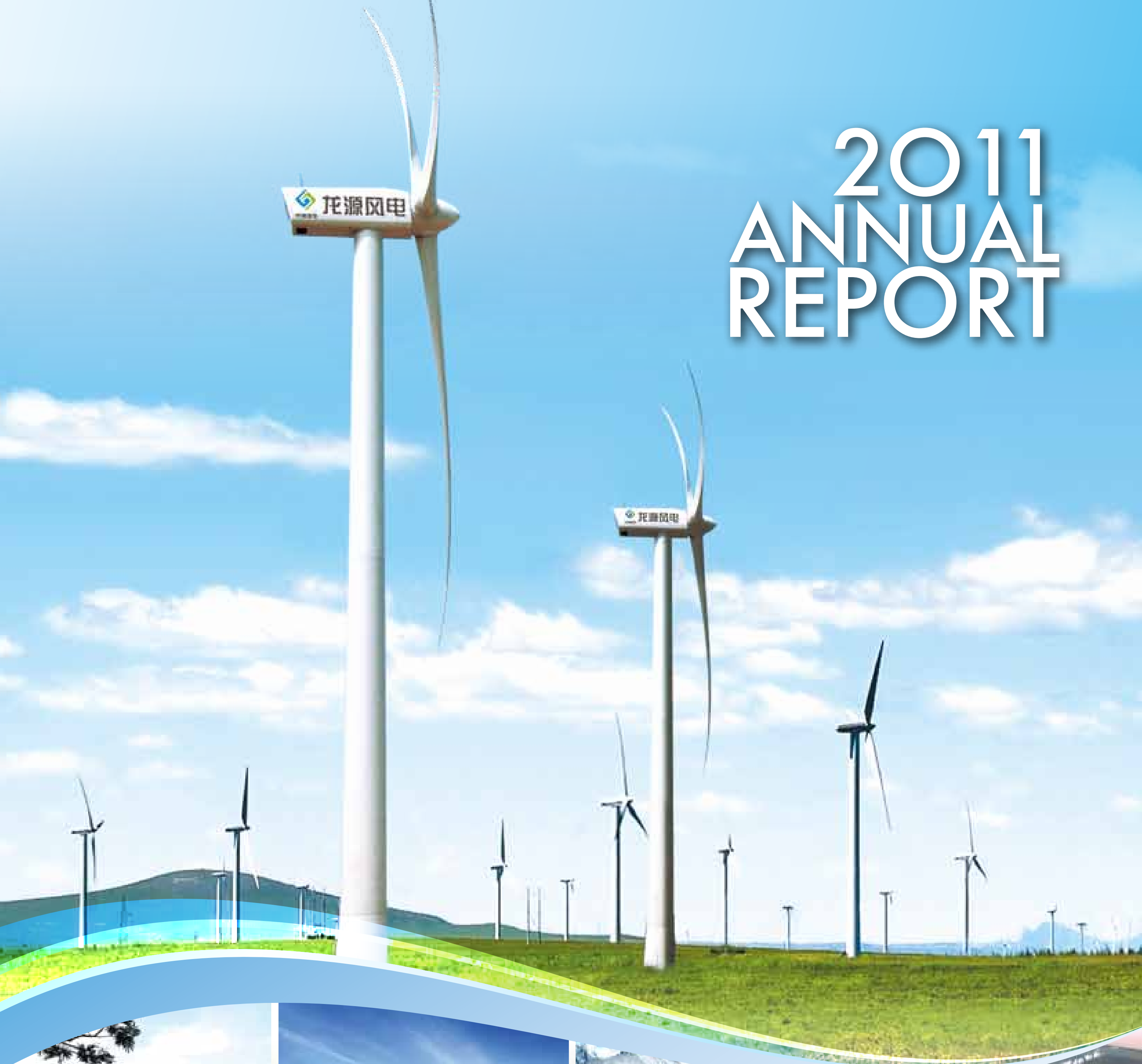
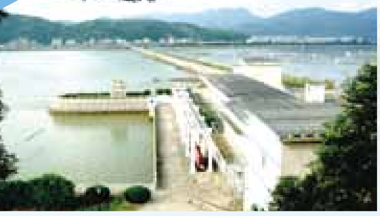
龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited*

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

Stock Code: 00916

2011 ANNUAL REPORT





For identification purpose only

CONTENTS

Chairman's Statement

Dear Shareholders,

2011 heralded the start of China's "Twelfth Five-Year Plan" and was a pivotal year for the Group's development. Notwithstanding the hostile business conditions, all of our management members and staff exerted all efforts in corporate governance in an industrious and enterprising manner, which brought remarkable results. The year saw continuous improvement in the Group's business layout, steady rise in operation efficacy, improved management and stronger core competitiveness. All these have laid solid foundation for the Group's sound and sustainable development in the long run.

In 2011, the Group enhanced its profitability steadily, with net profit attributable to shareholders amounting to RMB2,638 million and total assets amounting to RMB90,107 million throughout the year. We proceeded to optimise the layout of our new energy business and fostered preliminary development and project construction of wind power. With consolidated installed capacity of wind power as high as 8,598 MW, we rank first in Asia and solar PV development has also reached a certain scale. In 2011, the Group continued to be the pioneer and forerunner in the industry, and outperformed its national peers across various aspects, ranging from overseas wind power development, innovation of technology for offshore wind power project construction, to facilitating construction of wind farms in areas with high altitude and low wind speed. The Group conscientiously delivered on its commitment to energy conservation and emission reduction. 13,524 million kWh of green electricity was delivered during the year, representing an emission reduction of 13.52 million tons of carbon dioxide and saving of 4.06 million tons of coal equivalent.

Of late, in spite of various difficulties in the world economy, new energy development in China also faced challenges to a certain extent. Overall speaking, however, the state has been more determined to expedite restructuring of its energy profile and progress of energy conservation and emission reduction during the period of the "Twelfth Five-Year Plan". In this respect, new energy developments is still of ample opportunities. To cope with the new circumstances and new requirements, the Group will expedite corporate transformation, explore its potential of efficiency enhancement and strengthen internal management. All these will help enhance its profitability, risk aversion capabilities, technological innovation and sustainability as a whole and thus quicken its pace of developing itself into a leading international listed new energy company.

There has been a global consensus among nations that there is a need to develop new energy, promote energy conservation as well as emission reduction and combat global warming, and the robust development of a low-carbon economy has, historically, become an inevitable trend. The Group will continue to expedite corporate transformation and strengthen its leading presence in the wind power industry by tapping into new energy development. It will adhere to and promote its corporate culture and honest business practices whilst leveraging exploration and innovation to gain new heights in 2012. We will strive for more outstanding performance to reward our investors, the state and the society.

Zhu Yongpeng
Chairman of the Board

President's Statement

Dear Shareholders,

In 2011, the Group committed itself to implementing the concept of scientific development. It adhered to its first and foremost mission- development-and managed to organise and align resources development with environmental protection, the pace of development with quality of construction as well as the increase in scale with economic efficiencies in the course of development, thus achieved sound and sustainable development.

CONTINUOUSLY ESCALATING ECONOMIC RESULTS

In 2011, the Group's total assets amounted to RMB90,107 million, among which its net assets amounted to RMB29,866 million and its net gearing ratio was 59.6%. The consolidated operating revenue for the year amounted to RMB15,366 million (excluding revenue from service concession project construction), representing an increase of 20.4% as compared to that of 2010. Net profit attributable to shareholders amounted to RMB2,638 million, representing an increase of 31.0% as compared with that of 2010. Earnings per share amounted to RMB35.34 cents, representing an increase of RMB8.37 cents as compared to RMB26.97 cents for 2010.

SUBSTANTIAL INCREASE IN INSTALLED CAPACITY

As of the end of 2011, the consolidated installed capacity of the Group hurdled over 10,000 MW to 10,573 MW, including 8,598 MW from wind power generation, 1,875 MW from coal power generation, 70 MW from solar PV generation, 24 MW from biomass generation, 3.9 MW from tidal power generation and 2 MW from geothermal energy generation.

ACHIEVEMENT IN INCREASING POWER GENERATION

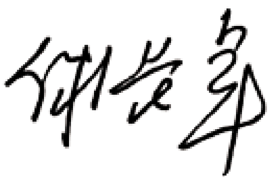
In 2011, the Group generated cumulative gross electrical output of 25,273 million kWh, representing an increase of 17.26% year on year and a new historic high, of which wind power generation, power generation from other renewable energy sources and coal power increased by 32.30%, 59.26% and 3.49%, respectively.

STEADY PROGRESS OF PROJECT CONSTRUCTION

In 2011, facing the adverse conditions, the Group placed great emphasis on the quality of project construction. By steadily pushing project construction forward, it reached the target of commissioning 2,000 MW of wind power capacity for the year. In 2011, the Group's newly commissioned wind power projects accounted for 2,042 MW while solar PV projects accounted for 58 MW.

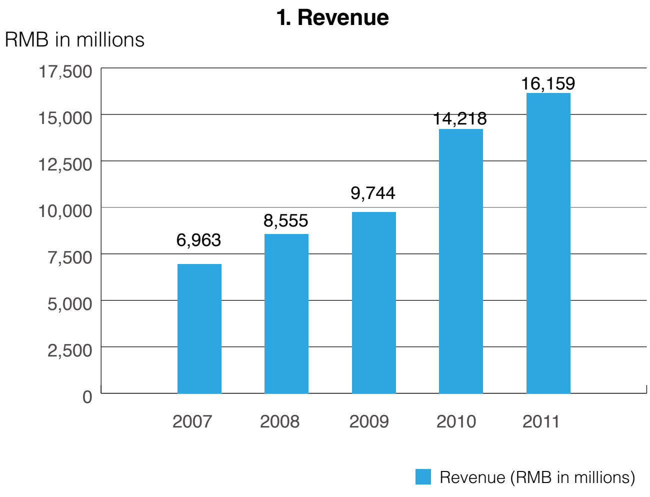
Year 2011 was a year of blazing new trails and forging ahead. As part of its "going out" strategy, the Group entered into a share purchase agreement in respect of the 100 MW wind power project with Canada's Farm Owned Power (Melancthon) Ltd., thus becoming the first state-owned power generation enterprise in China to invest in new energy project overseas. Year 2011 was a year of innovation, during which the Group established a 131 MW offshore (inter-tidal) wind farm in Rudong, Jiangsu, the largest of its kind across the nation. The Group also had a full grasp of key technology of single pile-sinking construction for offshore wind farms (海上風電單樁沉樁). It also customised specific construction equipment and special operation vessels which created important prerequisite for large-scale offshore wind power development in the future. In addition, year 2011 was a year of breakthrough, during which the Group leveraged its technological edges to foster wind power development in regions with high altitude and low wind speed in China. As a result, 2 projects in high altitude areas were commissioned and put into operation successively, and the first large-scale wind farm with low wind speed in China was built. All these served as the paradigm of the development and exploitation of wind power resources in inland regions of China. Further, year 2011 was a year of diversified development, during which the Group established a solar PV station at Tibetan Plateau, where the solar PV station is of the highest altitude in the world, indicating a certain scale of established solar PV project development. Year 2011 was yet another year of legends. In line with international policies, the Group had 52 newly registered CDM projects throughout the year, which increased the total number of CDM projects to 107 projects. With an installed capacity of 6,052 MW, the Group was able to secure its industry-leading presence.

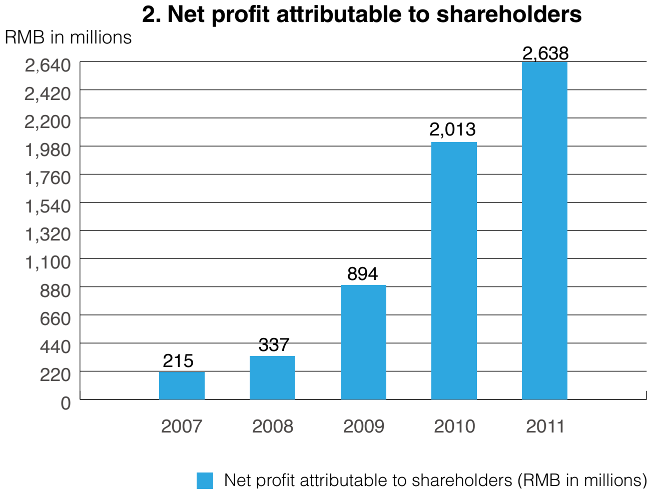
I would like to express our appreciation to each shareholder for their unwavering support. In 2012, the Group will move forward in a down-to-earth and prudent manner, in adherence to the general guidelines of "focusing on a major policy, aspiring for two breakthroughs, improving three systems, making four endeavors and ensuring five missions accomplished", in an attempt to achieve greater success in 2012.

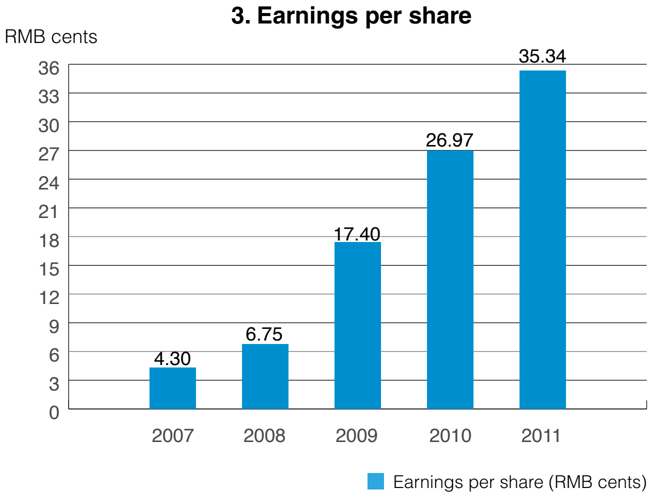


Xie Changjun
President

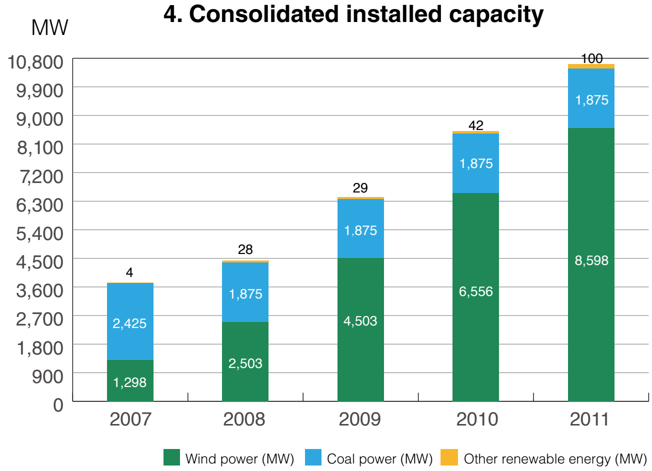
Key Operating and Financial Data



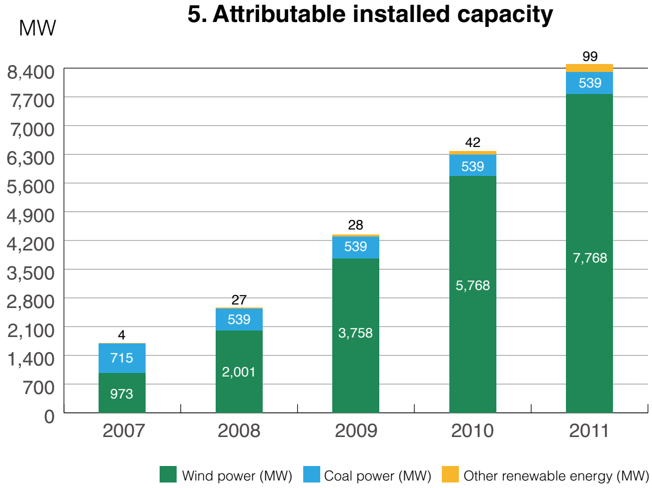




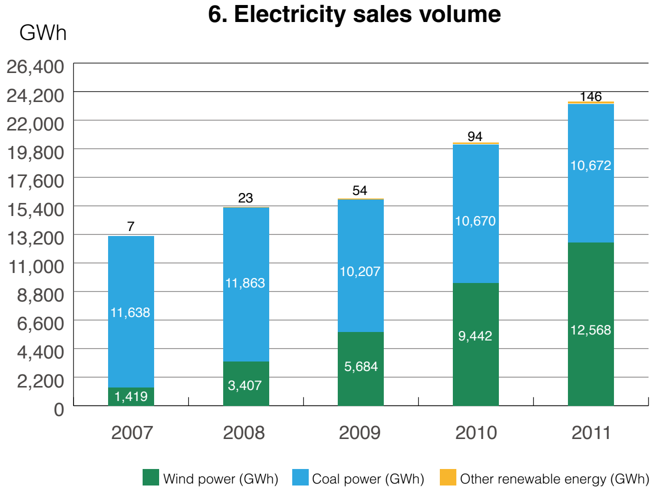
4. Consolidated installed capacity



5. Attributable installed capacity



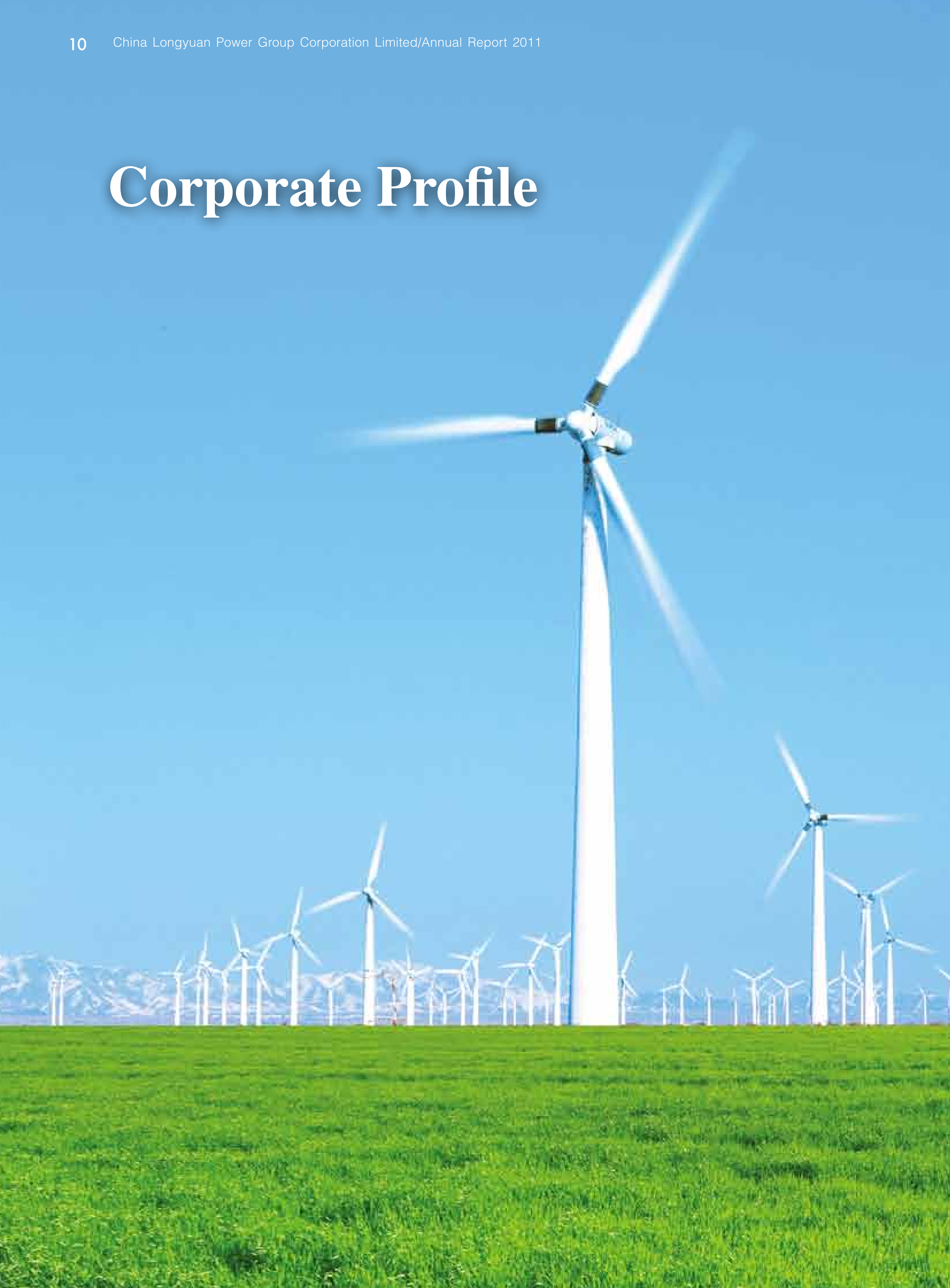
6. Electricity sales volume



	2007 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*	2010 *RMB'000*	2011 *RMB'000*
Revenue	6,963,086	8,554,654	9,743,707	14,217,670	**16,159,438**
Profit before taxation	772,807	615,991	1,943,596	3,200,242	**3,609,457**
Income tax	(60,394)	(2,082)	(296,490)	(439,283)	**(304,964)**
Profit for the year	712,413	613,909	1,647,106	2,760,959	**3,304,493**
Attributable to:					
Shareholders/equity owners of the Company	215,035	337,448	894,126	2,013,439	**2,637,989**
Non-controlling equity owners	497,378	276,461	752,980	747,520	**666,504**
Total comprehensive income for the year	731,980	596,294	1,652,749	2,749,411	**3,289,760**
Attributable to:					
Shareholders/equity owners of the Company	234,602	319,833	899,769	2,001,891	**2,623,256**
Non-controlling equity owners	497,378	276,461	752,980	747,520	**666,504**
Basic and diluted earnings per share *(RMB cents)*	4.30	6.75	17.40	26.97	**35.34**

	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
Total non-current assets	20,235,571	31,168,950	47,586,896	64,282,879	**77,132,523**
Total current assets	3,089,525	4,880,457	20,366,806	10,392,081	**12,974,307**
TOTAL ASSETS	23,325,096	36,049,407	67,953,702	74,674,960	**90,106,830**
Total current liabilities	9,505,814	9,412,916	23,691,836	24,945,297	**26,345,362**
Total non-current liabilities	8,291,317	19,563,626	18,581,892	22,304,423	**33,895,817**
TOTAL LIABILITIES	17,797,131	28,976,542	42,273,728	47,249,720	**60,241,179**
NET ASSETS	5,527,965	7,072,865	25,679,974	27,425,240	**29,865,651**
Total equity attributable to the shareholders/equity owners of the Company	2,865,371	3,875,329	21,899,807	23,281,334	**25,490,208**
Non-controlling equity owners	2,662,594	3,197,536	3,780,167	4,143,906	**4,375,443**
TOTAL EQUITY	5,527,965	7,072,865	25,679,974	27,425,240	**29,865,651**

Corporate Profile



Established in January, 1993 and formerly known as China Longyuan Electric Power Group Corporation, the Company was initially established as a state-owned company specializing in thermal-power investment and operation as well as thermal-power technical transformation for cleaner production. Following the implementation of environmental protection policies and new energy policies of the State, the Company capitalised on such opportunity to set foot in the wind power industry, which makes it one of the earliest power enterprises engaging in new energy development in China, and was officially restructured into China Longyuan Power Group Corporation Limited upon approval by the SASAC of the State Council 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. Meanwhile, the Group also operates other power projects such as coal, solar, tidal, biomass and geothermal power. At the same time, the Company also provides consulting, repairing, maintenance, training and other professional services to wind farms. As of the end of 2011, the consolidated installed capacity of the Group was 10,573 MW, among which the installed capacity of our wind power business was 8,598 MW. As such, it continued to rank No.1 in Asia and China. Apart from its installed capacity and operating efficacy, the Group was also the leader of various new aspects of development such as expansion into overseas markets, offshore wind power and wind power projects at areas with high altitude and low wind speed. As of the end of 2011, the wind power pipeline capacity of the Group accumulated to 63 GW.

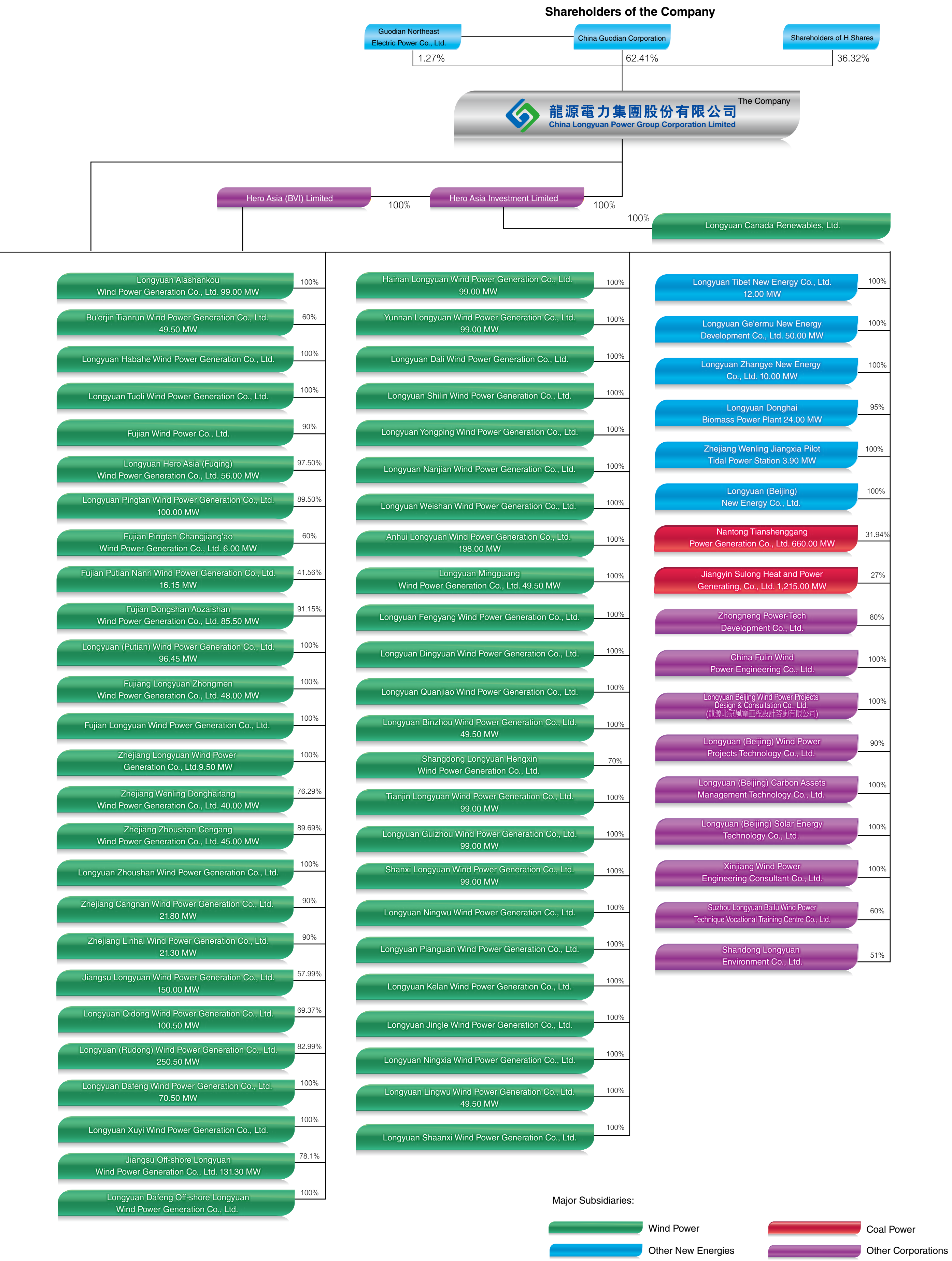
Subsequent to years of development, the Group has gradually established the supporting system of its ten major wind power technical services, forming its unique advantages in areas such as preliminary wind inspection, consulting and designing, equipment procurement, operation and supervision, examination and maintenance, technological R&D and professional training. Additionally, the Company has established the "National Wind Power Operation Technology R&D Centre" (國家能源風電運營技術研發中心) after being licensed by the National Energy Administration, and has become the only power enterprise which is in possession of a national R&D centre for wind power among the five power groups. Having been approved by the Ministry of Human Resources and Social Security, the Company has 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) to test and provide training for highly professional technicians in the industry of wind power, which secured the Group's sustainability in a reliable manner.

