connected transaction for year 2010 was RMB2.2 billion and the actual maximum amount of daily balance of deposit was RMB1,632,300,000.

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

(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 Company has engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

In respect of the abovementioned connected transactions, the Directors also confirmed that 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 have confirmed 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 2010, the purchase from the Group's five largest fuel suppliers in aggregate contributed 46.7% of the Group's total purchase of fuel for the year, among which, the total purchase from the largest fuel supplier contributed 23.4% of the Group's total purchase of fuel for the year.

For the year ended 31 December 2010, the sales to the Group's five largest customers in aggregate contributed 51.5% of the Group's total sales for the year (excluding service concession construction revenue), among which, the sales to the largest customer contributed 33.1% of the Group's total sales for the year (excluding service concession construction revenue).

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 35 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 78 to 91 of this annual report for details.

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 2010, 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 2010 annual results of the Group and the Financial Statements for the year ended 31 December 2010 prepared in accordance with the International Financial Reporting Standards have been reviewed by the audit committee of the Company.

AUDITORS

KPMG(畢馬威會計師事務所)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 2010, respectively. The enclosed Financial Statements prepared in accordance with the International Financial Reporting Standards have been audited by KPMG. The Company has retained the services of KPMG and RSM China Certified Public Accountants Co., Ltd. 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, the PRC, 15 March 2011

* *For identification purpose only*

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Zhu Yongpeng, aged 59, is a non-executive Director and Chairman of the Board of the Company. He graduated from Northeast Dianli University with a bachelor's degree in Engineering. He is a professor-grade senior engineer. 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. and deputy general manager of Guodian Group. Mr. Zhu is currently the general manager of Guodian Group.

Mr. Wang Baole, aged 54, is a non-executive Director of the Company. He graduated from Xiamen University with a bachelor's degree in Economics and has completed post-graduate studies on Statistics (Investment Decision-making Analysis). He is a senior statistician. 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 to General Manager and head of Plan & Development Department of Guodian Group.

Mr. Luan Baoxing, aged 43, 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.

EXECUTIVE DIRECTORS

Mr. Xie Changjun, aged 53, is an executive Director and president of the Company, and also the Assistant to General Manager of Guodian Group. He graduated from Northeast Dianli University with a bachelor's degree in Engineering. He is a professor-grade senior engineer. 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, assistant to general manager 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 58, is an executive Director of the Company. He graduated from Wisconsin International University Ukraine Campus with a master degree. He is a professor-grade engineer. 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. He currently serves as an Ombudsman of the Group.

Mr. Wang Liansheng, aged 59, is an executive Director of the Company. He graduated from Beijing Normal University. He is a senior economist. 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. He currently serves as an Ombudsman of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Junfeng, aged 54, 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 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, including a member 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 Region. 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 55, 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 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 55, an independent non-executive Director of the Company. He holds a doctorate degree in Economics (Accounting) from the Research Institute for Fiscal Science of Ministry of Finance and the qualification of PRC Certified Public Accountant. Mr. Meng was elected as an independent 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), and Yantai Wanhua Polyurethanes Co., Ltd. (600309.SH). Mr. Meng received the special government allowance from the State Council in 1997.

SUPERVISORS

Mr. Chen Bin, aged 51, is the Chief Supervisor of the Company. He has completed post-graduate studies on Management Engineering from Northeast Dianli University and is a senior accountant. 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 50, is a Supervisor of the Company. 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. He is a senior accountant. 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 46, 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, assistant to general manager, 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.

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. Huang Qun, aged 49, is a Vice President of the Company. He graduated from Tongji University with a bachelor's degree in Engineering. He is a senior engineer. 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, assistant to general manager, and deputy general manager.

Mr. Zhang Yuan, aged 54, is a vice president of the Company. He graduated from Northwest Telecommunication Construction University. Mr. Zhang joined the Group in 2003. He is a professor-grade engineer. 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.

Ms. Li Hongmei, aged 53, is the 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 43, 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 48, is the board secretary and one of the joint company secretaries of the Company. He graduated from North China Electric Power University majoring in engineering and served as a senior engineer. He joined the Group since 1994, where he held positions in the Power Generation Division of the Electric Power Planning and Design Institute and the Information Centre of the Ministry of Electric Power. He also served as the deputy manager of Technical Development Department, the manager of the Market Exploitation and Technical Development Department, the manager of the Project Development Department and the manager of the Technical Development Department of China Longyuan Electric Power Group Corporation as well as the standing deputy general manager of Longyuan West Heat. He was also the manager of the Human Resource Department and the Auditing Supervision Department, the deputy chief economist and the assistant to general manager as well as the director of the Office of General Manager of China Longyuan Electric Power Group Corporation.

JOINT COMPANY SECRETARIES

Mr. Jia Nansong, is the 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.

Ms. Soon Yuk Tai, aged 44, was appointed as one of the joint company secretaries on 20 November 2010. She is a director of the Corporate Services Division of Tricor Services Limited. Prior to joining Tricor Group in 2002, she was a senior manager of company secretarial services department at Ernst & Young and Tengis Limited in Hong Kong. Ms. Soon is a chartered secretary and an associate of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. Ms. Soon has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many listed companies in Hong Kong.

Management Discussion and Analysis

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

I. INDUSTRY REVIEW

The year 2010 marked the end of the "Eleventh Five-year Plan". As a result of China's reaffirmed and deepened efforts in tiding over the global financial crisis, the national economy has been picking up at a quick but steady tempo. The stable and rapid momentum had been well sustained in 2010, given a 10.3% growth in the national GDP, which was 1.1 percentage points above the growth rate last year. Driven by the macro-economy, the demand for power consumption has continued to increase. In 2010, the aggregate power consumption of the entire country reached 4.19 trillion kWh, representing an increase of 14.56% over last year. The national power installed capacity reached 962 million kW, representing an increase of 10.08% over last year. The additional installed capacity for the year amounted to 91,272 MW, among which the additional installed capacity of coal power, hydro power, wind power, nuclear power and other power reached 58,723 MW, 16,606 MW, 13,990 MW and 1,953 MW respectively, accounting for 64.34%, 18.19%, 15.33% and 2.14%, respectively, while the ratio attributable to clean energy recorded an increase of 3.39% from 2009.

International energy and environmental problems have arose the world's concern as key issues closely related to global politics, economic development, climate change and energy security. Tightened regulations on resources and environment underlined the pressure on energy saving and emission reduction. Countries have resorted to renewable energy development as a key measure in coping with the stress on energy and environment, and thus stimulate new growth in the sector. In recent years, the strong momentum of the international renewable energy industry has been mostly felt in the wind power industry, which has quickly risen to prominence. China has become one of the fastest growing wind power markets in the world. According to the statistics of the Global Wind Energy Council ("GWEC"), more than half of the 35,802 MW additional wind power installed capacity around the world in 2010 were contributed by Asia, with China contributing the most among its global counterparts. The blazingly quick growth of China's wind power industry is mainly attributed to stable and supportive government policies.

In recent years, wind power development in China has gradually shifted to planning for construction of large bases and connection to large grids. However, problems linger as the construction of power grids fails to keep pace with the construction of wind farms, which has affected grid connection and absorption of wind power in certain regions. Furthermore, given the stark contrast in the distribution pattern of wind power resources and that of power load in China, there exists a structural conflict in the supply and demand of wind power and an imbalance in certain regions. To align wind power development with ancillary power grid construction and enhance grid capacity for absorption of wind power so as to meet targets for renewable energy development in China, the National Energy Administration coordinated and conducted research and planning on wind power connection to power grids and market absorption. In 2010, as State Grid Corporation and China Southern Power Grid Company expanded investment in national power grid construction, key trans-regional projects such as the ±500kv Hulunbeier-Liaoning DC power transmission project and the Xinjiang-Northwest 750kv ultra-high-voltage power transmission line had been completed and had commenced operation. These constructions have enabled power grids to better optimize and allocate resources on a large scale and thereby eased the pressure on absorption and grid connection of wind power.

In 2010, as power enterprises stepped up efforts in restructuring, the power source structure has continued to improve, with a decrease in coal power installed capacity and an increase in the installed capacity of non-fossil energy such as hydro power, nuclear power and wind power to 26.53%, indicating a stronger capability for green power generation. The run-up in wind power installed capacity is evidenced by the statistics issued by the China Electricity Council, according to which, 2010 saw an increase of 13,990 MW in the additional on-grid installed capacity of the PRC wind power industry. The proportion of additional wind power installed capacity to the additional power installed capacity in the PRC as a whole increased from 10.00% in 2009 to 15.33%. As at 31 December 2010, the on-grid wind power capacity in the PRC amounted to 31,070 MW, while the wind power electricity output for 2010 reached 50,097 million kWh.

II. BUSINESS REVIEW

1. Rapid growth in installed capacity and maintenance of the leading position in the wind power industry

In 2010, in line with its adjusted wind power development strategy, the Group had vigorously developed wind power projects in regions with low wind speed and high tariffs. The Group initially established a national wind power development layout underpinned by six major wind power bases and supplemented by inland wind power businesses. Through timely scheduled planning, scientific arrangement of work progress, optimised resource allocation and investment, and strengthened coordination with relevant authorities, the Group achieved the commissioning target of on-grid wind power projects for the year by putting 34 wind power projects into operation and acquiring one wind power project during the year, which resulted in an additional wind power consolidated installed capacity of 2,053MW for the year. As at the end of 2010, the consolidated installed capacity of the Group was 8,473MW, among which the consolidated installed capacity of our wind power business, the consolidated installed capacity of our coal power business and the consolidated installed capacity of other renewable energies were 6,556 MW, 1,875MW and 42MW, respectively. As at the end of 2010, the attributable installed capacity and total installed capacity of the Group's wind power business amounted to 5,768 MW and 6,969 MW respectively.

Geographical breakdown of the consolidated installed capacity of the Group's wind farms for the years 2009 and 2010:

Region	As at 31 December 2010 *(MW)*	As at 31 December 2009 *(MW)*	Percentage of Change
Heilongjiang	902.6	760.1	18.7%
Jilin	348.9	299.4	16.5%
Liaoning	755.7	607.2	24.5%
Inner Mongolia	1,437.4	993.4	44.7%
Jiangsu	482.0	361.0	33.5%
Zhejiang	92.6	76.6	20.9%
Fujian	312.1	227.7	37.1%
Hainan	99.0	49.5	100.0%
Gansu	858.3	406.8	111.0%
Xinjiang	397.8	249.3	59.6%
Hebei	622.5	423.0	47.2%
Yunnan	99.0	49.5	100.0%
Anhui	148.5	—	—
Total	6,556.4	4,503.5	45.6%

2. Significant breakthrough in offshore wind power

During the construction of the world's first experimental offshore (intertidal zone) wind farm in Rudong, Jiangsu with an installed capacity of 32MW, the Group accumulated considerable experience for subsequent offshore wind power construction and operation. On 8 October 2010, the Company won the bid for the Jiangsu Dafeng's 200MW offshore (intertidal zone) wind power concession project after fierce competitions. On 6 December 2010, the Jiangsu Longyuan Rudong 150MW offshore (intertidal zone) wind power pilot project was approved by the NDRC. Meanwhile, the Group has also been proactively developing preliminary works of offshore wind power projects in various provinces such as Fujian, Hebei, Shandong, Liaoning and Tianjin in order to consolidate its leading position in the offshore wind power market. As at 31 December 2010, the estimated installed capacity of the offshore wind power pipeline projects amounted to 4,450MW, indicating that offshore wind power would be another growth engine for the Group in the future.

3. Accomplishment of power generation targets as scheduled

During the year, the Group generated a cumulative gross electrical output of 21,553 million kWh, of which electricity generated from our wind power business accounted for 10,094 million kWh, representing an increase of 62.5% over last year. Such an increase in the Group's wind power electricity output was primarily attributable to the ongoing growth in wind power installed capacity and the improvement of the wind power operation. The average availability factor of the Group's wind power generating units was 98.28%, representing an increase of 0.59 percentage point as compared to the 97.69% in 2009. The average utilisation hours of wind power in 2010 decreased by 51 hours from that in 2009 to 2,217 hours, which was primarily due to the limitation on the electricity output by the grid in certain regions as well as the Group's intensified development in regions with low wind speed and high tariffs.

Geographical breakdown of the consolidated power generation of the Company's wind farms for the years 2009 and 2010:

Region	2010 *(MWh)*	2009 *(MWh)*	Percentage of Change
Heilongjiang	1,398,972	729,236	91.8%
Jilin	586,442	419,472	39.8%
Liaoning	1,095,392	664,953	64.7%
Inner Mongolia	2,196,119	1,819,515	20.7%
Jiangsu	894,098	653,052	36.9%
Zhejiang	125,881	125,353	0.4%
Fujian	667,716	533,923	25.1%
Hainan	80,042	238	33,531.1%
Gansu	722,865	428,155	68.8%
Xinjiang	921,386	661,436	39.3%
Hebei	1,267,878	175,689	621.7%
Yunnan	137,545	—	—
Total	10,094,336	6,211,022	62.5%

Geographical breakdown of the average utilisation hours / capacity factor of wind power of the Company's wind farms for the years 2009 and 2010:

Region	Average utilisation hours of wind power in 2010 *(hr)*	Average capacity factor of wind power in 2010	Average utilisation hours of wind power in 2009 *(hr)*	Average capacity factor of wind power in 2009	Percentage of Change of the average utilisation hours of wind power
Heilongjiang	1,841	21%	2,298	26%	-19.9%
Jilin	1,959	22%	1,751	20%	11.9%
Liaoning	1,804	21%	2,140	24%	-15.7%
Inner Mongolia	2,211	25%	2,341	27%	-5.6%
Jiangsu	2,477	28%	2,189	25%	13.2%
Zhejiang	1,643	19%	1,649	19%	-0.4%
Fujian	2,933	33%	2,971	34%	-1.3%
Hainan	1,617	18%	—	—	—
Gansu	1,777	20%	1,751	20%	1.5%
Xinjiang	3,084	35%	2,927	33%	5.4%
Hebei	2,997	34%	2,886	33%	3.8%
Yunnan	1,852	21%	—	—	—
Total	2,217	25%	2,268	26%	-2.2%

Geographical breakdown of the average availability factor of wind power of the Company's wind farms for the years 2009 and 2010:

Region	Average availability factor of wind power in 2010 (%)	Average availability factor of wind power in 2009 (%)	Percentage of Change
Heilongjiang	98.57	98.45	0.12%
Jilin	98.23	98.82	-0.59%
Liaoning	98.76	99.02	-0.26%
Inner Mongolia	98.61	98.13	0.48%
Jiangsu	97.85	98.33	-0.48%
Zhejiang	98.48	98.74	-0.26%
Fujian	98.50	95.75	2.75%
Hainan	98.46	—	—
Gansu	98.55	98.94	-0.39%
Xinjiang	96.91	96.41	0.50%
Hebei	97.70	94.42	3.28%
Yunnan	97.85	—	—
Total	98.28	97.69	0.59%

During the year, the electricity generated from our coal power business increased by 4.1% to 11,353 million kWh as compared to the 10,910 million kWh last year, and this is primarily attributable to (1) the better-than-expected economic conditions and the significant increase in power utility loads; and (2) the upward adjustment of the annual planned output for the year by Jiangsu Economic and Information Technology Commission at the end of September. The average utilisation hours of the Group's coal power business increased by 236 hours, from 5,819 hours in 2009 to 6,055 hours in 2010.

4. A national strategic layout on basis of an optimised wind power pipeline structure

As at the end of 2010, the Group had formed a national strategic layout as the Group's estimated cumulative capacity for wind power pipeline projects reached 61 GW, covering all provinces, municipalities and autonomous regions (except for Hong Kong, Macau, Taiwan, Sichuan, Chongqing and Guangxi). The construction of the Group's six major wind power bases has been in full gear and of a sizable scale in the six major regions including Xinjiang, Gansu, Inner Mongolia, Hebei, Northeast China and the Southeast coastal area. The Company had initially established a national wind power development layout underpinned by six major wind power bases and supplemented by inland wind power businesses.

5. Significant improvement in profitability underpinned by refining cost management

The Group has established a centralised capital management system propped up by a capital budget and has substantially reduced its financing costs through a diversified financing system. The weighted average financing cost in 2010 decreased dramatically compared with that in 2009 and was at least 15% lower than the benchmark interest rate of bank loans over the same period. During the reporting period, the Group refined its operation and management, set up and constantly improved standards in determining wind power cost, intensified budget analysis and control, and leveraged on its edges in scale so as to reduce various costs. Meanwhile, stringent control over construction quality and costs has significantly improved the Group's profitability. The net profit attributable to shareholders for 2010 amounted to RMB2,019 million, representing an increase of 125.8% as compared with RMB894 million for 2009.

6. A slight increase of tariffs with expanded project coverage

On the strength of enhanced marketing management, the Group vigorously expanded its project development in regions with high tariffs. The annual average on-grid tariffs for wind power increased to RMB572 per MWh (value-added tax ("VAT") included) by RMB5 per MWh for 2010 as compared with the average on-grid tariffs for wind power of RMB567 per MWh (VAT included) for 2009; whereas the average on-grid tariffs for coal power increased to RMB423 per MWh (VAT included) by RMB2 per MWh as compared with the average on-grid tariffs for coal power of RMB421 per MWh (VAT included) for 2009.

