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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)

Results Announcement For The Year Ended 31 December 2010

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2010, revenue amounted to RMB14,213 million, representing an increase of 45.9% over last year

- For the year ended 31 December 2010, profit before taxation amounted to RMB3,211 million, representing an increase of 65.2% over last year

- For the year ended 31 December 2010, net profit attributable to shareholders of the Company amounted to RMB2,019 million, representing an increase of 125.8% over last year

- For the year ended 31 December 2010, earnings per share amounted to RMB0.2704, representing an increase of 55.4% over last year

The board of directors (the "Board") of China Longyuan Power Group Corporation Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with comparative figures for the corresponding period in 2009. The results were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements under the Hong Kong Companies Ordinance.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Renminbi unless otherwise stated)

	Note	**2010**	2009
		RMB'000	*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

	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	9	**(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)*	10	**27.04**	17.40

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2010

(Expressed in Renminbi unless otherwise stated)

	Note	**2010**	2009
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**50,641,640**	37,304,544
Investment properties		**101,345**	132,874
Lease prepayments		**876,466**	740,978
Intangible assets		**7,661,058**	6,086,215
Goodwill		**11,541**	—
Investments in associates and jointly controlled entities		**1,314,571**	799,029
Other assets		**3,458,936**	2,318,594
Deferred tax assets		**205,845**	204,662
Total non-current assets		**64,271,402**	47,586,896
Current assets			
Inventories		**632,353**	332,897
Trade debtors and bills receivable	11	**3,474,335**	2,180,667
Prepayments and other current assets		**1,502,031**	853,398
Tax recoverable		**19,969**	5,256
Trading securities		**181,418**	—
Restricted deposits		**245,425**	491,654
Cash at bank and on hand		**4,089,242**	16,502,934
Assets held for sale		**217,363**	—
Total current assets		**10,362,136**	20,366,806

	Note	2010 *RMB'000*	2009 *RMB'000*
Current liabilities			
Borrowings		**17,200,085**	17,087,069
Trade creditors and bills payable	12	**1,515,340**	1,943,103
Other payables		**6,004,277**	4,521,449
Tax payable		**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
Non-current liabilities			
Borrowings		**19,974,660**	16,219,301
Obligations under finance leases		**—**	50,000
Deferred income		**2,225,456**	2,267,661
Deferred tax liabilities		**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		**7,464,289**	7,464,289
Reserves		**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

NOTES:

1 STATEMENT OF COMPLIANCE

The Group's financial statements included in the annual 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 the Stock Exchange of Hong Kong Limited.

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. 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 are reflected in these financial statements.

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

2 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 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.

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.

3 SEGMENT REPORTING

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

— Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.

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

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

(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.

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**

For the year ended 31 December 2009:

	Wind power	**Coal power**	**All others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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

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

	2010	2009
	RMB'000	*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

	2010	2009
	RMB'000	*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.

(d) Major customers

Revenue from the 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 government of the People's Republic of China (the "PRC").

4 REVENUE

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

	2010	2009
	RMB'000	*RMB'000*
Sales of electricity	**8,544,328**	6,466,610
Sales of steam	**310,974**	230,315
Service concession construction revenue	**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	2009
	RMB'000	*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	**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	**—**	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	2009
	RMB'000	*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	2009
	RMB'000	*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	2009
	RMB'000	*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	**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.

(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.

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

	2010	2009
	RMB'000	*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 OTHER COMPREHENSIVE INCOME

	2010	2009
	RMB'000	*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	**2,798**	—
Net of tax amount	**(8,395)**	—
Other comprehensive (losses)/income	**(11,548)**	5,643

10 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. The weighted average number of shares in issue is set out below:

	2010	2009
	Thousands shares	*Thousands shares*
Issued ordinary shares at 1 January	**7,464,289**	—
Shares issued to China Guodian Group Corporation ("Guodian Group") and Guodian Northeast Electric Power Co., Ltd. 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.

11 TRADE DEBTORS AND BILLS RECEIVABLE

	2010	2009
	RMB'000	*RMB'000*
Amounts due from third parties	**3,417,006**	2,147,835
Amounts due from Guodian Group	**—**	497
Amounts due from fellow subsidiaries	**62,936**	34,714
Amounts due from associates	**2,854**	4,660
	3,482,796	2,187,706
Less: allowance for doubtful debts	**(8,461)**	(7,039)
	3,474,335	2,180,667

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

	2010	2009
	RMB'000	*RMB'000*
Current	**3,472,249**	2,179,292
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
	3,482,796	2,187,706
Less: allowance for doubtful debts	**(8,461)**	(7,039)
	3,474,335	2,180,667

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.

12 TRADE CREDITORS AND BILLS PAYABLE

	2010	2009
	RMB'000	*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.

13 DIVIDENDS

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

	2010	2009
	RMB'000	*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	2009
	RMB'000	*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.

14 SUBSEQUENT EVENTS

On 20 January 2011, Nantong Tianshenggang Power Generation Co., Ltd., a subsidiary of the Company, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 National Development and Reform Commission of the PRC. 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.

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 Executive Board ("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 Center (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 Center 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 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.

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. (煙臺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

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.

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.

FINAL DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.054 per share (tax inclusive) in cash for the year ended 31 December 2010 to shareholders whose names appear on the Company's register of members as at 6 May 2011. Subject to the shareholders' approval at the annual general meeting of the Company to be held on 6 May 2011 (the "AGM"), the said final dividend will be paid on or before 6 August 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 April 2011 to Friday, 6 May 2011, both days inclusive. To be eligible to receive the above-mentioned final dividend and to attend and vote at the AGM, all share transfers must be lodged by holders of H shares of the Company with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 4 April 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2010, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding all directors' and supervisors' dealings in the Company's securities. Having made specific enquiry with the directors and supervisors of the Company, all directors and supervisors confirmed that they had strictly complied with the required standards set out in the Model Code during the reporting period.

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 the Company's international and domestic auditors, respectively, for the year ended 31 December 2010. The 2010 financial statements of the Company 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. A resolution to reappoint KPMG and RSM China Certified Public Accountants Co., Ltd. as the Company's international and domestic auditors respectively will be proposed at the AGM.

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.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

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

The Company's 2010 annual report containing all the information required under the Listing Rules will be despatched to the relevant shareholders and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

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

Beijing, PRC, 15 March 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Xie Changjun, Mr. Tian Shicun and Mr. Wang Liansheng; the non-executive Directors are Mr. Zhu Yongpeng, Mr. Wang Baole and Mr. Luan Baoxing; and the independent non-executive Directors are Mr. Li Junfeng, Mr. Zhang Songyi and Mr. Meng Yan.

* *For identification purpose only*