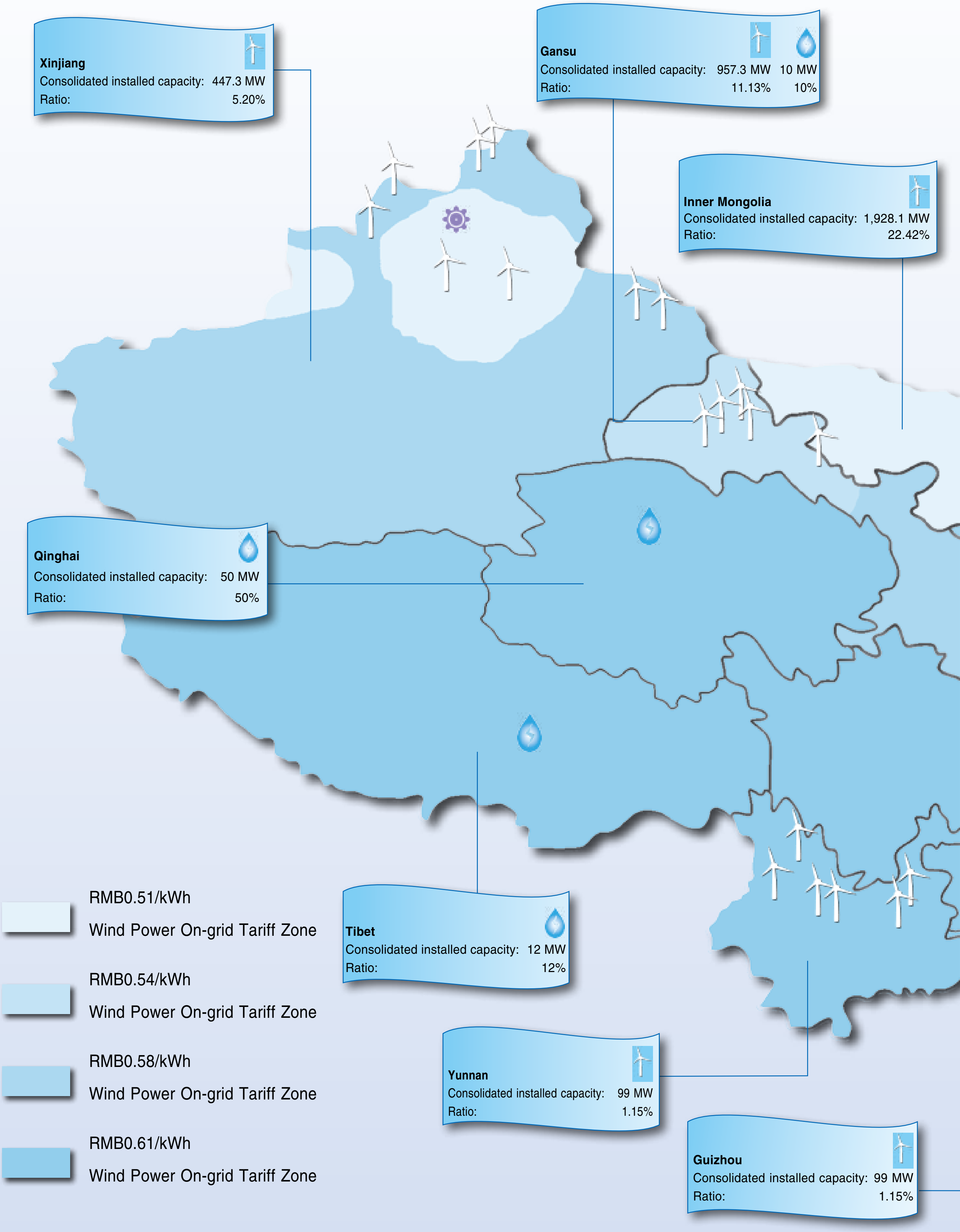
Corporate Structure

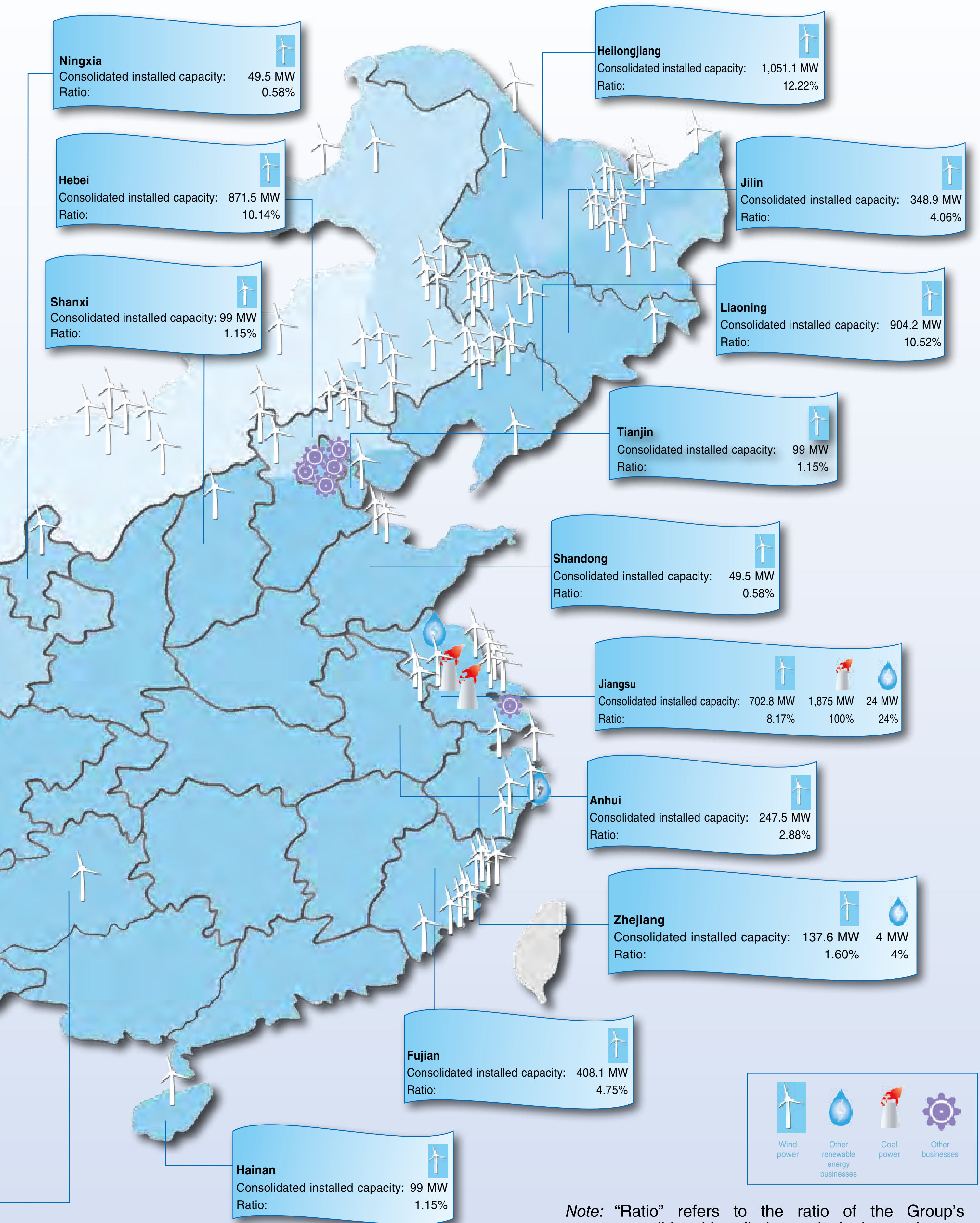
100%	Longyuan (Bayannur) Wind Power Generation Co., Ltd. 246.90 MW
100%	Longyuan (Baotou) Wind Power Generation Co., Ltd. 201.00 MW
100%	Longyuan (Siziwang) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan Damao Wind Power Generation Co., Ltd. 99.00 MW
100%	Longyuan (Inner Mongolia) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan (Wulatehou Banner) Wind Power Generation Co., Ltd. 99.00 MW
100%	Longyuan (Wulatezhong Banner) Wind Power Generation Co., Ltd.
100%	Longyuan Shangdu Wind Power Generation Co., Ltd.
100%	Longyuan Xinghe 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. 99.90 MW
100%	Longyuan (Wengniute) New Energy Co., Ltd. 192.00 MW
100%	Longyuan (Kezuohou Banner) Wind Power Generation Co., Ltd. 148.50 MW
100%	Longyuan Ningcheng Wind Power Generation Co., Ltd.
100%	Chifeng Longyuan (Songshan) Wind Power Generation Co., Ltd.
100%	Longyuan (Xing'anmeng) Wind Power Co., Ltd. 99.00 MW
100%	Longyuan (Tuquan) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan (Keyouzhou Banner) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan (Keyouqian Banner) Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan Hulunbuir Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan (Manzhouli) Wind Power Generation Co., Ltd. 49.60 MW
100%	Longyuan (Ergun) Wind Power Generation Co., Ltd. 49.60 MW
100%	Longyuan (Xilinhaote) Wind Power Generation Co., Ltd.
100%	Longyuan (Zhenglanqi) Wind Power Generation Co., Ltd.

55%	Yichun Xing'anling Wind Power Generation Co., Ltd. 74.80 MW
40%	Yichun Longyuan Wind Power Generation Co., Ltd. 49.30 MW
40%	Huanan Longyuan Wind Power Generation Co., Ltd. 139.60 MW
100%	Huanan Longyuan Hero Asia Wind Power Generation Co., Ltd. 93.00 MW
100%	Yichun Longyuan Hero Asia Wind Power Co., Ltd. 99.00 MW
51%	Hailin Longyuan Wind Power Generation Co., Ltd. 20.40 MW
100%	Fuyuan Longyuan Wind Power Generation Co., Ltd. 31.50 MW
57%	Yilan Longyuan Huineng Wind Power Generation Co., Ltd. 98.60 MW
95%	Hegang Longyuan Wind Power Generation Co., Ltd. 49.30 MW
100%	Shuangyashan Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%	Yichuan Longyuan Jinshan Wind Power Generation Co., Ltd 98.60 MW
100%	Heihe Longyuan Wind Power Generation Co., Ltd. 99.00 MW
100%	Keshan Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%	Daqing Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%	Kedong Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%	Harbin Longyuan Wind Power Generation Co., Ltd.
100%	Yilan Sanjiang Wind Power Generation Co., Ltd.
70%	Hailin Chenguang Wind Power Generation Co., Ltd.
100%	Tieli Longyuan 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 (Tongyu) Wind Power Generation Co., Ltd. 49.30 MW
100%	Longyuan (Changling) Wind Power Generation Co., Ltd. 99.00 MW
100%	Longyuan Gongzhuling Wind Power Generation Co., Ltd.
90%	Tongyu Xingfa Wind Power Generation Co., Ltd.
100%	Yanbian Longyuan Wind Power Generation Co., Ltd.

100%	Longyuan (Nong'an) Wind Power Generation Co., Ltd.
100%	Longyuan Tongyu Xinglongshan Wind Power Generation Co., Ltd.
100%	Longyuan Yitong Wind Power Generation Co., Ltd.
67.14%	Dandong Haiyanghong Wind Power Generation Co., Ltd. 21.00 MW
98.62%	Shenyang Longyuan Wind Power Generation Co., Ltd. 141.30 MW
100%	Longyuan Shenyang Wind Power Generation Co., Ltd. 247.30 MW
100%	Tieling Longyuan Wind Power Generation Co., Ltd. 98.60 MW
100%	Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd. 198.00 MW
100%	Longyuan Kangping Wind Power Generation Co., Ltd. 198.00 MW
100%	Longyuan Fuxin Wind Power Generation Co., Ltd.
100%	Liaoning Longyuan Wind Power Generation Co., Ltd.
50%	Hebei Weichang Longyuan Construction and Investment Wind Power Generation Co., Ltd. 99.00 MW
55%	Longyuan Jiantou (Chengde Weichang) Wind Power Generation Co., Ltd. 49.50 MW
55%	Hebei Jiantou (Chengde) Wind Power Generation Co., Ltd. 99.00 MW
100%	Hebei Longyuan Wind Power Generation Co., Ltd. 199.50 MW
100%	Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 325.50 MW
100%	Longyuan (Zhangbei) Wind Power Generation Co., Ltd. 99.00 MW
68.29%	Gansu Jieyuan Wind Power Generation Co., Ltd. 307.80 MW
54.54%	Gansu Xin'an Wind Power Generation Co., Ltd. 99.00 MW
100%	Longyuan (Jiuquan) Wind Power Generation Co., Ltd. 201.00 MW
100%	Gansu Longyuan Wind Power Generation Co., Ltd. 300.00 MW
100%	Longyuan Subei Wind Power Generation Co., Ltd. 49.50 MW
59.52%	Xinjiang Tianfeng Power Generation Joint Stock Company 249.30 MW
100%	Xinjiang Longyuan Wind Power Generation Co., Ltd. 49.50 MW
100%	Longyuan Balikun Wind Power Generation Co., Ltd.
100%	Longyuan Hami New Energy Co., Ltd.


Shareholders of the Company
Guodian Northeast Electric Power Co., Ltd.
1.27%
China Guodian Corporation
62.41%
Shareholders of H Shares
36.32%
The Company
龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited
Hero Asia (BVI) Limited
100%
Hero Asia Investment Limited
100%
100%
Longyuan Canada Renewables, Ltd.
Longyuan Alashankou Wind Power Generation Co., Ltd. 99.00 MW
100%
Bu'erjin Tianrun Wind Power Generation Co., Ltd. 49.50 MW
60%
Longyuan Habahe Wind Power Generation Co., Ltd.
100%
Longyuan Tuoli Wind Power Generation Co., Ltd.
100%
Fujian Wind Power Co., Ltd.
90%
Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd. 56.00 MW
97.50%
Longyuan Pingtan Wind Power Generation Co., Ltd. 100.00 MW
89.50%
Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. 6.00 MW
60%
Fujian Putian Nanri Wind Power Generation Co., Ltd. 16.15 MW
41.56%
Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd. 85.50 MW
91.15%
Longyuan (Putian) Wind Power Generation Co., Ltd. 96.45 MW
100%
Fujiang Longyuan Zhongmen Wind Power Generation Co., Ltd. 48.00 MW
100%
Fujian Longyuan Wind Power Generation Co., Ltd.
100%
Zhejiang Longyuan Wind Power Generation Co., Ltd.9.50 MW
100%
Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. 40.00 MW
76.29%
Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd. 45.00 MW
89.69%
Longyuan Zhoushan Wind Power Generation Co., Ltd.
100%
Zhejiang Cangnan Wind Power Generation Co., Ltd. 21.80 MW
90%
Zhejiang Linhai Wind Power Generation Co., Ltd. 21.30 MW
90%
Jiangsu Longyuan Wind Power Generation Co., Ltd. 150.00 MW
57.99%
Longyuan Qidong Wind Power Generation Co., Ltd. 100.50 MW
69.37%
Longyuan (Rudong) Wind Power Generation Co., Ltd. 250.50 MW
82.99%
Longyuan Dafeng Wind Power Generation Co., Ltd. 70.50 MW
100%
Longyuan Xuyi Wind Power Generation Co., Ltd.
100%
Jiangsu Off-shore Longyuan Wind Power Generation Co., Ltd. 131.30 MW
78.1%
Longyuan Dafeng Off-shore Longyuan Wind Power Generation Co., Ltd.
100%
Hainan Longyuan Wind Power Generation Co., Ltd. 99.00 MW
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 Yongping Wind Power Generation Co., Ltd.
100%
Longyuan Nanjian Wind Power Generation Co., Ltd.
100%
Longyuan Weishan Wind Power Generation Co., Ltd.
100%
Anhui Longyuan Wind Power Generation Co., Ltd. 198.00 MW
100%
Longyuan Mingguang Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan Fengyang Wind Power Generation Co., Ltd.
100%
Longyuan Dingyuan Wind Power Generation Co., Ltd.
100%
Longyuan Quanjiao Wind Power Generation Co., Ltd.
100%
Longyuan Binzhou Wind Power Generation Co., Ltd. 49.50 MW
100%
Shangdong Longyuan Hengxin Wind Power Generation Co., Ltd.
70%
Tianjin Longyuan Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Guizhou Wind Power Generation Co., Ltd. 99.00 MW
100%
Shanxi Longyuan Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Ningwu Wind Power Generation Co., Ltd.
100%
Longyuan Pianguan Wind Power Generation Co., Ltd.
100%
Longyuan Kelan Wind Power Generation Co., Ltd.
100%
Longyuan Jingle Wind Power Generation Co., Ltd.
100%
Longyuan Ningxia Wind Power Generation Co., Ltd.
100%
Longyuan Lingwu Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan Shaanxi Wind Power Generation Co., Ltd.
100%
Longyuan Tibet New Energy Co., Ltd. 12.00 MW
100%
Longyuan Ge'ermu New Energy Development Co., Ltd. 50.00 MW
100%
Longyuan Zhangye New Energy Co., Ltd. 10.00 MW
100%
Longyuan Donghai Biomass Power Plant 24.00 MW
95%
Zhejiang Wenling Jiangxia Pilot Tidal Power Station 3.90 MW
100%
Longyuan (Beijing) New Energy Co., Ltd.
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%
Zhongneng Power-Tech Development Co., Ltd.
80%
China Fulin Wind Power Engineering Co., Ltd.
100%
Longyuan Beijing Wind Power Projects Design & Consultation Co., Ltd. (龍源北京風電工程設計咨詢有限公司)
100%
Longyuan (Beijing) Wind Power Projects Technology Co., Ltd.
90%
Longyuan (Beijing) Carbon Assets Management Technology Co., Ltd.
100%
Longyuan (Beijing) Solar Energy Technology Co., Ltd.
100%
Xinjiang Wind Power Engineering Consultant Co., Ltd.
100%
Suzhou Longyuan Bailu Wind Power Technique Vocational Training Centre Co., Ltd.
60%
Shandong Longyuan Environment Co., Ltd.
51%
Major Subsidiaries:
Wind Power
Coal Power
Other New Energies
Other Corporations


Xinjiang
Consolidated installed capacity: 447.3 MW
Ratio: 5.20%
Gansu
Consolidated installed capacity: 957.3 MW 10 MW
Ratio: 11.13% 10%
Inner Mongolia
Consolidated installed capacity: 1,928.1 MW
Ratio: 22.42%
Qinghai
Consolidated installed capacity: 50 MW
Ratio: 50%
Tibet
Consolidated installed capacity: 12 MW
Ratio: 12%
Yunnan
Consolidated installed capacity: 99 MW
Ratio: 1.15%
Guizhou
Consolidated installed capacity: 99 MW
Ratio: 1.15%
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 2011

From 27 to 28 January, the Group held its First Session of the Third Meeting of the Labour Union and the 2011 Work Meeting. The meeting summarized the work performed in 2010 as well as the major results and experience acquired during the "Eleventh Five-Year", analysed the latest trends, and confirmed development objectives for the "Twelfth Five-Year" and focus of work in 2011.

On 10 May, Longyuan Lai'an Wind farm (200 MW) Project (龍源來安風電場(20萬千瓦)項目) was completed and its opening ceremony was held in Lai'an County, Anhui Province, indicating that the first large wind farm with low wind speed in China had been completed and put into operation.

On 16 May, the Group initiated the "Green Care Action" to reinforce its efforts in innovation and quality enhancement and to procure enterprise construction in harmony with the society for reputed enterprise image and for the acceleration of the development progress as an internationally superior listed new energy company.

From 7 to 9 June, the Company participated in the Energex Africa and Generator World 2011 held in South Africa. During the exhibition, the Company had drawn the attention of African countries by its remarkable achievements and keen competitiveness in the field of new energy power generation.

On 21 June, the Company held the launching ceremony of the 150 MW offshore (intertidal zone) pilot wind power project in Rudong County, Jiangsu Province, which marked the beginning of large-scale development of China's offshore wind power.

On 13 July, the Longyuan Canada Renewables Ltd., a subsidiary of the Company, signed a share purchase agreement in respect of the wind power projects in Canada with Canada's Farm Owned Power (Melancthon) Ltd. in Beijing. Such project was the first overseas project invested by Guodian Group for the purpose of developing new energy, which represented a milestone of the Company's "going out" strategy.

On 10 August, the first 2011 extraordinary general meeting of the Company was held in Beijing, at which Mr. Qiao Baoping was elected as the supervisor of the Company and elected by the Supervisory Board as the chief supervisor thereof, whereas Mr. Chen Bin was elected as a non-executive Director of the Company.

From 30 August to 1 September, the Company successfully organized the 2011 wind power operation and inspection skill competition of China Guodian Corporation, and finally covered the top six among group competitors and top 20 among individual competitors, of which three persons were awarded “technical experts of central enterprises” by the SASAC, all of whom were the staff of the Group.

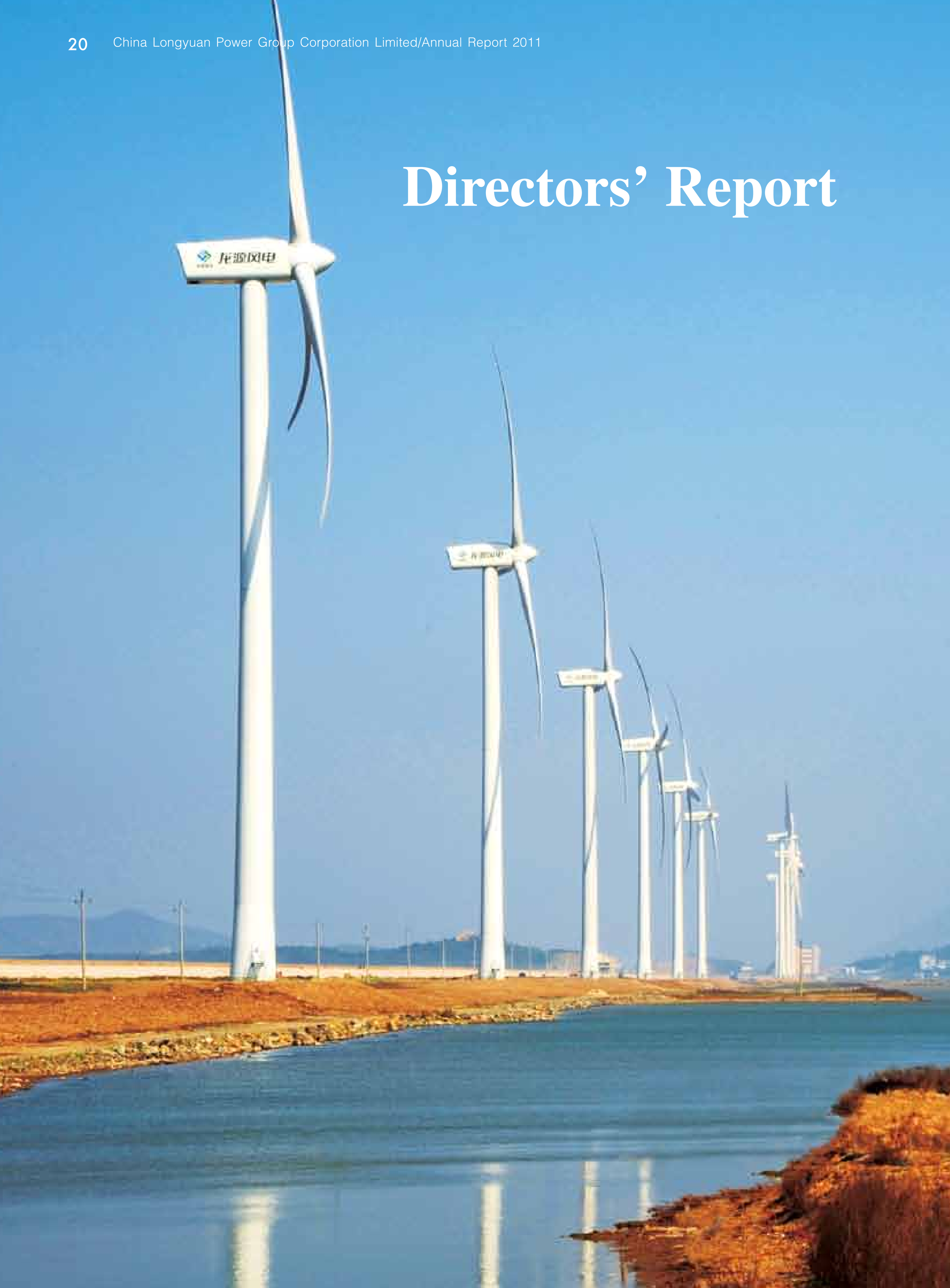
From 11 to 12 November, at the annual “Energy Night” award ceremony of the 3rd China Energy Enterprises Summit Forum, the Company was honored the “Star Low-Carbon Energy Enterprises” award.

On 14 November, after the assessment by the panel of judges of the "National Engineering and Construction of Premium Quality Award (國家工程建設質量獎)", the wind power construction of Hebei Weichang Zhuzixia and the expansion works of the Phase II of Jiangsu Rudong Wing Power Concession Project (江蘇如東二期風電特許權項目一期) of the Company were awarded the silver prizes for National Premium Quality Engineering Work. It was the second time for the two engineering works to be awarded national prizes subsequent to the award of "Power Construction of Premium Quality in China".

On 6 December, during a series of ratings organised by the China Electricity Council (中電聯), the Company was awarded as 3A credit enterprise in the power industry for 2011. Five projects such as the Exploration and Practice of Intensive Management of Wind-power Development had won the first prize, the second prize in Management Innovation Standardised Management Award (標準化管理獎) respectively.

On 15 December, Hero Asia Investment Limited, a subsidiary of Company, issued bonds of RMB690 million due in 2013 and RMB260 million due in 2014 in Hong Kong, which provided strong financial support to the business development of the Group.

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 2011 (the "Financial Statements").

SHARE CAPITAL

As of 31 December 2011, 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 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the PRC law. As a result, the Company is not obliged to propose suggestions 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 2011 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 115 to 116. The financial position of the Company and its subsidiaries as of 31 December 2011 is set out in the consolidated balance sheet on pages 117 to 119. The consolidated cash flow of the Company and its subsidiaries for the year ended 31 December 2011 is set out in the consolidated statement of cash flows on pages 124 to 126.

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 52 to 85 of this annual report.

PROFIT DISTRIBUTION

The Board recommends to distribute a final dividend of RMB0.069 per share (tax inclusive) in cash for the year ended 31 December 2011. 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 2011 are set out in Note 30 to the Financial Statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth information concerning the Directors, supervisors and senior management of the Company for the year ended 31 December 2011.

Name	Position in the Company	Date of Appointment/Resignation
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
Chen Bin	Non-executive Director	Changed from being the former Chief Supervisor to Non-executive Director on 10 August 2011
Tian Shicun	Executive Director	Appointed on 8 July 2009
Luan Baoxing	Non-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
Wang Liansheng	Former executive Director	Resigned on 10 August 2011
Qiao Baoping	Chief Supervisor	Appointed on 10 August 2011
Yu Yongping	Supervisor	Appointed on 8 July 2009
He Shen	Employee Representative Supervisor	Appointed on 21 June 2011
Wang Jianting	Former Employee Representative Supervisor	Resigned on 21 June 2011
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
Zhang Baoquan	Vice President	Appointed on 21 June 2011

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 pages 42 to 51 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 commencing from the date of appointment until the expiry of the current term of office of the Board/Supervisory Board; 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.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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 2011, 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	Chairman of the Board and Non-executive Director	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
Chen Bin	Non-executive Director	Assistant General Manager and Head of Financial Management Department of Guodian Group
Luan Baoxing	Non-executive Director	Head of Capital Operation and Property Right 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 2011, 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 Securities and Futures Ordinance (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 2011, 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%
China Life Insurance (Group) Company	H shares	Interests of beneficial owner and controlled corporation	280,708,000 *(Note 4)* (Long position)	10.36%	3.76%
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%

Notes:

1. The percentage is based on the issued number of relevant class of shares/total issued shares of the Company as at 31 December 2011.

2. Among these 4,753,570,000 domestic shares, 4,658,498,600 shares were directly held by Guodian Group while the remaining 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. Accordingly, China Investment Corporation was regarded as the holder of the equity interests of 379,901,000 H shares owned by Chengdong Investment Corporation.

4. Among these 280,708,000 H shares, 32,258,000 H shares were directly held by China Life Insurance (Group) Company, 153,488,000 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. Accordingly, China Life Insurance (Group) Company was deemed as the holder of the H share equity interests owned by its 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 2011.