7. Lowered equipment procurement costs and strict control on project construction costs

The Group further lowered its procurement costs through continued efforts to leverage on its economies of scale, optimized designs and unified bidding of wind power generating units and equipments. The Group's average procurement costs of wind turbines for 2010 decreased by 15.0% as compared with that in 2009. Meanwhile, the Group strictly controlled the original budgets for construction to be carried out and attached high importance to design reviews and optimisation. Apart from enhancing contract bidding management and strictly reviewing the account settlements of projects, the Group has trimmed finance expenses by reasonably using of capital and also by effectively controlling the construction costs of wind power projects. In 2010, the average construction cost per kW of wind power projects decreased by 11.7% as compared with that in 2009.

8. Strengthened financing capacity through broadened financing channels

Leveraging its remarkable performance and credit status, the Group has excellent financing capacity. As at 31 December 2010, the Group owned more than RMB100,000 million credit facility in financial institutions. On 9 February 2010, the Group raised an aggregate of RMB1,600 million by issuing 7-year fixed-rate bonds bearing a coupon rate of 4.52% per annum. On 10 December 2010, the Company successfully issued corporate bonds of RMB4,000 million, RMB2,000 million of which had a term of five years and a coupon rate of 4.89% and the remaining RMB2,000 million of which had a term of ten years and a coupon rate of 5.05%. Meanwhile, the Group further diversified its finance channels by raising funds from non-bank sources via notes and short-term debentures and other means.

9. Rapid development in CDM projects

During the reporting period, the Group's CDM projects ran smoothly with a rapid increase in the number of registered projects. As of 31 December 2010, an aggregate of 55 CDM projects of the Group successfully registered with the CDM EB, involving a cumulative installed capacity of 2,854 MW. Those projects are comprised of 54 wind power projects with a cumulative installed capacity of 2,830 MW and one biomass project with the installed capacity of 24 MW, among which 30 CDM projects were successfully registered in 2010 with the total installed capacity of 1,440 MW. In 2010, the Group's net income from sales of CERs and VERs amounted to RMB392 million in total, representing an increase of 86.7% as compared with RMB210 million in 2009.

10. Enhanced competitive advantage in soft power

The Group continued to clarify the importance of technology innovation for industrial development. Since its incorporation, the Group has been sparing no efforts in developing technological innovation and carving out a niche for itself. During the reporting period, the Group continuously increased its R&D investments, the amount of which was increased by 8.5% in 2010 as compared with that in 2009. In 2010, the Group approved and carried out 18 technology projects with specialised focus on the design, construction, operation and maintenance of power stations for the wind power generation, solar PV generation, tidal power generation and geothermal energy generation industries.

On 23 July 2010, the Company established the "National Wind Power Operation Technology R&D Centre" (國家能源風電運營技術研發中心) upon the authorization by National Energy Administration, whereby it initiated studies on wind power operation technologies. Such initiatives not only lead in upgrading China's wind power technology, but also provided the Group with a technological platform for international exchange. Suzhou Longyuan Bailu Wind Power Vocational Technical Training Centre (蘇州龍源白鷺風電職業技術培訓中心), the largest vocational skills training centre for the wind power industry in the PRC and a subsidiary of the Company, established the first occupational skill testing station for the wind power industry in the PRC — Occupational Skill Testing Authority Station for Industries with Specific Skills（行業特有工種職業技能鑒定站）and the "Guodian Longyuan National Occupational Skill Testing Authority Station for Wind Power Generation" (「國電龍源風力發電國家職業技能鑒定站」) upon approval from the PRC Ministry of Human Resources and Security（中華人民共和國人力資源和社會保障部）and the Electric Power Industry Occupational Skill Testing Centre of China Electricity Council.

11. Coordinated development of other renewable energy sources

As a leading renewable energy generation group, the Group has actively explored other renewable energy projects such as solar energy, geothermal power, tidal power and biomass energy in addition to the vigorous development of wind power. During the reporting period, two solar PV power stations located at Yangbajing, Tibet and Geermu, Qinghai Province successively commenced operation with the installed capacity under operation of 12 MW, thereby accumulated extensive experience for the Group's subsequent large-scale development of PV power projects. Particularly, the project at Yangbajing, Tibet was one of the projects of National Energy Administration for the purpose of supporting power construction in Tibet.

As of 31 December 2010, the estimated consolidated installed capacity of the Group's solar energy pipeline projects amounted to 1,950MW and was spread over regions including, among others, Inner Mongolia, Gansu, Qinghai, Xinjiang, Ningxia, Tibet and Beijing. Besides, the Group's geothermal power generation project located at Yangbajing, Tibet was put into operation with a cumulative installed capacity of 2 MW. The Group also proactively participated in biomass projects with a view to achieving synergies in the development of various renewable energy sources.

III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Overview

In 2010, the Group recorded a significant increase in profits. The net profit amounted to RMB2,770 million for the year, representing an increase of 68.2% as compared to RMB1,647 million in 2009. Net profit attributable to shareholders amounted to RMB2,019 million, representing an increase of 125.8% as compared to RMB894 million in 2009.

Operating revenue

Operating revenue of the Group amounted to RMB14,213 million in 2010, representing an increase of 45.9% as compared to RMB9,744 million in 2009. Such increase in operating revenue was primarily due to: (1) an increase of RMB2,434 million in the revenue from our wind power business to RMB6,071 million in 2010 as compared to RMB3,637 million in 2009. The increase was partly attributable to an increase of RMB1,861 million, or 67.6%, in revenue from electricity sales of our wind power business to RMB4,613 million in 2010 as compared to RMB2,752 million in 2009, as a result of an increase in electricity sales following an expansion in the operating capacity of our wind power business, and also partly attributable to an increase of wind power concession projects under construction, construction revenue of which amounted to RMB1,450 million in 2010, representing an increase of RMB567 million, or 64.2%, as compared to RMB883 million in 2009; and (2) an increase of RMB1,841 million in revenue from our coal power business to RMB7,714 million in 2010 as compared to RMB5,873 million in 2009, including an increase of RMB1,628 million, or 98.8% in revenue from the sales in a coal trading company in our coal power segment to RMB3,276 million in 2010 as compared to RMB1,648 million in 2009 as a result of the rapid growth in the coal trading business since it started from May 2009.

Operating Revenue	Year 2010 (RMB million)	Year 2009 (RMB million)	Percentage of change
Wind Power Segment	6,071	3,627	66.9%
Including: Revenue from Electricity Sales	4,613	2,752	67.6%
Revenue from Service Concession Construction	1,450	883	64.2%
Coal Power Segment	7,714	5,873	31.3%
Including: Revenue from Sales for Electricity & Steam, and Other Revenues	4,438	4,225	5.0%
Revenue from Coal Sales	3,276	1,648	98.8%
Other Segments	695	563	23.4%
Elimination of inter-segment revenue	(267)	(329)	(18.8%)
Total	14,213	9,744	45.9%

Other net income

Other net income of the Group amounted to RMB986 million in 2010, representing an increase of 71.8% from RMB574 million in 2009, primarily due to: (1) the dilution of equity interest held by the Group after the issue of new shares by the listing of Yantai Longyuan Power Technology Co., Ltd. (煙台龍源電力技術股份有限公司), our associate, which lead to a deemed disposal gain of RMB187 million; and (2) an increase of RMB182 million, or 86.7%, in income from sales of CERs and VERs from RMB210 million in 2009 to RMB392 million in 2010, as more wind power projects of the Group were successfully registered with the CDM EB in 2010, along with an increase in power generation of such registered projects.

Operating expenses

The operating expenses of the Group amounted to RMB11,118 million in 2010, representing an increase of 49.1% from RMB7,459 million in 2009, primarily due to the increase in the depreciation and amortisation expenses of our wind power segment, the increase in coal consumption of the coal power segment, the increase in the cost of coal sales as well as the increase in the construction cost of concession projects.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB2,236 million in 2010, representing an increase of 40.6% from RMB1,590 million in 2009, primarily due to an increase of RMB686 million, or 66.4%, in depreciation and amortisation expenses of our wind power segment over 2009 as a result of expansion in the operating capacity of our wind power projects.

Coal consumption costs

The coal consumption costs of the Group amounted to RMB2,737 million in 2010, representing an increase of 19.5% from RMB2,290 million in 2009, primarily due to: (1) the growth in demand for coal consumption caused by the increase in electricity generated from our coal power segment. Electricity generated from our coal power business amounted to 11,353 million kWh in 2010, representing an increase of 4.1% as compared to that of 2009; and (2) an increase of RMB94/ton, or 14.2%, in the unit price of standard coal for power and steam generation to RMB755/ton in 2010, as compared with RMB661/ton in 2009.

Cost of coal sales

The cost of coal sales of the Group in 2010 amounted to RMB3,046 million, representing an increase of 96.1% as compared to RMB1,553 million in 2009, primarily due to the rapid growth of coal trading business.

Service concession construction costs

The Group's construction costs of service concession projects in 2010 amounted to RMB1,450 million, representing an increase of 64.2% as compared with RMB883 million in 2009, primarily due to more service concession projects under construction in 2010.

Personnel costs

Personnel costs of the Group amounted to RMB662 million in 2010, representing an increase of 22.6% as compared to RMB540 million in 2009, 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 personnel costs was expensed as more projects commenced operation.

Materials costs

The materials costs of the Group amounted to RMB278 million in 2010, representing an increase of 85.3% as compared to RMB150 million in 2009, primarily due to the increase of RMB103 million in external sales of Longyuan (Beijing) Wind Power Projects Technology Co,. Ltd. (龍源(北京)風電工程技術有限公司) and the increase of RMB21 million in the fuel cost as a result of the increase in electricity generated by Longyuan Donghai Biomass Power Co., Ltd. (東海龍源生物質發電有限公司).

Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB184 million in 2010, representing an increase of 70.4% as compared to RMB108 million in 2009. Such increase was mainly due to: (1) an increase of RMB58 million, or 141.5%, in repair and maintenance expenses of our wind power business to RMB99 million in 2010 from RMB41 million in 2009, because the warranty period of more wind power projects was expired; and (2) an increase of RMB8 million, or 12.9%, in repair and maintenance expenses of our coal power business to RMB70 million over RMB62 million in 2009.

Administrative expenses and other operating expenses

The administrative and other operating expenses of the Group amounted to RMB524 million in 2010, representing an increase of 51.9% as compared to RMB345 million in 2009. Such increase was primarily due to: (1) the increase in relevant expenses such as insurance premiums and taxes as a result of more projects commencing operation; (2) the increase in operating expenses such as travel and office expenses as a result of the expansion of the Group's business and the growth in the number of subsidiaries; and (3) an amount of RMB81 million of impairment losses that had been provided for the decommissioned units in Nantong Tianshenggang Power Generation Co., Ltd.

Net finance expenses

The net finance expenses of the Group amounted to RMB1,098 million in 2010, representing an increase of 7.6% as compared to RMB1,020 million in 2009, primarily due to: (1) more projects that ceases interest capitalisation as a result of an increased number of wind power projects commencing operation, which led to an increase in finance expenses; (2) the Group's raising of low-cost funds by issuing bonds and etc. which led to a decrease in the average interest rate of borrowings; and (3) the Group's utilising of proceeds raised from the initial public offering for the new construction projects and repayment of certain bank borrowings, which reduced the growth in finance expenses.

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 RMB228 million in 2010, representing an increase of 117.1% as compared to RMB105 million in 2009, primarily due to the further expansion in production and sales of Guodian United Power Technology Co., Ltd. (國電聯合動力技術有限公司), which had a significant increase in net profit in 2010. In addition, the growth in revenue of Hebei Jiantou Longyuan Chongli Wind Energy Co., Ltd. (河北建投龍源崇禮風能有限公司) in 2010 also led to an increase in its net profit.

Income tax

Income tax of the Group amounted to RMB441 million in 2010, representing an increase of 49.0% as compared to RMB296 million in 2009, primarily due to an increase in the average tax rate of our coal power business which was during the transitional period of income tax under the new tax law. Although the average tax rate of our wind power business decreased upon approval of tax holidays of certain wind power projects in 2010, the income tax expenses of our wind power business increased as a result of the increase in profit before taxation from wind power business.

Segment results of operations

Operating Profit	**2010** *(RMB million)*	**2009** *(RMB million)*	**Percentage of Change**
Wind Power Segment	3,164	1,924	64.4%
Coal Power Segment	794	985	-19.4%
Including: Sales of Electricity & Steam and Others	692	945	-26.8%
Coal Trading Business	102	40	155.0%
Other Segment	312	110	183.6%
Elimination and other corporate expenses	(189)	(161)	17.4%
Total	4,081	2,858	42.8%

In 2010, operating profit of the wind power segment of the Group amounted to RMB3,164 million, representing an increase of 64.4% from RMB1,924 million in 2009, primarily due to the increase in installed capacity of our wind power business, which led to a substantial increase in electricity sales. Operating profit of our coal power business amounted to RMB794 million, representing a decrease of 19.4% as compared to RMB985 million in 2009, among which operating profit excluding operating profit from coal sales business amounted to RMB692 million, representing a decrease of 26.8% as compared to RMB945 million in 2009, primarily due to the decrease in the operating profit of power generation business as a result of the increase in average unit price of coal in 2010. The operating profit from the coal sales business amounted to RMB102 million, representing an increase of 155.0% as compared to RMB40 million in 2009, as coal sales business becomes more stable in 2010, and the profit margin increased accordingly.

Assets and Liabilities

As of 31 December 2010, total assets of the Group amounted to RMB74,634 million, representing an increase of RMB6,680 million as compared to total assets of RMB67,954 million as of 31 December 2009, which mainly represented a decrease of RMB10,005 million in current assets such as bank deposits and cash, and an increase of RMB16,684 million in non-current assets such as property, plant and equipment. Total liabilities of the Group amounted to RMB47,220 million, representing an increase of RMB4,946 million as compared to total liabilities of RMB42,274 million as of 31 December 2009, which mainly represented an increase of RMB3,722 million in non-current liabilities such as long-term borrowings needed in construction.

Capital Liquidity

As of 31 December 2010, current assets of the Group amounted to RMB10,362 million, including bank deposits and cash of RMB4,089 million, trade debtors and bills receivable of RMB3,474 million (primarily consisted of receivables from sales of electricity and steam); as well as prepayments and other current assets of RMB1,502 million (primarily consisted of prepayments for the procurement of inventories and receivables from sales of CERs). Current liabilities amounted to RMB24,915 million, including trade creditors and bills payable of RMB1,515 million (primarily consisted of payables for purchases of coal and bill payables in respect of the procurement of wind power equipment); other payables of RMB6,004 million (primarily consisted of payables of construction and retention); and short-term borrowings amounted to RMB17,200 million. Net current liabilities, as of 31 December 2010, amounted to RMB14,553 million, representing an increase of RMB11,228 million as compared to RMB3,325 million as of 31 December 2009. The liquidity ratio was 0.42 as of 31 December 2010, representing a decrease of 0.44 as compared with 0.86 as of 31 December 2009. The increase in net current liabilities and the decrease in liquidity ratio were primarily due to the use of proceeds raised from the initial public offering of the Group in December 2009 for capital expenditure.

Restricted deposits amounted to RMB245 million, mainly representing deposits for bills payables.

As of 31 December 2010, the Group's outstanding borrowings amounted to RMB37,175 million, representing an increase of RMB3,868 million as compared to the balance of borrowing as of 31 December 2009. As of 31 December 2010, the Group's outstanding borrowings included short-term borrowings of RMB17,200 million (including long-term borrowings due within one year of RMB861 million), and long-term borrowings amounting to RMB19,975 million (including debentures payable of RMB5,556 million). Abovementioned borrowings include borrowings denominated in Renminbi of RMB36,645 million, borrowings denominated in U.S. dollars of RMB509 million and borrowings denominated in other currencies of RMB21 million.

Capital expenditure

The capital expenditure of the Group amounted to RMB17,434 million in 2010, representing an increase of 12.5% as compared to RMB15,500 million in 2009. Of the capital expenditure, the expenditure for the construction of wind power projects amounted to RMB16,999 million, and the expenditure for the construction of other renewable energy projects amounted to RMB265 million. The sources of funds mainly include self-owned cash and borrowings from banks and other financial institutions.

Net gearing ratio

As of 31 December 2010, the net gearing ratio of the Group, which is calculated by dividing net debt (total borrowings less cash and cash equivalents) by the sum of net debt and total equity, was 54.7%, representing an increase of 15.1 percentage points from 39.6% as of 31 December 2009, primarily due to the increase in net debt, as a result of the successive use of proceeds raised from the initial public offering in December 2009 and the increase in borrowings due to the increase in the number of wind power projects.

Material investment

In 2010, the Group had acquired 100,094,000 shares of China Datang Corporation Renewable Power Co., Limited. (中國大唐集團新能源股份有限公司) at a price of HK$2.33 per share, representing 1.4% of its total shares, at a consideration of approximately RMB200 million.

Material acquisition and disposal

The Group acquired 60% equity interest in Buerjin Tianrun Wind Power Co., Ltd. (布爾津縣天潤風電有限公司) at the end of September 2010 at a consideration of RMB54 million.

Pledged assets

The Group has pledged certain machinery and equipment to secure certain bank loans. As of 31 December 2010, the aggregate net book value of the pledged assets was RMB309 million, representing a decrease of 59.8% as compared to RMB768 million in 31 December 2009, primarily due to repayments of certain pledged borrowings.

Contingent liabilities

As of 31 December 2010, the Group provided a RMB82 million guarantee for bank loans of an associated company, and issued a counter-guarantee of no more than RMB42 million to the controlling shareholder of an associated company. As of 31 December 2010, the bank loan balance for which the Group provided counter-guarantee amounted to RMB36 million.