SUBSEQUENT EVENTS

On 7 November 2011, the Company entered into the equity transfer agreements with Guodian Group and certain subsidiaries of Guodian Group, and the assets transfer agreement with Guodian Inner Mongolia Power Co., Ltd., a subsidiary of Guodian Group. Pursuant to relevant equity transfer agreements and assets transfer agreement, the Company acquires equity interests and assets held by Guodian Group and certain subsidiaries of Guodian Group in the wind power business and the biomass power business. The net assets as valuated by the PRC valuer amounted to RMB1,486,775,900. The total consideration of the wind power business and the biomass power business to be acquired was approximately RMB1,507,273,200, subject to adjustments of profit and losses between the valuation date and the acquisition date of certain biomas power business to be acquired.

Up to 31 December 2011, the above acquisition has not been completed and a prepayment of RMB482,415,000 has been paid to Guodian Group and certain subsidiaries of Guodian Group. The above acquisition is in process up to the date of this report.

CONNECTED TRANSACTIONS

Major connected transactions of the Group during 2011 are as follows:

(I) Non-exempt One-off Connected Transaction

During the year, the Group had conducted certain non-exempt one-off connected transactions.

1. Acquisition of Wind Power Business and Biomass Power Business of Guodian Group

On 7 November 2011, the Company entered into the equity transfer agreements with Guodian Group and its subsidiaries including Guodian Shanxi Jieneng Co., Ltd. (國電山西潔能有限公司), Guodian Wuchuan Wind Power Co., Ltd. (國電武川風電有限公司), Guodian Northeast Electric Power Co., Ltd. (國電東北電力有限公司) ("Guodian Northeast") and Guodian Liaocheng Power Generation Co., Ltd. (國電聊城發電有限公司), and the assets transfer agreement with Guodian Inner Mongolia Power Co., Ltd. (國電內蒙古能源有限公司), a subsidiary of Guodian Group. Pursuant to the equity transfer agreements and the assets transfer agreement, the Company acquires equity interests and assets held by Guodian Group and certain subsidiaries of Guodian Group in the wind power business and the biomass power business. Since Guodian Group is the controlling shareholder of the Company, holding approximately 63.68% interests in the total issued share capital of the Company and is a connected person of the Company. Subsidiaries of Guodian Group are therefore also connected persons of the Company. The equity transfer agreements, the assets transfer agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The aggregate consideration for the acquisition of the wind power business and the biomass power business by the Company pursuant to the equity transfer agreements and the assets transfer agreement was RMB1,507.2732 million. The terms of the equity transfer agreements and the assets transfer agreement were negotiated on an arm's length basis between the transferors and the Company, and the consideration was paid by current cash balance of the Company. The acquisition of the wind power business and the biomass power business would be in line with the Company's objective of becoming a top-tier renewable energy company and will not only increase the total installed capacity and gross power generation amount of the wind power business of the Company, but will also provide new business opportunities in the biomass power business of the Company. In addition, the competitions and potential competitions between Guodian Group and the Company in terms of the wind power business and other renewable power business will be reduced.

2. Disposal of Equity Interests in Guodian Fuel

On 6 December 2011, the Company entered into the equity transfer agreement with Guodian Group. As Guodian Group directly and indirectly holds approximately 63.68% of the issued share capital of the Company, it is a connected person of the Company. As such, the equity transfer agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the equity transfer agreement, the Company agreed to sell and Guodian Group agreed to purchase the 7.33% equity interests in Guodian Fuel Co., Ltd. (國電燃料有限公司) ("Guodian Fuel") owned by the Company at a consideration of RMB314.6919 million. The terms of the equity transfer agreement were negotiated on an arm's length basis between the Company and Guodian Group, and the consideration was settled in one lump-sum within twenty-five business days after the equity transfer agreement is approved by the general meeting of the Company. For details of the principal terms thereunder, please refer to the announcement of the Company dated 6 December 2011. The disposal of equity interests in Guodian Fuel is in line with the Company's strategy to focus on the development of its renewable energy power generation business and is beneficial to optimize the allocation of the resources of the Company.

3. Increase in Capital Contribution to Guodian Finance

On 6 December 2011, Guodian Finance entered into the capital increase agreement with twelve shareholder companies, pursuant to which, these twelve shareholder companies agreed to increase their capital contributions to Guodian Finance. Upon the increase in capital contribution, the twelve shareholder companies will inject a total capital contribution of RMB1,415.498 million into Guodian Finance, among which the registered capital of Guodian Finance will be increased by RMB950 million and the capital reserve of Guodian Finance will be increased by RMB465.498 million. As Guodian Group directly and indirectly holds approximately 63.68% of the issued share capital of the Company, it is a controlling shareholder as defined under the Listing Rules and thus a connected person of the Company. Guodian Finance is a subsidiary of Guodian Group, and is therefore a connected person of the Company. The capital contribution to Guodian Finance by the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the capital increase agreement, the Company agreed to inject a total capital contribution of RMB134.614 million to Guodian Finance, among which RMB90.345 million will be injected into the registered capital of Guodian Finance, and RMB44.269 million will be injected into the capital reserve of Guodian Finance. Upon completion of the capital increase, the Company's shareholding interests in Guodian Finance will remain unchanged. The consideration of the capital increase agreement shall be paid by the parties thereto in full according to their respective contributions within 15 working days from the execution date of the capital increase agreement. The capital increase can enhance the function of Guodian Finance as a platform for central management of funds from its member companies and improve funding utilisation efficiency, which will effectively reduce the cost of funds and related transaction costs. Through the further capital contribution to Guodian Finance, the Company can benefit from expanding its financing channel to obtain more efficient financial management services with lower risk and strengthen its financial positions. In addition, the capital increase can drive the business expansion of Guodian Finance and increase its overall profitability, which will, in turn, bring economic benefits to the Company by virtue of its equity interest in Guodian Finance.

(II) 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 3 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 compliance with the announcement and independent shareholders' approval requirements. For type 1 and type 2 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 annual caps for each year from 2012 to 2014 have been approved at the second extraordinary general meeting of 2011 held on 29 December 2011. For type 3 non-exempt continuing connected transactions as set out below, the annual caps for each year from 2012 to 2014 have been approved at the 8th meeting of the first session of the Board of the Company convened on 28 October 2011.

The table below has set out the annual caps for 2011 and the actual transaction amounts of such kind of connected transactions:

	Connected Transactions	Connected Person	Annual Cap for 2011 (RMB'000)	Actual Transaction Amount for 2011 (RMB'000)
1	Provision of products and services by the Group	Guodian Group	796,400	449,800
2	Provision of products and services to the Group	Guodian Group	6,305,800	2,055,700
3	Provision of products and services to the Group	Zhongneng Power-Tech Development Company Limited	505,700	118,000
4	Provision of financial services to the Group	Guodian Finance	Deposit Services: 2,200,000	Maximum Outstanding Balance: 2,021,800

1. Provision of products and services by the Group

1.1 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 shall provide Guodian Group with products such as spare parts, equipment and power, as well as technical consulting services, such as CDM services and other services.

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 and minerals; services to be mutually supplied include design and consulting, technical services, operation maintenance, repair services, bidding agency, agency services of distribution of welfare benefits, staff training, property services and other services;

- for products and services provided by a party, where the conditions offered in respect of the products and services as well as the payable fees are the same as those offered by a third party, the other party shall give priority in sourcing these 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 provision of products, services and terms and conditions of providing such products and services according to the principles laid down by the agreement;

- pricing of products under the agreement will be based on the following policies: 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; where none of the above is applicable or where it is not practical to apply the above pricing policies in the transaction, implement the price agreed, it shall be the reasonable costs incurred in providing the products plus reasonable profits;

- the services to be provided under the agreement will be based on the following pricing policy: the bidding price where the bidding process is required for selecting the service provider; where bidding process is not required to determine the service price, the market price; and

- the agreement has a term of three years and expiring on 8 July 2012. Either party may terminate the agreement upon giving the other party at least three month's prior written notice.

1.2 The Company entered into the New Guodian Master Agreement with Guodian Group on 21 November 2011. Pursuant to the agreement, the Group shall provide Guodian Group with products and services, mainly including flanges, entire equipment, spare parts, consulting and design services, technical services, safety monitoring services, CDM consulting services, wind power vocational training, coal supply, alternative power and property leasing services.

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

- the provision of products and services by the Group to Guodian Group mainly include flanges, entire equipment, spare parts, consulting and design services, technical services, safety monitoring services, CDM consulting services, wind power vocational training, alternative power, coal supply and property leasing services;

- the provision of products and services by Guodian Group to the Group mainly include wind power generating units, polysilicon cell module, installation and construction, alternative power, coal supply, and evaluation on projects by Guodian Power Research Institute (國電能源研究院);

- if the terms and conditions of similar materials, products and services offered by an independent third party are no better than those offered by one party, the other party shall give priority in sourcing the requisite materials, 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 provision of products, services and terms and conditions of providing such products and services according to the principles laid down by the New Guodian Master Agreement;

- pricing of products will be based on the following policies: the price prescribed by the state (including any price prescribed by any relevant local government), 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; where none of the above is applicable or where it is not practical to apply the above pricing policies, implement the price agreed between the relevant parties, it shall be the reasonable costs incurred in providing the products plus reasonable profits;

- the services to be provided under the agreement will be based on the following pricing policy: the bidding price where the bidding process is required for selecting the service provider; where bidding process is not required to determine the service price, the market price; and

- the New Guodian Master Agreement has a term of three years commencing on 1 January 2012 and expiring on 31 December 2014, and is renewable subject to the agreement of the parties and the compliance with the Listing Rules.

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 2011 was RMB796,400,000 and the actual transaction amount was RMB449,800,000.

2. Provision of products and services to the Group

2.1 The Company entered into a master agreement on the purchase and sale of products and services (產品及服務購銷框架協議) with Guodian Group on 24 July 2009 as amended by a supplementary agreement dated 9 November 2009. Pursuant to the agreement, Guodian Group will provide the Group with products such as alternative power and wind power generating units.

For details of the major terms and conditions of the agreement, please refer to relevant disclosure in respect of the non-exempt continuing connected transaction set out in section 1.1 above.

2.2 The Company had entered into the New Guodian Master Agreement with Guodian Group on 21 November 2011. Pursuant to the agreement, Guodian Group shall provide the Group with products and services mainly including wind power generating units, polysilicon cell module, installation and construction, alternative power, coal supply and evaluation on projects by Guodian Power Research Institute.

For details of the major terms and conditions of the agreement, please refer to the relevant disclosure of the non-exempt continuing connected transaction set out in section 1.2 above.

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 2011 was RMB6,305,800,000 and the actual transaction amount was RMB2,055,700,000.

3. Provision of products and services to the Group

3.1 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 Zhongneng Power-Tech Development Company Limited (中能電力科技開發有限公司) ("Zhongneng Power-Tech") (Note 1) on 30 July 2009. Pursuant to the agreement, the Group shall provide Zhongneng Power Tech with products such as spare parts and equipment as well as services such as training and property leasing, whereas Zhongneng Power-Tech shall provide the Group with products such as construction materials, components and spare parts as well as services such as wind testing, instrument maintenance, relevant technologies and bidding agency services.

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

- for products and services provided by a party, where the conditions offered in respect of the products and services as well as the payable fees are the same as those offered by a third party, the other party shall give priority in sourcing these 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 provision of products, services and terms and conditions of providing such products and services according to the principles laid down by the agreement;

- pricing of products under the agreement will be based on the following policies: 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; where none of the above is applicable or where it is not practical to apply the above pricing policies in the transaction, implement the price agreed, it shall be the reasonable costs incurred in providing the products plus reasonable profits;

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

- the agreement has a term of three years and expiring on 8 July 2012. Either party may terminate the agreement upon giving the other party at least three month's prior written notice.

Note 1: The mutual supply agreement also includes transactions entered into between subsidiaries and associates of Zhongneng Power-Tech and the Group. Thus far, apart from Zhongneng Power-Tech, Longyuan (Beijing) Wind Power Projects Technology Co., Ltd., a subsidiary of which 50% equity interest is held by it, also provides products and services of the Group.

3.2 The Company entered into new Zhongneng Power-Tech master agreement with Zhongneng Power-Tech on 28 October 2011. Pursuant to the agreement, Zhongneng Power-Tech shall provide the Group with products and services mainly including flange, spare parts and accessories, lightning rods, technical services, maintenance and repair services, safety monitoring services, wind power prediction system and regional operation centre.

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

- The products and services provided by Zhongneng Power-Tech to the Group mainly include flange, spare parts and accessories, lightning rods, technical services, maintenance and repair services, safety monitoring services, wind power prediction system and regional operation centre;

- If the terms and conditions offered by Zhongneng Power-Tech no less favourable than those offered by a third party manufacturer of similar products and services, the Group shall give priority in utilising the products and services from Zhongneng Power-Tech;

- Subsidiaries and associated companies of Zhongneng Power-Tech and the Group 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;

- Pricing of products will be based on the following policies: the price prescribed by the state (including any price prescribed by any relevant local government), 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; Where none of the above is applicable or where it is not practical to apply the above pricing policies, implement the price agreed between the relevant parties, it shall be the reasonable costs incurred in providing the products plus reasonable profits;

- The services to be provided under the agreement will be based on the following pricing policy: the bidding price where the bidding process is required for selecting the service provider; where bidding process is not required to determine service price, the market price; and

- The new Zhongneng Power-Tech master agreement is for a term of three years commencing from 1 January 2012 and ending on 31 December 2014, renewable upon mutual consent and compliance with the Listing Rules.

Zhongneng Power-Tech is a non-wholly-owned subsidiary of the Company. GD Power Development Co., Ltd. (國電電力發展股份有限公司), an associate of Guodian Group, holds 20% of the equity interests in Zhongneng Power-Tech. Therefore, Zhongneng Power-Tech 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 2011 was RMB505,700,000 and the actual transaction amount was RMB118,000,000.

4. 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 up to RMB2.2 billion for each of the three years ending 31 December 2010, 31 December 2011 and 31 December 2012;

- The financial services agreement is for a term of three years commencing from 6 September 2010 and ending on 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; and

- 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 People's Bank of China ("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 Group, and is therefore a connected person of the Company.

During the reporting period, the cap of daily deposit balance for deposit services under this continuing connected transaction for year 2011 was RMB2.2 billion and the actual maximum amount of daily deposit balance was RMB2,021,800,000.

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 2011, the purchase from the Group's five largest fuel suppliers in aggregate contributed 69.3% of the Group's total purchase of fuel for the year, among which, the total purchase from the largest fuel supplier contributed 34.0% of the Group's total purchase of fuel for the year.

For the year ended 31 December 2011, the sales to the Group's five largest customers in aggregate contributed 48.5% of the Group's total sales for the year, among which, the sales to the largest customer contributed 29.2% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors, associates of Directors or 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 34 to the Financial Statements.

CHANGE OF INFORMATION RELATING TO DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of the information of the Company's directors are set out as follows:

(1) Mr. Zhang Songyi, an independent non-executive Director of the Company, resigned as the non-executive director of China Lumena New Materials Corp. (0067.HK) on 1 April 2011.

(2) Mr. Meng Yan, an independent non-executive Director of the Company, resigned as an independent director of Henan Splendor Science & Technology Co. Ltd. (SZSE: 002296) on 8 December 2010, an independent director of Beijing Bashi Media Co., Ltd (SSE: 600386) on 29 June 2011 and an independent director of China Merchants Property Development Company Ltd. (SZSE: 000024; 200024)(SGX: C03) on 2 December 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

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 in Appendix 14 to the Listing Rules. Please refer to the Corporate Governance Report as set out on pages 94 to 107 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 2011, 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 2011 annual results of the Group and the Financial Statements for the year ended 31 December 2011 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 2011, 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, PRC, 26 March 2012

* *For identification purpose only*

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Zhu Yongpeng, aged 60, 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 General Office of Power Generation Department 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. (SSE: 600795) and deputy general manager of Guodian Group. Mr. Zhu is currently the general manager of Guodian Group, chairman of GD Power Development Co., Ltd. and chairman of Guodian Technology & Environment Corporation limited (國電科技環保股份有限公司).

Mr. Wang Baole, aged 55, 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 an assistant to general manager and head of Plan & Development Department of Guodian Group.

Mr. Chen Bin, aged 52, is a a non-executive Director of the Company. Mr. Chen has completed post-graduate studies on Management Engineering from Northeast Dianli University and is a senior accountant. Mr. Chen was elected as a non-executive Director of the Company in August 2011. Mr. Chen has served successively as chief accountant 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.(SSE: 600795), deputy chief accountant and head of Finance and Property Department of China Guodian Corporation. Mr. Chen served as the supervisor of the Company from July 2009 to August 2011 and is currently an assistant to general manager and head of Financial Management Department of Guodian Group.

Mr. Luan Baoxing, aged 44, is a non-executive Director of the Company. He graduated from Harbin Institute of Technology with a master degree in Business Administration and is a senior accountant. 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 Property Right Management Department of Guodian Group.

EXECUTIVE DIRECTORS

Mr. Xie Changjun, aged 54, 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 59, 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 factory manager of Ningxia Zhongning Power Plant, chief engineer, deputy factory manager, and factory 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 is currently the inspector of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Junfeng, aged 55, 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 general director 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 council 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 (SSE: 600458) and Trina Solar Limited (NYSE: TSL) respectively.

Mr. Zhang Songyi, aged 56, 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) and a director of China Renewable Energy Investment Limited (formerly known as Hong Kong Energy (Holdings) Limited, which changed its name on 1 June 2011) (0987.HK). Mr. Zhang Songyi was a non-executive director of China Lumena New Materials Corp. (formerly known as Lumena Resources Corp., which changed its name on 8 December 2010) (0067.HK) and served as a director of Suntech Power Holdings Co., Ltd. (NYSE: STP). He was the vice chairman, executive director, managing director, and head of joint 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 56, 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 Instruction Committee on Teaching and Learning of Business Administration Disciplines of Higher Education Institutions under the Ministry of Education. Mr. Meng was also the expert consultant of the Accounting Standards Committee of the Ministry of Finance for accounting standards, the expert of the Ministry of Finance for enterprise performance evaluation, an independent director of Beijing Bashi Media Co., Ltd (SSE: 600386), an independent director of Henan Splendor Science and Technology Co (SZSE: 002296) as well as an independent director of China Merchants Property Development Co. (SZSE: 000024; 200024)(SGX: C03). At present, Mr. Meng serves as an independent director of Jolimark Holdings Limited (2028.HK) and Yantai Wanhua Polyurethanes Co., Ltd. (SSE: 600309). Mr. Meng received the special government allowance from the State Council in 1997.

SUPERVISORS

Mr. Qiao Baoping, aged 56, is the Chief Supervisor of the Company. Mr. Qiao graduated from Nankai University with a bachelor's degree in economics and is a senior economist. He was elected as the chairman of Supervisory Board of the Company in August 2011. Mr. Qiao had served as the deputy secretary-general of All-China Students Federation and deputy director of the general office of All-China Students Federation. He had worked at an institution under the Central Commission of China Communist Youth League as secretary of the Communist Youth League, director of the general office of the Party Committee as well as executive deputy secretary of the Party Committee and secretary of the commission for disciplinary inspection. At the Central Commission of China Communist Youth League, he had served successively as the deputy head of the united work front department, member of the standing committee and head of the juvenile rights and interests department, member of the standing committee and head of the organisation department. Further, he had served as head of mass work department of the working committee of central government-owned enterprises, secretary of the central government-owned enterprises working committee of China Communist Youth League, head of the mass work department (mass work department of the party committee) and head of the united work front department at the State-owned Assets Supervision and Administration Commission of the State Council, as well as member of the Party Group and chief of the Discipline Inspection Group at China Power Investment Corporation. Mr. Qiao currently acts as secretary of the Party Group and deputy general manager of China Guodian Group Corporation and a director of GD Power Development Co., Ltd. (SSE: 600795).

Mr. Yu Yongping, aged 51, 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 of Guodian Finance Corporation Ltd., 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. He Shen, aged 37, is an employee representative supervisor of the Company. Mr. He graduated from Renmin University of China with a master's degree in management. Mr. He is a senior economist and was elected as the employee representative supervisor of the Company in June 2011. Mr. He had successively served as project engineer and project manager of project engineering department of China National Electric Equipment Corporation, secretary of general manager's office and project manager of China Longyuan Power Group Corporation, secondary employee at division 1 of personnel and director management department of State Power Corporation, deputy chief of leading personnel management office of human resource department of China Guodian Corporation (in charge), deputy director (in charge) and director of human resource department of GD Development Co., Ltd.. Mr. He is currently the head of disciplinary inspection team and chairman of labour 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 44 of this annual report.

Mr. Huang Qun, aged 50, 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 manager and manager of Manager Department, head of the First Division of the Operation Department, chief economist and manager of Operation Department, assistant to general manager, and deputy general manager.

Mr. Zhang Yuan, aged 55, is a vice president of the Company. He graduated from Northwest Telecommunication Construction University. He is a professor-grade engineer. Mr. Zhang joined the Group in 2003. Mr. Zhang has worked as engineer and office director of Energy Research Institute of Qinghai Province and has worked as engineer of Rural Electrification Department of the Ministry of Energy Resources. He has successively served as deputy division chief of Hydropower and Agriculture Electricity Department of the Ministry of Electric Power, division chief of Hydropower and New Energy Development Department and Power Construction Department of the State Power Corporation, and deputy president of China Longyuan Electric Power Group Corporation.

Ms. Li Hongmei, aged 54, 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 manager of Shanghai Securities Department of China Information Trust Investment Corporation, deputy manager of Beijing Office of Haitong Securities Co., Ltd., manager of Planning and Finance Department, deputy chief accountant, manager of Finance and Property Department, and chief accountant of China Longyuan Electric Power Group Corporation.

Mr. Fei Zhi, aged 44, is a vice president of the Company. He graduated from Shanghai Institute of Electric Power in Engineering and graduated from Southeast University and holds bachelor's degree in Engineering. He is a senior engineer. 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 49, 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.

Mr. Zhang Baoquan, aged 51, is a Vice President of the Company. Mr. Zhang graduated successively from Tsinghua University and the Hydropower Department of China Electric Power Rearch Institute (水利電力部電力科學研究院) with a master's degree in Engineering. Mr. Zhang is a professor-grade senior engineer. Since Mr. Zhang joined the Company in 1993, he had served in China Electric Power Rearch Institute and China Electricity Council. He had previously worked as the deputy manager of the Engineering Project Department of Zhongneng Power-Tech, the general manager of Zhongneng Power Technology Trading Company (中能電技術貿易公司), assistant to general manager, general manager of Zhongneng Power-Tech, the general manager of Zhongneng Power-Tech Development Company Limited, general manager of Beijing Zhongneng Lianchuang Wind Power Technology Company Limited, assistant to general manager and chief economist of China Longyuan Electric Power Group Corporation, as well as the standing deputy director and director of Renewable Energy Research and Development Centre.

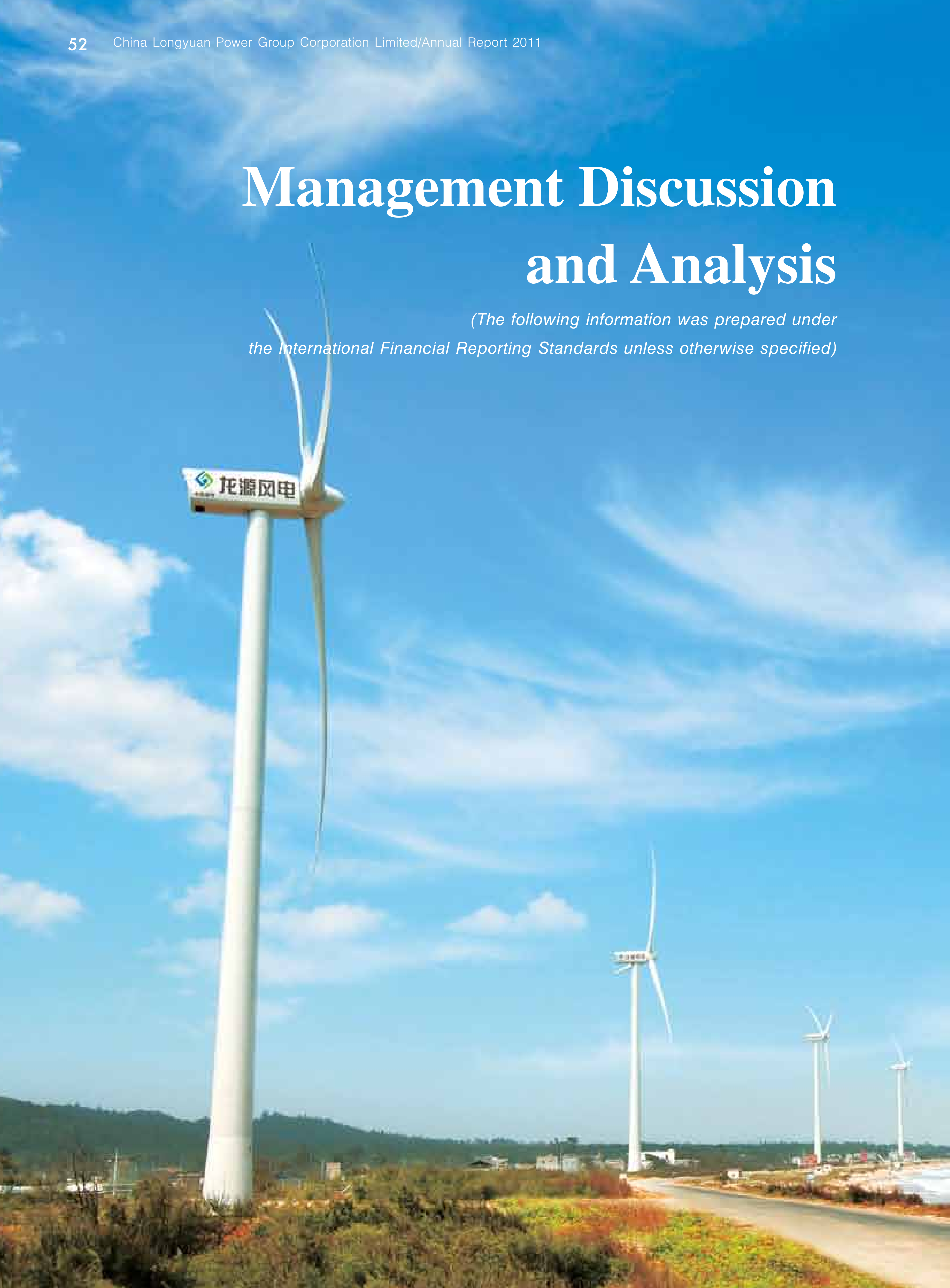
JOINT COMPANY SECRETARIES

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 50 of this annual report.

Ms. Soon Yuk Tai, aged 45, 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 2011 marked the start of the "Twelfth Five-Year Plan". Facing complex and dynamic international situations and new circumstances and problems emerging in domestic economic operations, China focused on adjusting its roadmap whilst adhering to proactive fiscal policies and prudent monetary policies as means to continuously strengthen and improve macro control, so as to ensure the development of the national economy is in line with the macro control blueprint. As such, China managed to embark on sound economic and social development during the "Twelfth Five-Year Plan" period. In 2011, the national economy grew by 9.2%, which showed a moderate slowdown in economic growth under the macro control. Driven by the macro-economy, the demand for power increased rapidly throughout the year and according to the "National Power Industry Statistics Express in 2011(2011年全國電力工業統計快報)" issued by the China Electricity Council, the aggregate power consumption across the country reached 4.6928 trillion kWh in 2011, representing an increase of 11.7% over last year. The national power generation installed capacity reached 1,056 GW, representing an increase of 9.2% over last year. The additional power generation installed capacity for the year amounted to 90,410 MW, among which the additional installed capacity of coal power, hydro power, wind power and nuclear power reached 58,860 MW, 12,249 MW, 15,847 MW and 1,747 MW, respectively, representing 65.1%, 13.5%, 17.5% and 1.9% of the total additional installed capacity respectively, while the ratio attributable to wind power increased 1.6 percentage points from 2010.

In 2011, China continued to foster restructuring of its energy profile and energy saving and reduction initiatives, which provided strong policy support to the development of clean energy. In addition, the technical upgrades of clean energy equipment together with the gradual decrease in development costs present great opportunities for the Group to expand clean energy business. However, in light of the growing scale of wind power development, the increasingly fierce competition among wind power projects during the initial stage of development, coupled with severe restrictions imposed on electricity output, the wind power development is facing not only opportunities but also challenges.

Strong Support from National Policies. As suggested in the layout of China's "Twelfth Five-Year Plan", the aggregate primary energy consumption attributable to non-fossil fuels is proposed to reach 11.4% by 2015. According to the objectives as laid down in the "Twelfth Five-Year Plan" for renewable energy issued by National Energy Administration, wind power installed capacity and annual power generation are to reach 100 million kW and 190,000 million kWh, respectively, and the solar power installed capacity is to reach 15 million kW by 2015. In addition, the latest national planning regulations had provided a strong support for the purchase of the full amount of renewable energy which will further facilitate the development of the wind power industry. On 29 November 2011, the National Development and Reform Commission raised the tariff surcharge for renewable energy to RMB8 per MWh. On 24 July, "Notice from National Development and Reform Commission Regarding the Solar Photovoltaic Power On-grid Tariff Policy" (Fa Gai Jia Ge [2011] No. 1594) (《國家發展改革委關於完善太陽能光伏發電上網電價政策的通知》(發改價格[2011]1594號)) issued by the National Development and Reform Commission stipulated that any photovoltaic projects approved before July of the year and estimated to complete construction and put into operation by the end of the year with undetermined on-grid tariff shall adopt an on-grid tariff of RMB1.15 per kWh (tax inclusive), whereas any solar photovoltaic power projects in districts or cities in other provinces, which were approved in and after July or approved before July with constructions not yet completed for production as at the end of the year (except for the on-grid tariff in Tibet which may still adopt an on-grid tariff of RMB1.15 per kWh) shall adopt an on-grid tariff of RMB1 per kWh. Such specifications for the tariff-setting mechanism for photovoltaic power marked a positive move to open up the domestic photovoltaic market, which will further expedite its development.

Orderly Development of Wind Power Under State Regulations. The competition for wind power development rights among wind power developers was even more intense in 2011. In order to rein in the pace of wind power development and to guarantee its orderly development, since 2011 it is required that the wind power projects proposed for approval must be enlisted first in the proposed wind power projects scheme under the National Energy Administration for approval, ruling out any projects which are not enlisted therein. In addition, "The Interim Measures for the Management of Wind Power Development and Construction" (《風電開發建設管理暫行辦法》) promulgated by the National Energy Administration in August further highlighted the need for overall planning, orderly development, step-by-step implementation and coordinated development for developing wind power. As the approval of wind power projects is now under China's centralized planning, the domestic wind power industry is gradually shifting its aspiration from growth rate to quality, from installed capacity to wind power electricity generation volume and from large-scale and centralized development to an integrated development mode combining large-scale and decentralized development.

Technical Upgrade for Wind Power Equipment. Among the new capacity in 2011, the installed capacity of a single unit (單機容量) had further increased. Meanwhile, 3 MW wind turbines had been produced in bulk by primary manufacturers of wind turbines while 6 MW wind turbines were rolled off. The new wave for developing wind turbines that can accommodate undesirable environments including low wind speed, low temperature, high attitude and high salt fog would lead to a more extensive and diversified layout for wind power development. In addition, the safety and reliability of wind turbines will be further enhanced as a result of gradual improvement in standards over on-grid technology of wind power and the increasing popularity of such techniques such as low voltage ride.

Reduction of the Investment Cost of Photovoltaic Power Stations. With the basis of localization of photovoltaic equipment gathering distinct pace and more monopolies gradually disintegrating, the production costs of local enterprises were lowered further. Under favorable policies and market conditions, the photovoltaic equipment market saw a continuous drop in price in 2011. The shrinking cost stimulated the investment enterprises to gear themselves up in advance so as to seize opportunities in the market, which provides broad space for large scale development and formation of new profit growth point in the future.

Wind Power Still Subject to Severe Limitations on Electricity Output. The delivery problem of wind power remained fundamentally unresolved in 2011, with the development for wind power still facing major bottlenecks in terms of grid connection and absorption of wind power. The average utilisation hours of wind power of the PRC in 2011 decreased to 1,903 hours, representing a decrease of 7.0% from last year. From the year as a whole, the problem of abandoned wind power generation still exist at numerous wind farms across the country, and affected regions expanded in scale as compared to last year.

II. BUSINESS REVIEW

1. Remarkable Project Developments with an Ever-improving Development Layout

In 2011, given mounting pressure on wind power development as a whole, the Group actively coped with changes in the conditions of wind power development, committed itself to the efficiency-foremost principle and imposed more stringent project determination and assessment procedures. In addition, it strategically drew up appropriate measures in regard to the actual conditions and diversified its layout by focusing on onshore wind power development and speeding up offshore wind power development and simultaneous development of large, medium-size and small projects. It placed emphasis on project development planning whilst optimising project development layout. In particular, it proactively expanded business into regions with better connections to the grid and absorption of wind power and gained maximum support from governmental and functional departments at all levels, so as to expedite preliminary work across all facets and channels in a concerted effort. During the reporting period, upon internal assessment and selection as well as review by competent authorities of the government, the Group had 3,530 MW wind power projects enlisted in the first batch of wind power projects to be approved under the "Twelfth Five-Year Plan" issued by the National Energy Administration, taking up the largest share among all wind power developers, 2,603 MW wind power projects with approval obtained, driving the approved capacity for the year to another record high. In 2011, the Group strengthened its efforts in developing onshore wind power projects in regions with better wind resources and on-grid connecting conditions. The efforts to develop wind power in inland regions such as Yunnan, Shandong, Shanxi, Anhui, Ningxia, Shaanxi and Guizhou have been further strengthened. By the end of 2011, the Group's accumulated pipeline capacity of wind power projects reached 63 GW, which created a stronger base for project development as well as a more sensible development layout.

2. Sustained Progress for Project Construction and New Record High Achieved in Installed Capacity

The Group emphasized on management over the whole construction process of wind power projects by highlighting aspects such as design optimisation, construction organisation, on-site management and system establishment, while without losing focus on the control of safety, quality, construction schedule and costs so as to meet annual construction targets with both quality and quantity ensured. In 2011, the Phase I of 100.5MW Expansion Project under the Phase II of Jiangsu Rudong Wind Power Concession Project (江蘇如東二期風電特許權一期100.5兆瓦擴建項目), Hebei Weichang Zhuzixia 49.5MW Wind Power Project and Phase II of Inner Mongolia Xing'anmeng Mangniuhai 49.5MW Wind Power Project of the Group were awarded the "2011 Premium Quality Power Construction in China", among which, two projects in Jiangsu and Hebei were granted the National Premium Quality Construction Silver Award. Apart from boosting the investment for the development and construction of onshore wind power, the Group was also engaged in the construction of large-scale offshore wind power base and accomplished construction and operation target in respect of the Jiangsu Rudong 99.3 MW Offshore (Intertidal) Wind Farm Project.

In 2011, the Group had 38 wind power projects newly put into operation, with an installed capacity of 2,042 MW and 3 photovoltaic power generation projects newly put into operation, with an installed capacity of 58 MW. As of 31 December 2011, the consolidated installed capacity of the Group was 10,573 MW, 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 power business were 8,598 MW, 1,875 MW and 100 MW, respectively. As of 31 December 2011, the attributable installed capacity and total installed capacity of the Group's wind power business amounted to 7,768 MW and 9,011 MW respectively.

Geographical breakdown of the consolidated installed capacity of the Group's wind farms as of 2010 and 2011:

Region	As of 31 December 2011 *(MW)*	As of 31 December 2010 *(MW)*	Percentage of change
Heilongjiang	1,051.1	902.6	16.45%
Jilin	348.9	348.9	0.00 %
Liaoning	904.2	755.7	19.65%
Inner Mongolia	1,928.1	1,437.4	34.14 %
Jiangsu	702.8	482.0	45.81 %
Zhejiang	137.6	92.6	48.60 %
Fujian	408.1	312.1	30.76 %
Hainan	99.0	99.0	0.00%
Gansu	957.3	858.3	11.53%
Xinjiang	447.3	397.8	12.44 %
Hebei	871.5	622.5	40.00 %
Yunnan	99.0	99.0	0.00 %
Anhui	247.5	148.5	66.67 %
Shandong	49.5	—	—
Tianjin	99.0	—	—
Shanxi	99.0	—	—
Ningxia	49.5	—	—
Guizhou	99.0	—	—
Total	8,598.4	6,556.4	31.15%

3. Production Safety under Stable Control along with Gradual Improvement in Power Generation

In 2011, the Group strived to guarantee the safety, stability and efficiency of power generation through stepping up various production safety measures and implementing them continuously.

The Group put production safety into full practice and persisted to start from the basics and carried out the activities of Production Safety Year. It adopted various measures including the safety assessment conducted by experts at different stages, formulated and imposed 17 regulations to stave off accidents related to wind power and stepped up inspection on hidden hazards of equipment with its every effort, so as to prevent occurrences of major incidents in the Group. Strenuous efforts were made in typhoon prevention, flood control, lightning protection and other specific safety checks designed to mitigate the impacts of hostile weather conditions on production safety. In addition, the Group strengthened its efforts in rehearsals for contingency plans to better cope with emergencies.

The Group continued to strengthen management over equipment, operation and technologies to guarantee effective and stable operation of power generation. In accordance with the latest requirements of the National Energy Administration and power grid companies, the Group pressed ahead with transformation and upgrade of grid-related equipment including low voltage ride through and power forecast, which provided a solid support for the Group to enhance its equipment operation efficiency. Meanwhile, the Group actively strived for operation optimisation through benchmark analysis, kept abreast of, and analysed the changes in power grid structures, explored and refined operating modes with limitations on electricity output, enhanced the level of power generation and regulated technology management whilst commencing various researches on production safety technologies including wind power generating units power curves validation, operation optimisation, grid connection technologies, top-notch corporate management and operation centre (星級企業管理、運營中心) with reference to the actual condition of its wind power production. Moreover, it mainly leveraged on its project technology companies to strengthen its technical capabilities of operation maintenance and to build professional teams. In a bid to constantly improve its professionalism, the Group was committed to refining the technical supporting system so as to provide strong technical support for production safety.

During the year, the Group generated a cumulative gross electricity output of 25,273 million kWh, of which electricity generated from our wind power business accounted for 13,355 million kWh, representing an increase of 32.30% over last year. The increase in the Group's wind power electricity output was primarily attributable to the growth in wind power installed capacity. The average availability factor of the Group's wind power generating units was 98.44%, representing an increase of 0.16 percentage point as compared with 98.28% for the corresponding period in 2010. The average utilisation hours of wind power business decreased by 191 hours over the corresponding period in 2010 to 2,026 hours in 2011, which was primarily due to the decline in wind resources and the tightening of electricity output limit.

Geographical breakdown of the consolidated power generation of the Group's wind farms as of 2010 and 2011:

Region	**2011** ***(MWh)***	2010 *(MWh)*	Percentage of Change
Heilongjiang	**1,793,371**	1,398,972	28.19 %
Jilin	**521,688**	586,442	-11.04 %
Liaoning	**1,421,392**	1,095,392	29.76 %
Inner Mongolia	**2,655,498**	2,196,119	20.92 %
Jiangsu	**1,014,041**	894,098	13.41 %
Zhejiang	**193,755**	125,881	53.92 %
Fujian	**1,084,178**	667,716	62.37 %
Hainan	**178,865**	80,042	123.46 %
Gansu	**1,519,632**	722,865	110.22 %
Xinjiang	**957,872**	921,386	3.96 %
Hebei	**1,459,931**	1,267,878	15.15 %
Yunnan	**226,133**	137,545	64.41 %
Anhui	**249,496**	—	—
Shandong	**49,181**	—	—
Tianjin	**29,583**	—	—
Total	**13,354,616**	10,094,336	32.30%

Geographical breakdown of the average utilisation hours / capacity factor of wind power of the Company's wind farms for the years 2010 and 2011:

Region	Average utilisation hours of wind power in 2011 *(hr)*	Average capacity factor of wind power in 2011	Average utilisation hours of wind power in 2010 *(hr)*	Average capacity factor of wind power in 2010	Percentage of Change of the average utilisation hours of wind power
Heilongjiang	1,987	23%	1,841	21%	7.93%
Jilin	1,495	17%	1,959	22%	-23.69%
Liaoning	1,812	21%	1,804	21%	0.44%
Inner Mongolia	1,832	21%	2,211	25%	-17.14%
Jiangsu	2,104	24%	2,477	28%	-15.06%
Zhejiang	1,936	22%	1,643	19%	17.83%
Fujian	3,474	40%	2,933	33%	18.45%
Hainan	1,807	21%	1,617	18%	11.75%
Gansu	1,771	20%	1,777	20%	-0.34%
Xinjiang	2,408	27%	3,084	35%	-21.92%
Hebei	2,345	27%	2,997	34%	-21.76%
Yunnan	2,284	26%	1,852	21%	23.33%
Anhui	1,551	18%	—	—	—
Shandong	2,168	25%	—	—	—
Tianjin	2,049	23%	—	—	—
Total	2,026	23%	2,217	25%	–8.62%

Geographical breakdown of the average availability factor of wind power of the Company's wind farms for the years 2010 and 2011:

Region	**Average availability factor of wind power in 2011 *(%)***	Average availability factor of wind power in 2010 *(%)*	Percentage of Change
Heilongjiang	**98.93**	98.57	0.36%
Jilin	**98.26**	98.23	0.03%
Liaoning	**99.01**	98.76	0.25%
Inner Mongolia	**98.64**	98.61	0.03%
Jiangsu	**98.50**	97.85	0.65%
Zhejiang	**98.75**	98.48	0.27%
Fujian	**98.45**	98.50	-0.05%
Hainan	**99.11**	98.46	0.65%
Gansu	**98.72**	98.55	0.17%
Xinjiang	**97.37**	96.91	0.46%
Hebei	**97.81**	97.70	0.11%
Yunnan	**98.04**	97.85	0.19%
Anhui	**97.93**	—	—
Shandong	**99.42**	—	—
Tianjin	**97.60**	—	—
Total	**98.44**	98.28	0.16%

During the year, the power generation from our coal power business increased by 3.49% to 11,749 million kWh as compared with 11,353 million kWh last year, and this was primarily attributable to the growth in power consumption of the society. The average utilisation hours of the Group's coal power business for 2011 increased by 211 hours, from 6,055 hours for 2010 to 6,266 hours.

4. Stable Growth in Profitability with Strengthened Budget Management

The Group continued to promote overall budget management through breaking down budget targets into different levels and attached responsibility thereto. It strengthened budget analysis, tightened control over off-budget items and trimmed various costs and expenses by capitalising on the economies of scale. Notwithstanding undesirable factors such as tightening credits and increasing interest rates of bank loans, the Group managed to channel in low-cost capital by centralised fund management, extensive financing channels and innovative business models, which effectively reduced finance costs. During the year, the net profit attributable to shareholders of the Group amounted to RMB2,638 million, representing an increase of 31.0% as compared to RMB2,013 million in 2010.

5. Significant Tariff Hike

The Group persisted to put economic efficiency as its first priority. It stepped up development of wind power projects in regions with higher tariffs, so as to raise the proportion of electricity sales contributed by such regions. The average on-grid tariffs for wind power business of the Group amounted to RMB578 per MWh (value-added tax ("VAT") inclusive) in 2011, representing an increase of RMB6 per MWh as compared with the average on-grid tariffs for wind power of RMB572 per MWh (VAT inclusive) in 2010. In 2011, the average on-grid tariffs for coal power business of the Group amounted to RMB433 per MWh (VAT inclusive), representing an increase of RMB10 per MWh as compared with the average on-grid tariffs for coal power of RMB423 per MWh (VAT inclusive) in 2010. The coal power projects of the Group are located in Jiangsu Province. The increase in the average on-grid tariffs for coal power business was primarily due to :1) the increase in tariff for alternative electricity output in Jiangsu Province in 2011; 2) the rise in proportion of planned output; and 3) an increase of RMB25 per MWh of the on-grid tariff for desulphurisation coal-fired generating units located in Jiangsu Province since 1 December 2011.

6. More Stringent Control over Construction Objectives with Lower Procurement Costs of Equipment

The Group effectively lowered the procurement price of wind turbine units by means of meticulous organisation, centralised procurement and joint invitation to tender. The Group increased the proportion of wind turbine units with larger installed capacity in its procurement with average installed capacity of a single unit increased by 3.92% and average procurement costs of wind turbines reduced by 9.81% in 2011 as compared to 2010. Meanwhile, inspite of the rise in the cost of land, engineering construction, roads and other auxiliary facilities, the Group reduced construction cost through annual joint tender of towers, flange and box transformers whilst bringing construction costs for projects under control throughout the process via reviewing design plans and optimizing design proposals, as well as other management practices such as exercising stringent control over the change in design during the construction process. In 2011, the average construction cost per kW of wind power projects decreased by 5.0% as compared to that in 2010.

7. Optimizing Debt Structure with Significant Improvement in Capital Security and Risk Aversion Capabilities

To actively fend off unfavorable credit tightening in 2011, the Group made reasonable adjustments to its debt structure and safeguarded funds via centralized capital management and diversified financing system. In 2011, the Company successfully issued corporate bonds of RMB3,000 million, short-term debentures of RMB1,000 million, private issue of debt financing instruments of RMB1,000 million, insurance bond schemes (保險債券計劃) of RMB2,400 million. In addition, the Company issued CNY Bonds in Hong Kong and raised CNY borrowings from overseas financial institutions, which in aggregate amounted to RMB2,300 million. The Company also raised funds from non-bank sources including loans from trusts and institutional entrusted loans of RMB3,800 million, all of which safeguarded sufficient funds for development of the Company. As at the end of 2011, the Group achieved a more stable debt structure, in which the proportion of long term borrowings over one year accounted for 65.7% of the total borrowings.

8. New Record High in the Number of Registered CDM Projects

During the reporting period, in the face of numerous adverse factors such as volatility of the world economy and pending expiry of the first commitment period under the Kyoto Protocol, the Group followed international policies and aspired to guarantee performance of contracts by timely adjusting sales strategies. It will also diversify sales channels and strive to register the CDM projects. As of 31 December 2011, an aggregate of 107 CDM projects of the Group were successfully registered with the CDM EB, involving a cumulative installed capacity of 6,052 MW, amongst which, there were 106 wind power projects with total installed capacity of 6,028 MW and one biomass project with the installed capacity of 24 MW. Additional 52 CDM projects were successfully registered in 2011 with total installed capacity of 3,198 MW. In 2011, the Group's net income from sales of CERs and VERs amounted to RMB727 million, representing an increase of 85.5% as compared with RMB392 million in 2010.

9. Outstanding Performance in Offshore Wind Power Business by Prevailing Against All Odds

The trend of future wind power development lies in offshore wind power. The State has mapped out its development targets, with 5 million kW completed by 2015 and 30 million kW completed by 2020, whereas provinces including Jiangsu, Fujian, Zhejiang, Shandong and Hebei would be the focal points of offshore wind power development during the period under the Twelfth Five-Year Plan. In July 2011, the "Implementation Rules on Interim Measures for the Management of Offshore Wind Power Development and Construction" (《海上風電開發建設管理暫行辦法實施細則》) jointly promulgated and rolled out by the National Energy Administration and the State Oceanic Administration has not only helped strike a balance between construction of offshore wind power projects, oceanic economy, environmental protection and military use of ocean, but also led to a more rational and standardized project operation in the future in terms of areas such as tariff, site selection and construction. Having strived for exploration and practices for two years, the Group put in place the 131 MW Offshore (Intertidal) Wind Farm in Rudong, Jiangsu, making it China's largest offshore (intertidal) wind farm. In addition, the Group had adopted an approved tariff of RMB778 per MWh. Through trials and implementation, the Group has also worked out certain core construction technologies such as the pile-sinking by single pile for offshore wind power, and obtained several patents for offshore wind power construction, including the "offshore (intertidal) wind power construction equipment (海上(潮間帶)風電施工設備)", "construction equipment for pile-driving of steel pipes (鋼管樁打樁施工設備)" and "construction skills for pile-sinking of steel pipes (鋼管樁沉樁施工工藝)".

10. Substantial Progress in Overseas Operations

To expand the space for corporate development and to gain a niche against its competitors, the Group had actively implemented the "outbound" strategy to optimise its development layout and established Longyuan Canada Renewables Ltd. (龍源加拿大可再生能源有限公司) and three other overseas project pre-operation offices in South Africa, the United States and Hungary. The Group also actively investigates potential investment opportunities, focusing on the project risk analysis and enhancing its resilience against risks so as to develop projects with featured specifications. During the actual implementation, in adherence to the principle of expanding actively whilst steadily, the Group had selected highly marketised regions with stable political and economic conditions for core development. On 13 July 2011, the Group successfully signed an acquisition agreement for a wind power project of 100 MW with Canada's Farm Owned Power (Melancthon) Ltd. and became the first state-owned power enterprise with overseas investment in new energy projects in China. This is a milestone to the Group's implementation of its "outbound" strategy.

11. Remarkable Technological Achievements by Increase in Investment in R&D

In 2011, the Group achieved remarkable results by continuously boosting investment in R&D. In 2011, the Group initiated 20 technology projects, one of which was under the National Science and Technology Support Program and two of which are 863 Planned Projects (863計劃項目). In addition, the Study on Design & Integration Technology of 100MW-grade Photovoltaic System and Research of Its Key Equipment (百兆瓦級光伏系統設計集成技術研究及關鍵設備研製), a project newly applied for under the National 863 Planned Projects (國家863計劃項目), had also been approved, and will be implemented in 2012. In 2011, two technology projects including the Research & Practice of Offshore (Intertidal) Wind Power Construction Technology (海上(潮間帶)風電建設技術研究與實踐) and Research on New Type of Tidal Power Generating Units (新型潮汐發電機組研製) undertaken by the Group were both awarded the second prize of China Power Science and Technology Award in 2011. The construction plan of National Wind Power Operation Technology R&D Centre has been mapped out and was supported by a central government budget. China and Germany have entered into an Execution Agreement in Relation to Phase II of China Wind Power Project, Applied Research and Training (《中國風電項目二期 — 應用研究與培訓執行協議》). The Company, being one of the executive parties, is nurturing more professionals specializing in wind power technologies for the Group and even for the whole industry in China.

12. Diversified and Coordinated Development of Other Renewable Energy Sources

In addition to wind power development, the Group has been actively expanding solar, biomass and other renewable energy projects. During the reporting period, three solar photovoltaic power generation stations (with an installed capacity of 58MW), including Phase I and II of Qinghai Geermu project and Zhangye project in Gansu, were put into production. The installed capacity of the Group's solar energy pipeline projects amounted to 2,000 MW, spanning across solar power bases in regions such as Tibet, Qinghai, Gansu, Xinjiang and Inner Mongolia. As a platform of Guodian Group for developing renewable energies, the Group took active participation in biomass power generation projects, tidal power generation projects and geothermal power generation projects with the goal of achieving synergies in the development of various renewable energy sources.

III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Overview

In 2011, the net profit of the Group amounted to RMB3,304 million, representing an increase of 19.7% as compared to RMB2,761 million in 2010. Net profit attributable to shareholders amounted to RMB2,638 million, representing an increase of 31.0% as compared to RMB2,013 million in 2010.

Operating revenue

Operating revenue of the Group amounted to RMB15,366 million in 2011 (excluding service concession construction revenue), representing an increase of 20.4% as compared to RMB12,767 million in 2010. Such increase in operating revenue was primarily due to: 1) an increase of RMB1,593 million, or 34.5%, in the revenue from electricity sales of our wind power business to RMB6,206 million in 2011 as compared to RMB4,613 million in 2010, primarily attributable to an increase in electricity sales due to an expansion in the operating capacity of our wind power business; and 2) an increase of RMB833 million, or 25.4%, in the revenue from coal trading companies of our coal power business to RMB4,109 million in 2011 as compared to RMB3,276 million in 2010, primarily attributable to the growth in volume of the coal trading business.

Operating Revenue	**Year 2011** ***(RMB million)***	**Year 2010** *(RMB million)*	**Percentage of change**
Wind power business	**7,005**	6,071	15.4%
Including: Revenue from electricity sales and others	**6,212**	4,621	34.4%
Revenue from service concession construction	**793**	1,450	(45.3%)
Coal power business	**8,625**	7,714	11.8%
Including: Revenue from sales for electricity & steam, and other revenues	**4,516**	4,438	1.8%
Revenue from coal sales	**4,109**	3,276	25.4%
Other segments	**740**	700	5.7%
Elimination of inter-segment revenue	**(211)**	(267)	(21.0%)
Total	**16,159**	14,218	13.7%

Other net income

Other net income of the Group amounted to RMB1,271 million in 2011, representing an increase of 28.9% from RMB986 million in 2010, primarily due to an increase of RMB335 million, or 85.5%, in the total net income from sales of CERs and VERs to RMB727 million in 2011 as compared to RMB392 million in 2010 as more wind power projects of the Group were successfully registered with the CDM EB, as well as an increase in electricity generated by registered projects in 2011.

Operating expenses

The operating expenses of the Group amounted to RMB12,395 million in 2011, representing an increase of 11.4% from RMB11,131 million in 2010, primarily due to the increase in the depreciation and amortisation expenses of our wind power business and the increase in the cost of coal sales in our coal power business.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB2,845 million in 2011, representing an increase of 27.2% from RMB2,237 million in 2010, primarily due to an increase of RMB601 million, or 34.8%, in depreciation and amortisation expenses of our wind power business over 2010 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 RMB2,877 million in 2011, representing an increase of 5.1% from RMB2,737 million in 2010, primarily due to an increase of 5.0% in the average unit price of standard coal for power and steam generation as compared to 2010 as a result of the increase in coal price in 2011 .

Cost of coal sales

The cost of coal sales of the Group in 2011 amounted to RMB3,897 million, representing an increase of 27.9% as compared to RMB3,046 million in 2010, primarily due to: 1) the growth in volume of the coal trading business, which led to an increase of the cost of coal sales as well as 2) a slight increase in the procurement price of coal.

Service concession construction costs

The Group's construction costs of service concession projects in 2011 amounted to RMB793 million, representing a decrease of 45.3% as compared to RMB1,450 million in 2010, primarily due to: 1) following the gradual completion of service concession projects, both service concession construction revenue and costs decreased accordingly; and 2) the fact that there was only one service concession project among the new projects in 2011.

Personnel costs

Personnel costs of the Group amounted to RMB769 million in 2011, representing an increase of 15.5% as compared to RMB666 million in 2010, primarily due to: 1) the increase in headcount as a result of the Group's expansion and 2) the fact that a portion of the personnel costs were expensed as more projects commenced operation.

Material costs

Material costs of the Group amounted to RMB328 million in 2011, representing an increase of 16.3% as compared to RMB282 million in 2010, primarily due to: 1) the increase in fuel consumption for the year of the shipping business of a subsidiary under the Group which has commenced operation since December 2010; and 2) the significant increase in the cost of consumption of biomass and fuels for power generation as a result of an increase in power generated by the biomass power generation business.

Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB254 million in 2011, representing an increase of 38.0% as compared to RMB184 million in 2010. Such increase was mainly due to: 1) as the quality guarantee period of some wind power projects has expired, an increase of RMB70 million, or 70.7%, in repair and maintenance expenses for our wind power business to RMB169 million in 2011 from RMB99 million in 2010; and 2) an increase of RMB4 million, or 5.7%, in the repair and maintenance expenses for our coal power business to RMB74 million in 2011 from RMB70 million in 2010.

Administrative expenses

Administrative expenses of the Group amounted to RMB294 million in 2011, representing an increase of 32.4% as compared to RMB222 million in 2010. Such increase was primarily due to the increase in taxes, insurance premiums, office expenses, travelling fees and other expenses in line with the expansion of the Group's business and growth in the number of subsidiaries.

Other operating expenses

Other operating expenses of the Group increased by 10.5% from RMB306 million in 2010 to RMB338 million in 2011. Such increase was mainly due to: 1) the increase in taxes as a result of the urban maintenance and construction tax and education fee surcharges paid by the Company's foreign-invested enterprises since 1 December 2010 in accordance with the Notice on Relevant Issues for Urban Maintenance and Construction Tax and Education Fee Surcharge Imposed on Foreign-invested Enterprises (Caishui [2010] No. 103)《關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》(財稅[2010]103號)), promulgated by the Ministry of Finance and State Administration of Taxation of the PRC. The taxes for 2011 amounted to RMB85 million, representing an increase of RMB57 million, or 203.6%, from RMB28 million for the corresponding period in 2010; 2) the increase in related expenses such as insurance premiums as a result of more projects commencing operation; and 3) impairment losses of RMB81 million that had been provided for the decommissioned units in Nantong Tianshenggang Power Generation Co., Ltd. in 2010; there was no such impairment losses in 2011.