Cash flows analysis

As of 31 December 2010, bank deposits and cash held by the Group amounted to RMB4,089 million, representing a decrease of RMB12,414 million as compared to RMB16,503 million as of 31 December 2009, primarily due to the successive use of proceeds raised from the initial public offering in December 2009 for capital expenditure and repayments of borrowings in 2010. The principal sources of funds of the Group included cash generated from operating activities, bank loans and proceeds raised from the bond market.

The net cash inflow of the Group's operating activities amounted to RMB4,021 million, which was primarily attributable to the revenue from sales of electricity and steam, whereas cash outflow was primarily attributable to the procurement of fuels and spare parts, various taxation payments and expenditure for operational expenses. As the revenue from electricity sales increased, the Group had a relatively sufficient cash flow from operating activities. The net cash outflow of the Group's investment activities amounted to RMB17,700 million in 2010, among which cash inflow of investment activities was primarily attributable to government subsidies, whereas cash outflow was primarily attributable to construction of wind power projects and increase in investment in tradable financial assets, associated companies as well as joint ventures. In 2010, the net cash inflow of the Group's financial activities amounted to RMB1,313 million, including primarily the obtaining and repayment of bank borrowings, bond issue and repayment of interest.

IV. RISK FACTORS AND RISK MANAGEMENT

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. Climatic risk

The power generation of our wind power projects depends on local climate conditions, particularly wind conditions. Wind resources are subject to the influences of general climate changes, seasonal changes and geographical locations. Hence, the power generation of our wind power projects may not meet our expectations, which may affect our financial position and operating results. Additionally, extreme weather or uncertain climatic factors may hinder the construction of our wind power projects. In view of the impact of such climatic uncertainties on wind power generation, the Group has designated a professional wind resource assessment team capitalising on advanced wind resource assessment technology to improve our projection of wind resources. Moreover, the Group has in place a professional team specialised in the maintenance and overhaul of wind turbines to ensure sufficient availability factor of wind turbines which will in turn boost power generation. To address the negative influence of climate conditions on the construction progress of our projects, the Group has drawn upon its extensive experience in wind power project construction and schedule management. Through stringent control of project construction schedules, the Group expects timely completion within a prescribed period of time so as to achieve targets set for the project concerned.

2. Risks relating to grids

Government's support combined with abundant wind resources in China translates into rapid wind power project construction in China. However, due to the limitations of economic development, certain regions are limited in their power absorption capacity and the consolidated installed capacity of wind power of these regions stands in excess of the power transmission capacity of the local grids. In certain regions where the construction pace of grid amenities lags behind that of wind power projects, certain projects fail to connect to the grids in time upon completion. To resolve these problems, the Group has further strengthened its projection on the loading capacity, sought reasonable overhaul arrangements and enhanced the utilisation hours of its equipment so as to minimise the impact of limitations of grid dispatch on the volume of on-grid electricity. Meanwhile, the Group has also forged closer communication and collaboration with the grid companies and kept abreast of grid construction planning so as to reasonably formulate project construction planning, expedite project development in regions with limitation on electricity output and achieve a national wind power layout to ever increase its resilience against risks on wind power projects.

3. Risks relating to CDM project development

Since the process to register CDM projects with the CDM EB is relatively complicated, and risks of changes in the criteria or policies for certification do exist, the timing and outcome of our registration applications are uncertain. In case of failure in registration or any material policy changes in the course of project development, the Group's revenue from CDM would be affected. Leveraging on the edges brought along by its professional project development team, the Group have kept a close track of the process of project construction and production. The Group also strengthened management on the development process of CDM projects and exercised stringent control on the quality of project application materials. In a bid to maximise revenue from CDM, the Group tracked and analysed market and policy dynamics in a real-time environment and fostered intense communication and collaboration with relevant institutions.

4 Interest rate risk

In 2010, the People's Bank of China had increased the benchmark lending rate twice. Any changes in interest rate would affect the Group's financing costs. With sound credibility, the Group has acquired sufficient credit facilities from banks to ensure a stable and uninterrupted capital chain. Additionally, the Group has further reduced its financing costs by issuing bonds and utilising medium-term notes, short-term debentures and other low-cost funds. It has also kept abreast of changes in the economic environment, predicted the trend of bank interest rates and reinforced the management on the debt portfolio to adjust its debt structure in a timely manner.

5. Risk in foreign exchange rate

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

6. Risk in fuel prices

The Company owns two coal power plants with installed capacity of 1,875 MW. The rise in coal prices will have impacts on the operating results of the Group's coal power business. The Group deals with such fluctuations in fuel prices through the application of the technology of blending coal of different grades (煤炭摻燒技術), reduction of coal consumption via technology renovation and enhancement of utilisation rate of generating units, all of which serve to maximise the profitability of the Company.

As above risks have limited impact to the operating results of the Group, the Group adopted various measures to control and manage such risks and established and improved the internal risk management rules and system, to ensure such risks could be assessed, minimised and monitored.

V. OUTLOOK IN 2011

2011 marks the debut of the "Twelfth Five-Year Plan". Facing new dynamics, new missions and new demands, the Group will, under the Board's strong leadership and embarking upon the Group's practical needs, continuously improve our power source layout while maintaining a balance on our onshore and offshore business, domestic and overseas markets as well as wind power and other new energies. By forging innovations on systems, mechanisms, management and technology, further broadening channels to fund and talents and strengthening the operational management service of wind power on all fronts, we strive to achieve sustainability and fasten our pace of developing into the world's first-class listed new energy company.

In 2011, we will strive to achieve the following goals:

1. to continue stepping up efforts in wind power development by commissioning wind power projects with an additional capacity of 2,000 MW

   In line with the development plan for renewable energy in the State's Twelfth Five-Year Plan, we will step up the development of wind power bases highlighted in national planning or areas with wind power development potentials in China, expedite the construction of wind farms in inland areas including high altitude areas and areas with low wind speed and further our exploration in provinces without electricity output limitations to achieve the commissioning of wind power projects with an additional capacity of 2,000 MW.

2. to strive for construction up to high specifications and coordinated development of other renewable energy

   We will focus on onshore wind power development and aspire to build wind power projects up to high specifications. We will also strengthen the development of offshore wind power projects, actively tap solar power projects and prudently press ahead with biomass power projects. We will proactively keep abreast of technological advancement of power generation of other renewable energies such as tidal and geothermal power. With all these measures, we aim to develop a new business layout underpinned by wind power generation and supplemented by various forms of renewable energy power generation.

3. to maintain efficient and stable production and operation so as to maintain our leading position across all production indicators

   We will tighten our management on production sites by refining our management system in respect of production and operation safety, strengthen our analysis on major operation indicators and foster communications and coordination with grid companies. Through a combined use of policies, technology and management, we aim to lift the standards of power generation equipment and continue to outperform across all production indicators.

4. to commence construction of large-scale offshore projects to consolidate our unparalleled strength in offshore wind power business

   We will actively research and develop offshore wind power technology. Construction of offshore (intertidal zone) projects in Jiangsu will be commenced. Meanwhile, we will aspire to secure more projects and strengthen the Group's leading position in offshore wind power sector.

5. to give priority to participation in overseas projects and seek breakthroughs in overseas projects

   We will proactively push forward our wind power development in South Africa whilst fostering the preliminary work of our projects in North America and Eastern Europe. We will take chances to develop overseas wind power projects in a bid to form a strategic layout for our overseas wind power development.

6. to explore photovoltaic power generation and micro-grids projects(微網項目)by initiating constructions of pilot projects

   We will actively develop solar and photovoltaic power generation. While steadily pushing forward the development of large-scale high voltage on-grid photovoltaic power stations, we will actively research on the Building Integrated Photovoltaic (BIPV) technology and MicroGrid technology and plan to commence construction of such pilot projects.

7. to fully manifest our financing capacity as a whole and strengthen our management on finance cost control

   We will adopt centralised capital management, dynamic debt management and other measures to trim finance expenses and overcome the adverse impact of interest-rate hike. We will expand our financing channels by actively seeking other financing means apart from fully leveraging on traditional methods such as equity financing, bank loans and bond financing so as to strengthen our advantage over capital costs.

8. to actively acquire high-quality wind power projects by capitalising effectively on our platform for capital operation

   We will reaffirm our commitment to project acquisition, actively garner and keep informed of information about domestic and overseas acquisitions to seek opportunities of acquiring high-quality wind power projects.

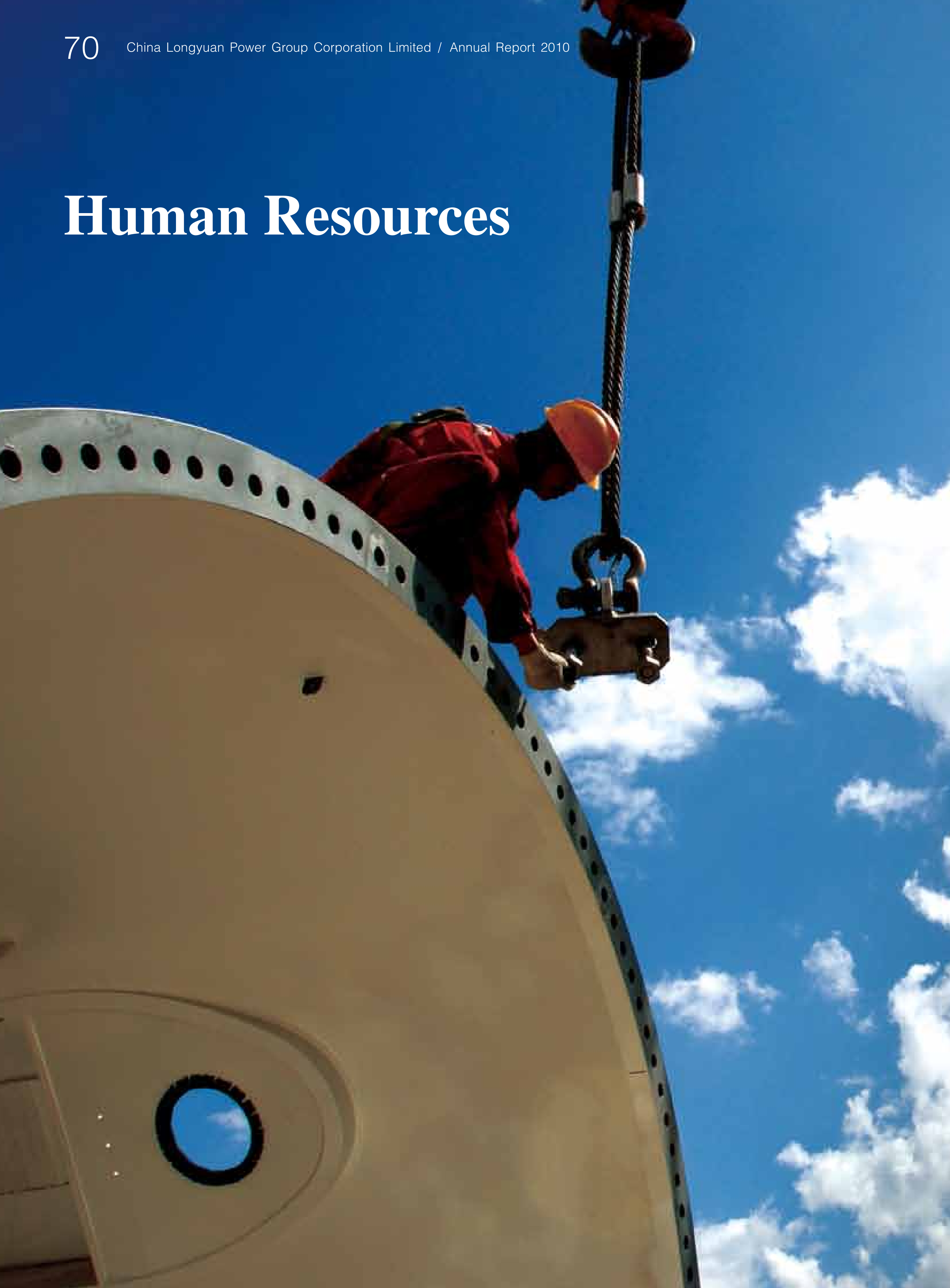
9. to build a team of outstanding talents with continued commitment to enhancing the overall quality of the corporation

   We are committed to building a professional, efficient and first-class management and talent team. More efforts will be made in human resource planning, training and continuing education to continuously improve overall quality of the talents team.

10. to maintain a stable operation results throughout the year and ensure steady profit growth

    We will persist to be economic efficiency-driven by boosting awareness of market conditions and costs, cutting costs and enhancing profitability to ensure a steady growth in profit.

Human Resources



SUMMARY OF HUMAN RESOURCES

As of 31 December 2010, the Group had a total of 4,905 staff, of which 4,056, or 82.7%, were male while 849, or 17.3%, 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	113	2.3%
2	Wind power business	2,024	41.3%
3	Coal power business	2,241	45.7%
4	Technical and related services business	338	6.9%
5	Other renewable energy	189	3.8%
	Total	4,905	100%

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

Number	Academic qualifications	Number of staff	Percentage
1	Postgraduate or above	52	46%
2	Undergraduate	48	42.5%
3	College diploma	9	8%
4	Technical secondary school or below	4	3.5%
	Total	113	100%

Table 3: Analysis of the Company's staff by age

Number	Age	Number of staff	Percentage
1	56 years old and above	5	4.4%
2	46-55 years old	21	18.6%
3	36-45 years old	35	31%
4	35 years old and below	52	46%
	Total	113	100%

Table 4: Analysis of the Group's staff by academic qualifications

Number	Academic qualifications	Number of staff	Percentage
1	Postgraduate or above	223	4.5%
2	Undergraduate	1,436	29.3%
3	College diploma	1,330	27.1%
4	Technical secondary school or below	1,916	39.1%
	Total	4,905	100%

Table 5: Analysis of the Group's staff by age

Number	Age	Number of staff	Percentage
1	55 years old and above	223	4.7%
2	46-54 years old	800	16.3%
3	36-45 years old	1,411	28.8%
4	35 years old and below	2,461	50.2%
	Total	4,905	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 the Group's duties for the year, 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 and established "dual-track" management mechanism for administrative positions and technical operation positions, 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 programs and designed various training courses tailored for the duty requirements of the management, technical and skilled personnel.

In 2010, 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 operation and management, orientation training for new staff, licensed induction training for operation and maintenance staff in wind farms, professional qualification training, international cooperation program training and others. These training courses covered 6,994 people during the year, propping up the percentage of total staff training to exceed 100%.

The Company established the Guodian Longyuan National Occupational Skill Testing Authority Station for Wind Power Generation (國電龍源風力發電國家職業技能鑒定站), which cemented a favourable foundation for the Company to build a platform for cultivation of talents with wind power skills and occupational skill appraisal .

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.

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.

Social Responsibility

SOCIAL RESPONSIBILITY STRATEGY AND MANAGEMENT

Deeply rooted in its corporate culture, the Group not merely regards corporate social responsibility as a socially-responsible corporate undertaking, but also put it into the practice of the business operation, with a view to achieving sustainable development of the Group and the society. By adhering to the scientific concept of corporate social responsibility and exploring the management and practice on this front, the Group is committed to the mutual development of corporate responsibility and business operation so as to transform corporate social responsibility into a driving force of business operation. The Company strives for maximising the consolidated economic, social and environmental values through effective management over the effects of business operation on relevant stakeholders as well as the natural environment.

With the guideline of "Two Trends, Three Focuses, Four Leading Edges and Five Ases" (i.e. collective trend and international trend; focus on both scale and efficiency, focus on both corporate development and employee interests and focus on both hard power and soft power; leading strategies, leading management, leading technology and leading performance; people as the base, safety as the priority, regulations as the framework, implementation as the imperative and innovation as the source) and the commitment to developing green energy and creating a harmonious environment, the Group has devoted efforts to building a platform for employees, striving for the interests of shareholders and making contributions to the society.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION

Great efforts in developing the renewable energy business

The Group has proactively coped with the threats posed by global warming. To this end, it has remained committed to developing wind power business as its core business and stepping up the development of its renewable energy business to provide green energy, promote energy saving and emission reduction and improve the environmental quality. During the reporting period, the Group recorded emission-free power generation of 10,200 million kWh, representing a saving of 3.07 million tons of coal equivalent. In addition, the Group reduced 10.20 million tons of carbon dioxide emissions and 307,000 tons of sulphur dioxide emissions.

Continuous improvement in the index of coal power consumption

In 2010, the Group continuously improved the consumption index of coal power generating units by actively exploring the potential of coal power generating units and setting higher standards for refining management. The annual average standard coal power consumption decreased to 294.9 grams per kWh, representing a year-on-year decrease of 2.6 grams per kWh. All coal power generating units of the Company have been installed with desulphurising facilities which are under normal operation.

Commissioning of environmental evaluation at the preliminary stage of projects

The Group has complied with relevant requirements stipulated under legal and regulatory documents such as the Environmental Impact Assessment Law, the Decisions In Relation to the Implementation of the Concept of Scientific Development And Enhancement of Environmental Protection by The Sate Council (《國務院關於落實科學發展觀加強環境保護的決定》) and the Interim Measures on Public Participation in Environmental Impact Assessment 《環境影響評價公眾參與暫行辦法》. The Group has also strictly performed environmental evaluations at the preliminary stage of projects and conducted a quantitative analysis on the environmental impacts likely to be brought from the projects (such as ecological impacts and noises). Furthermore, with an aim to achieve a win-win scenario for development and utilisation of resources and ecological environmental protection, the Company has planned and implemented its vegetation restoration scheme upon construction of the projects, so as to build an ecological environment with a reasonable structure and a stable system around the site.