Net finance expenses

The net finance expenses of the Group amounted to RMB1,487 million in 2011, representing an increase of 35.2% as compared to RMB1,100 million in 2010, primarily due to: 1) the substantial increase in external borrowings, debentures payable and other interest-bearing liabilities, driven by the growing capital demand for the expansion of the Group's business, which led to an increase in finance expenses; and 2) hikes in the average interest rate of borrowings as a result of the adjustment to the benchmark lending rate by the People's Bank of China.

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 RMB60 million in 2011, representing a decrease of 73.7% as compared to RMB228 million in 2010, primarily due to a decline of performance by the associates for the year as compared to 2010.

Income tax

Income tax of the Group amounted to RMB305 million in 2011, representing a decrease of 30.5% as compared to RMB439 million in 2010, primarily due to the fact that: 1) the enterprises of the wind power business, which enjoyed preferential tax exemption policies, had a substantial increase in profits before taxation, whereas the profits before taxation of the enterprises, which did not enjoy the preferential tax exemption policies, decreased; 2) by utilising the unused losses in previous years, the Company was not subject to income tax regarding the net profit before taxation for the year, which led to a drop in the average tax rate of the Group; 3) a decrease in the profits before taxation of the coal power business; and 4) the Group's recognition of the deferred tax liabilities of RMB49 million corresponding to the gains from the listing of Yantai Longyuan Power Technology Co., Ltd. (煙台龍源電力技術股份有限公司) in 2010 whereas no such deferred tax liabilities were incurred in 2011.

Segment results of operations

Operating Profit	2011 (RMB million)	2010 (RMB million)	Percentage of Change
Wind Power Business	**4,309**	3,164	36.2%
Coal Power Business	**783**	794	(1.4%)
Including: Sales of Electricity & Steam and Others	**688**	692	(0.6%)
Coal Trading Business	**95**	102	(6.9%)
Other Segment	**109**	303	(64.0%)
Elimination and other corporate expenses	**(165)**	(188)	(12.2%)
Total	**5,036**	4,073	23.6%

In 2011, operating profit of the wind power business of the Group amounted to RMB4,309 million, representing an increase of 36.2% from RMB3,164 million in 2010, primarily due to the increase in installed capacity of our wind power business, which led to an increase in electricity sales.

In 2011, operating profit of our coal power business amounted to RMB783 million, representing a decrease of 1.4% as compared to RMB794 million in 2010, among which operating profit excluding coal trading business amounted to RMB688 million, representing a decrease of 0.6% as compared to RMB692 million in 2010, primarily attributable to the decrease of gross profit from sales of electricity and steam as a result of the increased coal price. The operating profit from the coal trading business amounted to RMB95 million, representing a decrease of 6.9% as compared to RMB102 million in 2010, primarily due to a reduction in profitability of our coal trading business as a result of a further increase in coal prices in 2011. In addition, other net income resulting from the disposal of assets held for sale by Nantong Tianshenggang Power Generation Co., Ltd., amounting to RMB112 million, has partially offset the reduction in operating profit due to the increase in coal prices.

On other businesses, the operating profit in 2011 was RMB109 million, representing a decrease of RMB194 million from RMB303 million in 2010, primarily due to the deemed disposal gain of RMB187 million recognised by the Group in 2010 for the dilution of equity interest held by the Group after the issue of new shares of Yantai Longyuan Power Technology Co., Ltd. (煙台龍源電力技術股份有限公司), an associate of the Group.

Assets and liabilities

As of 31 December 2011, total assets of the Group amounted to RMB90,107 million, representing an increase of RMB15,432 million as compared to total assets of RMB74,675 million as of 31 December 2010, primarily due to the continuous increase in the Group's investment in wind power projects by which properties, plants and equipment increased by RMB10,686 million. Total liabilities amounted to RMB60,241 million, representing an increase of RMB12,991 million as compared to total liabilities of RMB47,250 million as at 31 December 2010, primarily due to an increase in non-current liabilities such as long-term borrowings needed for project construction.

Capital liquidity

As at 31 December 2011, current assets of the Group amounted to RMB12,974 million, including bank deposits and cash of RMB3,645 million, trade debtors and bills receivable of RMB5,157 million (primarily consisting of receivables from sales of electricity and coal), as well as prepayments and other current assets of RMB2,772 million (primarily consisting of receivables from sales of CERs, as well as deductible VAT and project advances paid on behalf of a jointly controlled entity of the Group). Current liabilities amounted to RMB26,345 million, including trade creditors and bills payable of RMB1,597 million (primarily consisting of payables for purchases of coal and notes payable for procurement of wind turbines), other payables of RMB8,222 million (primarily consisting of wind power project construction and equipment payables and related retentions) and short-term borrowings amounted to RMB16,369 million. Net current liabilities, as at 31 December 2011, amounted to RMB13,371 million, representing a decrease of RMB1,182 million as compared to RMB14,553 million as at 31 December 2010. The liquidity ratio was 0.49 as at 31 December 2011, representing an increase of 0.07 as compared to the liquidity ratio of 0.42 as at 31 December 2010. The decrease in net current liabilities and an increase in liquidity ratio was primarily due to the increase in receivables as a result of the increase in the electricity sales of the wind power business.

As at 31 December 2011, the Group's outstanding borrowings amounted to RMB47,677 million, representing an increase of RMB10,502 million as compared to the outstanding borrowings as at 31 December 2010. As at 31 December 2011, the Group's outstanding borrowings included short-term borrowings of RMB16,369 million (including long-term borrowings due within one year of RMB1,571 million) and long-term borrowings amounting to RMB31,308 million (including debentures payable of RMB10,474 million). Abovementioned borrowings include borrowings denominated in Renminbi of RMB46,776 million, borrowings denominated in U.S. dollars of RMB836 million and borrowings denominated in other currencies of RMB65 million.

Capital expenditures

The capital expenditures of the Group amounted to RMB14,329 million in 2011, representing a decrease of 17.8% as compared to RMB17,435 million in 2010. Of the capital expenditure, the expenditures for the construction of wind power projects amounted to RMB13,132 million, and the expenditures for the construction of other renewable energy projects amounted to RMB1,085 million. The sources of funds mainly include borrowings from banks and other financial institutions and the issuance of debentures.

Net gearing ratio

As at 31 December 2011, 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 59.6%, representing an increase of 4.9 percentage points from 54.7% as at 31 December 2010, primarily due to the increase in net debt as a result of the increase in borrowings following the increase in the number of wind power projects.

Material investments

In the first half of 2011, the Group acquired 90,000,000 shares of Huaneng Renewables Corporation Limited (華能新能源股份有限公司) at a price of HK$2.50 per share, representing 1.1% of its total shares, at a total consideration of approximately RMB181 million.

In the second half of 2011, the Group acquired 121,000,000 shares of Beijing Jingneng Clean Energy Co., Ltd. (北京京能清潔能源電力股份有限公司) at a price of HK$1.67 per share, representing 2.0% of its total shares. The consideration for the acquisition amounted to approximately RMB163 million.

Material acquisitions and disposals

In the first half of 2011, the Group disposed 0.89% equity interest of Guodian Materials Group Co., Ltd. (國電物資集團有限公司) at a consideration of RMB22.60 million through China Beijing Equity Exchange. Upon completion of the disposal, the Group no longer held any equity interest in the above company.

In the second half of 2011, the Group disposed 7.33% equity interests held in Guodian Fuel Co., Ltd. (國電燃料有限公司) at a consideration of RMB314.69 million through Chongqing United Assets and Equity Exchange. Upon completion of the disposal, the Group no longer held any equity interest in the above company.

Pledged assets

The Group has pledged certain wind turbine equipment to secure certain bank loans. As of 31 December 2011, the aggregate net book value of the pledged assets was RMB292 million, representing a decrease of 5.5% as compared to RMB309 million in 31 December 2010, primarily due to the decrease in the net book value of pledged assets as a result of depreciation of wind turbines.

Guarantee

As of 31 December 2011, the Group provided a RMB76 million guarantee for bank loans of an associate, and issued a counter-guarantee of no more than RMB38 million to the controlling shareholder of an associate. As of 31 December 2011, the bank loan balance for which the Group provided counter-guarantee amounted to RMB33 million.

Cash flow analysis

As of 31 December 2011, bank deposits and cash held by the Group amounted to RMB3,645 million, representing a decrease of RMB447 million as compared to RMB4,092 million as of 31 December 2010. The principal sources of funds of the Group included cash generated from operating activities, bank loans and proceeds raised in the bond market. The Group mainly used the funds for capital expenditure and repayments of borrowings.

The net cash inflow of the Group's operating activities amounted to RMB5,624 million in 2011, among which the cash inflow was primarily attributable to the income from sales of electricity, steam and other sales whereas the cash outflow was primarily attributable to the procurement of fuels and spare parts, taxation payment and operating expenses. The net cash outflow of the Group's investing activities amounted to RMB14,034 million in 2011, among which cash inflow of investing activities primarily resulted from disposal of unquoted equity investments, dividends and interest income and cash outflow of investing activities was primarily attributable to construction of wind power projects, investment in associates and joint ventures, as well as acquisition of subsidiaries engaged in wind power and biomass businesses. In 2011, the net cash inflow of the Group's financing activities amounted to RMB7,637 million, primarily including the obtaining and repayment of bank borrowings, issuance of bonds and repayment of loan interests.

IV. RISK FACTORS AND RISK MANAGEMENT

The Group is mainly engaged in the design, development, construction, management and operation of wind farms and is susceptible to the macro economic environment of the State, industry policies and changes in climatic conditions which may subject the Group's operations and development to certain risks. The Group will keep a close track of the macro-economic dynamics, policies and climatic changes at home and abroad to seize opportunities, reduce risk and seek further development.

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

Given the distinctive nature of the wind power industry, the amount of electricity generated by, and the profitability of wind farms depend on local climatic conditions, particularly wind resources conditions. Any changes in the condition of wind resources will affect wind power generation of the Group and our profitability. The Group emphasises preliminary assessment and site selection for its wind power projects, and shall leverage on the rich experience of wind power development and advanced wind resource assessment technologies to maximise its effort of selecting projects with abundant wind resources and strong profitability. Meanwhile, the Group will further strengthen management over wind power equipment and production procedures, enhance the management functions of corporate surveillance centre of the Group and increase the operation time of generating units to achieve higher power generation.

2. Risks relating to grids

Given large-scale wind power development in the PRC in recent years and the lagging behind of construction of grid amenities in certain regions, the power output of certain projects was limited. To better align wind power development with grid connection and to sustain orderly development of wind power projects, the National Energy Administration coordinated the development of wind power projects. As the leading enterprise in the PRC wind power industry, the Group is set to benefit from such policies. Meanwhile, the Group will also further diversify its regional project layout by increasing pipeline projects and development and construction of wind power projects in regions without limitation on electricity output, with low wind speed and high altitude; minimising loss arising from limitations on electricity output by exploring and improving ways of operations subject to load limitations through analysis of changes in power grid structures; striving for the establishment of grid-friendly wind farms by taking into account the requests of grid companies, including carrying out grid upgrades such as expediting renovation for low voltage ride as well as watt-less power compensation exercise; and continue to increase the Group's resilience against risks on wind power projects by fostering communication and coordination with grid companies in all respects, seeking possible ways of joint despatch of wind and coal power as well as exploring solutions to limitations on electricity output through various channels.

3. Risks relating to CDM project development

Since the development and certification of CDM projects are subject to the impact of changes in the Kyoto Protocol and other relevant policies, the development of our CDM projects and revenue thereof are subject to uncertainties to a certain extent. If a project fails to register or should any significant policy changes occur during the process of project development, the Group's revenue from CDM will be affected to a certain extent. The United Nations Climate Change Conference, Durban 2011 resolved that there will be a second commitment period for Kyoto Protocol, indicating that CDM mechanism will subsist after 2012 which in turn indicates a brighter prospect for further registration and trading of CDM projects after 2012. However, as it remains uncertain as to the role that the PRC should undertake in the international emission reduction arrangement after 2012, the prospect of CDM trade subsequent to 2012 is affected. With active preparation of a trial run of a national carbon trading system in the PRC, demand for CDM or similar mechanisms may be expected to arise but there are greater uncertainties as to whether the Group will initiate its CDM business, given the uncertainties over requirements in respect thereof. The Group will step up development of new projects subject to how the situation unfolds and adjust its development strategies on a timely basis to maximise its gains from CDM.

4 Interest rate risk

The Group is principally engaged in the investment in wind farms, which requires enormous capital expenditures, and its capital is mainly sourced from bank loans. Therefore, any changes in interest rate will have certain impacts on the Group's cost of funds. With sound performance and credibility, a stable debt structure and diversified financing channels, the Group is of strong capability to avert interest rate risks. Meanwhile, the Group will, through active participation in direct financing markets in the PRC, widening of its access to the national non-bank institution and capital markets and expansion into overseas Renminbi markets to expand its financing channels, and fully capitalise on trust, private placement bonds, overseas Renminbi bonds and other new financing products to trim the cost of funds. The Group will keep abreast of policies and changes in the domestic and international financial markets to improve its capital management and continue to diversify its financing channels to control financial cost.

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 of the Group in those transactions denominated in foreign currencies. To strengthen the management over exchange rate risks, the Group closely monitored and analysed the fluctuations in the foreign exchange rate and adopted various management approaches to cope with such risks.

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. On 30 November 2011, the National Development and Reform Commission issued the "Notice on Strengthening Price Controls on Coal Used For Power Generation" (《國家發展改革委關於加強發電用煤價格調控的通知》) (Fa Gai Dian [2011] No. 299), whereby temporary price intervention measures were implemented nationwide for coal used for power generation. According to figures derived subsequent to the issue of the order to limit price, the coal price had already showed on a downward trend. Meanwhile, the Group effectively increased the probability of planned coal capacity, due to proper control of the pace of coal procurement and expansion of its coal supply channels. It implemented renovation to allow for low-NOx combustion and other energy-saving and technical renovation projects to reduce coal consumption for power generation. Moreover, it increased efforts through improved economic coal mixture for burning to minimise the cost of coal into the furnace (入爐煤) whilst boosting coal sales effort which effectively mitigated the unit price of coal equivalent. Leveraging various methods of streamlining fuel management, it reduced and locked up risk in fuel, thereby enhancing the profitability of the Company.

As above risks have limited impact on the operating results of the Group and the Group has also adopted various measures to control and manage such risks and has established and improved the internal risk management policies and systems, such risks could be assessed, minimised and monitored.

V. OUTLOOK IN 2012

In 2012, the Group will stay committed to scientific development, place emphasis on economic efficiency and orient itself to optimisation and adjustment of the structure. It will embark on the beginning of the "Year of Safety Production and Operation Management" and foster corporate transformation to make breakthroughs. It will leverage innovative systems and mechanisms and secure its presence by establishing a talent pool. Under the guidelines of "holding one major policy, striving for two breakthroughs, improving three systems, making four endeavors and ensuring five missions accomplished" (「抓住一條主線，爭取兩個突破，完善三個機制，落實四個著力，實現五個確保」), it aims at improving its profitability, risk aversion capabilities, technology innovation and sustainability as a whole, so as to quicken the pace of developing itself into the world's first-class listed new energy company.

In 2012, the Group will strive to achieve the following goals:

1. To strengthen awareness of accountability and ensure production safety

We will ensure appropriate deployment of all safety production staff one year prior to the commencement of production of the wind farms; further raise the awareness of safety production and establish a safety management regime that is comprehensive, insomuch as to cater to new energy development; stringently bring our standards of inspection into practice to ensure safe operation of new equipment, ensure completion of renovation work of grid-related equipment such as low voltage ride and wind power estimation as scheduled; strengthen equipment operation management and fully leverage the operation and supervision centre of safety production to boost operational efficiency; further commence technology supervision to further bolster the professional technical support and service capability of engineering and technology companies, and develop itself into a top-notch wind power enterprise.

2. To explore the potential and increase effectiveness to ensure sound and sustainable development

We will focus on improving operation management of the Company and further explore the potential, enforce financial management and capital operation to ensure the liquidity supply and reduce the cost of capital; actively seek capital raising channels in the international financial markets and conduct in-depth research on currency rates of all other foreign countries, their interest rates and preventive measures relating to risks from taxation, so as to guarantee the execution of the overseas strategies of the Group; keep track of the policy directions of CDM on the global stage and complete the preparation of operational budgets to safeguard our income from CDMs; provide more in-depth analysis of economic activities and benchmarking of enterprises and seek to benefit from preferential tariffs and financial and tax policies; and step up our efforts in investor relations management to maintain the positive market image of the Company.

3. To optimise its development layout to ensure the quality of development of the Company

We will control the investment scale as appropriate to ensure profitability of new projects, adjust development strategies by optimising our project portfolio and doubling efforts in developing regions without limitations on electricity output, conscientiously generalise from our experience in offshore (intertidal) wind power development and leverage our margins to expand the scope of preliminary work in provinces along the coastal regions; accurately evaluate the situation by actively verifying potential investment opportunities and placing emphasis on risk analysis of overseas projects; focus on the depth of the preliminary operations and fully overcome restrictions arising from grid connections, environmental impacts and other external factors during the stage of feasibility studies; coordinate efforts to complete the reporting of, whilst seeking approval of the second batch of plans to be approved under the "Twelfth Five-Year Plan" of the National Energy Administration, in a bid to have more projects enlisted and focus on adding projects to the pipeline and strengthening development in areas with abundant photovoltaic resources and launch the rooftop PV pilot project (屋頂光伏示範項目) to achieve synergies out of various new energy developments.

4. To insist on optimising design to ensure construction quality of our projects and cost objectives

We will improve construction management and insurance mechanisms for our projects and specify staff accountability, strengthen the review and optimisation of the designs and formulate plans for project progress in a scientific manner; reinforce oversight of construction site and construction teams and exercise check before acceptance of each projects, enhance the management for the construction progress by expediting the progress of equipment delivery and commencing thorough supervision of the manufacturing of electric equipment of wind farms; manage cost objectives of our projects in a bid to reduce construction cost; generalise experience from the construction of the offshore (intertidal zone) project in Jiangsu and step up efforts in the exchange of construction technologies and training; reinforce its ability of operating offshore wind power construction; and actively support overseas companies by ensuring timely distribution of our talent and technology pipelines.

5. To accelerate construction of the R&D platform so as to improve technology innovation

By fully utilising the platform of "National Wind Power Operation R&D Centre" (國家能源風電運營研發中心), along with the construction of Guodian New Energy Technological Research Institute (國電新能源技術研究院), we will strive to raise the R&D ability on wind power operation technology, actively coordinate efforts in research and development with the 863 projects of the State and other technological projects, facilitate technological improvement of the enterprise through project research and development, refine and promote the Group's technology standards, with a view to aligning the standards of the enterprise with those of the new energy industry; and reinforce the management of technology innovation of the enterprise to maintain the enterprise's sustainable edges in terms of competitiveness and talent.

6. To reinforce the introduction and training of talents to safeguard the talent pool

Aiming at realising the Group's "Twelfth Five-Year" development plan, we will explore new ways of introducing and nurturing talents, continuously improve the competitive election and deployment mechanism of human resources, refine the management system of leaders; reinforce management on the career path of our staff, intensify trainings for positions and strengthen testing and training for occupational techniques, so as to enhance the overall quality of our talent pool; refine performance appraisal and the incentive scheme for talents by conducting management of staff performance, whilst refining the development of all kinds of experts and talents and improving the incentive protection scheme to cater to the development needs of the enterprise in the long run.

7. To promote and commit ourselves to honest business practices and comprehensively foster honest initiatives to promote a positive corporate culture that unite people's will

We will deepen our efforts in pursuing advancement and excellence to step up the development of a team of leaders with "four strengths". We will implement an accountability system across the organisation with a stress on honesty and further provide education on honest business practices and the organisation and establishment of a discipline inspection and supervision team to refine the establishment of the prevention system and foster risk control management to enforce honest business practices. We will foster the promotion of and adherence to corporate culture along with cultural enrichment, fully establish the cultural structure, establish a comprehensive work layout and appraisal mechanism to promote comprehensive development of corporate culture at base levels, commence investigation and research on basic level units, and strengthen the cultural merging of newly established and newly acquired units into the Group's corporate culture. We will continue to carry on our commitment to the "Longyuan Green Care Action" (龍源綠色關愛行動) and further the implementation of the "Public Welfare Projects" (惠民工程) so as to increase the force of cohesion within the enterprise and enhance the social influence and reputation of the Group.

Human Resources

SUMMARY OF HUMAN RESOURCES

As of 31 December 2011, the Group had a total of 5,559 staff, of which 4,606, or 82.9%, were male while 953, or 17.1%, 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	121	2.2%
2	Wind power business	2,440	43.9%
3	Coal power business	2,140	38.5%
4	Technical and related services business	378	6.8%
5	Other renewable energy	480	8.6%
	Total	5,559	100%

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

Number	Academic qualifications	Number of staff	Percentage
1	Postgraduate or above	64	52.9%
2	Undergraduate	46	38.0%
3	College diploma	9	7.4%
4	Technical secondary school or below	2	1.7%
	Total	121	100%

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

Number	Age	Number of staff	Percentage
1	56 years old and above	5	4.1%
2	46-55 years old	26	21.5%
3	36-45 years old	34	28.1%
4	35 years old and below	56	46.3%
	Total	121	100%

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

Number	Academic qualifications	Number of staff	Percentage
1	Postgraduate or above	283	5.1%
2	Undergraduate	1,808	32.5%
3	College diploma	1,646	29.6%
4	Technical secondary school or below	1,822	32.8%
	Total	5,559	100%

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

Number	Age	Number of staff	Percentage
1	55 years old and above	241	4.3%
2	46-54 years old	901	16.2%
3	36-45 years old	1,487	26.8%
4	35 years old and below	2,930	52.7%
	Total	5,559	100%

STAFF INCENTIVES

In order to cater to 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 broadened the career prospects of the staff.

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 2011, 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 over 6,000 people during the year, propping up the percentage of total staff training to reach 100%.

The Group 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 Group 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 Company 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 establish its brand image known by fulfilling social responsibility, and build a resource-saving and environmental-friendly enterprise with continuous commitment to building a platform for employees, striving for the interests of shareholders and making contributions to the society.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION

Further efforts in developing the renewable energy business

The Group has proactively coped with the threats posed by global warming and energy crisis. To this end, it 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, with a goal of combining self development with national energy structure improvement and the establishment of security mechanism on national energy. During the reporting period, the Group recorded emission-free power generation of 13,524 million kWh, representing a saving of 4.06 million tons of coal equivalent. In addition, the Group reduced 13.52 million tons of carbon dioxide emissions and 410,000 tons of sulphur dioxide emissions.

Effective control of the index of coal power consumption

In 2011, the Group put the consumption index of coal power generating units on hold by further exploring the potential of coal power generating units and setting higher standards for scientific management. The annual average standard coal power consumption was 294.7 grams per kWh, 18.2 grams per kWh less than planned. The production and operation of coal power are up to top standard within the industry. All environmental desulphurising facilities of coal power generating units of the Group are under normal and effective operation.

Standardised commissioning of environmental evaluation at the preliminary stage of projects

The Group has complied with relevant requirements stipulated under legal and regulatory documents relating to environmental protection. In particular, the Group has paid close attention to any potential impact to be likely caused by project construction to the surroundings, 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. Furthermore, with an aim to achieve synergy and a win-win scenario for development and utilisation of resources and ecological environmental protection, the Group has planned and implemented its vegetation restoration and environmental protection scheme upon construction of the projects, so as to ensure the establishment of an ecological environment with a reasonable structure and a stable system around the site.

Continuously enhancing environmental protection during construction and operation

The Group has further put the concepts of energy saving and environmental protection into practice by specifying environmental protection rules and adopting various measures to enhance environmental protection management during the period of construction and operation. For example, the Group set up pollution control plan 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 comprehensive utilisation of solid emissions. A restoring system to conserve water and soil has also been formed by the Group.

SOCIAL WELFARE COURSES

The Group has actively engaged in social welfare activities to fulfil its corporate social responsibility, in a bid to realising the harmonious development of enterprise and society. This year, the Group launched "Longyuan's Green Care Action" ("龍源綠色關愛"行動) for the purpose of setting up a caring system and a long-standing mechanism bearing the important mission of "caring for society". In 2011, all units under the Group participated in social welfare activities. For instance, Shanxi Longyuan Wind Power Generation Co., Ltd., a subsidiary of the Group, contributed RMB290,000 for construction of a new rural village in Zhang Cai Township, Shuozhou City (朔州市張蔡莊鄉), Jiangsu Longyuan Wind Power Co., Ltd., a subsidiary of the Group, donated RMB300,000 to Rudong County Government in support of local construction, while staff of Wenling Jiangxia Tidal Power Station (溫嶺江廈潮汐電站) under the Group insisted on blood donations without reward, which has donated blood of more than 30,000 ml. In addition, Fan Haili (範海利), an employee of Longyuan Hulunbuir Wind Power Generation Co., Ltd. under the Group donated hematopoietic stem cells which saved the life of an undergraduate. In respect of wind power construction, it invested in road construction, with more than 780 km of road newly constructed, and over 11,000 trees planted.

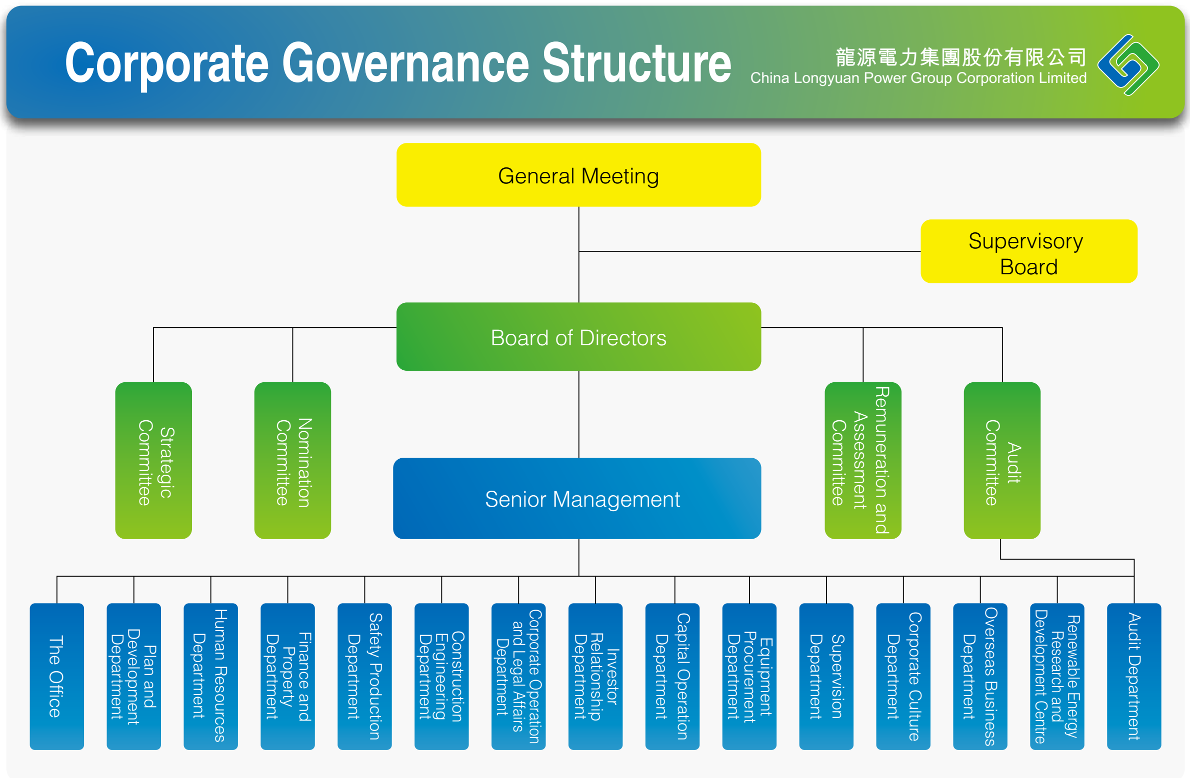
To return to the society, the Group is also committed to giving financial aid to poor students and disabled people, and providing poverty relief as well as exercising low-carbon measures. For instance, Heilongjiang Longyuan Wind Power Generation Co., Ltd. (黑龍江龍源風力發電有限公司), a subsidiary of the Group, donated RMB1.2 million for the construction of the "School of Hope" in Keshan County. Anhui Longyuan Wind Power Generation Co., Ltd. under the Group donated RMB500,000 for education development of Lai'an County. In addition, Xinjiang Longyuan Wind Power Generation Co., Ltd. (新疆龍源風力發電有限公司) under the Group initiated poverty relief in Barkol County (巴裏坤縣) to improve the livelihood of the locals. In 2011, the Group's donations for welfare courses amounted to RMB7.2 million.

The Group has been actively promoting low carbon living and its philosophy by nurturing and propelling voluntary reduction among domestic enterprises of the society, giving support to enterprises which are willing to cut back on carbon emission voluntarily or refraining from personal emission of carbon. In order to expedite the development of low-carbon living, the Group promoted a low-carbon style of work and life at corporate level, meaning the staff are encouraged to save resources and protect environment in action, which leads the new trend of society proactively.

Corporate Governance Report

The Board of the Company hereby presents to the shareholders the corporate governance report for the year ended 31 December 2011.

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



CORPORATE GOVERNANCE PRACTICES

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 2011, the Board consisted of nine Directors, including two executive Directors, four 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 42 to 51 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
Chen Bin	Non-executive Director	Appointed on 10 August 2011
Tian Shicun	Executive Director	Appointed on 8 July 2009
Luan Baoxing	Non-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 2011, eight meetings were held by the Board. Presence of Directors at Board meetings is as follows:

Name	Position in the Company	Number of Meetings Attended/Held	Attendance rate
Zhu Yongpeng	Chairman of the Board and Non-executive Director	8/8	100%
Xie Changjun	Executive Director and President	8/8	100%
Wang Baole	Non-executive Director	8/8	100%
Chen Bin *(Note 1)*	Non-executive Director	2/2	100%
Tian Shicun	Executive Director	8/8	100%
Luan Baoxing	Non-executive Director	8/8	100%
Wang Liansheng *(Note 2)*	Former Executive Director	6/6	100%
Li Junfeng	Independent non-executive Director	8/8	100%
Zhang Songyi	Independent non-executive Director	8/8	100%
Meng Yan	Independent non-executive Director	8/8	100%

Note: 1 Mr. Chen Bin was appointed as non-executive Director of the Company on 10 August 2011. Subsequent to his appointment, a total of two Board meetings had been held for the year ended 31 December 2011.

2 Mr. Wang Liansheng resigned as executive Director of the Company on 10 August 2011. Prior to his resignation, a total of six Board meetings had been held for the year ended 31 December 2011.

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). Save as Mr. Chen Bin, such service contracts are for a term of three years commencing from 8 July 2009. Mr. Chen Bin has been serving as a non-executive Director of the Company since 10 August 2011 until the expiry of the current session of the Board.

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 three meetings, details of which are as follows:

- On 15 March 2011, the 2011 first meeting of the audit committee of the first session of the Board was held, at which (1) the Company's 2010 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 2010 annual financial statements; (3) the Company's 2010 annual financial statements were considered and approved; (4) the re-appointment of auditors for 2011 and their remuneration were considered and approved.

- On 23 August 2011, the second meeting of the audit committee of the first session of the Board for 2011 was held, at which (1) the Company's 2011 interim report and interim 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 2011 interim financial statements were considered and approved; (4) the fees payable to KPMG for reviewing of 2011 interim report were considered and approved.

- On 28 October 2011, the third meeting of the audit committee of the first session of the Board for 2011 was held, at which (1) the third quarterly results announcement for 2011 of the Company was considered and approved; (2) the report relating to the third quarterly results announcement for 2011 of the Company was considered; (3) the proposed cap for the continuing connected transaction from 2012 to 2014 of the Company was considered and approved; (4) the report concerning the proposed cap for the continuing connected transaction from 2012 to 2014 of the Company was considered.

All members of the audit committee attended the above meetings.

2.2 Remuneration and Assessment Committee

During the reporting period, 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.

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

- On 15 March 2011, the first meeting of the remuneration and assessment committee of the first session of the Board for 2011 was held , at which (1) the remuneration of Directors, supervisors and senior management for 2011 was considered and approved; (2) the introduction of the remuneration proposal for Directors, supervisors and senior management of the Company for 2011 was considered; (3) the fund withdrawal plan of the Board of the Company for 2011 was considered and considered; (4) the introduction of the fund withdrawal plan of the Board of the Company for 2011 was considered.

- On 23 August 2011, the second meeting of the remuneration and assessment committee of the first session of the Board for 2011 was held, at which (1) remuneration of new Directors, supervisors and senior management for 2011 was considered and approved; (2) the introduction of the remuneration proposal for new Directors, supervisors and senior management of the Company for 2011 was considered.

All members of the remuneration and assessment committee attended the above meetings.

Note: A resolution was passed at the Board meeting held on 26 March 2012, whereby the chairman of the remuneration and assessment committee was changed from Mr. Wang Baole to Mr. Zhang Songyi. Mr. Wang Baole remained as a member of the committee.

2.3 Nomination Committee

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

- On 15 March 2011, the first meeting of the nomination committee of the first session of the Board for 2011 was held, at which (1) the composition of the Board and the independence of independent non-executive Directors of the Company were considered and approved; (2) the report concerning composition of the Board and the independence of independent non-executive Directors for 2010 was considered.

- On 21 June 2011, the second meeting of the nomination committee of the first session of the Board for 2011 was held, at which (1) the change of Directors of the Company was considered and approved; (2) the report concerning the election of a Director of the Company was considered.

All members of the nomination committee attended the above meetings.

Note: A resolution was passed at the Board meeting held on 26 March 2012, whereby the chairman of the nomination committee was changed from Mr. Xie Changjun to Mr. Zhu Yongpeng.

2.4 Strategic Committee

The strategic committee consists of four Directors: Mr. Xie Changjun, Mr. Wang Baole, Mr. Chen Bin and Mr. Tian Shicun, among which Mr. Chen Bin was appointed as a member of strategic committee on 10 August 2011. Mr. Wang Liansheng, the former member of strategic committee resigned from the position as a member of the strategic committee of the Board on the same date. 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 15 March 2011, the first meeting of the strategic committee of the first session of the Board for 2011 was held, at which (1) the "Twelfth Five-Year" development plan of the Company was considered and approved; (2) the report concerning to the basis and grounds of formulation of the Company's "Twelfth Five-Year" development plan, annual arrangement, organisation and coordination efforts and plan fulfilment situation, etc was considered.

- On 28 October 2011, the second meeting of the strategic committee of the first session of the Board for 2011 was held, at which (1) the Company's acquisition of the equity interests and assets of a wind power project company (風力發電項目公司) was considered and approved; (2) the report concerning the proposed acquisition of equity interests or assets of a wind power project company of Guodian Group and its subsidiaries by the Company (including the subject, method and price of the proposed acquisition was considered); (3) the Company's acquisition of equity interests in a biomass power project company (生物質發電項目公司) was considered and approved; (4) the report concerning the proposed acquisition of a biomass power project of a subsidiary under Guodian Group by the Company, the method of the acquisition, the price of the acquisition and other conditions was considered; (5) the disposal of 7.33% equity interest in Guodian Fuel Co., Ltd. held by the Company was considered and approved; and (6) the report concerning the disposal of 7.33% equity interest in Guodian Fuel Co., Ltd. held by the Company was considered.

All members of the strategic committee attended the above meetings during their respective tenure.

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 2011.

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 (the "Model Code") 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 during the reporting period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on no less exacting terms than the Model Code. The Company has not discovered any breach of the guidelines by its relevant employees.

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 operation conditions 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 2011, respectively.

For the year ended 31 December 2011, the fees payable to KPMG and RSM China Certified Public Accountants Co., Ltd. for audit services were RMB14,650,000 and RMB9,700,000 respectively. For the year ended 31 December 2011, the fees payable to KPMG for non-audit services were RMB2,380,000. The non-audit service provided by KPMG included relevant service on bonds issuance and services related to acquisition and disposal of equity interests or assets.

KPMG, the Company's external auditor's responsibility to the financial statements are set out on pages 113 to 114 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 two extraordinary general meetings.

Arrangement will be made for the Board to address shareholders' queries at the 2011 annual general meeting of the Company.

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 organised an annual results roadshow and an interim results roadshow during the reporting period. In March 2011, the management of the Company carried out annual results roadshow in Hong Kong, Singapore and the United States respectively, and held a press conference, an analyst meeting, 27 one-to-one/group/teleconference meetings for investors and 3 investor breakfast/luncheon meetings. In August 2011, the management of the Company carried out interim results roadshow in Hong Kong, and held a press conference, an analyst meeting and 8 one-to-one/group/teleconference meetings for investors.

Investors' Routine Visits

During the reporting period, the Company received 141 groups of investors by way of one-to-one/group/teleconference meetings and fully communicated and exchanged opinions with investors and analysts from 263 domestic and foreign institutions.

Investment Summit

During the reporting period, the management of the Company attended 16 investors summits organised by world-famous investment banks and fully communicated with investors through making lectures on the meeting, holding group/one-to-one meetings.

Supervisory Board's Report

On 9 July 2009, the current session of the Supervisory Board was established upon the approval of the inaugural meeting of the Company. The current session of the Supervisory Board consists of three supervisors.

In 2011, for the purposes of the Company's long-run interests and shareholders' interests, the Supervisory Board of the Company acted in strict compliance with relevant laws and regulations, rules, regulatory documents and the Articles of Association, Rules and Procedures of the Supervisory Board of China Longyuan Power Group Corporation Limited (《龍源電力集團股份有限公司監事會議事規則》) and Listing Rules of the Hong Kong Stock Exchange and earnestly performed their duties of supervision as to the acts of Directors and senior management of the Company during the exercise of their respective duties of the Company. Major work of the Supervisory Board in the reporting period is reported as follows:

I. MEETINGS CONVENED BY THE SUPERVISORY BOARD

1. The first meeting of the first session of the Supervisory Board for 2011 was held on 15 March 2011, at which the Resolution Regarding the 2010 Annual Report of China Longyuan Power Group Corporation Limited and Results Announcement (《關於龍源電力集團股份有限公司二零一零年度報告及業績公告的議案》)and the Resolution Regarding the 2010 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二零一零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 for 2011 was held on 21 June 2011, at which the Resolution Regarding the Change of Supervisor of China Longyuan Power Group Corporation Limited (《關於更換龍源電力集團股份有限公司監事的議案》) and the Resolution Regarding the Change of Chairman of Supervisory Board of China Longyuan Power Group Corporation Limited (《關於更換龍源電力集團股份有限公司監事會主席的議案》) were considered and approved.

3. The third meeting of the first session of the Supervisory Board for 2011 was held on 23 August 2011, at which the Resolution Regarding the 2011 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二零一一年度中期報告及中期業績公告的議案》) and the Resolution Regarding the Election of Mr. Qiao Baoping as the Chief Supervisor of China Longyuan Power Group Corporation Limited) (《關於選舉喬保平先生擔任龍源電力集團股份有限公司監事會主席的議案》) were considered and approved.

II. WORK OF THE SUPERVISORY BOARD

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

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

During the reporting period, members of the Supervisory Board attended all general meetings held by the Company and attended all Board meetings as non-voting participant, and also considered the proposals which were submitted to the Board for consideration. Through attending such meetings as participants and 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 material decision-making process of the Company has been in compliance with laws and regulations, that all 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 no violation of laws, regulations, the Articles of Association of the Company and prejudice to the interests of the Company's shareholders have been found during the execution of their respective duties.

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 Hong Kong Financial Reporting Standards, for which no concerns has been found. Having duly reviewed the 2011 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 equity interests and assets and connected transactions with the controlling shareholder of the Company. The Supervisory Board is of the opinion that such acquisitions, disposal of equity interests and assets and connected transactions were conducted in a fair and just way, at reasonable price, 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 legitimate, timely and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.

Chief Supervisor
Qiao Baoping

Beijing, PRC, 26 March 2012

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 115 to 242, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated statement of profit or loss and other 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 2011 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

26 March 2012

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2011 (Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000 (restated - note 42)
Revenue	4	16,159,438	14,217,670
Other net income	5	1,271,487	986,043
Operating expenses			
Depreciation and amortisation		(2,845,403)	(2,236,913)
Coal consumption		(2,877,254)	(2,737,197)
Coal sales cost		(3,896,635)	(3,045,950)
Service concession construction costs		(793,129)	(1,450,404)
Personnel costs		(768,912)	(666,057)
Material costs		(327,703)	(282,336)
Repairs and maintenance		(253,665)	(184,215)
Administration expenses		(294,109)	(221,622)
Other operating expenses		(337,712)	(306,410)
		(12,394,522)	(11,131,104)
Operating profit		5,036,403	4,072,609
Finance income		399,905	79,303
Finance expenses		(1,887,072)	(1,179,304)
Net finance expenses	6	(1,487,167)	(1,100,001)
Share of profits less losses of associates and jointly controlled entities		60,221	227,634
Profit before taxation	7	3,609,457	3,200,242
Income tax	8	(304,964)	(439,283)
Profit for the year		3,304,493	2,760,959

The notes on pages 127 to 242 form part of these financial statements.

	Note	2011 RMB'000	2010 RMB'000 (restated - note 42)
Other comprehensive income/(losses):			
Available-for-sale financial assets: net movement in the fair value reserve		(4,912)	(4,965)
Exchange difference on net investment		(7,379)	(8,395)
Exchange difference on translation of financial statements		(2,442)	1,812
Other comprehensive income/(losses) for the year, net of tax	12	(14,733)	(11,548)
Total comprehensive income for the year		3,289,760	2,749,411
Profit attributable to:			
Shareholders of the Company		2,637,989	2,013,439
Non-controlling interests		666,504	747,520
Profit for the year		3,304,493	2,760,959
Total comprehensive income attributable to:			
Shareholders of the Company		2,623,256	2,001,891
Non-controlling interests		666,504	747,520
Total comprehensive income for the year		3,289,760	2,749,411
Basic and diluted earnings per share *(RMB cents)*	13	35.34	26.97

The notes on pages 127 to 242 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011 (Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000 (restated - note 42)
Non-current assets			
Property, plant and equipment	15	61,337,323	50,651,207
Investment properties	16	98,138	101,345
Lease prepayments	17	1,159,883	876,466
Intangible assets	18	8,162,178	7,661,059
Goodwill	19	11,541	11,541
Investments in associates and jointly controlled entities	21	1,554,483	1,314,571
Other assets	22	4,628,150	3,458,936
Deferred tax assets	33(b)	180,827	207,754
Total non-current assets		77,132,523	64,282,879
Current assets			
Inventories	23	889,801	636,449
Trade debtors and bills receivable	24	5,157,247	3,496,176
Prepayments and other current assets	25	2,772,259	1,502,292
Tax recoverable	33(a)	72,303	19,969
Trading securities	26	406,041	181,418
Assets held for sale	27	—	217,363
Restricted deposits	28	31,741	245,925
Cash at bank and on hand	29	3,644,915	4,092,489
Total current assets		12,974,307	10,392,081

The notes on pages 127 to 242 form part of these financial statements.

	Note	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
Current liabilities			
Borrowings	30(b)	**16,368,831**	17,200,085
Trade creditors and bills payable	31	**1,597,000**	1,515,340
Other payables	32	**8,221,974**	6,034,214
Tax payable	33(a)	**157,557**	195,658
Total current liabilities		**26,345,362**	24,945,297
Net current liabilities		**(13,371,055)**	(14,553,216)
Total assets less current liabilities		**63,761,468**	49,729,663
Non-current liabilities			
Borrowings	30(a)	**31,308,411**	19,974,660
Deferred income	35	**1,992,723**	2,225,456
Deferred tax liabilities	33(b)	**100,550**	104,307
Other non-current liabilities	36	**494,133**	—
Total non-current liabilities		**33,895,817**	22,304,423
NET ASSETS		**29,865,651**	27,425,240

The notes on pages 127 to 242 form part of these financial statements.

	Note	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
CAPITAL AND RESERVES			
Share capital	37(c)	7,464,289	7,464,289
Reserves	37(d)	18,025,919	15,817,045
Total equity attributable to the shareholders of the Company		25,490,208	23,281,334
Non-controlling interests		4,375,443	4,143,906
TOTAL EQUITY		29,865,651	27,425,240

Approved and authorised for issue by the board of directors on 26 March 2012.

Zhu Yongpeng
Chairman

Xie Changjun
Director

The notes on pages 127 to 242 form part of these financial statements.

Balance Sheet

At 31 December 2011 (Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	360,494	479,552
Investment properties	16	183,384	192,854
Lease prepayments		1,407	1,615
Intangible assets		800	169
Investments in subsidiaries	20	13,564,233	11,352,889
Investments in associates and jointly controlled entities	21	732,522	582,772
Other assets	22	18,270,988	11,700,921
Total non-current assets		33,113,828	24,310,772
Current assets			
Inventories		550	522
Trade debtors and bills receivable	24	11,415	415,140
Prepayments and other current assets	25	18,310,712	16,268,986
Restricted deposits		11,598	12,934
Cash at bank and on hand	29	2,616,577	3,216,874
Total current assets		20,950,852	19,914,456
Current liabilities			
Borrowings	30(b)	9,379,209	10,790,072
Trade creditors and bills payable	31	503,608	305
Other payables	32	5,040,489	1,760,988
Total current liabilities		14,923,306	12,551,365
Net current assets		6,027,546	7,363,091
Total assets less current liabilities		39,141,374	31,673,863

The notes on pages 127 to 242 form part of these financial statements.

	Note	2011 *RMB'000*	2010 *RMB'000*
Non-current liabilities			
Borrowings	30(a)	**17,928,540**	11,384,120
Deferred income		**46,320**	—
Deferred tax liabilities		**1,975**	3,613
Total non-current liabilities		**17,976,835**	11,387,733
NET ASSETS		**21,164,539**	20,286,130
CAPITAL AND RESERVES			
Share capital	37(c)	**7,464,289**	7,464,289
Reserves	37(d)	**13,700,250**	12,821,841
TOTAL EQUITY		**21,164,539**	20,286,130

Approved and authorised for issue by the board of directors on 26 March 2012.

Zhu Yongpeng
Chairman

Xie Changjun
Director

The notes on pages 127 to 242 form part of these financial statements.

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2011 (Expressed in Renminbi unless otherwise stated)

		Attributable to the shareholders of the Company								
	Note	Share capital RMB'000	Capital reserve RMB'000 (note 37(d)(i))	Statutory surplus reserve RMB'000 (note 37(d)(ii))	Exchange reserve RMB'000 (note 37(d)(iii))	Fair value reserve RMB'000 (note 37(d)(iv))	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010 (as previously reported)		7,464,289	13,349,816	—	(140)	7,923	1,077,919	21,899,807	3,780,167	25,679,974
Effect on consolidation of a subsidiary under common control	42	—	2,850	—	—	—	8,828	11,678	8,809	20,487
At 1 January 2010 (as restated)		7,464,289	13,352,666	—	(140)	7,923	1,086,747	21,911,485	3,788,976	25,700,461
Changes in equity for 2010:										
Profit for the year		—	—	—	—	—	2,013,439	2,013,439	747,520	2,760,959
Other comprehensive income		—	—	—	(6,583)	(4,965)	—	(11,548)	—	(11,548)
Total comprehensive income		—	—	—	(6,583)	(4,965)	2,013,439	2,001,891	747,520	2,749,411
Capital contributions		—	—	—	—	—	—	—	125,790	125,790
Appropriation		—	—	4,447	—	—	(4,447)	—	—	—
Special distribution to China Guodian Group Corporation ("Guodian Group")	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		—	—	—	—	—	—	—	47,146	47,146
At 31 December 2010		7,464,289	13,352,666	4,447	(6,723)	2,958	2,463,697	23,281,334	4,143,906	27,425,240

The notes on pages 127 to 242 form part of these financial statements.

		Attributable to the shareholders of the Company								
	Note	Share capital *RMB'000*	Capital reserve *RMB'000* *(note 37(d)(i))*	Statutory surplus reserve *RMB'000* *(note 37(d)(ii))*	Exchange reserve *RMB'000* *(note 37(d)(iii))*	Fair value reserve *RMB'000* *(note 37(d)(iv))*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2011 (as previously reported)		7,464,289	13,349,816	4,447	(6,723)	2,958	2,460,000	23,274,787	4,138,968	27,413,755
Effect on consolidation of a subsidiary under common control	42	—	2,850	—	—	—	3,697	6,547	4,938	11,485
At 1 January 2011 (as restated)		7,464,289	13,352,666	4,447	(6,723)	2,958	2,463,697	23,281,334	4,143,906	27,425,240
Changes in equity for 2011:										
Profit for the year		—	—	—	—	—	2,637,989	2,637,989	666,504	3,304,493
Other comprehensive income		—	—	—	(9,821)	(4,912)	—	(14,733)	—	(14,733)
Total comprehensive income		—	—	—	(9,821)	(4,912)	2,637,989	2,623,256	666,504	3,289,760
Capital contributions		—	—	—	—	—	—	—	71,806	71,806
Appropriation		—	—	143,724	—	—	(143,724)	—	—	—
Dividends by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	(505,295)	(505,295)
Dividends to shareholders of the Company	37(b)	—	—	—	—	—	(403,072)	(403,072)	—	(403,072)
Acquisition of non-controlling interests		—	—	—	—	—	—	—	(2,000)	(2,000)
Acquisition of a subsidiary under common control	42	—	(11,310)	—	—	—	—	(11,310)	522	(10,788)
At 31 December 2011		7,464,289	13,341,356	148,171	(16,544)	(1,954)	4,554,890	25,490,208	4,375,443	29,865,651

The notes on pages 127 to 242 form part of these financial statements.

Consolidated Statement Of Cash Flows

For The Year Ended 31 December 2011 (Expressed in Renminbi unless otherwise stated)

	2011 RMB'000	2010 RMB'000 (restated - note 42)
Cash flows from operating activities		
Profit before taxation	3,609,457	3,200,242
Adjustments for:		
Depreciation	2,466,190	1,957,189
Amortisation	379,213	279,724
Impairment loss on assets held for sale	—	80,737
Gain on deemed disposal of an associate	—	(187,450)
Gain on disposal of unquoted equity investments	(211,118)	—
(Gain)/loss on disposal of property, plant and equipment, intangible assets and assets held for sales	(111,967)	2,698
Interest expenses on financial liabilities	1,676,951	1,088,359
Foreign exchange differences, net	50,890	30,412
Interest income on financial assets	(110,147)	(58,480)
Dividend income	(62,074)	(1,080)
Share of profits less losses of associates and jointly controlled entities	(60,221)	(227,634)
Changes in working capital:		
Increase in inventories	(249,575)	(285,617)
Increase in trading securities	(224,623)	(181,418)
Increase in trade debtors and bills receivable	(1,661,071)	(1,230,549)
(Increase)/decrease in prepayments and other current assets	(222,316)	131,759
Increase/(decrease) in trade and other payables	908,226	(109,005)
Decrease in deferred income	(183,200)	(140,927)
Cash generated from operations	5,994,615	4,348,960
Income tax paid	(370,592)	(341,169)
Net cash generated from operating activities	5,624,023	4,007,791

The notes on pages 127 to 242 form part of these financial statements.

	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	**(13,048,401)**	(17,845,635)
Payments for loans and advances	**(333,157)**	(61,691)
Payments for acquisition of investments in associates and jointly controlled entities, non-controlling interests and unquoted equity investments	**(577,843)**	(162,006)
Payment for acquisition of subsidiaries, net of cash acquired	**(493,203)**	(64,531)
Government grant received	**118,131**	179,823
Proceeds from disposal of property, plant and equipment and intangible assets	**3,151**	75,158
Proceeds from repayment of loans and advances	**8,210**	85,470
Proceeds from disposal of unquoted equity investments	**342,975**	—
Dividends received	**160,592**	44,520
Interest received	**123,788**	58,061
Time deposits	**(338,358)**	(9,465)
Net cash used in investing activities	**(14,034,115)**	(17,700,296)

The notes on pages 127 to 242 form part of these financial statements.

	2011 RMB'000	2010 RMB'000 (restated - note 42)
Cash flows from financing activities		
Capital contributions	71,806	125,790
Proceeds from borrowings	38,843,099	36,319,201
Repayment of borrowings	(28,337,373)	(32,641,946)
Dividends paid by subsidiaries to non-controlling equity owners	(443,652)	(486,196)
Dividends paid to shareholders of the Company	(403,072)	(632,042)
Interest paid	(2,093,957)	(1,318,713)
Payment of finance lease obligations	—	(52,696)
Net cash generated from financing activities	7,636,851	1,313,398
Net decrease in cash and cash equivalents	(773,241)	(12,379,107)
Cash and cash equivalents at the beginning of year	4,080,847	16,517,724
Effect of foreign exchange rate changes	(12,691)	(57,770)
Cash and cash equivalents at the end of year *(note 29)*	3,294,915	4,080,847

The notes on pages 127 to 242 form part of these financial statements.

Notes To The Financial Statements

For The Year Ended 31 December 2011 (Expressed in thousands of Renminbi unless otherwise stated)

1 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").

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 ("IAS") 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 ("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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Group and its interest in associates and jointly controlled entities.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2011 amounting to RMB13,371,055,000. The directors are of the opinion that, based on a review of the forecasted cash flows, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements (see note 38(b)).

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)).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 profit or loss and other 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 profit or loss and other 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Leased assets *(Continued)*

(i) Classification of assets leased to the Group

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Leased assets *(Continued)*

(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.

(m) Impairment of assets

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

Investments in debt and equity securities 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 subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(e))), the impairment loss is measured by comparing the recoverable amount of the investment 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 these financial assets 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; 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 using the effective interest method, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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

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

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

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

  — the same taxable entity; or

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 profit or loss and other 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in note (a).

(vii) A person identified in note (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person 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 a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

- IAS 24 (revised 2009), *Related party disclosures*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period with exception of the amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income. The amendments are effective for annual periods beginning on or after 1 July 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early. As a result of the adoption of the amendments of IAS 1, the Group has changed the title "Statement of comprehensive income" to "Statement of profit or loss and other comprehensive income". The items of other comprehensive income that may be reclassified to profit or loss in the future have been presented separately from that would never be reclassified to profit or loss.

IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not have significant impact on the Group.

4 REVENUE

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

	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
Sales of electricity	10,270,360	8,544,328
Sales of steam	319,195	310,974
Service concession construction revenue *(note 46)*	793,129	1,450,404
Sales of electricity equipment	289,312	261,775
Sales of coal	4,109,261	3,275,973
Others	378,181	374,216
	16,159,438	14,217,670

5 OTHER NET INCOME

	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
Government grants		
— CERs and VERs income	727,344	391,955
— Others	400,144	362,085
Rental income from investment properties	14,552	18,103
Net gain/(loss) on disposal of plant, property and equipment, intangible assets and assets held for sale	111,967	(2,698)
Gain on deemed disposal of an associate	—	187,450
Others	17,480	29,148
	1,271,487	986,043

6 FINANCE INCOME AND EXPENSES

	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
Interest income on financial assets	110,147	58,480
Gain on disposal of unquoted equity investments	211,118	—
Foreign exchange gains	16,566	19,743
Dividend income from listed securities	—	415
Dividend income from other investments	62,074	665
Finance income	399,905	79,303
Interest on bank and other borrowings wholly repayable within five years	1,414,665	882,332
Interest on bank and other borrowings repayable more than five years	828,989	571,393
Less: interest expenses capitalised into property, plant and equipment and intangible assets	(566,703)	(365,366)
	1,676,951	1,088,359
Foreign exchange losses	67,456	50,155
Net realised and unrealised losses on trading securities	105,229	19,035
Impairment losses on trade and other receivables	6,221	8,610
Bank charges and others	31,215	13,145
Finance expenses	1,887,072	1,179,304
Net finance expenses recognised in profit or loss	(1,487,167)	(1,100,001)

The borrowing costs have been capitalised at rates of 4.86% to 7.40% for the year ended 31 December 2011 (2010: 3.26% to 6.14%).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2011 RMB'000	2010 RMB'000 (restated - note 42)
Salaries, wages and other benefits	679,456	595,316
Contributions to defined contribution retirement plan	89,456	70,741
	768,912	666,057

(b) Other items

	2011 RMB'000	2010 RMB'000 (restated - note 42)
Amortisation		
— lease prepayment	33,802	20,391
— intangible assets	345,411	259,333
Depreciation		
— investment properties	3,892	4,076
— property, plant and equipment	2,462,298	1,953,113
Impairment losses		
— assets held for sale	—	80,737
Auditors' remuneration-audit services		
— annual audit service	24,350	20,670
— interim review service	5,500	4,500
Operating lease charges		
— hire of plant and machinery	2,401	1,895
— hire of properties	6,742	4,975
Direct outgoings for investment properties		
— occupied	2,018	1,632
— vacant	—	294
Cost of inventories	7,225,838	6,193,633
Including: personnel costs, depreciation, amortisation, and operating lease charges	1,787	1,695

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	2011	2010
	RMB'000	*RMB'000*
		(restated - note 42)
Current tax		
Provision for the year	**290,999**	398,651
Over provision in respect of prior years	**(10,842)**	(14,882)
	280,157	383,769
Deferred tax		
Origination and reversal of temporary differences *(note 33(b))*	**24,807**	55,514
	304,964	439,283

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 as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2010 and 2011, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 24% according to relevant tax authorities' approvals.