Ever enhancing environmental protection during construction and operation

The Group has further put the concepts of energy saving and environmental protection into practice by defining environmental protection rules and adopting various measures to enhance environmental protection management during the period of construction and operation. For example, the Company set up pollution control planning and annual implementation plan in order to enhance the technical supervision of environmental protection, the management on environment supervision and environment statistics, the management on technical improvement and control projects for environmental protection, the operation and maintenance of environment protection facilities, as well as the control over pollutants produced in the course of production and the consolidated utilisation of solid emissions.

SOCIAL WELFARE COURSES

With a view to fulfilling corporate social responsibility, the Group has actively engaged in social welfare activities. The Group strives to achieve the harmonious development of enterprise and society by taking part in activities facilitating local economic, social and cultural development. For instance, Shenyang Longyuan Wind Power Generation Co., Ltd., a subsidiary of the Company, made donations to the construction of Yemaotai Cultural Square in Faku County (法庫葉茂台鎮文化廣場); Yichun Xing'anling Wind Power Generation Co., Ltd made donations to the local economic development in order to relieve the adverse impacts resulted from firework explosions, plane crash and other accidents in the area; and Hebei Longyuan Wind Power Generation Co., Ltd. actively took part in the campaign of protecting mother river and the Hope Project.

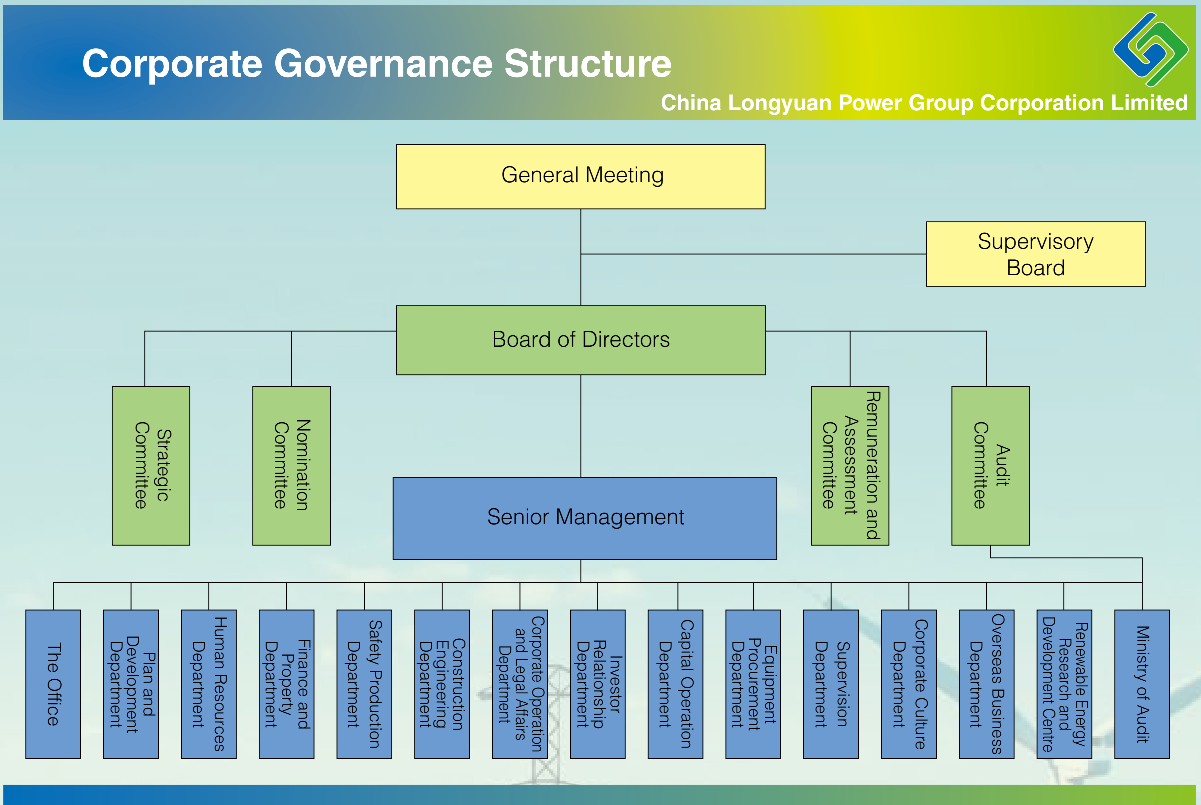
To give back to the society, the Group is also committed to giving financial aid to poor students and disabled people, and providing poverty relief as well as disaster relief. For instance, young volunteers of the Group visited children of farmer workers and provided them with financial assistance; Longyuan (Bayannur) Wind Power Generation Co., Ltd., a subsidiary of the Company, made donations to the project of "access of tap water into ordinary households" for the benefit of ethnic minority residents in remote villages and neighboring farmers and herdsmen. To carry forward the great tradition of helping those in need, staff from over 30 subsidiary companies of the Group made donations to support disaster relief efforts in Yushu, the earthquake-hit region in Qinghai, and Zhouqu, the debris-flow-stricken region in Gansu and the drought areas in Southwest China. In 2010, the Group's donations for welfare courses exceeded RMB3.50 million and donations from its staff exceeded RMB1.70 million, totaling approximately RMB5.20 million.

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The Board of the Company hereby presents to the shareholders the corporate governance report for the year ended 31 December 2010.

The corporate governance structure of the Company is set out as follows:



CORPORATE GOVERNANCE PRACTICES

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. In 2010, the Company 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.

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.

1.1 Composition of the Board

As of 31 December 2010, 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.

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

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	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.

During 2010, seven meetings were held by the Board (including one meeting of the independent non-executive directors in connection with continuing connected transactions of the Company). 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	6/6	100%
Xie Changjun	Executive Director and President	6/6	100%
Wang Baole	Non-executive Director	6/6	100%
Tian Shicun	Executive Director and	6/6	100%
Luan Baoxing	Non-executive Director	6/6	100%
Wang Liansheng	Executive Director	6/6	100%
Li Junfeng	Independent non-executive Director	7/7	100%
Zhang Songyi	Independent non-executive Director	7/7	100%
Meng Yan	Independent non-executive Director	7/7	100%

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 (i.e. chief executive officer pursuant to the relevant Listing Rules) 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. 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.

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 in the Company and the relevant staff have been trained with sufficient qualifications and experience and are provided with regular training programs or similar arrangement.

During the reporting period, the audit committee held two meetings, details of which are as follows:

- On 30 March 2010, the 2010 first meeting of the audit committee of the first session of the Board was held, at which (1) the Company's 2009 annual report and results announcement were considered and approved; (2) the report was made by the external auditor in respect of the auditing of the Company's 2009 annual financial statements; (3) the Company's 2009 annual financial statements were considered and approved; (4) the re-appointment of auditors for 2010 and their remuneration were considered and approved.

- On 19 August 2010, the second meeting of the audit committee of the first session of the Board for 2010 was held, at which (1) the Company's 2010 interim report and results announcement were considered and approved; (2) the report made by the external auditor in respect of the review of the Company's 2010 interim financial statements was considered; (3) the Company's 2010 interim financial statements were considered and approved; (4) the fees payable to KPMG for reviewing of 2010 interim report were considered and approved.

All members of the audit committee attended the above meetings.

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.

On 30 March 2010, the first meeting of the remuneration and assessment committee of the first session of the Board for 2010 was held to consider the remuneration of Directors, supervisors and senior management members of the Company for the year 2010. All members of the remuneration and assessment committee attended the meeting.

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.

During the year, the nomination committee did not held any meeting.

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.

During the reporting period, the strategic committee held two meetings, details of which are as follows:

- On 30 March 2010, the first meeting of the strategic committee of the first session of the Board for 2010 was held to consider the Company's development planning for the following three years and capital expenditure plan for the year 2010.

- On 19 August 2010, the second meeting of the strategic committee of the first session of the Board for 2010 was held to consider the Company's overseas investment matters.

All members of the strategic committee attended the above meetings.

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 2010.

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.

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 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模板》), "Terms of Reference of the Senior Management of the Company" (《公司高管職責説明書》), "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》)

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 the specific work such as financial operations and control, 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 and 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 smoothly. 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.

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 2010, respectively.

For the year ended 31 December 2010, the fees payable to KPMG and RSM China Certified Public Accountants Co., Ltd. for audit services were RMB17,100,000 and RMB8,070,000 respectively. For the year ended 31 December 2010, the fees payable to KPMG and RSM China Certified Public Accountants Co., Ltd. for non-audit services were RMB180,000 and RMB430,000 respectively. The non-audit service provided by KPMG involved relevant consultation on overseas investment while the non-audit service provided by RSM China Certified Public Accountants Co., Ltd. included relevant service on bonds issuance.

KPMG, the Company's external auditor's responsibility to the financial statements are set out on pages 96 to 97 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 publishes its announcements, financial information and other relevant information on the website at www.clypg.com.cn, as a channel to promote communication. 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.

During the reporting period, the Company convened an annual general meeting and an extraordinary 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.

Investor Relations Activities

Results Roadshows

The Company organized an annual results roadshow and an interim results roadshow during the reporting period. In April 2010, the management of the Company carried out annual results roadshow in Hong Kong, Singapore and Europe respectively, and held a press conference, an analyst meeting, 31 one-to-one/group/teleconference meetings for investors and five investor breakfast/luncheon meetings. In August 2010, the management of the Company carried out interim results roadshow in Hong Kong and USA respectively, and held a press conference, an analyst meeting, 16 one-to-one/group/teleconference meetings for investors and four investor breakfast/luncheon meetings.

Investors' Routine Visits

During the reporting period, the Company received 181 groups of investors by way of one-to-one/group/teleconference meetings and fully communicated and exchanged opinions with investors and analysts from 273 domestic and foreign institutions.

Investment Summit

During the reporting period, the management of the Company attended 22 investors summits organized by world-famous investment banks and fully communicated with investors through making lectures on the meeting, holding group/one-to-one meetings.

Reverse Roadshows

On 22 June 2010, the Company held a reverse roadshow and a management presentation, and the fund managers and analysts present were invited to visit the Company's Jiangsu Rudong Wind Farm and Jiangsu's experimental wind farm in the intertidal zone (江蘇潮間帶試驗風電場).

Supervisory Board's Report

In 2010, for the purposes of shareholders' interests and the Company's long-run interests, the Supervisory Board of the Company acted in strict compliance with relevant laws and regulations and the Articles of Association and earnestly performed their duties of supervision as to whether the convening and decision-making processes of Board meetings and the relevant implementation procedures were in compliance with relevant laws and regulations and the Articles of Association. Major work of the Supervisory Board in the reporting period is summarized as follows:

I. MEETINGS CONVENED BY THE SUPERVISORY BOARD

1. The first meeting of the first session of the Supervisory Board was held on 30 March 2010, at which the Resolution regarding the 2009 Annual Report of China Longyuan Power Group Corporation Limited and its Summary (《關於龍源電力集團股份有限公司2009年度報告及摘要的議案》) and the Resolution regarding the 2009 Annual Report of the Supervisory Board of China Longyuan Power Group Corporation Limited (《關於龍源電力集團股份有限公司2009年度監事會報告的議案》) were considered and approved.

2. The second meeting of the first session of the Supervisory Board was held on 19 August 2010, at which the Resolution regarding the 2010 Interim Report and Interim Results Announcement of China Longyuan Power Group Corporation Limited (《關於龍源電力集團股份有限公司2010年度中期報告及中期業績公告的議案》) was considered and approved.

II. WORK OF THE SUPERVISORY BOARD

In 2010, 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 attended all the general meetings held by the Company during the year and attended all Board meetings as non-voting participants during the year, and also reviewed the proposals which were submitted to the Board for consideration. Through attending such meetings as non-voting participants, the Supervisory Board was able to supervise the major decision-making processes and the performance of duties by the Board members and the senior management members of the Company. The Supervisory Board is of the opinion that the Directors and senior management members of the Company have faithfully performed their duties with due diligence, earnestly implemented the resolutions of the general meetings, stuck to lawful operation and prudent decision-making and contributed to the satisfactory operating results of the Company with their unremitting efforts.

2. Inspection of the Company's Financial Condition

During the reporting period, the Supervisory Board reviewed the relevant financial information and the auditors' reports of the Company and its subsidiaries. The Supervisory Board is of the opinion that the accounts and audit work of the Company and its subsidiaries are in compliance with the Accounting Law of the People's Republic of China, the accounting system issued by the Ministry of Finance of the People's Republic of China and the International Financial Reporting Standards, for which no concerns has been found. Having duly reviewed the 2010 annual financial report and relevant information to be submitted by the Board to the general meeting, and as audited by the independent auditors with an unqualified opinion, the Supervisory Board is of the opinion that the annual report reflects the financial condition and operating results of the Company on a consistent basis and in an accurate, true and fair manner.

3. Inspection of the Company's Material Acquisitions, Disposal of Assets and Connected Transactions

During the reporting period, the Supervisory Board reviewed all information related to the Company's acquisitions, disposal of assets and connected transactions with the controlling shareholder or other connected parties of the Company. The Supervisory Board is of the opinion that such acquisitions, disposal of assets and connected transactions were conducted in a fair and just way, without prejudice to the interests of the Company and other shareholders. The Directors, President and other senior management members of the Company have exercised the rights granted by the shareholders and discharged their obligations in good faith and with due diligence. So far, the Supervisory Board is not aware of any abuse of authority which impairs the interests of the shareholders and the legitimate rights of the employees of the Company.

4. Inspection of the Company's Information Disclosure

During the reporting period, the Supervisory Board reviewed all the relevant documents the Company publicly published. The Supervisory Board is of the opinion that the Company has disclosed the relevant information in a timely and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.

Chief Supervisor
Chen Bin

Beijing, PRC, 15 March 2011

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 98 to 227, which comprise the consolidated and company balance sheets as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2010 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

15 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010 (Expressed in Renminbi unless otherwise stated)

	Note	2010 RMB'000	2009 RMB'000
Revenue	4	14,212,841	9,743,707
Other net income	5	986,019	573,832
Operating expenses			
Depreciation and amortisation		(2,235,719)	(1,590,224)
Coal consumption		(2,737,197)	(2,290,372)
Coal sales cost		(3,045,950)	(1,552,962)
Service concession construction costs		(1,450,404)	(882,602)
Personnel costs		(661,645)	(539,741)
Material costs		(278,156)	(150,308)
Repairs and maintenance		(184,215)	(107,820)
Administration expenses		(219,045)	(147,774)
Other operating expenses		(305,238)	(197,265)
		(11,117,569)	(7,459,068)
Operating profit		4,081,291	2,858,471
Finance income		79,278	50,514
Finance expenses		(1,177,218)	(1,070,861)
Net finance expenses	6	(1,097,940)	(1,020,347)
Share of profits less losses of associates and jointly controlled entities		227,634	105,472
Profit before taxation	7	3,210,985	1,943,596
Income tax	8	(441,024)	(296,490)
Profit for the year		2,769,961	1,647,106

The notes on pages 108 to 227 form part of these financial statements.

	Note	2010 RMB'000	2009 RMB'000
Other comprehensive income/(losses):			
Available-for-sale financial assets:			
net movement in the fair value reserve		(4,965)	7,947
Exchange difference on net investment		(8,395)	—
Exchange difference on translation of financial statements		1,812	(2,304)
Other comprehensive (losses)/income for the year, net of tax	12	(11,548)	5,643
Total comprehensive income for the year		2,758,413	1,652,749
Profit attributable to:			
Shareholders of the Company		2,018,570	894,126
Non-controlling interests		751,391	752,980
Profit for the year		2,769,961	1,647,106
Total comprehensive income attributable to:			
Shareholders of the Company		2,007,022	899,769
Non-controlling interests		751,391	752,980
Total comprehensive income for the year		2,758,413	1,652,749
Basic and diluted earnings per share *(RMB cents)*	13	27.04	17.40

The notes on pages 108 to 227 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010 (Expressed in Renminbi unless otherwise stated)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	15	50,641,640	37,304,544
Investment properties	16	101,345	132,874
Lease prepayments	17	876,466	740,978
Intangible assets	18	7,661,058	6,086,215
Goodwill	19	11,541	—
Investments in associates and jointly controlled entities	21	1,314,571	799,029
Other assets	22	3,458,936	2,318,594
Deferred tax assets	34(b)	205,845	204,662
Total non-current assets		64,271,402	47,586,896
Current assets			
Inventories	23	632,353	332,897
Trade debtors and bills receivable	24	3,474,335	2,180,667
Prepayments and other current assets	25	1,502,031	853,398
Tax recoverable	34(a)	19,969	5,256
Trading securities	26	181,418	—
Restricted deposits	27	245,425	491,654
Cash at bank and on hand	28	4,089,242	16,502,934
Assets held for sale	29	217,363	—
Total current assets		10,362,136	20,366,806
Current liabilities			
Borrowings	30(b)	17,200,085	17,087,069
Trade creditors and bills payable	32	1,515,340	1,943,103
Other payables	33	6,004,277	4,521,449
Tax payable	34(a)	195,658	140,215
Total current liabilities		24,915,360	23,691,836
Net current liabilities		(14,553,224)	(3,325,030)
Total assets less current liabilities		49,718,178	44,261,866

The notes on pages 108 to 227 form part of these financial statements.

	Note	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Borrowings	30(a)	19,974,660	16,219,301
Obligations under finance leases	31	—	50,000
Deferred income	36	2,225,456	2,267,661
Deferred tax liabilities	34(b)	104,307	44,930
Total non-current liabilities		22,304,423	18,581,892
NET ASSETS		27,413,755	25,679,974
CAPITAL AND RESERVES			
Share capital	37(c)	7,464,289	7,464,289
Reserves	37(d)	15,810,498	14,435,518
Total equity attributable to the shareholders of the Company		23,274,787	21,899,807
Non-controlling interests		4,138,968	3,780,167
TOTAL EQUITY		27,413,755	25,679,974

Approved and authorised for issue by the board of directors on 15 March 2011.

Zhu Yongpeng
Chairman

Xie Changjun
Director

The notes on pages 108 to 227 form part of these financial statements.

Balance Sheet

At 31 December 2010 (Expressed in Renminbi unless otherwise stated)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	15	479,552	410,313
Investment properties	16	192,854	214,336
Lease prepayments		1,615	6,820
Intangible assets		169	—
Investments in subsidiaries	20	11,352,889	6,628,039
Investments in associates and jointly controlled entities	21	582,772	449,060
Other assets	22	11,700,921	4,960,908
Total non-current assets		24,310,772	12,669,476
Current assets			
Inventories		522	830
Trade debtors and bills receivable	24	415,140	2,776,833
Prepayments and other current assets	25	16,268,986	5,819,263
Restricted deposits		12,934	17,709
Cash at bank and on hand	28	3,216,874	15,816,395
Total current assets		19,914,456	24,431,030
Current liabilities			
Borrowings	30(b)	10,790,072	10,920,588
Trade creditors and bills payable		305	5,135
Other payables	33	1,760,988	1,266,787
Total current liabilities		12,551,365	12,192,510
Net current assets		7,363,091	12,238,520
Total assets less current liabilities		31,673,863	24,907,996

The notes on pages 108 to 227 form part of these financial statements.

	Note	2010 *RMB'000*	2009 *RMB'000*
Non-current liabilities			
Borrowings	30(a)	**11,384,120**	5,296,400
Deferred tax liabilities		**3,613**	5,268
Total non-current liabilities		**11,387,733**	5,301,668
NET ASSETS		**20,286,130**	19,606,328
CAPITAL AND RESERVES			
Share capital	37(c)	**7,464,289**	7,464,289
Reserves	37(d)	**12,821,841**	12,142,039
TOTAL EQUITY		**20,286,130**	19,606,328

Approved and authorised for issue by the board of directors on 15 March 2011.

Zhu Yongpeng
Chairman

Xie Changjun
Director

The notes on pages 108 to 227 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010 (Expressed in Renminbi unless otherwise stated)

		Attributable to the shareholders 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:											
Profit for the year		—	—	—	—	—	—	894,126	894,126	752,980	1,647,106
Other comprehensive income		—	—	—	—	(2,304)	7,947	—	5,643	—	5,643
Total comprehensive income		—	—	—	—	(2,304)	7,947	894,126	899,769	752,980	1,652,749
Capitalisation upon establishment of the Company	1(b)/37	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)/37	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	20(iv)	—	—	—	—	—	—	—	—	47,013	47,013
Deemed distribution		—	—	(2,150)	—	—	—	—	(2,150)	—	(2,150)
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 108 to 227 form part of these financial statements.

	Note	Share 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
		Attributable to the shareholders of the Company								
At 1 January 2010		7,464,289	13,349,816	—	(140)	7,923	1,077,919	21,899,807	3,780,167	25,679,974
Changes in equity:										
Profit for the year		—	—	—	—	—	2,018,570	2,018,570	751,391	2,769,961
Other comprehensive income		—	—	—	(6,583)	(4,965)	—	(11,548)	—	(11,548)
Total comprehensive income		—	—	—	(6,583)	(4,965)	2,018,570	2,007,022	751,391	2,758,413
Capital contributions		—	—	—	—	—	—	—	125,790	125,790
Appropriation		—	—	4,447	—	—	(4,447)	—	—	—
Special distribution to China Guodian Group Corporation	37(b)(ii)	—	—	—	—	—	(632,042)	(632,042)	—	(632,042)
Dividends by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	(551,578)	(551,578)
Acquisition of non-controlling interests		—	—	—	—	—	—	—	(13,948)	(13,948)
Acquisition of subsidiaries	42(a)	—	—	—	—	—	—	—	47,146	47,146
At 31 December 2010		7,464,289	13,349,816	4,447	(6,723)	2,958	2,460,000	23,274,787	4,138,968	27,413,755

The notes on pages 108 to 227 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010 (Expressed in Renminbi unless otherwise stated)

	2010 RMB'000	2009 RMB'000
Cash flows from operating activities		
Profit before taxation	3,210,985	1,943,596
Adjustments for:		
Depreciation	1,956,019	1,366,892
Amortisation	279,700	223,332
Impairment loss on assets held for sale	80,737	—
Gain on deemed disposal of an associate	(187,450)	—
Loss/(gain) on disposal of property, plant and equipment	2,698	(4,455)
Interest expenses on financial liabilities	1,088,359	1,024,250
Foreign exchange differences, net	30,412	5,607
Interest income on financial assets	(58,455)	(32,774)
Gain on disposal of available-for-sale investments	—	(643)
Dividend income	(1,080)	(15,778)
Share of profits less losses of associates and jointly controlled entities	(227,634)	(105,472)
Changes in working capital:		
Increase in inventories	(285,759)	(17,113)
(Increase)/decrease in trading securities	(181,418)	54
Increase in trade debtors and bills receivable	(1,245,309)	(927,243)
Decrease/(increase) in prepayments and other current assets	131,280	(247,435)
(Decrease)/increase in trade and other payables	(90,712)	1,197,605
Decrease in deferred income	(140,927)	(89,075)
Cash generated from operations	4,361,446	4,321,348
Income tax paid	(340,461)	(236,440)
Net cash generated from operating activities	4,020,985	4,084,908

The notes on pages 108 to 227 form part of these financial statements.

	2010 *RMB'000*	2009 *RMB'000*
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	(17,845,084)	(16,184,468)
Payments for loans and advances	(61,691)	(156,186)
Payments for acquisition of investments in associates and jointly controlled entities, non-controlling interests and unquoted equity investments	(162,006)	(475,693)
Payment for acquisition of subsidiaries, net of cash acquired	(64,531)	8,247
Government grant received	179,823	1,183,865
Proceeds from disposal of property, plant and equipment	75,158	63,742
Proceeds from repayment of loans and advances	85,470	250,713
Proceeds from disposal of available-for-sale investments and unquoted equity investments	—	41,381
Dividends received	44,520	30,119
Interest received	58,036	31,766
Time deposits	(9,465)	50,873
Net cash used in investing activities	(17,699,770)	(15,155,641)
Cash flows from financing activities		
Net proceeds from issuance of shares under the public offering	—	17,022,468
Capital contributions	125,790	491,851
Proceeds from borrowings	36,319,201	29,313,286
Repayment of borrowings	(32,641,946)	(18,361,046)
Dividends paid by subsidiaries to non-controlling equity owners	(486,196)	(321,874)
Dividends paid to controlling equity owner	(632,042)	—
Interest paid	(1,318,713)	(1,566,673)
Payment of finance lease obligations	(52,696)	(2,696)
Net cash generated from financing activities	1,313,398	26,575,316
Net (decrease)/increase in cash and cash equivalents	(12,365,387)	15,504,583
Cash and cash equivalents at the beginning of year	16,500,757	1,001,935
Effect of foreign exchange rate changes	(57,770)	(5,761)
Cash and cash equivalents at the end of year *(note 28)*	4,077,600	16,500,757

Note:

(i) For major non-cash transactions, please refer to note 42.

The notes on pages 108 to 227 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 december 2010 (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 Reorganisation and 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 did not meet the Group's strategic operation plans to Guodian Group. The remaining assets and liabilities of CLEPG and its subsidiaries were injected into the Company in July 2009 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.

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. As at 31 December 2010, a total of 2,710,719,000 H shares were listed on The Stock Exchange of Hong Kong Limited ("HKSE").

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.

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. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 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(h)) 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(y)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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 43.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)), 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(y)).

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(y)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted 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(m)). Any acquisition-date excess over cost, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates and jointly controlled entities *(Continued)*

When the group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

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

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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.

(h) 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 notes 2(v)(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(m)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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(m)).

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(v)(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(v)(vi). When these investments are derecognised or impaired (see note 2(m)), 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.

(i) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 2(l)) 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(m)). 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(v)(iv).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Other property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)).

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(x)).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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(m)).

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(m)). 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

(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(i)); 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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 is 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(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) 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(m)(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

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

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(m)(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(m)(ii).

— 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

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

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.

— 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

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

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.

(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;

— 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(y)) ; and

— goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— 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).

— 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

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

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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.

(n) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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(m)), 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.

(p) 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.

(q) 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(u)(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.

(r) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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) 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.

(t) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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)*

(u) 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(u)(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.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(u)(iii). Contingent liabilities acquired assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(u)(iii).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) 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.

(v) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

(ii) Service concession construction 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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 those entities, the functional currency of which is other than RMB, 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.

Exchange differences arising on net investment in a foreign operation are recognised in profit or loss in the separate financial statements. In the consolidated financial statements, such exchange differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

(x) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Borrowing costs *(Continued)*

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.

(y) 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

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 financial statements of the Group and the Company 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Non-current assets held for sale *(Continued)*

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.

(z) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) 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 CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and two 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 3 (revised 2008), Business combinations
- Amendments to IAS 27, Consolidated and separate financial statements
- Amendments to IFRS 5, Non-current assets held for sale and discontinued operations - plan to sell the controlling interest in a subsidiary
- Improvements to IFRSs (2009)
- IFRIC 17, Distributions of non-cash assets to owners

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

The amendments to IAS 27 in respect of acquisition of additional interest in a non-wholly owned subsidiary and disposal of part of interests in a subsidiary but still retains control have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  — Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  — If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  — If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  — In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

  — If the group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  — If the group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- IFRIC 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. Previously the Group measured such distributions at the carrying value of the assets distributed. In accordance with the transitional provisions in IFRIC 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

- As a result of the amendment to IAS 17, Leases, arising from the "Improvements to IFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

4 REVENUE

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

	2010 *RMB'000*	2009 *RMB'000*
Sales of electricity	8,544,328	6,466,610
Sales of steam	310,974	230,315
Service concession construction revenue *(note 46)*	1,450,404	882,602
Sales of electricity equipment	261,775	128,020
Sales of coal	3,275,973	1,647,996
Others	369,387	388,164
	14,212,841	9,743,707

5 OTHER NET INCOME

	2010 *RMB'000*	2009 *RMB'000*
Government grants		
— CERs and VERs income	391,955	210,362
— Others	362,085	327,335
Rental income from investment properties	18,103	21,923
Net (loss)/gain on disposal of plant, property and equipment	(2,698)	4,455
Gain on deemed disposal of an associate *(note 21(i))*	187,450	—
Others	29,124	9,757
	986,019	573,832

6 FINANCE INCOME AND EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Interest income on financial assets	**58,455**	32,774
Foreign exchange gains	**19,743**	980
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	**415**	139
Dividend income from other investments	**665**	15,778
Finance income	**79,278**	50,514
Interest on bank and other borrowings wholly repayable within five years	**882,332**	791,588
Interest on bank and other borrowings repayable more than five years	**571,393**	781,060
Less: interest expenses capitalised into property, plant and equipment and intangible assets	**(365,366)**	(548,398)
	1,088,359	1,024,250
Foreign exchange losses	**50,155**	6,587
Unrealised loss on trading securities	**19,035**	—
Impairment losses on trade and other receivables	**7,961**	16,829
Bank charges and others	**11,708**	23,195
Finance expenses	**1,177,218**	1,070,861
Net finance expenses recognised in profit or loss	**(1,097,940)**	(1,020,347)

The borrowing costs have been capitalised at rates of 3.26% to 6.14% for the year ended 31 December 2010 (2009: 3.60% to 7.05%).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2010 *RMB'000*	2009 *RMB'000*
Salaries, wages and other benefits	591,185	484,278
Contributions to defined contribution retirement plan	70,460	55,463
	661,645	539,741

(b) Other items

	2010 *RMB'000*	2009 *RMB'000*
Amortisation		
— lease prepayment	20,391	18,016
— intangible assets	259,309	205,316
Depreciation		
— investment properties	4,076	5,307
— property, plant and equipment	1,951,943	1,361,585
Impairment losses		
— assets held for sale	80,737	—
Auditors' remuneration-audit services		
— annual audit service	20,670	13,700
— interim review service	4,500	—
Operating lease charges		
— hire of plant and machinery	1,895	672
— hire of properties	4,975	3,714
Direct outgoings for investment properties		
— occupied	1,632	4,321
— vacant	294	685
Cost of inventories	6,193,633	4,033,256
Including: personnel costs, depreciation, amortisation, and operating lease charges	1,695	1,874

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2010 *RMB'000*	2009 *RMB'000*
Current tax		
Provision for the year	**398,643**	291,358
(Over)/under provision in respect of prior years	**(14,654)**	488
	383,989	291,846
Deferred tax		
Origination and reversal of temporary differences *(note 34(b))*	**57,035**	4,644
	441,024	296,490

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 2009 and 2010.

(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 2009 and 2010. 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.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

(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. 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) Under the New Tax Law, Hero Asia Investment Limited and Hero Asia (BVI) Company Limited, being overseas enterprises controlled by a PRC enterprise, are considered as the PRC tax residents in accordance with GuoShuiFa [2009] No. 82. Accordingly, they are subject to the PRC income tax at 25%, and dividends receivable by these two companies are exempted from the PRC dividend withholding tax.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

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

	2010 *RMB'000*	2009 *RMB'000*
Profit before taxation	**3,210,985**	1,943,596
Applicable tax rates	**25%**	25%
Notional tax on profit before taxation	**802,746**	485,899
Tax effect of non-deductible expenses	**15,861**	15,319
Tax effect of share of profits less losses of associates and jointly controlled entities	**(56,909)**	(26,368)
Tax effect of non-taxable income	**(270)**	(3,979)
Effect of differential tax rate of certain subsidiaries of the Group	**(386,150)**	(230,004)
Tax effect of unused tax losses and timing differences not recognised	**81,109**	77,465
Tax credits for purchase of domestic equipment	**(2,230)**	(21,204)
Others	**(13,133)**	(638)
Income tax	**441,024**	296,490

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	2010 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Zhu Yongpeng *(Chairman)*	—	—	—	—	—
Mr. Xie Changjun	—	375	732	91	1,198
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	354	762	87	1,203
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng	—	331	654	84	1,069
Independent non-executive directors					
Mr. Li Junfeng	150	—	—	—	150
Mr. Zhang Songyi	150	—	—	—	150
Mr. Meng Yan	150	—	—	—	150
Supervisors					
Mr. Chen Bin	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. Wang Jianting	—	223	528	70	821
	450	1,283	2,676	332	4,741

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

Details of directors' and supervisors' emoluments are as follows: *(Continued)*

	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

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:

	2010	2009
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:

	2010 *RMB'000*	2009 *RMB'000*
Salaries and other emoluments	559	409
Discretionary bonuses	1,178	1,196
Retirement scheme contributions	154	107
	1,891	1,712

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

	2010	2009
HKD 500,001 to HKD 1,000,000	—	2
HKD 1,000,001 to HKD 1,500,000	2	—

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of RMB573,027,000 (2009: 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 profit/(loss) for the year/period:

	Note	2010 RMB'000	2009 RMB'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements		**573,027**	(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 year/period		**743,782**	76,138
Company's profit/(loss) for the year/period	37(a)	**1,316,809**	(94,710)

Details of dividends paid and payable to equity shareholders of the Company are set out in note 37(b).

12 OTHER COMPREHENSIVE INCOME

	2010 *RMB'000*	2009 *RMB'000*
Available-for-sale financial assets:		
Net movement in fair value reserve		
— Before tax amount		
Change in fair value recognised during the year	(6,620)	11,240
Reclassification adjustments for amounts transferred to gains on disposal	—	(643)
— Tax credit/(expense)	1,655	(2,650)
Net of tax amount	(4,965)	7,947
Translation of financial statements		
— Before and net of tax amount	1,812	(2,304)
Exchange difference on net investment		
— Before tax amount	(11,193)	—
— Tax expense *(note 34(a))*	2,798	—
Net of tax amount	(8,395)	—
Other comprehensive (losses)/income	(11,548)	5,643

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 2010 of RMB2,018,570,000 (2009: RMB894,126,000) and the weighted average number of shares in issue during the year ended 31 December 2010 of 7,464,289,000 (2009: 5,137,965,000). The weighted average number of shares for the year ended 31 December 2009 reflects the issuance of 2,464,289,000 shares in 2009 in connection with the Company's initial public offering (see note 37(c)). The weighted average number of shares in issue is set out below:

	2010 ***Thousands shares***	2009 *Thousands shares*
Issued ordinary shares at 1 January	**7,464,289**	—
Shares issued to Guodian Group and Guodian Northeast upon formation of the Company in 2009 as if such shares have been outstanding for the entire year in 2009	**—**	5,000,000
Effects of shares issued in December 2009	**—**	137,965
	7,464,289	5,137,965

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

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, trading securities, 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.

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 2010 and 2009 is set out below:

For the year ended 31 December 2010

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
— Sales of electricity	4,613,419	3,859,494	71,415	8,544,328
— Others	7,078	3,854,375	356,656	4,218,109
Subtotal	4,620,497	7,713,869	428,071	12,762,437
Inter-segment revenue	—	—	266,913	266,913
Reportable segment revenue	4,620,497	7,713,869	694,984	13,029,350
Reportable segment profit (operating profit)	3,164,104	794,115	311,719	4,269,938
Depreciation and amortisation before inter-segment elimination	(1,727,735)	(490,809)	(38,449)	(2,256,993)
Impairment of assets held for sale	—	(80,737)	—	(80,737)
Impairment of trade and other receivables	(3,803)	—	(4,158)	(7,961)
Interest income	5,174	18,974	34,307	58,455
Interest expense	(853,740)	(140,414)	(94,205)	(1,088,359)
Reportable segment assets	62,798,447	6,657,723	2,205,783	71,661,953
Assets held for sale for reportable segment	—	217,363	—	217,363
Expenditures for reportable segment non-current assets during the year	16,999,161	169,877	265,356	17,434,394
Reportable segment liabilities	45,879,236	4,530,108	3,054,253	53,463,597

14 SEGMENT REPORTING *(Continued)*

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

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 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

14 SEGMENT REPORTING *(Continued)*

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

	2010 *RMB'000*	2009 *RMB'000*
Revenue		
Reportable segment revenue	13,029,350	9,190,441
Service concession construction revenue	1,450,404	882,602
Elimination of inter-segment revenue	(266,913)	(329,336)
Consolidated revenue	14,212,841	9,743,707
Profit		
Reportable segment profit	4,269,938	3,018,808
Elimination of inter-segment profits	(54,471)	(46,023)
	4,215,467	2,972,785
Share of profits less losses of associates and jointly controlled entities	227,634	105,472
Net finance expenses	(1,097,940)	(1,020,347)
Unallocated head office and corporate expenses	(134,176)	(114,314)
Consolidated profit before taxation	3,210,985	1,943,596

14 SEGMENT REPORTING *(Continued)*

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

	2010 *RMB'000*	2009 *RMB'000*
Assets		
Reportable segment assets	71,661,953	55,726,704
Inter-segment elimination	(3,074,260)	(4,941,210)
	68,587,693	50,785,494
Investments in associates and jointly controlled entities	1,314,571	799,029
Available-for-sale investments	17,042	23,662
Unquoted equity investments in companies	455,323	446,103
Trading securities	181,418	—
Tax recoverable	19,969	5,256
Deferred tax assets	205,845	204,662
Unallocated head office and corporate assets	31,432,755	28,722,550
Elimination	(27,581,078)	(13,033,054)
Consolidated total assets	74,633,538	67,953,702
Liabilities		
Reportable segment liabilities	53,463,597	43,500,044
Inter-segment elimination	(2,928,125)	(4,897,158)
	50,535,472	38,602,886
Tax payable	195,658	140,215
Deferred tax liabilities	104,307	44,930
Unallocated head office and corporate liabilities	(23,965,424)	16,518,751
Elimination	(27,581,078)	(13,033,054)
Consolidated total liabilities	47,219,783	42,273,728

(c) Geographical information

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

14 SEGMENT REPORTING *(Continued)*

(d) Major customers

Revenue from the PRC government controlled power grid companies amounted to RMB8,434,549,000 for the year ended 31 December 2010 (2009: RMB6,227,229,000). Service concession construction revenue is all from the PRC government.

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land, buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
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	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
At 1 January 2010	3,179,129	27,096,643	183,459	197,499	12,935,668	43,592,398
Acquired through business combination *(note 42(a))*	—	283,086	156	250	—	283,492
Additions	36,666	27,764	40,574	44,679	15,677,110	15,826,793
Transfer from construction in progress	348,430	11,970,346	223,608	956	(12,543,340)	—
Transfer from investment properties *(note 16)*	30,818	—	—	—	—	30,818
Transfer to other assets	(84,393)	(790,850)	(5,547)	(6,410)	(438,280)	(1,325,480)
Disposals	(55,303)	(461,983)	(2,121)	(12,282)	—	(531,689)
Reclassification	23,247	(23,247)	—	—	—	—
At 31 December 2010	3,478,594	38,101,759	440,129	224,692	15,631,158	57,876,332

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 2009	789,266	3,966,423	81,494	78,192	146,139	5,061,514
Additions due to the change of consolidation scope	—	—	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
At 1 January 2010	908,816	5,180,914	95,472	98,848	3,804	6,287,854
Acquired through business combination *(note 42(a))*	—	23,456	30	86	—	23,572
Depreciation charge for the year	157,263	1,758,978	21,154	25,453	—	1,962,848
Transfer from investment properties *(note 16)*	3,365	—	—	—	—	3,365
Transfer to other assets	(59,170)	(518,277)	(5,545)	(6,108)	—	(589,100)
Written back on disposal	(52,648)	(389,108)	(1,722)	(10,369)	—	(453,847)
Reclassification	331	(331)	—	—	—	—
At 31 December 2010	957,957	6,055,632	109,389	107,910	3,804	7,234,692
Net book value:						
At 31 December 2009	2,270,313	21,915,729	87,987	98,651	12,931,864	37,304,544
At 31 December 2010	2,520,637	32,046,127	330,740	116,782	15,627,354	50,641,640

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Land, buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *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
At 1 January 2010	167,054	33,815	20,622	23,212	240,540	485,243
Additions	—	1,486	5,225	3,758	196,370	206,839
Transfer from construction in progress	—	3,544	—	—	(3,544)	—
Transfer from investment properties *(note 16)*	15,499	—	—	—	—	15,499
Transfer to subsidiaries	—	—	—	—	(123,504)	(123,504)
Disposals	—	—	(2,850)	(199)	(11,027)	(14,076)
At 31 December 2010	182,553	38,845	22,997	26,771	298,835	570,001

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company *(Continued)*

	Land, buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
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
At 1 January 2010	37,940	16,003	10,061	10,926	—	74,930
Depreciation charge for the year	6,995	1,773	1,336	2,524	—	12,628
Transfer from investment properties *(note 16)*	3,365	—	—	—	—	3,365
Written back on disposal	—	—	(465)	(9)	—	(474)
At 31 December 2010	48,300	17,776	10,932	13,441	—	90,449
Net book value:						
At 31 December 2009	129,114	17,812	10,561	12,286	240,540	410,313
At 31 December 2010	134,253	21,069	12,065	13,330	298,835	479,552

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 RMB309,328,000 as at 31 December 2010 (2009: RMB768,161,000).

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

(iii) As at 31 December 2010, 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.

16 INVESTMENT PROPERTIES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost:				
At 1 January/injection to the Company upon establishment	**162,109**	202,403	**262,763**	282,198
Transfer to property, plant and equipment *(note 15)*	**(30,818)**	(40,294)	**(15,499)**	(19,435)
At 31 December	**131,291**	162,109	**247,264**	262,763
Accumulated depreciation:				
At 1 January/injection to the Company upon establishment	**29,235**	30,497	**48,427**	47,054
Charge for the year/period	**4,076**	5,307	**9,348**	4,893
Transfer to property, plant and equipment *(note 15)*	**(3,365)**	(6,569)	**(3,365)**	(3,520)
At 31 December	**29,946**	29,235	**54,410**	48,427
Net book value:	**101,345**	132,874	**192,854**	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 Reports issued by Jones Lang LaSalle Sallmanns Limited, a firm of independent qualified valuer in Hong Kong, on 25 February 2011 and 26 March 2010, the fair value of the Group's investment properties as at 31 December 2010 and 2009 are RMB318,528,000 and RMB284,355,000, respectively.

17 LEASE PREPAYMENTS

The Group

	2010 *RMB'000*	2009 *RMB'000*
Cost:		
At 1 January	886,794	683,794
Additions due to the change of consolidation scope *(note 20(iv))*	—	3,008
Acquired through business combination *(note 42(a))*	1,310	—
Additions	154,682	199,992
At 31 December	1,042,786	886,794
Accumulated amortisation:		
At 1 January	145,816	127,074
Additions due to the change of consolidation scope *(note 20(iv))*	—	15
Acquired through business combination *(note 42(a))*	22	—
Amortisation for the year	20,482	18,727
At 31 December	166,320	145,816
Net book value:	876,466	740,978

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 50 years.

As at 31 December 2010, 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.

18 INTANGIBLE ASSETS

The Group

	Concession assets (note 46) RMB'000	Software and others RMB'000	Total RMB'000
Cost:			
At 1 January 2009	5,249,649	3,419	5,253,068
Additions due to the change of consolidation *scope* *(note 20(iv))*	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
At 1 January 2010	6,468,093	6,071	6,474,164
Additions	1,450,404	2,515	1,452,919
Transfer from property, plant and equipment	381,300	—	381,300
Disposals	—	(35)	(35)
At 31 December 2010	8,299,797	8,551	8,308,348
Accumulated amortisation:			
At 1 January 2009	168,302	1,313	169,615
Additions due to the change of consolidation scope *(note 20(iv))*	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
At 1 January 2010	386,170	1,779	387,949
Charge for the year	258,657	705	259,362
Written back on disposal	—	(21)	(21)
At 31 December 2010	644,827	2,463	647,290
Net book value:			
At 31 December 2009	6,081,923	4,292	6,086,215
At 31 December 2010	7,654,970	6,088	7,661,058

19 GOODWILL

The Group

	2010 RMB'000	2009 RMB'000
Cost and carrying amount as at 31 December	11,541	—

Goodwill of the Group arises from the acquisition of Buerjin Tianrun Wind Power Co., Ltd. ("Buerjin Tianrun"). The recoverable amount of goodwill is determined based on value in use calculation. The calculation uses cash flow projection based on financial budget approved by management covering a five-year period and pre-tax discount rates of 5.64%.

Cash flows beyond the five-year period are maintained constant. Management believes any reasonably possible change in the key assumptions on which Buerjin Tianrun's recoverable amount are based would not cause the carrying amount to exceed their recoverable amount.

Key assumption used for the value in use calculations is the revenue from electricity sales. Management determined the revenue from electricity sales based on its expectation of electricity volume and the on-grid tariff approved by related government authorities.

20 INVESTMENTS IN SUBSIDIARIES

The Company

	2010 RMB'000	2009 RMB'000
Unlisted investments, at cost	11,398,889	6,674,039
Less: impairment loss	(46,000)	(46,000)
	11,352,889	6,628,039

20 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

The following list contains only the particulars of subsidiaries at 31 December 2010 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	Percentage of attributable equity interest 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	RMB 256,000,000	66.15%	25%	Wind power generation
2	Gansu Jieyuan Wind Power Generation Co., Ltd. 甘肅潔源風電有限責任公司 *(note (ii))*	the PRC	RMB 364,540,000	68%	—	Wind power generation
3	Xinjiang Tianfeng Power Generation Joint Stock Company 新疆天風發電股份有限公司	the PRC	RMB 511,016,909	59.52%	—	Wind power generation
4	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	RMB 199,380,000	30%	25%	Wind power generation
5	Jilin Longyuan Wind Power Generation Co., Ltd. 吉林龍源風力發電有限公司 *(note (ii))*	the PRC	RMB 438,200,000	56.58%	9.65%	Wind power generation
6	Jiangsu Longyuan Wind Power Generation Co., Ltd. 江蘇龍源風力發電有限公司	the PRC	RMB 333,320,000	50%	25%	Wind power generation

20 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
7 Longyuan Pingtan Wind Power Generation Co., Ltd. 龍源平潭風力發電有限公司	the PRC	RMB 170,000,000	85%	5%	Wind power generation
8 Chifeng Xinsheng Wind Power Generation Co., Ltd. 赤峰新勝風力發電有限公司 *(note (ii))*	the PRC	RMB 273,426,200	34%	—	Wind power generation
9 Shenyang Longyuan Wind Power Generation Co., Ltd. 瀋陽龍源風力發電有限公司	the PRC	RMB 432,150,000	73.6%	25%	Wind power generation
10 Tieling Longyuan Wind Power Generation Co., Ltd. 鐵嶺龍源風力發電有限公司	the PRC	RMB 281,690,000	75%	25%	Wind power generation
11 Huanan Longyuan Wind Power Generation Co., Ltd. 樺南龍源風力發電有限公司 *(note (ii))*	the PRC	RMB 372,127,000	15%	25%	Wind power generation
12 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	RMB 910,800,000	75%	25%	Wind power generation
13 Longyuan Qidong Wind Power Generation Co., Ltd. 龍源啟東風力發電有限公司	the PRC	RMB 245,760,000	30%	70%	Wind power generation

20 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
14 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	RMB 187,850,000	50%	—	Wind power generation
15 Longyuan (Baotou) Wind Power Generation Co., Ltd. 龍源(包頭)風力發電有限責任公司	the PRC	RMB 394,940,000	75%	25%	Wind power generation
16 Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 龍源(張家口)風力發電有限公司	the PRC	RMB 581,255,900	75%	25%	Wind power generation
17 Longyuan (Siziwang) Wind Power Generation Co., Ltd. 龍源(四子王)風力發電有限責任公司	the PRC	RMB 149,000,000	75%	25%	Wind power generation
18 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	RMB 320,140,000	75%	25%	Wind power generation
19 Chifeng Longyuan Wind Power Generation Co., Ltd. 赤峰龍源風力發電有限公司	the PRC	RMB 468,570,000	72.01%	25%	Wind power generation
20 Longyuan (Xing'anmeng) Wind Power Generation Co., Ltd. 龍源(興安盟)風力發電有限公司	the PRC	RMB 220,330,000	75%	25%	Wind power generation

20 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	
21 Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd. 龍源雄亞(福清)風力發電有限公司	the PRC	RMB 86,629,000	50%	50%	Wind power generation
22 Hainan Longyuan Wind Power Generation Co., Ltd. 海南龍源風力發電有限公司	the PRC	RMB 142,058,800	75%	25%	Wind power generation
23 Longyuan (Changling) Wind Power Generation Co., Ltd. 龍源(長嶺)風力發電有限公司	the PRC	RMB 254,950,000	75%	25%	Wind power generation
24 Longyuan Shenyang Wind Power Generation Co., Ltd. 龍源瀋陽風力發電有限公司	the PRC	RMB 441,467,000	100%	—	Wind power generation
25 Gansu Longyuan Wind Power Generation Co., Ltd. 甘肅龍源風力發電有限公司	the PRC	RMB 577,690,000	75%	25%	Wind power generation
26 Longyuan Kangping Wind Power Generation Co., Ltd. 龍源康平風力發電有限公司	the PRC	RMB 347,122,000	100%	—	Wind power generation
27 Shuangyashan Longyuan Wind Power Generation Co., Ltd. 雙鴨山龍源風力發電有限公司	the PRC	RMB 163,570,000	75%	25%	Wind power generation

20 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 Yilan Longyuan Huineng Wind Power Generation Co., Ltd. 依蘭龍源匯能風力發電有限公司	the PRC	RMB 142,129,000	57%	—	Wind power generation
29 Longyuan (Putian) Wind Power Generation Co., Ltd. 龍源(莆田)風力發電有限公司	the PRC	RMB 117,290,000	100%	—	Wind power generation
30 Huanan Longyuan Hero Asia Wind Power Generation Co., Ltd. 樺南龍源雄亞風力發電有限公司	the PRC	RMB 152,113,000	100%	—	Wind power generation
31 Longyuan Alashankou Wind Power Generation Co., Ltd. 龍源阿拉山口風力發電有限公司	the PRC	RMB 194,560,000	100%	—	Wind power generation
32 Longyuan (Rudong) Wind Power Generation Co., Ltd. 龍源(如東)風力發電有限公司	the PRC	RMB 470,662,000	57%	43%	Wind power generation
33 Yichun Longyuan Jinshan Wind Power Generation Co., Ltd 伊春龍源金山風力發電有限公司	the PRC .	RMB 191,196,000	100%	—	Wind power generation
34 Longyuan (Tuquan) Wind Power Generation Co., Ltd. 龍源(突泉)風力發電有限公司 *(note (v))*	the PRC	RMB 86,690,000	100%	—	Wind power generation

20 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 Longyuan (Wengniute) New Energy Co., Ltd. 龍源(翁牛特)新能源有限公司	the PRC	RMB 286,000,000	100%	—	Wind power generation
36 Buerjin Tianrun Wind Power Co., Ltd. 布爾津縣天潤風電有限公司 *(note (iii))*	the PRC	RMB 57,500,000	40%	20%	Wind power generation
37 Jiangyin Sulong Heat and Power Generating Co., Ltd. 江陰蘇龍熱電有限公司 *(note (ii)(vi))*	the PRC	USD 144,320,000	2%	25%	Coal power generation
38 Nantong Tianshenggang Power Generation Co., Ltd. 南通天生港發電有限公司 *(note (ii))*	the PRC	USD 52,980,000	0.65%	31.29%	Coal power generation
39 Zhongneng Power-Tech Development Company Limited 中能電力科技開發有限公司	the PRC	RMB 70,000,000	80%	—	Manufacturing and sales of power equipment
40 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	RMB 14,260,000	60%	—	Wind power generation
41 Yichun Longyuan Wind Power Generation Co., Ltd. 伊春龍源風力發電有限公司*(note (ii))*	the PRC	RMB 135,250,000	5%	35%	Wind power generation

20 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 Gansu Xin'an Wind Power Generation Co., Ltd. 甘肅新安風力發電有限公司 *(note (ii)(iv))*	the PRC	RMB 169,810,000	54.54%	—	Wind power generation
43 Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd. 龍源建投(承德)風力發電有限公司 *(note (ii))*	the PRC	RMB 295,685,000	30%	25%	Wind power generation
44 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))*	the PRC	RMB 138,320,000	30%	25%	Wind power generation
45 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	RMB 61,400,000	—	43.40%	Wind power Generation
46 Jiangsu Sulong Energy Co., Ltd. 江蘇蘇龍能源有限公司	the PRC	RMB 20,000,000	—	100%	Coal trading
47 Fujian Wind Power Generation Co., Ltd. 福建風力發電有限公司 *(note (ii))*	the PRC	RMB 40,000,000	90%	—	Wind power generation

20 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 2009, for the period from the date of establishment to 31 December 2010).

(iii) During the year 2010, the Group acquired certain subsidiaries from third parties. The financial statements of the entity are consolidated by the Company from the acquisition dates. Details of the acquired subsidiaries are set out in note 42(a).

(iv) 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.

(v) This company was newly set up in 2010.

(vi) This company has changed the name from「江陰蘇龍發電有限公司」to「江陰蘇龍熱電有限公司」.

21 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**583,220**	449,508
Share of net assets	**1,314,571**	799,029	**—**	—
	1,314,571	799,029	**583,220**	449,508
Less: impairment loss	**—**	—	**(448)**	(448)
	1,314,571	799,029	**582,772**	449,060

The following list contains only the particulars of associates and jointly controlled entities at 31 December 2010, 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)	the PRC	200,000	—	49%	Transportation and logistics
4	Yantai Longyuan Power Technology Co., Ltd. ("Yantai Longyuan") (煙台龍源電力技術股份有限公司) *(note (i))*	the PRC	88,000	—	18.75%	Manufacturing and sales of power equipment

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

Note:

(i) In August 2010, Yantai Longyuan issued an aggregation of 22,000,000 new shares in the Grows Enterprises Market of Shenzhen Stock Exchange at a price of RMB53.00 per share. After the issuance of the new shares, the Group's equity interest in Yantai Longyuan was diluted from 25% to 18.75%, which resulted in a deemed disposal gain of RMB187,450,000. As at 31 December 2010, the carrying value and fair value of the Group's equity interest in Yantai Longyuan are RMB280,233,000 and approximately RMB2,011,350,000, respectively.

Summary financial statements on associates and jointly controlled entities:

	2010		2009	
	100 per cent	**Group's effective interest**	100 per cent	Group's effective interest
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Assets	**16,575,593**	**4,543,800**	9,916,884	2,652,692
Liabilities	**11,564,292**	**3,229,229**	7,008,558	1,853,663
Equity	**5,011,301**	**1,314,571**	2,908,326	799,029
Revenue	**11,031,083**	**3,000,627**	5,023,604	1,223,808
Profit	**883,762**	**227,634**	543,392	129,813

22 OTHER ASSETS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other financial assets:				
Available-for-sale investments, measured at fair value	**17,042**	23,662	**17,042**	23,662
Unquoted equity investments in non-listed companies, at cost	**455,323**	446,103	**340,303**	340,303
Loans and advances to				
— associates *(note (i))*	**66,790**	72,370	**66,790**	72,370
— subsidiaries *(note (i))*	**—**	—	**11,276,786**	4,524,573
— third parties *(note (ii))*	**86,030**	132,750	**—**	—
Subtotal	**625,185**	674,885	**11,700,921**	4,960,908
Deductible VAT *(note (iii))*	**2,833,751**	1,643,709	**—**	—
	3,458,936	2,318,594	**11,700,921**	4,960,908

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 3.26% to 5.56% per annum for the year ended 31 December 2010 (2009: 5.35% to 7.05%) except for an advance of RMB1,701,860,000 to a subsidiary, which is non-interest bearing. The current portion is recorded in other current assets.

(ii) The balance at 31 December 2010 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.

23 INVENTORIES

The Group

	2010 RMB'000	2009 RMB'000
Coal	314,196	103,907
Fuel oil	5,391	4,078
Spare parts and others	312,766	224,912
	632,353	332,897

24 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Amounts due from third parties	3,417,006	2,147,835	2,619	9,575
Amounts due from Guodian Group	—	497	—	—
Amounts due from fellow subsidiaries	62,936	34,714	—	—
Amounts due from associates	2,854	4,660	980	980
Amounts due from subsidiaries	—	—	411,541	2,766,278
	3,482,796	2,187,706	415,140	2,776,833
Less: allowance for doubtful debts	(8,461)	(7,039)	—	—
	3,474,335	2,180,667	415,140	2,776,833

24 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current	**3,472,249**	2,179,292	**415,140**	2,776,813
Past due within 1 year	**5,902**	4,173	**—**	—
Past due between 1 to 2 years	**563**	3,816	**—**	—
Past due between 2 to 3 years	**3,816**	120	**—**	—
Past due over 3 years	**266**	305	**—**	20
	3,482,796	2,187,706	**415,140**	2,776,833
Less: allowance for doubtful debts	**(8,461)**	(7,039)	**—**	—
	3,474,335	2,180,667	**415,140**	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 20% to 60% of total electricity sales in 6 to 18 months from the date of recognition of sales as agreed in the electricity sales contracts signed between the Group and local grid companies.

24 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	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January/injection to the Company upon establishment	7,039	5,904	—	2,149
Impairment losses recognised	2,133	4,312	—	—
Uncollectible amounts written off	(711)	(3,177)	—	(2,149)
At 31 December	8,461	7,039	—	—

As at 31 December 2010, the Group's trade debtors and bills receivable of RMB8,461,000 (2009: RMB7,039,000) 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.

24 TRADE DEBTORS AND BILLS RECEIVABLE *(Continued)*

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

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**3,472,249**	2,179,292	**415,140**	2,776,813
Past due within 1 year	**1,670**	1,215	**—**	—
Past due over 1 year	**416**	160	**—**	20
	3,474,335	2,180,667	**415,140**	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.

25 PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Loans and advances to *(note (i))*:				
— subsidiaries	**—**	—	**15,168,720**	5,582,512
— associates	**77,014**	65,615	**8,210**	10,630
— Guodian Group	**2,805**	691	**2,805**	691
— fellow subsidiaries	**1,352**	407	**—**	—
— third parties	**142,177**	101,330	**2,916**	17,025
Government grant and CERs receivables	**496,912**	423,719	**—**	—
Dividend receivable from fellow subsidiaries	**3,600**	15,000	**3,600**	15,000
Deductible VAT *(note 22(iii))*	**557,670**	—	**—**	—
Prepayments and others	**274,001**	307,423	**1,084,937**	193,406
	1,555,531	914,185	**16,271,188**	5,819,264
Less: allowance for doubtful debts	**(53,500)**	(60,787)	**(2,202)**	(1)
	1,502,031	853,398	**16,268,986**	5,819,263

Note:

(i) Interest bearing loans and advances of the Group amounted to RMB17,210,000 with annum interest rates of 4.35%~5.35% as at 31 December 2010 (2009: RMB10,630,000, 5.35%).

25 PREPAYMENTS AND OTHER CURRENT ASSETS *(Continued)*

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

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January/injection to the Company upon establishment	**60,787**	96,943	**1**	36,986
Impairment losses recognised	**5,918**	12,557	**2,201**	—
Reversal of impairment losses	**(90)**	(40)	**—**	—
Uncollectible amounts written off	**(13,115)**	(48,673)	**—**	(36,985)
At 31 December	**53,500**	60,787	**2,202**	1

The Group's prepayments and other current assets of RMB53,500,000 as at 31 December 2010 (2009: RMB60,787,000) 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.

26 TRADING SECURITIES

The Group

	2010 RMB'000	2009 RMB'000
Listed equity securities at fair value — in Hong Kong	181,418	—

27 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.

28 CASH AT BANK AND ON HAND

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Cash on hand	20,729	1,022	222	371
Cash at bank and other financial institutions	4,068,513	16,501,912	3,216,652	15,816,024
	4,089,242	16,502,934	3,216,874	15,816,395
Representing:				
— Cash and cash equivalents	4,077,600	16,500,757	3,216,874	15,816,395
— Time deposits with original maturity over three months	11,642	2,177	—	—
	4,089,242	16,502,934	3,216,874	15,816,395

29 ASSETS HELD FOR SALE

Assets held for sale mainly represent decommissioned coal power generating units to be sold in 2011. A loss of RMB80,737,000 has been recognised as impairment loss in 2010.

30 BORROWINGS

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

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— Secured	3,040,264	6,860,940	—	—
— Unsecured	11,237,670	10,522,550	5,071,400	5,689,400
Loan from government				
— Unsecured	2,000	2,000	—	—
Loans from Guodian Group				
— Unsecured	1,000,000	—	1,000,000	—
Other borrowings *(note 30(e)(i))*				
— Secured	3,968,242	—	3,968,242	—
— Unsecured	1,587,478	—	1,587,478	—
	20,835,654	17,385,490	11,627,120	5,689,400
Less: Current portion of long-term borrowings *(note 30(b))*				
— Bank loans	(858,994)	(1,166,189)	(243,000)	(393,000)
— Other borrowings	(2,000)	—	—	—
	19,974,660	16,219,301	11,384,120	5,296,400

As at 31 December 2010, the Group's loans and borrowings guaranteed by Guodian Group amounted to RMB4,463,065,000 (2009: RMB481,282,000).

30 BORROWINGS *(Continued)*

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
— Secured	**2,065,020**	670,000	**—**	—
— Unsecured	**3,933,071**	9,264,790	**1,047,072**	5,144,998
Loans from other financial institutions and others				
— Unsecured *(note (i))*	**6,741,000**	5,986,090	**6,500,000**	5,382,590
Loans from Guodian Group				
— Unsecured	**3,000,000**	—	**3,000,000**	—
Other borrowings *(note 30(e)(ii))*				
— Unsecured	**600,000**	—	**—**	—
Current portion of long-term borrowings *(note 30(a))*				
— Bank loans	**858,994**	1,166,189	**243,000**	393,000
— Other borrowings	**2,000**	—	**—**	—
	17,200,085	17,087,069	**10,790,072**	10,920,588

Notes:

(i) The Group had unpaid loans of RMB40,000,000 as at 31 December 2010 (2009: RMB40,000,000). These unpaid loans represent loans borrowed by a subsidiary, China Fulin Wind Power Engineering Co., Ltd., from third parties.

30 BORROWINGS *(Continued)*

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

	The Group		The Company	
	2010	2009	**2010**	2009
Long-term				
Bank loans	**4.29%~6.14%**	3.80%~5.94%	**5.35%**	5.35%~5.64%
Other borrowings	**4.67%~5.15%**	—	**4.67%~5.15%**	—
Loan from government	**2.55%**	2.55%	**—**	—
Loans from Guodian Group	**4.16%**	—	**4.16%**	—
Short-term				
Bank loans	**4.37%~5.10%**	4.37%~5.31%	**4.37%**	4.37%~4.78%
Loans from other financial institutions	**3.72%~4.51%**	3.60%~6.12%	**3.72%-4.51%**	3.74%~4.46%
Other borrowings	**3.42%**	—	**—**	—
Loans from Guodian Group	**3.26%**	—	**3.26%**	—

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**860,994**	1,166,189	**243,000**	393,000
After 1 year but within 2 years	**1,430,304**	1,483,593	**279,110**	488,000
After 2 years but within 5 years	**6,729,322**	5,333,002	**3,933,120**	1,660,000
After 5 years	**11,815,034**	9,402,706	**7,171,890**	3,148,400
	20,835,654	17,385,490	**11,627,120**	5,689,400

30 BORROWINGS *(Continued)*

(e) Significant terms of other borrowings

The Group

	2010 *RMB'000*	2009 *RMB'000*
Long-term		
Corporate bonds *(note (i))*	5,555,720	—
Short-term		
Debentures *(note (ii))*	600,000	—

Notes:

(i) 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 effective interest rate is 4.67% 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.

On 10 December 2010, the Company issued a five-year corporate bond of RMB2,000 million at par with a coupon rate of 4.89% per annum and a ten-year corporate bond of RMB2,000 million at par with a coupon rate of 5.05% per annum, which are guaranteed by Guodian Group. The effective interest rates of above bonds are 5.08% and 5.15%, respectively.

(ii) On 12 March 2010, Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司) (formerly Jiangyin Sulong Power Generating 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 interest rate is 3.42%.

31 OBLIGATIONS UNDER FINANCE LEASES

The Group

The Group had obligations under finance leases repayable as follows:

	2010		2009	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	—	—	—	2,025
After 1 year but within 2 years	—	—	50,000	51,350
	—	—	50,000	53,375
Less: total future interest expenses		—		(3,375)
Present value of finance lease obligations		—		50,000

The principal obligation and interest expenses have been fully paid as at December 31 2010.

32 TRADE CREDITORS AND BILLS PAYABLE

The Group

	2010 *RMB'000*	2009 *RMB'000*
Bills payable	960,725	1,513,086
Creditors and accrued charges	486,986	249,943
Amounts due to associates	67,629	178,161
Amounts due to fellow subsidiaries	—	1,913
	1,515,340	1,943,103

As at 31 December 2010 and 2009, all trade creditors and bills payable are payable and expected to be settled within one year.

33 OTHER PAYABLES

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for acquisition of property, plant and equipment	3,946,711	3,109,920	—	—
Payables for staff related costs	179,608	218,213	34,704	77,220
Payables for other taxes	132,422	99,639	4,648	3,940
Dividends payable	276,744	196,653	—	—
Receipts in advance	191,046	150,410	27	—
Amounts due to subsidiaries *(note (i))*	—	—	1,523,158	1,074,228
Amounts due to associates and jointly controlled entities *(note (i))*	789,306	407,575	—	3,554
Amounts due to fellow subsidiaries *(note (i))*	65,879	51,447	4,112	—
Amounts due to Guodian Group *(note (i))*	51,540	431	51,540	431
Other accruals and payables	371,021	287,161	142,799	107,414
	6,004,277	4,521,449	1,760,988	1,266,787

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.

34 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

The Group

	2010 *RMB'000*	2009 *RMB'000*
Net tax payable at 1 January	134,959	79,553
Provision for the year *(note 8(a))*	398,643	291,358
Income tax recognised in other comprehensive income *(note 12)*	(2,798)	—
(Over)/under provision in respect of prior years *(note 8(a))*	(14,654)	488
Income tax paid	(340,461)	(236,440)
Net tax payable at 31 December	175,689	134,959
Representing:		
Tax payable	195,658	140,215
Tax recoverable	(19,969)	(5,256)
	175,689	134,959

34 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 *RMB'000*	Tax credits for domestic equipment *RMB'000*	Tax losses *RMB'000*	Trading securities *RMB'000*	Others *RMB'000*	Total *RMB'000*
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
At 1 January 2010	19,467	77,559	11,107	—	96,529	204,662
Credited/(charged) to profit or loss	3,957	(24,382)	(11,107)	4,759	27,956	1,183
At 31 December 2010	23,424	53,177	—	4,759	124,485	205,845

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

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

The Group *(Continued)*

Deferred tax liabilities arising from:	Available-for-sale investments *RMB'000*	Amortisation of intangible assets *RMB'000*	Others *RMB'000*	Total *RMB'000*
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)
At 1 January 2010	(5,268)	(27,514)	(12,148)	(44,930)
Charged to profit or loss	—	(8,848)	(49,370)	(58,218)
Credited to reserves	1,655	—	—	1,655
Through acquisition of subsidiaries	—	—	(2,814)	(2,814)
At 31 December 2010	(3,613)	(36,362)	(64,332)	(104,307)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses and certain provision for impairment of assets of RMB1,149,384,000 as at 31 December 2010 (2009: RMB848,997,000) 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 2011, 2012, 2013, 2014, and 2015 are RMB91,668,000, RMB167,603,000, RMB162,272,000, RMB343,638,000 and RMB320,272,000 respectively.

The cumulative tax losses and provision for impairment of assets of the Company not recognised as deferred tax asset are RMB1,053,625,000 as at 31 December 2010 (2009: RMB774,600,000). The tax losses that will expire in the year ending 31 December 2011, 2012, 2013, 2014, and 2015 are RMB91,668,000, RMB153,581,000, RMB148,421,000, RMB320,283,000 and RMB291,021,000 respectively.

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

(d) Deferred tax liability not recognised

At 31 December 2010, taxable temporary differences relating to undistributed profits and surplus reserves of subsidiaries and associates and jointly controlled entities amounted to RMB3,295,531,000 (2009: RMB2,460,907,000). No deferred tax liability was recognised in respect of these taxable temporary differences as dividends from subsidiaries and associates and jointly controlled entities are not subject to PRC income tax and the Group has no plan to dispose of these investments in the foreseeable future.

35 EMPLOYEE BENEFITS

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 above-mentioned 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.

36 DEFERRED INCOME

The Group

	2010 *RMB'000*	2009 *RMB'000*
At January 1	**2,267,661**	2,145,284
Additions	**98,722**	211,452
Credited to profit or loss	**(140,927)**	(89,075)
At 31 December	**2,225,456**	2,267,661

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.

37 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 year/period are set out below:

	Share capital RMB'000 *(note 37(c))*	Capital reserve RMB'000 *(note 37(d)(i))*	Statutory surplus reserve RMB'000 *(note 37(d)(iii))*	Fair value reserve RMB'000 *(note 37(d)(iv))*	Retained earnings RMB'000	Total equity RMB'000
Injection upon establishment of the Company	5,000,000	(2,296,557)	—	—	—	2,703,443
Changes in equity for 2009:						
Profit for the period	—	—	—	—	(94,710)	(94,710)
Other comprehensive income	—	—	—	3,694	—	3,694
Total comprehensive income for the period	—	—	—	3,694	(94,710)	(91,016)
Issuance of shares upon public offering, net of issuing expenses *(note 37(d)(i))*	2,464,289	14,531,762	—	—	—	16,996,051
Deemed distribution	—	(2,150)	—	—	—	(2,150)
At 31 December 2009	7,464,289	12,233,055	—	3,694	(94,710)	19,606,328
At 1 January 2010	7,464,289	12,233,055	—	3,694	(94,710)	19,606,328
Change in equity for 2010:						
Profit for the year	—	—	—	—	1,316,809	1,316,809
Other comprehensive income	—	—	—	(4,965)	—	(4,965)
Total comprehensive income for the year	—	—	—	(4,965)	1,316,809	1,311,844
Appropriation	—	—	4,447	—	(4,447)	—
Special distribution to Guodian Group	—	—	—	—	(632,042)	(632,042)
At 31 December 2010	7,464,289	12,233,055	4,447	(1,271)	585,610	20,286,130

37 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2010 *RMB'000*	2009 *RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.054 per share (2009: nil)	403,072	—

The directors resolved on 15 March 2011 that RMB0.054 per share is to be distributed to the shareholders for 2010, subject to approval of the shareholders at the coming Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010 *RMB'000*	2009 *RMB'000*
Special distribution	632,042	—

On 17 July 2009, a resolution was passed by the shareholders to 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 (the "Special Distribution").

In the directors' meeting held on 30 March 2010, a resolution was passed to pay the Special Distribution to Guodian Group amounting to RMB632,041,658. The amount has been paid in 2010.

37 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	The Group and the Company	
	2010	2009
	RMB'000	*RMB'000*
Issued and fully paid:		
4,753,570,000 domestic state-owned ordinary shares of RMB1.00 each	**4,753,570**	4,753,570
2,710,719,000 H shares of RMB1.00 each *(note 1(b))*	**2,710,719**	2,710,719
	7,464,289	7,464,289

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 37(b)(ii) 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.

37 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(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 in December 2009.

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.

(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 and the foreign exchange difference on the net investment in foreign operations of the Group which are dealt with in accordance with the accounting policies as set out in note 2(w).

(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(h) and 2(t).

37 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Distributability of reserves

According to the Company's Articles of Association, the distributable profits are the lower of the net profit of the year as determined under PRC accounting rules and regulations and the amount determined under IFRSs. At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company including the distributable amounts disclosed in 37(b)(i) was RMB585,610,000. After the end of the reporting period, the directors proposed a final dividend of RMB0.054 per share (2009: nil), amounting to RMB403,072,000 (2009: nil) (note 37(b)(i)). The dividend has not been recognised as a liability at the end of the reporting period.

(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 2010 is 55% (2009: 40%).

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.

38 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 76% of the Group's total trade debtor and bills receivable as at 31 December 2010 (2009: 89%). 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 40(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 40(a).

38 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:

38 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 2010						
Long-term borrowings *(note 30(a))*	19,974,660	26,721,798	1,003,231	2,413,852	9,252,977	14,051,738
Short-term borrowings *(note 30(b))*	17,200,085	17,464,166	17,464,166	—	—	—
Trade creditors and bills payable *(note 32)*	1,515,340	1,515,340	1,515,340	—	—	—
Other payables *(note 33)*	5,813,231	5,813,231	5,813,231	—	—	—
	44,503,316	51,514,535	25,795,968	2,413,852	9,252,977	14,051,738
Financial guarantees issued:						
Maximum amount guaranteed *(note 40(a))*	—	118,458	118,458	—	—	—

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The Group *(Continued)*

	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 30(a))*	16,219,301	21,828,899	864,246	2,325,903	7,297,053	11,341,697
Short-term borrowings *(note 30(b))*	17,087,069	17,360,925	17,360,925	—	—	—
Obligations under finance leases *(note 31)*	50,000	53,375	2,025	51,350	—	—
Trade creditors and bills payable *(note 32)*	1,943,103	1,943,103	1,943,103	—	—	—
Other payables *(note 33)*	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 40(a))*	—	131,040	131,040	—	—	—

38 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 2010						
Long-term borrowings *(note 30(a))*	11,384,120	15,429,626	570,837	845,261	5,523,584	8,489,944
Short-term borrowings *(note 30(b))*	10,790,072	10,963,867	10,963,867	—	—	—
Trade creditors and bills payable *(note 32)*	305	305	305	—	—	—
Other payables *(note 33)*	1,760,961	1,760,961	1,760,961	—	—	—
	23,935,458	28,154,759	13,295,970	845,261	5,523,584	8,489,944
Financial guarantees issued:						
Maximum amount guaranteed *(note 40(a))*	—	289,555	289,555	—	—	—

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The Company *(Continued)*

	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 30(a))*	5,296,400	7,176,080	285,670	763,402	2,318,185	3,808,823
Short-term borrowings *(note 30(b))*	10,920,588	11,069,845	11,069,845	—	—	—
Trade creditors and bills payable *(note 32)*	5,135	5,135	5,135	—	—	—
Other payables *(note 33)*	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 40(a))*	—	1,012,565	1,012,565	—	—	—

38 FINANCIAL INSTRUMENTS *(Continued)*

(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 2010 and 2009, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

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 30.

38 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

The Group

	2010 *RMB'000*	2009 *RMB'000*
Net fixed rate borrowings/(lendings):		
Borrowings	**21,929,600**	15,365,437
Less: Loans and advances *(note 25(i))*	**(9,000)**	—
Bank deposits (including restricted deposits)	**(108,234)**	(457,600)
	21,812,366	14,907,837
Net floating rate borrowings/(lendings):		
Borrowings	**15,245,145**	17,940,933
Obligations under finance leases	**—**	50,000
Less: Loans and advances *(note 25(i))*	**(8,210)**	(10,630)
Designated loans *(note 22(i))*	**(66,790)**	(72,370)
Bank deposits (including restricted deposits)	**(4,197,704)**	(16,535,966)
	10,972,441	1,371,967
Total net borrowings	**32,784,807**	16,279,804

38 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

The Company

	2010	2009
	RMB'000	*RMB'000*
Net fixed rate borrowings/(lendings):		
Borrowings	**17,102,792**	10,527,588
Less: Loans and advances	**(2,905,000)**	—
Designated loans *(note 22(i))*	**(6,555,720)**	—
	7,642,072	10,527,588
Net floating rate borrowings/(lending):		
Borrowings	**5,071,400**	5,689,400
Less: Loans and advances	**(8,144,044)**	(3,625,247)
Designated loans *(note 22(i))*	**(3,085,996)**	(4,596,943)
Bank deposits (including restricted deposits)	**(3,383,437)**	(15,833,733)
	(9,542,077)	(18,366,523)
Total net lendings	**(1,900,005)**	(7,838,935)

At 31 December 2010, 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 RMB66,562,000 (31 December 2009: RMB13,098,000).

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.

38 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. 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.

38 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)*					
	2010			2009		
	HKD RMB'000	***USD RMB'000***	***EUR RMB'000***	*HKD RMB'000*	*USD RMB'000*	*EUR RMB'000*
Cash and cash equivalents	**291,222**	**173,085**	**14,517**	14,473,855	140,643	24,474
Trade debtors	**—**	**—**	**202,102**	—	—	20,479
Other current assets	**—**	**—**	**406,920**	51,234	—	252,625
Long-term borrowings	**—**	**(509,365)**	**(20,692)**	—	(529,495)	(28,547)
Net exposure	**291,222**	**(336,280)**	**602,847**	14,525,089	(388,852)	269,031

The Company

	Exposure to foreign currencies *(expressed in RMB)*					
	2010			2009		
	HKD RMB'000	***USD RMB'000***	***EUR RMB'000***	*HKD RMB'000*	*USD RMB'000*	*EUR RMB'000*
Cash and cash equivalents	**291,222**	**52**	**128**	14,473,855	85	142
Other current assets	**—**	**331,135**	**—**	51,234	—	—
Other assets	**1,701,860**	**—**	**—**	—	—	—
Net exposure	**1,993,082**	**331,187**	**128**	14,525,089	85	142

38 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	
	2010	2009	**2010**	2009
HKD	**0.8657**	0.8812	**0.8509**	0.8805
USD	**6.7255**	6.8314	**6.6227**	6.8282
EUR	**9.3018**	9.7281	**8.8065**	9.7971

A 5% strengthening of RMB against the following currencies as at 31 December 2010 and 2009 would have increased/(decreased) the net profit and retained profit by the amount shown below.

	The Group	
	2010	2009
	RMB'000	*RMB'000*
HKD	**(10,921)**	(544,691)
USD	**12,890**	14,889
EUR	**(26,383)**	(11,603)
	(24,414)	(541,405)

38 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk *(Continued)*

A 5% weakening of RMB against the above currencies as at 31 December 2010 and 2009 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.

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 22 and note 26). The Group's and the Company's listed investments are listed on Shanghai Stock Exchange and Shenzhen Stock Exchange in the PRC and on HKSE. 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.

38 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 2010 and 2009, the financial instruments of the Group and the Company carried at fair value were trading securities and available-for-sale investments. These instruments fall into Level 1 of the fair value hierarchy described above.

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trading securities	**181,418**	—	**—**	—
Available-for-sale investments	**17,042**	23,662	**17,042**	23,662
	198,460	23,662	**17,042**	23,662

38 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 2010 and 2009 except as follows:

The Group

	2010		2009	
	Carrying amount *RMB'000*	Fair value *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Corporate bonds	5,555,720	5,535,342	—	—
Fixed rate long-term loans	1,164,989	1,091,193	159,557	141,321
	6,720,709	6,626,535	159,557	141,321

The Company

	2010		2009	
	Carrying amount *RMB'000*	Fair value *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Corporate bonds	5,555,720	5,535,342	—	—
Fixed rate long-term loans	1,000,000	953,441	—	—
	6,555,720	6,488,783	—	—

(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.

39 COMMITMENTS

(a) Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**8,777,318**	12,904,438	**174,796**	21,237
Authorised but not contracted for	**34,191,557**	17,314,777	**10,013,327**	5,164,989
	42,968,875	30,219,215	**10,188,123**	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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**2,138**	2,218	**—**	—
After 1 year but within 5 years	**5,022**	5,316	**—**	—
After 5 years	**7,050**	9,177	**—**	—
	14,210	16,711	**—**	—

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.

40 CONTINGENT LIABILITIES

(a) Financial guarantees issued

At 31 December, 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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Subsidiaries	—	—	171,097	881,525
Associates and jointly controlled entities	82,458	88,800	82,458	88,800
	82,458	88,800	253,555	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. As at 31 December 2010, the loan balance counter-guaranteed by the Company amounted to RMB36,000,000. 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.

40 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.

41 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 notes 1(b) and 37(b), the principal transactions which were carried out in the ordinary course of business are as follows:

	2010 ***RMB'000***	2009 *RMB'000*
Sales of goods and provide service to		
Guodian Group	**4**	1,534
Fellow subsidiaries	**229,696**	168,179
Associates and jointly controlled entities	**8,500**	20,938

41 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

	2010	2009
	RMB'000	*RMB'000*
Purchase of goods and receive service from		
Guodian Group	**—**	1,936
Fellow subsidiaries	**646,658**	295,125
Associates and jointly controlled entities	**1,245,124**	1,492,548
Working capital provided to/(received from)		
Guodian Group	**2,114**	(10,714)
Fellow subsidiaries	**—**	7,600
Associates and jointly controlled entities	**4,534**	(203,804)
Loan guarantees provided by/(revoked by)		
Guodian Group	**3,981,783**	(6,077,383)
Loan guarantees revoked by		
Associates and jointly controlled entities	**(6,342)**	(79,200)
Loans repayment from/(provided to)		
Associates and jointly controlled entities	**(1,000)**	9,000
Loans received from		
Guodian Group	**(4,000,000)**	—
Interest expenses		
Guodian Group	**51,109**	—
Interest income		
Fellow subsidiaries	**—**	875
Associates and jointly controlled entities	**4,818**	8,312
Deposits placed with/(withdrawn from)		
Fellow subsidiaries	**1,632,300**	(597,268)
Investments in		
Associates and jointly controlled entities	**141,245**	221,462

41 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMB1,632,299,741 as at 31 December 2010 (31 December 2009: RMB nil). Details of the other outstanding balances with related parties are set out in notes 22, 24, 25, 30, 32, and 33.

(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.

41 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:

	2010	2009
	RMB'000	*RMB'000*
Sales of electricity	**8,544,328**	6,403,291
Sales of other products	**375,002**	280,043
Interest income	**35,148**	18,637
Interest expenses	**1,025,076**	1,105,544
Loans received/(repaid)	**(1,455,166)**	11,534,935
Deposits placed with/(withdrawn from)	**(11,797,706)**	15,613,031
Purchase of materials and receiving construction service	**5,867,703**	2,967,206
Service concession construction revenue	**1,450,404**	882,602

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

	2010	2009
	RMB'000	*RMB'000*
Receivables from sales of electricity	**2,631,021**	1,943,373
Receivables from sales of other products	**47,742**	7,611
Bank deposits (including restricted deposits)	**4,165,099**	15,962,805
Borrowings	**29,767,304**	31,222,470
Payable for purchase of materials and receiving construction work service	**1,534,813**	1,049,567

41 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:

	2010	2009
	RMB'000	*RMB'000*
Salaries and other emoluments	**2,144**	1,868
Discretionary bonus	**4,693**	5,308
Retirement scheme contributions	**606**	493
	7,443	7,669

42 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Acquisition of subsidiaries

During the year 2010, the Group acquired certain subsidiaries from third parties for the purpose of expanding business. Acquisition of equity interests in these subsidiaries have been accounted for using the acquisition method of accounting effective from the dates when the subsidiaries were controlled by the Group. Details are as follows:

Company name	**Acquisition date**	**Percentage of interest acquired**	**Cash consideration**
Buerjin Tianrun	September 2010	60%	RMB54,300,000
Jiangsu Yuantai Shipping Co., Ltd.	September 2010	100%	RMB26,536,000
Nantong Hongda Heat and Power Generation Co., Ltd. ("Nantong Hongda") *(note (i))*	August 2010	100%	Nil

42 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

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

	At the acquisition date	
	Carrying value of the acquiree *RMB'000*	**Fair value** *RMB'000*
Cash and cash equivalents	16,305	16,305
Trade debtors and bills receivable	48,359	48,359
Prepayments and other current assets	28,558	28,558
Inventory	482	482
Property, plant and equipment	248,665	259,920
Intangible assets	1,294	1,294
Less: Current liabilities	(6,014)	(6,014)
Non-current liabilities	(220,900)	(220,900)
Net assets	116,749	128,004
Less: Deferred tax liabilities	—	(2,814)
	116,749	125,190

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

	At the acquisition date *RMB'000*
Cash consideration paid	80,836
Cash and cash equivalents acquired	(16,305)
Net outflow of cash and cash equivalents in respect of the acquisitions	64,531

Note:

(i) Nantong Tianshenggang Power Generation Co., Ltd., a subsidiary of the Group, acquired an assoicate of the Group, Nantong Hongda, by issuing capital to the original owners of Nantong Hongda with no cash consideration paid.

42 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(Continued)*

(b) Major non-cash transactions

	2010	2009
	RMB'000	*RMB'000*
Distributions to Guodian Group pursuant to the Reorganisation	—	2,150

43 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 aging 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.

43 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, goodwill 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.

43 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) Provision for guarantees

Provision for outstanding guarantees is recognised if it becomes 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.

(g) Non-current assets held for sale

Non-current assets held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. The Group uses all readily available information in determining an amount that is reasonable approximation of fair value such as the selling price of similar assets exchanged in an arm's length transaction.

44 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.

45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the group:

	Effective for accounting periods beginning on or after
Revised IAS 24, Related party disclosures	1 January 2011
IFRS 9, Financial Instruments	1 January 2013
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Amendments to IAS 12, Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments 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.

46 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.

47 SUBSEQUENT EVENTS

On 20 January 2011, Nantong Tianshenggang Power Generation Co., Ltd. issued a short-term debenture of RMB400 million at par with a coupon rate of 4.35% per annum. The bonds will be mature in one year.

On 19 January 2011, the Company issued a five-year corporate bond of RMB1,500 million at par with a coupon rate of 4.89% per annum and a ten-year corporate bond of RMB1,500 million at par with a coupon rate of 5.04% per annum, which are guaranteed by Guodian Group.

Glossary of Terms

"approved capacity"	the capacity of our projects approved by NDRC or the relevant provincial Development and Reform Commission based on the estimated capacity to be reached after construction work of the projects is completed and the projects become fully operational
"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
"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
"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)
"biomass"	plant material, vegetation, or agricultural waste used as a fuel or energy source
"capacity factor"	the ratio (expressed as a percentage) of the gross amount of electricity generated by a power plant in a given period to the product of the number of hours in the given period multiplied by the plant's installed capacity

"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
"Company", "our Company", "we" or "us"	龍源電力集團股份有限公司(China Longyuan Power Group Corporation Limited)
"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
"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 do not include the capacity of our associated companies
"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
"Group"	China Longyuan Power Group Corporation Limited and its subsidiaries

"Guodian Finance"	國電財務有限公司(Guodian Finance Corporation Ltd.)
"Guodian Group"	中國國電集團公司(China Guodian Corporation)
"GW"	unit of energy, gigawatt. 1GW = 1,000MW
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"kW"	unit of energy, kilowatt. 1 kW = 1,000 watts
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"MW"	unit of energy, megawatt. 1 MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"NDRC"	中華人民共和國國家發展和改革委員會(National Development and Reform Commission of the People's Republic of China)
"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 Development and Reform Commission and detailed engineering and construction blueprints have been completed
"renewable energy sources"	sustainable sources that are regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight
"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

Corporate Information

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THE COMPANY'S NAME IN ENGLISH

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