(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 2010 and 2011. 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(a) Taxation in the consolidated statement of profit or loss and other 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 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 generating year ("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.

(v) Certain subsidiaries of the Group, being enterprises engaged in state encouraged industries located in the Western Regions of the PRC were taxed at a preferential income tax rate of 15%. Pursuant to ZhongFa [2010] No.11, Opinions on In-depth Implementation of the Western Development Strategy and CaiShui [2011] No. 58, Notice of the Relevant Taxation Policies on In-depth Implementation of the Western Development Strategy, management of the Group is of the opinion that those subsidiaries will continue to enjoy the preferential rate in 2011.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

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

	2011 ***RMB'000***	2010 *RMB'000* *(restated - note 42)*
Profit before taxation	**3,609,457**	3,200,242
Applicable tax rates	**25%**	25%
Notional tax on profit before taxation	**902,364**	800,061
Tax effect of non-deductible expenses	**11,225**	15,923
Tax effect of share of profits less losses of associates and jointly controlled entities	**(15,055)**	(56,909)
Tax effect of non-taxable income	**(15,519)**	(270)
Effect of differential tax rate of certain subsidiaries of the Group	**(511,957)**	(385,268)
Use of unrecognised tax losses in prior years	**(63,666)**	—
Tax effect of unused tax losses and timing differences not recognised	**11,195**	81,109
Tax credits for purchase of domestic equipment	**(1,250)**	(2,230)
Others	**(12,373)**	(13,133)
Income tax	**304,964**	439,283

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

	Directors' and supervisors' fees *RMB'000*	Salaries allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2011 Total *RMB'000*
Directors					
Mr. Zhu Yongpeng *(Chairman)*	—	—	—	—	—
Mr. Xie Changjun	—	376	698	79	1,153
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	350	674	76	1,100
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng (resigned in August 2011)	—	186	531	51	768
Mr. Chen Bin (appointed in August 2011)	—	—	—	—	—
Independent non-executive directors					
Mr. Li Junfeng	150	—	—	—	150
Mr. Zhang Songyi	150	—	—	—	150
Mr. Meng Yan	150	—	—	—	150
Supervisors					
Mr. Chen Bin (resigned in August 2011)	—	—	—	—	—
Mr. Qiao Baoping (appointed in August 2011)	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. He Shen (appointed in June 2011)	—	102	60	29	191
Mr. Wang Jianting (resigned in June 2011)	—	116	403	29	548
	450	1,130	2,366	264	4,210

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

	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

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:

	2011	2010
Directors	2	3
Non-directors	3	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:

	2011 *RMB'000*	2010 *RMB'000*
Salaries and other emoluments	826	559
Discretionary bonuses	1,647	1,178
Retirement scheme contributions	202	154
	2,675	1,891

The emoluments of the individuals (non-directors) with the highest emoluments are within the following bands:

	2011	2010
HKD 1,000,001 to HKD 1,500,000	3	2

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of RMB643,409,000 (2010: RMB573,027,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	Note	2011 RMB'000	2010 RMB'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements		**643,409**	573,027
Final dividends from subsidiaries, associates and jointly controlled entities attributable to the profits of the previous financial year, approved and paid during the year		**642,984**	743,782
Company's profit for the year	37(a)	**1,286,393**	1,316,809

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

12 OTHER COMPREHENSIVE INCOME

	2011 *RMB'000*	2010 *RMB'000*
Available-for-sale financial assets:		
Net movement in fair value reserve		
— Before tax amount		
Change in fair value recognised during the year	(6,549)	(6,620)
— Tax credit	1,637	1,655
Net of tax amount	(4,912)	(4,965)
Translation of financial statements		
— Before and net of tax amount	(2,442)	1,812
Exchange difference on net investment		
— Before tax amount	(7,379)	(11,193)
— Tax credit *(note 33(a))*	—	2,798
Net of tax amount	(7,379)	(8,395)
Other comprehensive losses	(14,733)	(11,548)

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 2011 of RMB2,637,989,000 (2010 (restated – note 42): RMB2,013,439,000) and the number of shares in issue during the year ended 31 December 2011 and 2010 of 7,464,289,000.

There was no difference between the basic and diluted earnings per share as there were no dilutive potential shares outstanding for the 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, and other renewable energy.

(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 2011 and 2010 is set out below:

For the year ended 31 December 2011

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
— Sales of electricity	6,205,759	3,945,119	119,482	10,270,360
— Others	6,236	4,679,561	410,152	5,095,949
Subtotal	6,211,995	8,624,680	529,634	15,366,309
Inter-segment revenue	—	—	210,352	210,352
Reportable segment revenue	6,211,995	8,624,680	739,986	15,576,661
Reportable segment profit (operating profit)	4,308,891	782,603	109,432	5,200,926
Depreciation and amortisation before inter-segment elimination	(2,329,201)	(501,499)	(51,127)	(2,881,827)
Impairment of trade and other receivables	(3,167)	—	(3,054)	(6,221)
Interest income	11,353	6,902	91,892	110,147
Interest expense	(1,455,259)	(166,933)	(54,759)	(1,676,951)
Reportable segment assets	77,189,951	7,440,618	4,917,690	89,548,259
Expenditures for reportable segment non-current assets during the year	13,132,234	111,233	1,085,472	14,328,939
Reportable segment liabilities	56,990,921	5,256,092	6,180,842	68,427,855

14 SEGMENT REPORTING *(Continued)*

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

For the year ended 31 December 2010 (restated – note 42)

	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	361,485	4,222,938
Subtotal	4,620,497	7,713,869	432,900	12,767,266
Inter-segment revenue	—	—	266,913	266,913
Reportable segment revenue	4,620,497	7,713,869	699,813	13,034,179
Reportable segment profit (operating profit)	3,164,104	794,115	303,037	4,261,256
Depreciation and amortisation before inter-segment elimination	(1,727,735)	(490,809)	(39,643)	(2,258,187)
Impairment of assets held for sale	—	(80,737)	—	(80,737)
Impairment of trade and other receivables	(3,803)	—	(4,807)	(8,610)
Interest income	5,174	18,974	34,332	58,480
Interest expense	(853,740)	(140,414)	(94,205)	(1,088,359)
Reportable segment assets	62,798,447	6,657,723	2,245,296	71,701,466
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	265,944	17,434,982
Reportable segment liabilities	45,879,236	4,530,108	3,084,190	53,493,534

14 SEGMENT REPORTING *(Continued)*

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

	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
Revenue		
Reportable segment revenue	15,576,661	13,034,179
Service concession construction revenue	793,129	1,450,404
Elimination of inter-segment revenue	(210,352)	(266,913)
Consolidated revenue	16,159,438	14,217,670
Profit		
Reportable segment profit	5,200,926	4,261,256
Elimination of inter-segment profits	(31,034)	(54,471)
	5,169,892	4,206,785
Share of profits less losses of associates and jointly controlled entities	60,221	227,634
Net finance expenses	(1,487,167)	(1,100,001)
Unallocated head office and corporate expenses	(133,489)	(134,176)
Consolidated profit before taxation	3,609,457	3,200,242

14 SEGMENT REPORTING *(Continued)*

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

	2011	2010
	RMB'000	*RMB'000*
		(restated - note 42)
Assets		
Reportable segment assets	**89,548,259**	71,701,466
Inter-segment elimination	**(2,627,720)**	(617,690)
	86,920,539	71,083,776
Investments in associates and jointly controlled entities	**1,554,483**	1,314,571
Available-for-sale investments	**10,493**	17,042
Unquoted equity investments	**510,180**	455,323
Trading securities	**406,041**	181,418
Tax recoverable	**72,303**	19,969
Deferred tax assets	**180,827**	207,754
Unallocated head office and corporate assets	**39,307,430**	31,432,755
Elimination	**(38,855,466)**	(30,037,648)
Consolidated total assets	**90,106,830**	74,674,960

14 SEGMENT REPORTING *(Continued)*

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

	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
Liabilities		
Reportable segment liabilities	68,427,855	53,493,534
Inter-segment elimination	(2,413,807)	(471,555)
	66,014,048	53,021,979
Tax payable	157,557	195,658
Deferred tax liabilities	100,550	104,307
Unallocated head office and corporate liabilities	32,824,490	23,965,424
Elimination	(38,855,466)	(30,037,648)
Consolidated total liabilities	60,241,179	47,249,720

(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 PRC government controlled power grid companies amounted to RMB10,211,708,000 for the year ended 31 December 2011 (2010: RMB8,434,549,000). Service concession construction revenue is all from the PRC government.

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land, buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2010						
(as previously reported)	3,179,129	27,096,643	183,459	197,499	12,935,668	43,592,398
Effect on consolidation of a subsidiary						
under common control	7,977	—	3,269	2,396	—	13,642
At 1 January 2010 (as restated)	3,187,106	27,096,643	186,728	199,895	12,935,668	43,606,040
Acquired through business						
combination	—	283,086	156	250	—	283,492
Additions	36,666	27,764	41,153	44,688	15,677,110	15,827,381
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)	(2,341)	(12,343)	—	(531,970)
Reclassification	23,247	(23,247)	—	—	—	—
At 31 December 2010	3,486,571	38,101,759	443,757	227,036	15,631,158	57,890,281
At 1 January 2011	3,486,571	38,101,759	443,757	227,036	15,631,158	57,890,281
Additions	67,276	44,011	28,578	60,384	13,002,425	13,202,674
Transfer from construction in progress	765,634	13,013,961	1,006	27,351	(13,807,952)	—
Transfer from investment						
properties *(note 16)*	1,674	—	—	—	—	1,674
Transfer to other assets	(2,268)	—	—	—	(39,815)	(42,083)
Disposals	—	(96)	(6,253)	(5,379)	—	(11,728)
Reclassification	23,749	(20,884)	(1,997)	(868)	—	—
At 31 December 2011	4,342,636	51,138,751	465,091	308,524	14,785,816	71,040,818

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(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:						
At 1 January 2010 (as previously reported)	908,816	5,180,914	95,472	98,848	3,804	6,287,854
Effect on consolidation of a subsidiary under common control	372	—	2,150	932	—	3,454
At 1 January 2010 (as restated)	909,188	5,180,914	97,622	99,780	3,804	6,291,308
Acquired through business combination	—	23,456	30	86	—	23,572
Depreciation charge for the year	157,641	1,758,978	21,537	25,861	—	1,964,017
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)	(1,907)	(10,425)	—	(454,088)
Reclassification	331	(331)	—	—	—	—
At 31 December 2010	958,707	6,055,632	111,737	109,194	3,804	7,239,074
At 1 January 2011	958,707	6,055,632	111,737	109,194	3,804	7,239,074
Depreciation charge for the year	182,098	2,224,058	34,480	32,146	—	2,472,782
Transfer from investment properties *(note 16)*	658	—	—	—	—	658
Transfer to other assets	(567)	—	—	—	—	(567)
Written back on disposal	—	(90)	(4,537)	(3,825)	—	(8,452)
Reclassification	2,350	(1,598)	(414)	(338)	—	—
At 31 December 2011	1,143,246	8,278,002	141,266	137,177	3,804	9,703,495
Net book value:						
At 31 December 2010	2,527,864	32,046,127	332,020	117,842	15,627,354	50,651,207
At 31 December 2011	3,199,390	42,860,749	323,825	171,347	14,782,012	61,337,323

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Land, buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
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
At 1 January 2011	182,553	38,845	22,997	26,771	298,835	570,001
Additions	—	71	2,091	3,609	135,441	141,212
Transfer from construction in progress	—	2,270	—	154	(2,424)	—
Transfer from investment properties *(note 16)*	1,674	—	—	—	—	1,674
Transfer to subsidiaries	—	—	—	—	(245,957)	(245,957)
Disposals	—	(20)	(901)	(54)	—	(975)
At 31 December 2011	184,227	41,166	24,187	30,480	185,895	465,955

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company *(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 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
At 1 January 2011	48,300	17,776	10,932	13,441	—	90,449
Depreciation charge for the year	7,958	1,833	1,940	2,870	—	14,601
Transfer from investment properties *(note 16)*	658	—	—	—	—	658
Written back on disposal	—	(5)	(193)	(49)	—	(247)
At 31 December 2011	56,916	19,604	12,679	16,262	—	105,461
Net book value:						
At 31 December 2010	134,253	21,069	12,065	13,330	298,835	479,552
At 31 December 2011	127,311	21,562	11,508	14,218	185,895	360,494

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 RMB291,563,000 as at 31 December 2011 (2010: RMB309,328,000).

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

(iii) As at 31 December 2011, 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost:				
At 1 January	**131,291**	162,109	**247,264**	262,763
Transfer to property, plant and equipment *(note 15)*	**(1,674)**	(30,818)	**(1,674)**	(15,499)
Transfer from property, plant and equipment	**2,268**	—	**—**	—
At 31 December	**131,885**	131,291	**245,590**	247,264
Accumulated depreciation:				
At 1 January	**29,946**	29,235	**54,410**	48,427
Charge for the year	**3,892**	4,076	**8,454**	9,348
Transfer to property, plant and equipment *(note 15)*	**(658)**	(3,365)	**(658)**	(3,365)
Transfer from property, plant and equipment	**567**	—	**—**	—
At 31 December	**33,747**	29,946	**62,206**	54,410
Net book value:	**98,138**	101,345	**183,384**	192,854

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 13 March 2012 and 25 February 2011, the fair value of the Group's investment properties as at 31 December 2011 and 2010 are RMB400,698,000 and RMB318,528,000, respectively.

17 LEASE PREPAYMENTS

The Group

	2011 *RMB'000*	2010 *RMB'000*
Cost:		
At 1 January	1,042,786	886,794
Acquired through business combination	—	1,310
Transferred from property, plant and equipment	36,038	—
Additions	281,260	154,682
At 31 December	1,360,084	1,042,786
Accumulated amortisation:		
At 1 January	166,320	145,816
Acquired through business combination	—	22
Amortisation for the year	33,881	20,482
At 31 December	200,201	166,320
Net book value:	1,159,883	876,466

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 2011, 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 2010 (as previously reported)	6,468,093	6,071	6,474,164
Effect on consolidation of a subsidiary under common control	—	236	236
At 1 January 2010 (as restated)	6,468,093	6,307	6,474,400
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	8,787	8,308,584
At 1 January 2011	8,299,797	8,787	8,308,584
Additions	793,129	51,876	845,005
Disposals	—	(407)	(407)
At 31 December 2011	9,092,926	60,256	9,153,182

18 INTANGIBLE ASSETS *(Continued)*

The Group *(Continued)*

	Concession assets *(note 46)* *RMB'000*	Software and others *RMB'000*	Total *RMB'000*
Accumulated amortisation:			
At 1 January 2010 (as previously reported)	386,170	1,779	387,949
Effect on consolidation of a subsidiary under common control	—	211	211
At 1 January 2010 (as restated)	386,170	1,990	388,160
Charge for the year	258,657	729	259,386
Written back on disposal	—	(21)	(21)
At 31 December 2010	644,827	2,698	647,525
At 1 January 2011	644,827	2,698	647,525
Charge for the year	340,908	2,604	343,512
Written back on disposal	—	(33)	(33)
At 31 December 2011	985,735	5,269	991,004
Net book value:			
At 31 December 2010	7,654,970	6,089	7,661,059
At 31 December 2011	8,107,191	54,987	8,162,178

19 GOODWILL

The Group

	2011 RMB'000	2010 RMB'000
Cost and carrying amount as at 31 December	11,541	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 6.70%.

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

	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	13,610,233	11,398,889
Less: impairment loss	(46,000)	(46,000)
	13,564,233	11,352,889

20 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of subsidiaries at 31 December 2011 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		Principal activities
			Direct	Indirect	
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	the PRC	RMB 403,470,000	68.29%	—	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	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	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
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

20 INVESTMENTS IN SUBSIDIARIES *(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
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 432,270,000	73.62%	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 414,036,016	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 672,550,000	75%	25%	Wind power generation
13 Longyuan (Wulatehouqi) Wind Power Generation Co., Ltd. 龍源(烏拉特後旗)風力發電有限公司 *(note (iii))*	the PRC	RMB 238,250,000	75%	25%	Wind Power generation
14 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)*

Name of the company	Place of incorporation/ establishment	Issued and fully paid-up /registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
15 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 209,300,000	50%	—	Wind power generation
16 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
17 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
18 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
19 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 320,134,000	75%	25%	Wind power generation
20 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
21 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)*

	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
22	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 164,679,668	50%	50%	Wind power generation
23	Hainan Longyuan Wind Power Generation Co., Ltd. 海南龍源風力發電有限公司	the PRC	RMB 287,316,300	75%	25%	Wind power generation
24	Longyuan (Changling) Wind Power Generation Co., Ltd. 龍源(長嶺)風力發電有限公司	the PRC	RMB 291,924,200	74.05%	25.95%	Wind power generation
25	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
26	Gansu Longyuan Wind Power Generation Co., Ltd. 甘肅龍源風力發電有限公司	the PRC	RMB 624,530,000	75%	25%	Wind power generation
27	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
28	Shuangyashan Longyuan Wind Power Generation Co., Ltd. 雙鴨山龍源風力發電有限公司	the PRC	RMB 163,579,000	75%	25%	Wind power generation
29	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 175,120,000	57%	—	Wind power generation

20 INVESTMENTS IN SUBSIDIARIES *(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	
30 Longyuan (Putian) Wind Power Generation Co., Ltd. 龍源(莆田)風力發電有限公司	the PRC	RMB 147,290,000	100%	—	Wind power generation
31 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
32 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
33 Longyuan (Rudong) Wind Power Generation Co., Ltd. 龍源(如東)風力發電有限公司	the PRC	RMB 600,475,000	50%	50%	Wind power generation
34 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
35 Longyuan (Tuquan) Wind Power Generation Co., Ltd. 龍源(突泉)風力發電有限公司	the PRC	RMB 86,690,000	100%	—	Wind power generation
36 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

20 INVESTMENTS IN SUBSIDIARIES *(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
37 Buerjin Tianrun Wind Power Co., Ltd. 布爾津縣天潤風電有限公司	the PRC	RMB 57,500,000	40%	20%	Wind power generation
38 Jiangyin Sulong Heat and Power Generating Co., Ltd. 江陰蘇龍熱電有限公司 *(note (ii))*	the PRC	USD 144,320,000	2%	25%	Coal power generation
39 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
40 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
41 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	the PRC	RMB 14,260,000	60%	—	Wind power generation
42 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)*

Name of the company	Place of incorporation/ establishment	Issued and fully paid-up /registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
43 Gansu Xin'an Wind Power Generation Co., Ltd. 甘肅新安風力發電有限公司	the PRC	RMB 169,810,000	54.54%	—	Wind power generation
44 Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd. 龍源建投(承德)風力發電有限公司	the PRC	RMB 307,850,000	30%	25%	Wind power generation
45 Longyuan Jiantou (ChengdeWeichang) Wind Power Generation Co., Ltd. 龍源建投(承德圍場)風力發電有限公司	the PRC	RMB 138,320,000	30%	25%	Wind power generation
46 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
47 Jiangsu Sulong Energy Co., Ltd. 江蘇蘇龍能源有限公司	the PRC	RMB 20,000,000	—	100%	Coal trading
48 Fujian Wind Power Generation Co., Ltd. 福建風力發電有限公司	the PRC	RMB 40,000,000	90%	—	Wind power generation
49 Yunnan Longyuan Wind Power Generation Co., Ltd. 雲南龍源風力發電有限公司	the PRC	RMB 226,780,000	100%	—	Wind power generation

20 INVESTMENTS IN SUBSIDIARIES *(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
50 Jiangsu Offshore Longyuan Wind Power Generation Co., Ltd. 江蘇海上龍源風力發電有限公司	the PRC	RMB 430,000,000	70%	30%	Wind power generation
51 Anhui Longyuan Wind Power Generation Co., Ltd. 安徽龍源風力發電有限公司	the PRC	RMB 320,140,000	100%	—	Wind power generation
52 Donghai Longyuan Biomass Power Generation Co., Ltd. 東海龍源生物質發電有限公司	the PRC	RMB 49,000,000	95%	—	Biomass power generation

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 owns less than half of equity interests in 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.

(iii) This company was newly set up in 2011.

21 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	—	—	732,970	583,220
Share of net assets	1,554,483	1,314,571	—	—
	1,554,483	1,314,571	732,970	583,220
Less: impairment loss	—	—	(448)	(448)
	1,554,483	1,314,571	732,522	582,772

The following list contains only the particulars of associates and jointly controlled entities at 31 December 2011, 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	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	1,403,046	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. 煙臺龍源電力技術股份有限公司	the PRC	88,000	—	18.75%	Manufacturing and sales of power equipment
5	Jiangsu Nantong Power Generation Co., Ltd. 江蘇南通發電有限公司	the PRC	1,580,000	—	50%	Coal power generation

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

Summary financial statements on associates and jointly controlled entities:

	2011		2010	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets	23,160,314	6,487,061	16,575,593	4,543,800
Liabilities	17,610,449	4,932,578	11,564,292	3,229,229
Equity	5,549,865	1,554,483	5,011,301	1,314,571
Revenue	4,548,755	612,594	11,031,083	3,000,627
Profit	447,165	60,221	883,762	227,634

22 OTHER ASSETS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other financial assets:				
Available-for-sale investments, measured at fair value	**10,493**	17,042	**10,493**	17,042
Unquoted equity investments in non-listed companies, at cost	**510,180**	455,323	**343,060**	340,303
Prepayments for acquisition of subsidiaries *(note 47)*	**482,415**	—	**482,415**	—
Loans and advances to				
— associates *(note (i))*	**125,580**	66,790	**58,580**	66,790
— subsidiaries *(note (i))*	**—**	—	**17,376,440**	11,276,786
— third parties *(note (ii))*	**6,990**	86,030	**—**	—
Subtotal	**1,135,658**	625,185	**18,270,988**	11,700,921
Deductible VAT *(note (iii))*	**3,492,492**	2,833,751	**—**	—
	4,628,150	3,458,936	**18,270,988**	11,700,921

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 4.67% to 6.70% per annum for the year ended 31 December 2011 (2010: 3.26% to 5.56%) except for an advance to a subsidiary of RMB2,108,034,000 (2010: RMB1,701,860,000), which are non-interest bearing. The current portion is recorded in other current assets.

(ii) The balance at 31 December 2011 is unsecured, interest-free and is expected to be repaid in 2 years.

(iii) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets.

23 INVENTORIES

The Group

	2011 RMB'000	2010 RMB'000 (restated - note 42)
Coal	478,094	314,196
Fuel oil	2,264	5,391
Spare parts and others	409,443	316,862
	889,801	636,449

24 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2011 RMB'000	2010 RMB'000 (restated - note 42)	2011 RMB'000	2010 RMB'000
Amounts due from third parties	4,965,299	3,427,698	3,941	2,619
Amounts due from Guodian Group	870	—	—	—
Amounts due from fellow subsidiaries	188,640	76,463	24	—
Amounts due from associates	16,684	2,854	980	980
Amounts due from subsidiaries	—	—	6,470	411,541
	5,171,493	3,507,015	11,415	415,140
Less: allowance for doubtful debts	(14,246)	(10,839)	—	—
	5,157,247	3,496,176	11,415	415,140

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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000 (restated - note 42)*	***RMB'000***	*RMB'000*
Current	**5,159,431**	3,496,468	**11,415**	415,140
Past due within 1 year	**5,104**	5,902	**—**	—
Past due between 1 to 2 years	**2,631**	563	**—**	—
Past due between 2 to 3 years	**245**	3,816	**—**	—
Past due over 3 years	**4,082**	266	**—**	—
	5,171,493	3,507,015	**11,415**	415,140
Less: allowance for doubtful debts	**(14,246)**	(10,839)	**—**	—
	5,157,247	3,496,176	**11,415**	415,140

Trade debtors are generally due within 15 – 30 days from the date of billing. Certain wind power and other renewable energy projects collect part of receivables representing 20% to 80% 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000* *(restated - note 42)*	***RMB'000***	*RMB'000*
At 1 January	**10,839**	8,924	**—**	—
Impairment losses recognised	**3,429**	2,626	**—**	—
Reversal of impairment losses	**(22)**	—	**—**	—
Uncollectible amounts written off	**—**	(711)	**—**	—
At 31 December	**14,246**	10,839	**—**	—

As at 31 December 2011, the Group's trade debtors and bills receivable of RMB14,246,000 (2010 (restated - note 42): RMB10,839,000) 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000 (restated - note 42)*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**5,153,691**	3,494,090	**11,415**	415,140
Past due within 1 year	**3,431**	1,670	**—**	—
Past due over 1 year	**125**	416	**—**	—
	5,157,247	3,496,176	**11,415**	415,140

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	
	2011	2010	2011	2010
	RMB'000	*RMB'000 (restated - note 42)*	*RMB'000*	*RMB'000*
Loans and advances to *(note (i))*:				
— subsidiaries	—	—	12,524,612	15,168,720
— associates and jointly controlled entities	736,775	77,014	8,210	8,210
— Guodian Group	3,871	2,805	3,871	2,805
— fellow subsidiaries	23,900	1,353	23,000	—
— third parties	207,286	142,177	—	2,916
Government grant and CERs receivables	688,825	496,912	—	—
Dividend receivable from				
— associates	15,183	—	15,183	—
— fellow subsidiaries	17,605	3,600	17,605	3,600
Deductible VAT *(note 22(iii))*	872,108	557,670	—	—
Prepayments and others	263,788	275,029	5,720,433	1,084,937
	2,829,341	1,556,560	18,312,914	16,271,188
Less: allowance for doubtful debts	(57,082)	(54,268)	(2,202)	(2,202)
	2,772,259	1,502,292	18,310,712	16,268,986

Note:

i) Interest bearing loans and advances of the Group amounted to RMB45,210,000 with annum interest rates of 5.85% to 6.56% as at 31 December 2011 (2010: RMB17,210,000, 4.35% to 5.35%).

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

25 PREPAYMENTS AND OTHER CURRENT ASSETS *(Continued)*

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000 (restated - note 42)*	***RMB'000***	*RMB'000*
At 1 January	**54,268**	61,399	**2,202**	1
Impairment losses recognised	**3,280**	6,074	**—**	2,201
Reversal of impairment losses	**(466)**	(90)	**—**	—
Uncollectible amounts written off	**—**	(13,115)	**—**	—
At 31 December	**57,082**	54,268	**2,202**	2,202

The Group's prepayments and other current assets of RMB57,082,000 as at 31 December 2011 (2010 (restated – note 42): RMB54,268,000) 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

	2011	2010
	RMB'000	*RMB'000*
Listed equity securities at fair value		
— in Hong Kong	**406,041**	181,418

27 ASSETS HELD FOR SALE

Assets held for sale, which represented decommissioned coal power generating units as at 31 December 2010, have been sold during the year ended 31 December 2011.

28 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.

29 CASH AT BANK AND ON HAND

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000 (restated - note 42)*	***RMB'000***	*RMB'000*
Cash on hand	**975**	20,729	**182**	222
Cash at bank and other financial institutions	**3,643,940**	4,071,760	**2,616,395**	3,216,652
	3,644,915	4,092,489	**2,616,577**	3,216,874
Representing:				
— Cash and cash equivalents	**3,294,915**	4,080,847	**2,266,577**	3,216,874
— Time deposits with original maturity over three months	**350,000**	11,642	**350,000**	—
	3,644,915	4,092,489	**2,616,577**	3,216,874

30 BORROWINGS

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

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— Secured	5,565,657	3,040,264	—	—
— Unsecured	13,438,499	11,237,670	5,288,400	5,071,400
Loans from other financial institutions				
— Unsecured	2,400,970	—	2,400,970	—
Loan from government				
— Unsecured	—	2,000	—	—
Loans from Guodian Group				
— Unsecured	1,000,000	1,000,000	1,000,000	1,000,000
Other borrowings *(note 30(e)(i))*				
— Secured	6,953,070	3,968,242	6,953,070	3,968,242
— Unsecured	3,520,764	1,587,478	2,580,610	1,587,478
	32,878,960	20,835,654	18,223,050	11,627,120
Less: Current portion of long-term borrowings *(note 30(b))*				
— Bank loans	(1,570,549)	(858,994)	(294,510)	(243,000)
— Other borrowings	—	(2,000)	—	—
	31,308,411	19,974,660	17,928,540	11,384,120

As at 31 December 2011, the Group's loans and borrowings guaranteed by Guodian Group amounted to RMB9,769,971,000 (2010: RMB4,463,065,000).

30 BORROWINGS *(Continued)*

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
— Secured	**1,811,520**	2,065,020	**—**	—
— Unsecured	**6,979,245**	3,933,071	**4,120,000**	1,047,072
Loans from other financial institutions and others				
— Unsecured *(note (i))*	**2,520,699**	6,741,000	**2,479,699**	6,500,000
Loans from Guodian Group				
— Unsecured	**2,285,000**	3,000,000	**2,285,000**	3,000,000
Loans from fellow subsidiary				
— Unsecured	**200,000**	—	**200,000**	—
Other borrowings *(note 30(e)(ii))*				
— Secured	**400,000**	—	**—**	—
— Unsecured	**600,000**	600,000	**—**	—
Loan from government				
— Unsecured	**1,818**	—	**—**	—
Current portion of long-term borrowings *(note 30(a))*				
— Bank loans	**1,570,549**	858,994	**294,510**	243,000
— Other borrowings	**—**	2,000	**—**	—
	16,368,831	17,200,085	**9,379,209**	10,790,072

Notes:

(i) The Group had unpaid loans of RMB40,000,000 as at 31 December 2011 (2010: 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	
	2011	2010	2011	2010
Long-term				
Bank loans	4.29%~7.40%	4.29%~6.14%	5.53%~6.70%	5.35%
Other borrowings	4.67%~6.56%	4.67%~5.15%	4.67%~6.56%	4.67%~5.15%
Loan from government	—	2.55%	—	—
Loans from Guodian Group	4.16%	4.16%	4.16%	4.16%
Short-term				
Bank loans	4.12%~6.56%	4.37%~5.10%	5.68%~6.56%	4.37%
Loans from other financial institutions	5.45%~6.31%	3.72%~4.51%	5.45%~6.31%	3.72%~4.51%
Other borrowings	4.35%~5.22%	3.42%	—	—
Loans from Guodian Group	5.68%~6.56%	3.26%	5.68%	3.26%
Loan from government	2.55%	—	—	—

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

	The Group		The Company	
	2011 *RMB'000*	2010 *RMB'000*	2011 *RMB'000*	2010 *RMB'000*
Within 1 year or on demand	1,570,549	860,994	294,510	243,000
After 1 year but within 2 years	3,655,474	1,430,304	335,000	279,110
After 2 years but within 5 years	13,733,358	6,729,322	9,019,299	3,933,120
After 5 years	13,919,579	11,815,034	8,574,241	7,171,890
	32,878,960	20,835,654	18,223,050	11,627,120

30 BORROWINGS *(Continued)*

(e) Significant terms of other borrowings

The Group

	2011 *RMB'000*	2010 *RMB'000*
Long-term		
Corporate bonds *(note (i))*	**10,473,834**	5,555,720
Short-term		
Debentures *(note (ii))*	**1,000,000**	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.

On 21 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. The effective interest rates of above bonds are 5.08% and 5.14%, respectively.

On 12 December 2011, the Company issued a three-year unsecured corporate bond of RMB1,000 million at par with a coupon rate of 5.72% per annum. The effective interest rate is 6.06% per annum.

On 15 December 2011, a subsidiary of the Company, Hero Asia Investment Limited, issued a two-year unsecured bond of RMB690 million at par with a coupon rate of 4.50% per annum and a three-year unsecured corporate bond of RMB260 million at par with a coupon rate of 4.75% per annum. The effective interest rates of above bonds are 5.12% and 5.18%, respectively.

30 BORROWINGS *(Continued)*

(e) Significant terms of other borrowings *(Continued)*

Notes:

(ii) On 16 May 2011, Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司) 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 of the debentures is 5.22%.

On 21 January 2011, Nantong Tianshenggang Power Generating Co., Ltd. (南通天生港發電有限公司) issued short-term debentures of RMB400,000,000 at par with a maturity period of 365 days in the PRC inter-bank debenture market, which are guaranteed by Jiangsu Communication Holding Co., Ltd. (江蘇交通控股有限公司), a non-controlling equity owner of Nantong Tianshenggang Power Generating Co., Ltd. (南通天生港發電有限公司). The effective interest rate of the debentures is 4.35%.

31 TRADE CREDITORS AND BILLS PAYABLE

The Group

	2011 *RMB'000*	2010 *RMB'000*
Bills payable	**889,560**	960,725
Creditors and accrued charges	**456,956**	486,986
Amounts due to associates	**244,000**	67,629
Amounts due to fellow subsidiaries	**6,484**	—
	1,597,000	1,515,340

The Company

	2011 *RMB'000*	2010 *RMB'000*
Bills payable	**378,500**	—
Creditors and accrued charges	**108**	305
Amounts due to associates	**125,000**	—
	503,608	305

As at 31 December 2011 and 2010, all trade creditors and bills payable are payable and expected to be settled within one year.

32 OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000* *(restated - note 42)*	***RMB'000***	*RMB'000*
Payables for acquisition of property, plant and equipment	**5,622,046**	3,974,964	**791,278**	—
Payables for staff related costs	**158,715**	179,796	**43,307**	34,704
Payables for other taxes	**153,457**	133,450	**9,600**	4,648
Dividends payable	**338,387**	276,744	**—**	—
Receipts in advance	**187,580**	191,046	**576**	27
Amounts due to subsidiaries *(note (i))*	**—**	—	**3,918,799**	1,523,158
Amounts due to associates and jointly controlled entities *(note (i))*	**979,696**	789,306	**—**	—
Amounts due to fellow subsidiaries *(note (i))*	**132,185**	66,347	**3,157**	4,112
Amounts due to Guodian Group *(note (i))*	**39,708**	51,540	**39,708**	51,540
Other accruals and payables	**610,200**	371,021	**234,064**	142,799
	8,221,974	6,034,214	**5,040,489**	1,760,988

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.

33 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

The Group

	2011 *RMB'000*	2010 *RMB'000* *(restated - note 42)*
Net tax payable at 1 January	175,689	135,887
Provision for the year *(note 8(a))*	290,999	398,651
Income tax recognised in other comprehensive income *(note 12)*	—	(2,798)
Over provision in respect of prior years *(note 8(a))*	(10,842)	(14,882)
Income tax paid	(370,592)	(341,169)
Net tax payable at 31 December	85,254	175,689
Representing:		
Tax payable	157,557	195,658
Tax recoverable	(72,303)	(19,969)
	85,254	175,689

33 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 2010 (as previously reported)	19,467	77,559	11,107	—	96,529	204,662
Effect on consolidation of a subsidiary under common control	388	—	—	—	—	388
At 1 January 2010 (as restated)	19,855	77,559	11,107	—	96,529	205,050
Credited/(charged) to profit or loss	4,053	(24,382)	(9,682)	4,759	27,956	2,704
At 31 December 2010	23,908	53,177	1,425	4,759	124,485	207,754
At 1 January 2011	23,908	53,177	1,425	4,759	124,485	207,754
Credited/(charged) to profit or loss	463	(29,378)	—	23,985	(21,997)	(26,927)
At 31 December 2011	24,371	23,799	1,425	28,744	102,488	180,827

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

(b) Deferred tax assets and liabilities recognised:

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 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)
At 1 January 2011	(3,613)	(36,362)	(64,332)	(104,307)
Credited to profit or loss	—	522	1,598	2,120
Credited to reserves	1,637	—	—	1,637
At 31 December 2011	(1,976)	(35,840)	(62,734)	(100,550)

(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 RMB964,994,000 as at 31 December 2011 (2010: RMB1,149,384,000) 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 2012, 2013, 2014, 2015, and 2016 are RMB14,022,000, RMB159,403,000, RMB343,638,000, RMB312,300,000 and RMB68,270,000 respectively.

The cumulative tax losses and provision for impairment of assets of the Company not recognised as deferred tax asset are RMB805,507,000 as at 31 December 2011 (2010: RMB1,053,625,000). The tax losses that will expire in the year ending 31 December 2013, 2014, 2015, and 2016 are RMB145,551,000, RMB320,283,000, RMB291,021,000 and RMBnil respectively.

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

(d) Deferred tax liability not recognised

At 31 December 2011, taxable temporary differences relating to undistributed profits and surplus reserves of subsidiaries and associates and jointly controlled entities amounted to RMB4,600,132,000 (2010: RMB3,295,531,000). 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.

34 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.

35 DEFERRED INCOME

The Group

	2011	2010
	RMB'000	*RMB'000*
At January 1	**2,225,456**	2,267,661
Additions	**82,943**	98,722
Disposal	**(132,476)**	—
Credited to profit or loss	**(183,200)**	(140,927)
At 31 December	**1,992,723**	2,225,456

35 DEFERRED INCOME *(Continued)*

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.

36 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent long-term retention payables for purchase of wind turbines, among which RMB189,756,000 is due to an associates of the Group.

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 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)(ii))*	Fair value reserve *RMB'000* *(note 37(d)(iv))*	Retained earnings *RMB'000*	Total equity *RMB'000*
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

(a) Movements in components of equity *(Continued)*

	Share capital *RMB'000* *(note 37(c))*	Capital reserve *RMB'000* *(note 37(d)(i))*	Statutory surplus reserve *RMB'000* *(note 37(d)(ii))*	Fair value reserve *RMB'000* *(note 37(d)(iv))*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2011	7,464,289	12,233,055	4,447	(1,271)	585,610	20,286,130
Change in equity for 2011:						
Profit for the year	—	—	—	—	1,286,393	1,286,393
Other comprehensive income	—	—	—	(4,912)	—	(4,912)
Total comprehensive income for the year	—	—	—	(4,912)	1,286,393	1,281,481
Appropriation	—	—	143,724	—	(143,724)	—
Dividends to shareholders of the Company	—	—	—	—	(403,072)	(403,072)
At 31 December 2011	7,464,289	12,233,055	148,171	(6,183)	1,325,207	21,164,539

37 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

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

	2011 *RMB'000*	2010 *RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.069 per share (2010: RMB0.054)	515,215	403,072

The directors resolved on 26 March 2012 that RMB0.069 per share is to be distributed to the shareholders for 2011, 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) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2011 *RMB'000*	2010 *RMB'000*
Final dividend in respect of the financial year ended 31 December 2010, approved during the year, of RMB0.054 per share (year ended 31 December 2009: Special Distribution to Guodian Group)	403,072	632,042

37 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	The Group and the Company	
	2011	2010
	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	**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 China Longyuan Electric Power Group Corporation and 100 million shares to Guodian Northeast Electric Power Co., Ltd. ("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 and Guodian Northeast were converted into H shares in connection with the initial public offering.

All shareholders are entitled to receive dividends as declared from time to time 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 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB1,325,207,000 (2010: RMB585,610,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.069 per share (2010: RMB0.054), amounting to RMB515,215,000 (2010: RMB403,072,000) (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 2011 is 60% (2010: 55%).

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 72% of the Group's total trade debtor and bills receivable as at 31 December 2011 (2010: 76%). 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. As at 31 December 2011, the Group has unutilised banking facilities of RMB645,139,000. The Group also signed several strategic cooperative framework agreements with PRC banks with unutilised credit lines of RMB20,459,550,000 as at 31 December 2011. 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 future working capital and capital expenditure requirements of the Group.

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

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:

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 2011						
Long-term borrowings *(note 30(a))*	31,308,411	41,022,244	1,970,238	5,291,596	17,536,588	16,223,822
Short-term borrowings *(note 30(b))*	16,368,831	16,789,377	16,789,377	—	—	—
Trade creditors and bills payable *(note 31)*	1,597,000	1,597,000	1,597,000	—	—	—
Other payables *(note 32)*	7,880,221	7,880,221	7,880,221	—	—	—
	57,154,463	67,288,842	28,236,836	5,291,596	17,536,588	16,223,822
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 31)*	1,515,340	1,515,340	1,515,340	—	—	—
Other payables *(note 32)* *(restated - note 42)*	5,840,393	5,840,393	5,840,393	—	—	—
	44,530,478	51,541,697	25,823,130	2,413,852	9,252,977	14,051,738

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 2011						
Long-term borrowings *(note 30(a))*	17,928,540	23,985,765	1,245,166	1,307,697	11,464,125	9,968,777
Short-term borrowings *(note 30(b))*	9,379,209	9,658,533	9,658,533	—	—	—
Trade creditors and bills payable *(note 31)*	503,608	503,608	503,608	—	—	—
Other payables *(note 32)*	5,030,313	5,030,313	5,030,313	—	—	—
	32,841,670	39,178,219	16,437,620	1,307,697	11,464,125	9,968,777
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 31)*	305	305	305	—	—	—
Other payables *(note 32)*	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

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 2011 and 2010, 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.

The Group

	2011	2010
	RMB'000	*RMB'000*
Net fixed rate borrowings/(lendings):		
Borrowings	**28,452,796**	21,929,600
Less: Loans and advances	**(23,000)**	(9,000)
Bank deposits (including restricted deposits)	**(350,000)**	(108,234)
	28,079,796	21,812,366
Net floating rate borrowings/(lendings):		
Borrowings	**19,224,446**	15,245,145
Obligations under finance leases	**—**	—
Less: Loans and advances	**(22,210)**	(8,210)
Other financial assets *(note 22(i))*	**(125,580)**	(66,790)
Bank deposits (including restricted deposits)	**(3,325,681)**	(4,201,451)
	15,750,975	10,968,694
Total net borrowings	**43,830,771**	32,781,060

38 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

The Company

	2011 *RMB'000*	2010 *RMB'000*
Net fixed rate borrowings/(lendings):		
Borrowings	**21,819,349**	17,102,792
Less: Loans and advances	**(2,285,000)**	(2,905,000)
Designated loans *(note 22(i))*	**(12,071,978)**	(6,555,720)
Bank deposits (including restricted deposits)	**(350,000)**	—
	7,112,371	7,642,072
Net floating rate borrowings/(lending):		
Borrowings	**5,488,400**	5,071,400
Less: Loans and advances	**(10,270,822)**	(8,144,044)
Designated loans *(note 22(i))*	**(3,255,008)**	(3,085,996)
Bank deposits (including restricted deposits)	**(2,277,993)**	(3,383,437)
	(10,315,423)	(9,542,077)
Total net lendings	**(3,203,052)**	(1,900,005)

At 31 December 2011, 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 RMB116,498,000 (31 December 2010: RMB66,562,000).

38 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

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.

(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)*					
	2011			2010		
	HKD	*USD*	*EUR*	*HKD*	*USD*	*EUR*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	180,464	8,549	46,738	291,222	173,085	14,517
Trade debtors	—	—	253,162	—	—	202,102
Other current assets	—	—	704,582	—	—	406,920
Short-term borrowings	(48,642)	(26,774)	(1,793)	—	—	—
Long-term borrowings	—	(809,495)	(14,344)	—	(509,365)	(20,692)
Net exposure	131,822	(827,720)	988,345	291,222	(336,280)	602,847

38 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

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

The Company

	Exposure to foreign currencies *(expressed in RMB)*					
	2011			2010		
	HKD	*USD*	*EUR*	*HKD*	*USD*	*EUR*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	180,464	63	89	291,222	52	128
Other current assets	–	–	–	–	331,135	–
Other assets	–	–	–	1,701,860	–	–
Net exposure	180,464	63	89	1,993,082	331,187	128

The followings are HKD, USD and EUR exchange rates to RMB:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
HKD	0.8308	0.8657	0.8107	0.8509
USD	6.4618	6.7255	6.3009	6.6227
EUR	8.4845	9.3018	8.1625	8.8065

A 5% strengthening of RMB against the following currencies as at 31 December 2011 and 2010 would have increased/(decreased) the net profit and retained profit by the amount shown below.

38 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
HKD	**(4,919)**	(10,921)
USD	**31,288**	12,890
EUR	**(45,560)**	(26,383)
	(19,191)	(24,414)

A 5% weakening of RMB against the above currencies as at 31 December 2011 and 2010 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 available-for-sale equity securities and trading 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 2011 and 2010, 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trading securities	**406,041**	181,418	**—**	—
Available-for-sale investments	**10,493**	17,042	**10,493**	17,042
	416,534	198,460	**10,493**	17,042

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 2011 and 2010 except as follows:

The Group

	2011		2010	
	Carrying amount *RMB'000*	**Fair value** *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Corporate bonds	**10,473,834**	**10,465,613**	5,555,720	5,535,342
Fixed rate long-term loans	**5,227,525**	**4,858,459**	1,164,989	1,091,193
	15,701,359	**15,324,072**	6,720,709	6,626,535

The Company

	2011		2010	
	Carrying amount *RMB'000*	**Fair value** *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Corporate bonds	**9,533,680**	**9,524,685**	5,555,720	5,535,342
Fixed rate long-term loans	**3,400,970**	**3,304,830**	1,000,000	953,441
	12,934,650	**12,829,515**	6,555,720	6,488,783

38 FINANCIAL INSTRUMENTS *(Continued)*

(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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**12,027,981**	8,777,318	**10,658**	174,796
Authorised but not contracted for	**30,091,286**	34,191,557	**3,068,674**	10,013,327
	42,119,267	42,968,875	**3,079,332**	10,188,123

39 COMMITMENTS *(Continued)*

(b) At the year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**1,764**	2,138	**—**	—
After 1 year but within 5 years	**5,133**	5,022	**—**	—
After 5 years	**6,333**	7,050	**—**	—
	13,230	14,210	**—**	—

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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Subsidiaries	**—**	—	**786,806**	171,097
Associates and jointly controlled entities	**76,116**	82,458	**76,116**	82,458
	76,116	82,458	**862,922**	253,555

(ii) 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. As at 31 December 2011, the balance counter-guaranteed by the Company amounted to RMB33,000,000 (2010: 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.

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

	2011 *RMB'000*	2010 *RMB'000*
Sales of goods and provide service to		
Guodian Group	2,894	4
Fellow subsidiaries	444,562	229,696
Associates and jointly controlled entities	332,703	8,500
Purchase of goods and receive service from		
Fellow subsidiaries	292,323	646,658
Associates and jointly controlled entities	1,790,649	1,245,124
Working capital provided to		
Guodian Group	—	2,114
Associates and jointly controlled entities	327,334	4,534
Loan guarantees provided by		
Guodian Group	5,306,906	3,981,783
Loan guarantees revoked by		
Associates and jointly controlled entities	(6,342)	(6,342)
Loans provided to		
Fellow subsidiaries	23,000	—
Associates and jointly controlled entities	63,305	1,000
Loans repayment from/(received from)		
Guodian Group	715,000	(4,000,000)
Fellow subsidiaries	(200,000)	—

41 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Interest expenses		
Guodian Group	149,674	51,109
Fellow subsidiaries	6,856	—
Interest income		
Fellow subsidiaries	7,275	—
Associates and jointly controlled entities	5,328	4,818
Deposits placed with/(withdrawn from)		
Fellow subsidiaries	(1,631,565)	1,632,300
Investments in		
Fellow subsidiaries (unquoted equity investment)	134,614	—
Associates and jointly controlled entities	419,800	141,245
Disposal of investments		
Fellow subsidiaries (unquoted equity investment)	337,281	—

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMB735,000 as at 31 December 2011 (2010: RMB1,632,300,000). Details of the other outstanding balances with related parties are set out in notes 22, 24, 25, 30, 31, 32, and 36.

41 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "state-controlled entities").

Apart from transactions mentioned above, the Group conducts a majority of its business activities with state-controlled entities in the ordinary course of business. These transactions are carried out at terms similar to those that would be entered into with non-state-controlled entities. Transactions with other state-controlled entities included but are not limited to the following:

— Sales of electricity;

— Depositing and borrowing money;

— Purchase of materials and receiving construction work services; and

— Service concession arrangements.

The tariff of electricity is regulated by relevant government. The Group prices its other services and products based on the commercial negotiations. The Group has also established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval process and financing policy do not depend on whether the counterparties are state-controlled entities or not.

41 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with other state-controlled entities in the PRC

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:

	2011 ***RMB'000***	2010 *RMB'000*
Sales of electricity	**10,270,360**	8,544,328
Sales of other products	**758,426**	375,002
Interest income	**91,317**	35,148
Interest expenses	**1,351,164**	1,025,076
Loans repaid	**(3,794,724)**	(1,455,166)
Deposits withdraw from	**(1,006,163)**	(11,797,706)
Purchase of materials and receiving construction service	**5,783,223**	5,867,703
Service concession construction revenue	**793,129**	1,450,404

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

	2011 ***RMB'000***	2010 *RMB'000*
Receivables from sales of electricity	**3,704,189**	2,631,021
Receivables from sales of other products	**65,427**	47,742
Bank deposits (including restricted deposits)	**3,158,936**	4,165,099
Borrowings	**25,972,580**	29,767,304
Payable for purchase of materials and receiving construction work service	**2,004,798**	1,534,813

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:

	2011	2010
	RMB'000	*RMB'000*
Salaries and other emoluments	**2,571**	2,144
Discretionary bonus	**5,237**	4,693
Retirement scheme contributions	**641**	606
	8,449	7,443

(e) Defined contribution retirement plans

The Group and its staff participate in a retirement plan managed by Guodian Group to supplement the defined contribution retirement schemes organised by the local government authorities. The Group has no other material obligation to make payments in respect of pension benefits associated with the supplementary retirement plan other than the annual contributions.

41 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(f) Commitment with related parties

	2011 *RMB'000*	2010 *RMB'000*
Sales commitment with		
Guodian Group	3,360	650
Fellow subsidiaries	36,113	8,542
Associates and jointly controlled entities	4,877	11
Capital commitment with		
Associates and jointly controlled entities	405,365	674,688
Other commitment with		
Guodian Group	85,639	—
Fellow subsidiaries	939,219	—
Associates and jointly controlled entities	630,000	—

42 ACQUISITION OF SUBSIDIARY

Pursuant to a share purchase agreement, the Company acquired 51% equity interests in Shandong Longyuan Environment Co., Ltd. ("Shandong Longyuan") from Beijing Guodian Longyuan Environmental Engineering Co., Ltd., at a cash consideration of RMB10,787,640 on 29 June 2011, the acquisition date.

As the Company and Shandong Longyuan are under common control of Guodian Group, the above acquisition has been recorded as a business combination under common control. The assets and liabilities of Shandong Longyuan have been recognised at the carrying amounts recognised previously in Guodian Group's consolidated financial statements. The consolidated financial statements of the Group have been restated as if the combination had occurred prior to the start of the earliest period presented.

42 ACQUISITION OF SUBSIDIARY *(Continued)*

(a) Details of the restatement of the Group's consolidated financial statements are as follows:

	The Group (as previously reported) *RMB'000*	Shandong Longyuan *RMB'000*	Elimination *RMB'000*	The Group (as restated) *RMB'000*
Results of operations for the year ended 31 December 2010:				
Operating profit	4,081,291	(8,682)	—	4,072,609
Profit for the year	2,769,961	(9,002)	—	2,760,959
Profit attributable to:				
— Shareholders of the Company	2,018,570	(5,131)	—	2,013,439
— Non-controlling interests	751,391	(3,871)	—	747,520
Basic and diluted earnings per share *(RMB cents)*	27.04	(0.07)	—	26.97
Balance sheet as at 31 December 2010:				
Non-current assets	64,271,402	11,477	—	64,282,879
Current assets	10,362,136	29,945	—	10,392,081
Current liabilities	24,915,360	29,937	—	24,945,297
Total equity attributable to the shareholders of the Company	23,274,787	11,485	(4,938)	23,281,334
Non-controlling interests	4,138,968	—	4,938	4,143,906

42 ACQUISITION OF SUBSIDIARY *(Continued)*

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

	Shandong Longyuan *RMB'000*
Net assets as at the acquisition date	
Non-current assets	10,930
Current assets	26,009
Current liabilities	28,234
Net assets	8,705

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.

(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.

43 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(Continued)*

(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 2011

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 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 *RMB'000*
Amendments to IFRS 7, *Financial instruments: Disclosures - Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
IAS 28, *Investments in associates and joint ventures* (2011)	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
Amendment to IFRS 7, *Financial instruments: Disclosures - Offsetting financial assets and financial liabilities*	1 January 2013
Amendment to IAS 32, *Financial instruments: Presentation*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

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 EVENT

On 7 November 2011, the Company entered into the equity transfer agreements with Guodian Group and certain subsidiaries of Guodian Group, and the assets transfer agreement with Guodian Inner Mongolia Power Co., Ltd., a subsidiary of Guodian Group. Pursuant to the equity transfer agreements and the assets transfer agreement, the Company acquires equity interests and assets held by Guodian Group and certain subsidiaries of Guodian Group in the wind power business and the biomass power business. The net assets as valuated by the PRC valuer amounted to RMB1,486,776,000. The total consideration of the wind power business and the biomass power business to be acquired was approximately RMB1,507,273,000, subject to adjustments of profit and losses for the period from the valuation date to the acquisition date of certain biomas power business to be acquired.

Up to 31 December 2011, the Company has not obtained control of those entities and a prepayment of RMB482,415,000 has been paid to Guodian Group and certain subsidiaries of Guodian Group. The above acquisition is in process up to the date of this report.

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)
"Board of Directors"	the board of directors of the Company
"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
"our Company", "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

"Director(s)"	the directors of the Company
"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 governments under which we are authorised to develop wind farms at specified sites with certain estimated total production 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 commissions 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" or "VER"	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

THE COMPANY'S OFFICIAL NAME

龍源電力集團股份有限公司

THE COMPANY'S NAME IN ENGLISH

China Longyuan Power Group Corporation Limited*

REGISTERED OFFICE

Room 1206, 12th Floor
No. 7, Baishiqiao Street
Haidian District
Beijing
PRC

HEAD OFFICE IN THE PRC

Tower C, International Investment Plaza
6-9 Fuchengmen North Street
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 28
Three Pacific Place
1 Queen's Road East
Hong Kong

* *For identification purpose only*

THE COMPANY'S LEGAL REPRESENTATIVE

Mr. Zhu Yongpeng

AUTHORISED REPRESENTATIVES

Mr. Xie Changjun
Mr. Jia Nansong
Mr. Zhang Songyi
(as Mr. Xie Changjun's alternate)
Ms. Soon Yuk Tai
(as Mr. Jia Nansong's alternate)

JOINT COMPANY SECRETARIES

Mr. Jia Nansong
Ms. Soon Yuk Tai

AUDITORS

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

RSM China Certified Public Accountants Co., Ltd.
8-9th Floor, Block A Corporation Building
No.35, Financial Street,
Xicheng District
Beijing
PRC

LEGAL ADVISERS

as to Hong Kong law

Clifford Chance
28th Floor, Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law

Beijing Jiayuan Law Firm
F407-F408, Ocean Plaza
158 Fuxingmennei Avenue
Xicheng District
Beijing
PRC

Beijing Tianchi Law Firm
14th Floor, Tower A
Huixin Plaza
Asian Games Village
No.8, Beishihuan Middle Road
Chaoyang District
Beijing
PRC

PRINCIPAL BANKERS

China Development Bank
No. 29 Fuchengmenwai Avenue
Xicheng District
Beijing
PRC

China Construction Bank
Corporation Beijing Branch
Building 28
Xuanwumenxi Street
Xuanwu District
Beijing
PRC

Bank of Communications Co., Ltd.
Beijing Branch
No.33 Financial Street
Xicheng District
Beijing
PRC

H SHARE REGISTRAR OF THE COMPANY

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716,
17/F,
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

00916

FOR INVESTOR ENQUIRIES

Investor hotline: 86 10 6657 9988
Fax: 86 10 6609 1661
Website: www.clypg.com.cn
Email: ir@clypg.com.cn

龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited*