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

2012
Annual Report

*For identification purpose only


龙源电力
龙源电力

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Chairman's Statement

Dear Shareholders,

2012 was a pivotal year for China's ''Twelfth Five-Year Plan''. Notwithstanding the difficult business environment, the Group exerted great and pioneering efforts in its management to forge ahead its operations. The Group continued to foster its development featuring larger scale, optimised layout and improved quality. The profitability was enhanced as a result of the better-organized operation and streamlined management and remarkable results were achieved, which laid a solid foundation for the Group's sound and sustainable development.

In 2012, the Group recorded net profit attributable to shareholders of RMB2,593 million. As at the end of the year, the total assets amounted to RMB107,840 million with net assets of RMB36,422 million, which continued to represent a leading position in the industry. As at the end of 2012, with consolidated installed capacity of wind power reaching 10,544 MW, the Group ranked first in both Asia and China, as well as second in the world. During the year, 17,407 million kWh of green electricity was delivered, representing the saving of 5.22 million tons of standard coal and an emission reduction of 17.41 million tons of carbon dioxide, thereby significantly contributed to the development of green economy in the country. In addition, the Group achieved new breakthroughs during 2012 in areas such as operation and management, preliminary development of projects, safe production, project construction, scientific innovation, talents training and promotion of civilisation especially on culture. Our enterprise is becoming more influential with stronger competitiveness and uplifted corporate spirits.

Notwithstanding the current complex economic situations both domestically and abroad, the national economy develops stably but steadily. Strong power support is indispensable for the economic development. In particular, harmony among humans, societies and the Nature was unprecedentedly stressed by the PRC. In line with the direction and policies of the strategic development of emerging industries in China, the potential growth of new energy power generation is optimistic.

In 2013, we will closely adhere to the national policies on the industry, seize opportunities for development, continue to expedite corporate transformation, optimise internal management and enhance systems innovation. All these measures will help enhance our profitability, as well as our abilities on risk aversion, technological innovation and sustainable development as a whole, and thus enabling us to strive for continuous development in becoming a listed new energy company ranking high among international players, and to achieve outstanding performance to bring return to our investors and the society.

Chairman of the Board

Zhu Yongpeng

President's Statement

Dear Shareholders,

In 2012, under the strong leadership of the Board, the Group conscientiously put the principles specified in its annual working conference into practice. Under the general guidelines of "focusing on one major policy, striving for two breakthroughs, improving three systems, making four endeavours and accomplishing 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)", the Group forged ahead with all the work. The hard-work of all the staff achieved satisfactory results in varied areas.

SOUND OPERATING RESULTS MAINTAINED

In 2012, the Group's total assets amounted to RMB107,840 million, among which its net assets amounted to RMB36,422 million and its net gearing ratio was 59.53%. The consolidated operating revenue for the year amounted to RMB16,770 million (excluding revenue from construction of service concession projects), representing an increase of 6.2% as compared to that of 2011. Net profit attributable to shareholders remained substantially in line with that of 2011 at RMB2,593 million. Weighted average earnings per share amounted to RMB34.66 cents, representing an increase of RMB0.12 cents as compared to RMB34.54 cents for 2011.

DEVELOPMENT QUALITY CONTINUOUSLY IMPROVED

In 2012, the Group obtained approvals for 40 wind power projects with installed capacity of 2,231.8 MW, of which projects in regions not subject to grid curtailment accounted for 73.3% in terms of capacity. In the second batch of plans for wind power projects to be approved (supplemental projects included) issued by National Energy Administration, 50 wind power projects of the Group with total installed capacity of 2,824.8 MW were included, ranking the first among its peer companies. Projects in regions not subject to grid curtailment accounted for 89.4%.

CONTINUOUS LEADING POSITION OF INSTALLED CAPACITY

As of the end of 2012, the consolidated installed capacity of the Group reached 12,698 MW, of which the wind power installed capacity exceeded 10,000 MW to 10,544 MW, remaining the first in both Asia and China and the second in the world. Photovoltaic power generation has also developed to a scale with installed capacity reaching 129 MW.

REMARKABLE ACHIEVEMENT IN INCREASING POWER GENERATION

In 2012, the gross electrical output of the Group reached 28,638 GWh in aggregate, representing a year-on-year increase of 13.32% over 2011, of which wind power increased by 25.95%, coal power decreased by 4.40% and power generation from other renewable energy increased by 246.13%.

STEADY PROGRESS IN PROJECT CONSTRUCTION

In 2012, the Group had 30 wind power projects newly put into operation, with installed capacity of 1,598.9 MW, and 4 photovoltaic power generation projects newly put into operation, with installed capacity of 59 MW, achieving the targets set at the beginning of the year.

The year of 2012 marked the 20th anniversary of the Group. For the past 20 years, we have experienced a rapid and extraordinary growth. So far, the total assets, net assets and gross profits of the Group have been tens of times more than that in 2001. Our wind power installed capacity has doubled over consecutive years and continuously gain a leading position in China's wind power market. We have been on the track of innovation, heading towards a new technology revolution. The national wind power installed capacity was only 0.4 GWh in 2001 while it is over 60 GWh for the time being, 150 times more than that in 2001. We have steered our path in prudentially safeguarding and increasing the value of the state-owned assets. As a state-owned enterprise, especially a central government owned enterprise, we put great emphasis on the balance of development pace and quality. We are keen to focus on economic benefits and make full use of our advantages on professional management from the early stage of project development to the production and operation of a project, thus secured the profitability of our wind power projects.

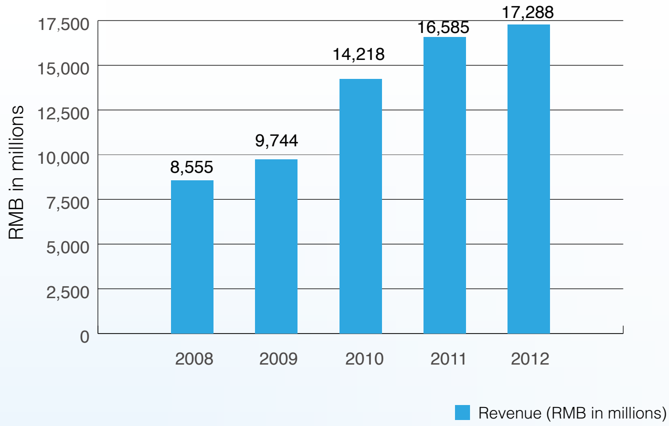
I would like to express our appreciation to each shareholder for your unwavering support. In 2013, the Group will continue to focus on economic efficiency, expedite corporate transformation and development, and comprehensively activate the third start of business for the Company. We will arrange work based on the principle of the "six insistences and six improvements (六堅持六提升)", so as to ensure the sound and sustainable development of the Company.

President

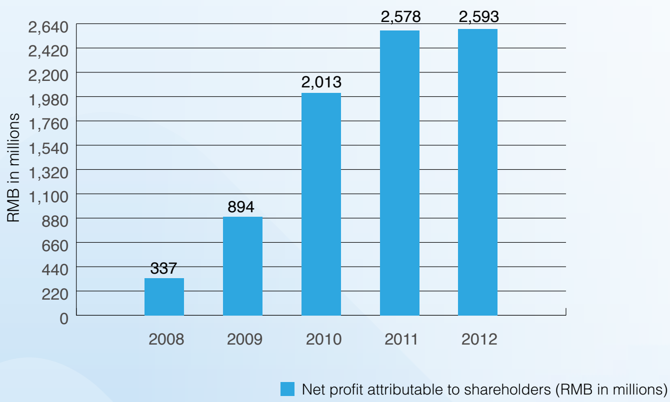
Xie Changjun

Key Operating and Financial Data

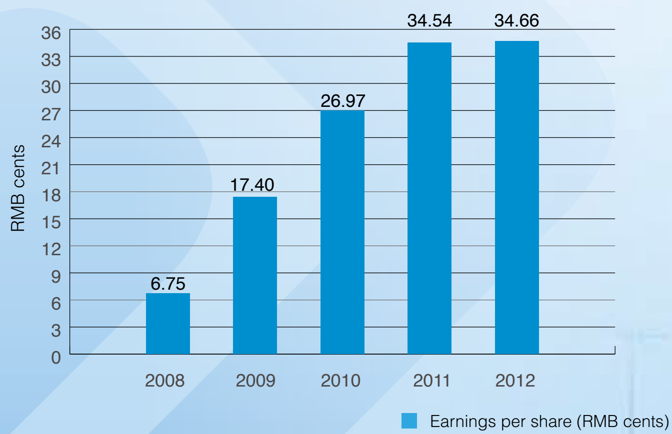
1. Revenue



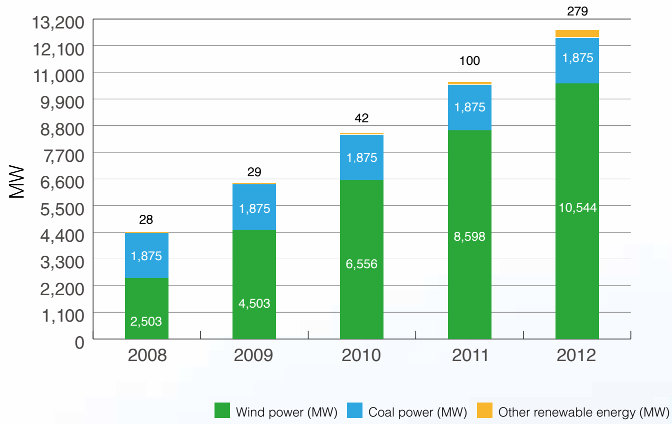
2. Net profit attributable to shareholders



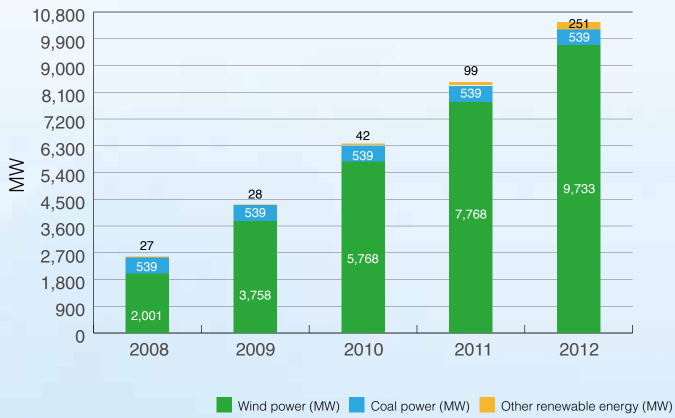
3. Earnings per share



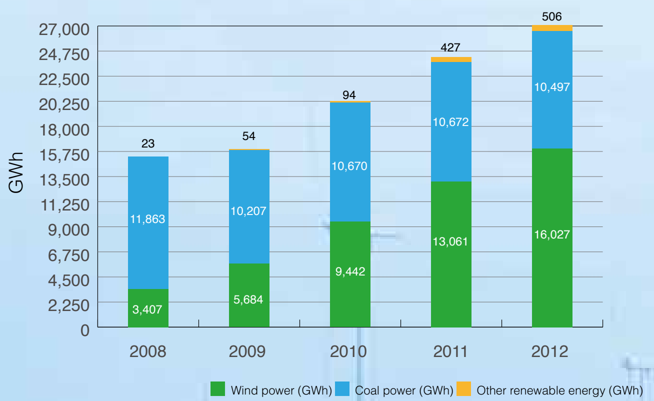
4. Consolidated installed capacity



5. Attributable installed capacity



6. Electricity sales volume



	2008	2009	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	8,554,654	9,743,707	14,217,670	16,584,536	**17,288,185**
Profit before taxation	615,991	1,943,596	3,200,242	3,525,552	**3,667,387**
Income tax	(2,082)	(296,490)	(439,283)	(304,964)	**(342,093)**
Profit for the year	613,909	1,647,106	2,760,959	3,220,588	**3,325,294**
Attributable to:					
Shareholders/equity holders of the Company	337,448	894,126	2,013,439	2,578,290	**2,593,239**
Non-controlling equity holders	276,461	752,980	747,520	642,298	**732,055**
Total comprehensive income for the year	596,294	1,652,749	2,749,411	3,205,855	**3,320,194**
Attributable to:					
Shareholders/equity holders of the Company	319,833	899,769	2,001,891	2,563,557	**2,591,101**
Non-controlling equity holders	276,461	752,980	747,520	642,298	**729,093**
Basic and diluted earnings per share *(RMB cents)*	6.75	17.40	26.97	34.54	**34.66**

	2008 *RMB'000*	2009 *RMB'000*	2010 *RMB'000*	2011 *RMB'000*	**2012** ***RMB'000***
Total non-current assets	31,168,950	47,586,896	64,282,879	81,151,336	**90,053,746**
Total current assets	4,880,457	20,366,806	10,392,081	13,472,683	**17,786,113**
TOTAL ASSETS	36,049,407	67,953,702	74,674,960	94,624,019	**107,839,859**
Total current liabilities	9,412,916	23,691,836	24,945,297	29,836,314	**36,074,948**
Total non-current liabilities	19,563,626	18,581,892	22,304,423	34,462,488	**35,342,985**
TOTAL LIABILITIES	28,976,542	42,273,728	47,249,720	64,298,802	**71,417,933**
NET ASSETS	7,072,865	25,679,974	27,425,240	30,325,217	**36,421,926**
Total equity attributable to the shareholders/equity holders of the Company	3,875,329	21,899,807	23,281,334	25,908,591	**29,429,434**
Non-controlling equity holders	3,197,536	3,780,167	4,143,906	4,416,626	**6,992,492**
TOTAL EQUITY	7,072,865	25,679,974	27,425,240	30,325,217	**36,421,926**

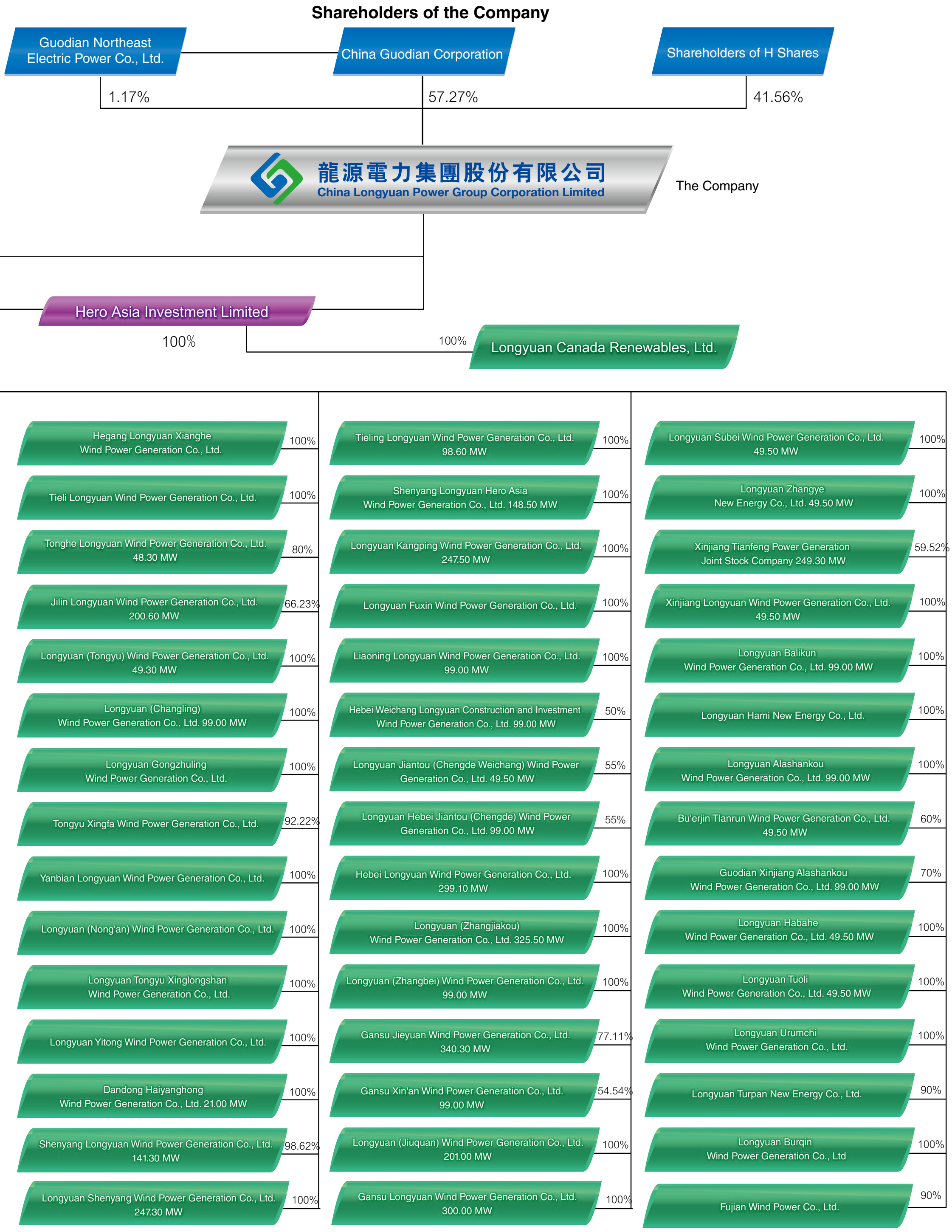
Corporate Profile

Established in January 1993 and formerly known as China Longyuan Electric Power Group Corporation, China Longyuan Power Group Corporation Limited is the earliest power enterprise engaged in new energy development in China and also a leading player in the new energy industry in China. On 9 July 2009, China Longyuan Electric Power Group Corporation was officially restructured into China Longyuan Power Group Corporation Limited upon approval by the SASAC. On 10 December in the same year, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange with the initial proceeds of RMB17,700 million. The listing set several records of Chinese electricity enterprises in overseas initial public offering, such as the largest financing amount and the highest P/E ratio. In September 2012, the Company ranked the 47th among the top 50 on the list of "Top 500 Asia Brand" in the Seventh Asia Brand Ceremony.

As at the end of 2012, the Group has 6,269 employees. 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 and provides consulting, repairing, maintenance, training and other professional services to wind farms. As of the end of 2012, the consolidated installed capacity of the Group was 12,698 MW, of which the consolidated installed capacity of our wind power business was 10,544 MW. As such, it continuously ranks the first in China and in Asia, and the second in the world. Along with the rapid increase of installed capacity, the Group has seen a stable improvement in its profitability and outperforming its competitors in its operational indicators. Apart from its installed capacity and operating efficacy, the Group was also the leader of various new aspects of development in China such as paving its way into overseas markets, offshore wind power and wind power projects at areas with high altitude and low wind speed.

Through 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 in 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 sustainable development in a reliable manner.

Corporate Structure


Shareholders of the Company
Guodian Northeast Electric Power Co., Ltd.
China Guodian Corporation
Shareholders of H Shares
1.17%
57.27%
41.56%
龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited
The Company
Hero Asia Investment Limited
100%
100%
Longyuan Canada Renewables, Ltd.
Hegang Longyuan Xianghe Wind Power Generation Co., Ltd. 100%
Tieli Longyuan Wind Power Generation Co., Ltd. 100%
Tonghe Longyuan Wind Power Generation Co., Ltd. 48.30 MW 80%
Jilin Longyuan Wind Power Generation Co., Ltd. 200.60 MW 66.23%
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. 100%
Tongyu Xingfa Wind Power Generation Co., Ltd. 92.22%
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. 100%
Dandong Haiyanghong Wind Power Generation Co., Ltd. 21.00 MW 100%
Shenyang Longyuan Wind Power Generation Co., Ltd. 141.30 MW 98.62%
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. 148.50 MW 100%
Longyuan Kangping Wind Power Generation Co., Ltd. 247.50 MW 100%
Longyuan Fuxin Wind Power Generation Co., Ltd. 100%
Liaoning Longyuan Wind Power Generation Co., Ltd. 99.00 MW 100%
Hebei Weichang Longyuan Construction and Investment Wind Power Generation Co., Ltd. 99.00 MW 50%
Longyuan Jiantou (Chengde Weichang) Wind Power Generation Co., Ltd. 49.50 MW 55%
Longyuan Hebei Jiantou (Chengde) Wind Power Generation Co., Ltd. 99.00 MW 55%
Hebei Longyuan Wind Power Generation Co., Ltd. 299.10 MW 100%
Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 325.50 MW 100%
Longyuan (Zhangbei) Wind Power Generation Co., Ltd. 99.00 MW 100%
Gansu Jieyuan Wind Power Generation Co., Ltd. 340.30 MW 77.11%
Gansu Xin'an Wind Power Generation Co., Ltd. 99.00 MW 54.54%
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 100%
Longyuan Zhangye New Energy Co., Ltd. 49.50 MW 100%
Xinjiang Tianfeng Power Generation Joint Stock Company 249.30 MW 59.52%
Xinjiang Longyuan Wind Power Generation Co., Ltd. 49.50 MW 100%
Longyuan Balikun Wind Power Generation Co., Ltd. 99.00 MW 100%
Longyuan Hami New Energy Co., Ltd. 100%
Longyuan Alashankou Wind Power Generation Co., Ltd. 99.00 MW 100%
Bu'erjin Tianrun Wind Power Generation Co., Ltd. 49.50 MW 60%
Guodian Xinjiang Alashankou Wind Power Generation Co., Ltd. 99.00 MW 70%
Longyuan Habahe Wind Power Generation Co., Ltd. 49.50 MW 100%
Longyuan Tuoli Wind Power Generation Co., Ltd. 49.50 MW 100%
Longyuan Urumchi Wind Power Generation Co., Ltd. 100%
Longyuan Turpan New Energy Co., Ltd. 90%
Longyuan Burqin Wind Power Generation Co., Ltd 100%
Fujian Wind Power Co., Ltd. 90%

Hero Asia (BVI) Limited
100%
97.5%
Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd. 56.00 MW
89.5%
Longyuan Pingtan Wind Power Generation Co., Ltd. 100.00 MW
60%
Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. 6.00 MW
41.56%
Fujian Putian Nanri Wind Power Generation Co., Ltd. 16.15 MW
91.15%
Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd. 85.50 MW
100%
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. 98.00 MW
100%
Zhejiang Longyuan Wind Power Generation Co., Ltd. 9.50 MW
76.29%
Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. 40.00 MW
89.69%
Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd. 45.00 MW
100%
Longyuan Zhoushan Wind Power Generation Co., Ltd.
100%
Longyuan Parian Wind Power Generation Co., Ltd.
100%
Longyuan Xianju Wind Power Generation Co., Ltd.
90%
Zhejiang Cangnan Wind Power Generation Co., Ltd. 21.80 MW
90%
Zhejiang Linhai Wind Power Generation Co., Ltd. 21.30 MW
57.985%
Jiangsu Longyuan Wind Power Generation Co., Ltd. 150.00 MW
69.373%
Longyuan Qidong Wind Power Generation Co., Ltd. 100.50 MW
82.985%
Longyuan (Rudong) Wind Power Generation Co., Ltd. 250.50 MW
100%
Longyuan Dafeng Wind Power Generation Co., Ltd. 150.50 MW
100%
Longyuan Xuyi Wind Power Generation Co., Ltd. 49.50 MW
78.10%
Jiangsu Off-shore Longyuan Wind Power Generation Co., Ltd. 231.30 MW
100%
Longyuan Dafeng Off-shore Longyuan Wind Power Generation Co., Ltd.
100%
Longyuan (Rudong) New Energy Technology Development Co., Ltd.
100%
Hainan Longyuan Wind Power Generation Co., Ltd. 99.00 MW
100%
Yunnan Longyuan Wind Power Generation Co., Ltd. 198.00 MW
90.18%
Longyuan Dali Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan Shilin Wind Power Generation Co., Ltd. 99.00 MW
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. 49.50 MW
100%
Longyuan Dingyuan Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan Quanjiao Wind Power Generation Co., Ltd.
100%
Longyuan Xuancheng Wind Power Generation Co., Ltd.
100%
Shandong Longyuan Wind Power Generation Co., Ltd. 99.00 MW
70%
Shangdong Longyuan Hengxin Wind Power Generation Co., Ltd.
100%
Tianjin Longyuan Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Guizhou Wind Power Generation Co., Ltd. 148.50 MW
100%
Shanxi Longyuan Wind Power Generation Co., Ltd. 249.00 MW
100%
Guodian Shanxi Jieneng Youyu Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Ningwu Wind Power Generation Co., Ltd.
100%
Longyuan Pianguan Wind Power Generation Co., Ltd.

Shareholders of the Company
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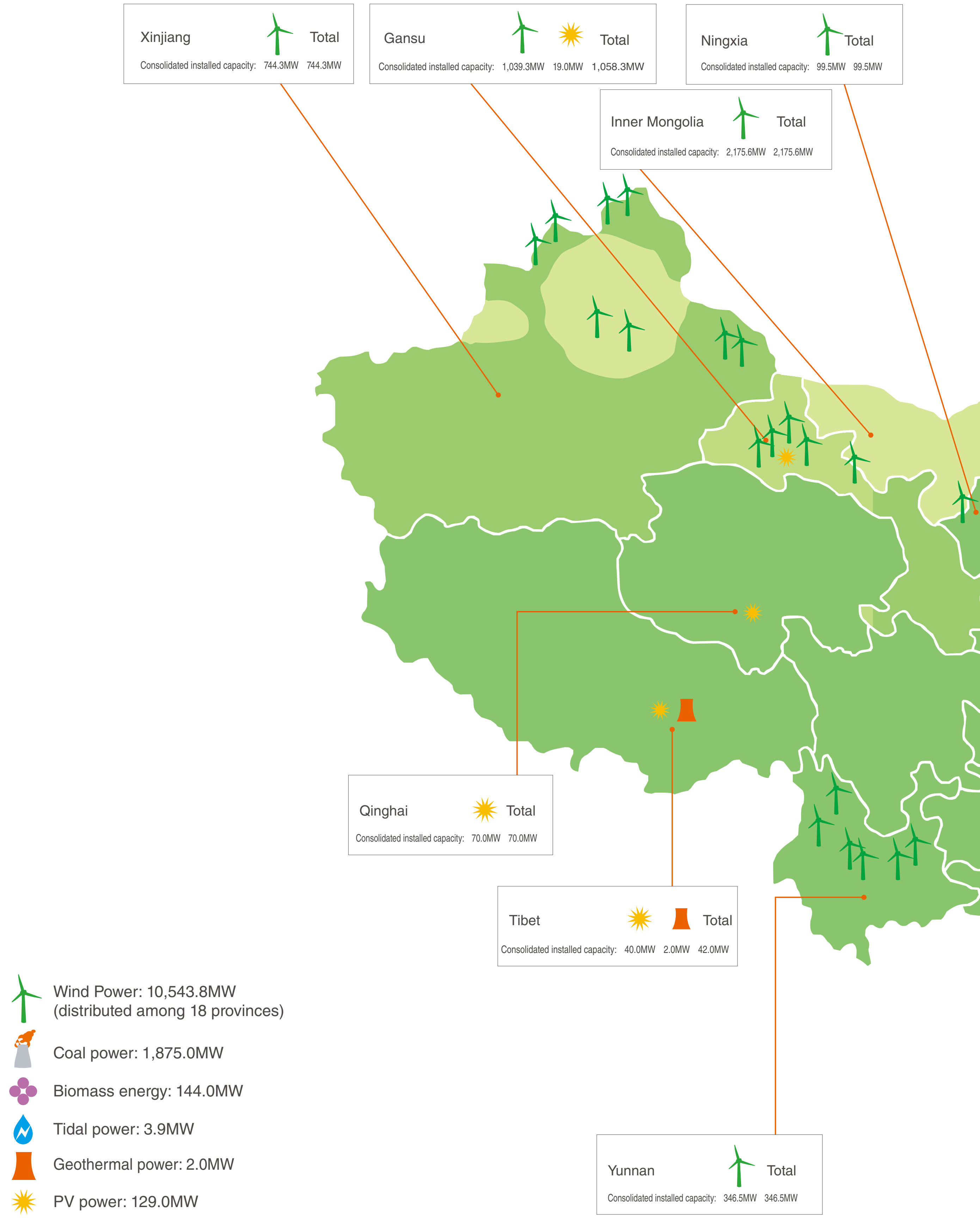
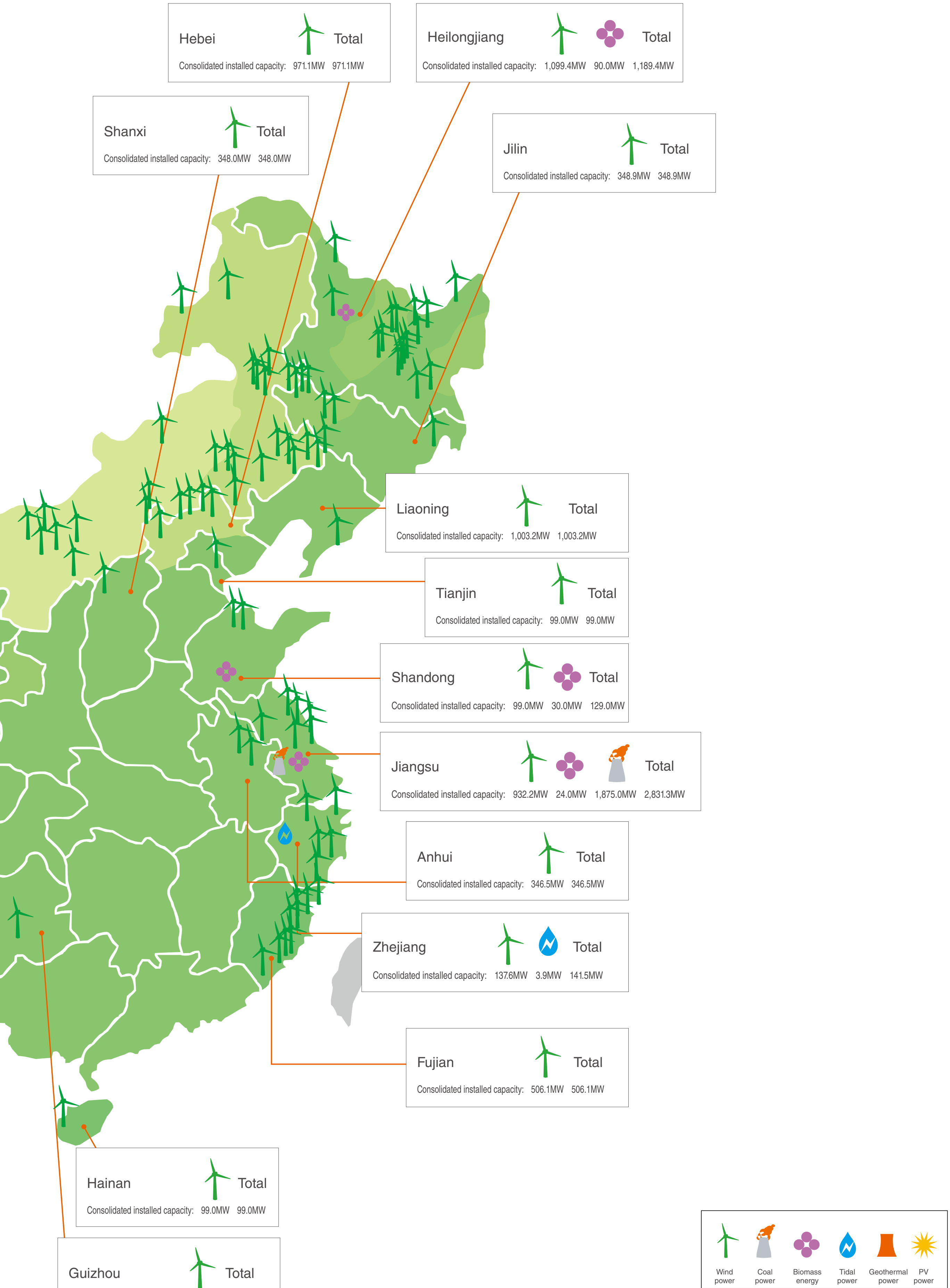
China Guodian Corporation
Shareholders of H Shares
1.17%
57.27%
41.56%
龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited
The Company
Hero Asia Investment Limited
100%
100%
Longyuan Canada Renewables, Ltd.
Longyuan Kelan Wind Power Generation Co., Ltd.
100%
Longyuan Jingle Wind Power Generation Co., Ltd.
100%
Longyuan Ningxia Wind Power Generation Co., Ltd.
100%
Longyuan Lingwu Wind Power Generation Co., Ltd. 99.50 MW
100%
Longyuan Shaanxi Wind Power Generation Co., Ltd.
100%
Longyuan Jingbian Wind Power Generation Co., Ltd.
100%
Nantong Tianshenggang Power Generation Co., Ltd. 660.00 MW
31.94%
Jiangyin Sulong Heat and Power Generating, Co., Ltd. 1215.00 MW
27%
Longyuan Tibet New Energy Co., Ltd. 42.00 MW
100%
Longyuan Ge'ermu New Energy Development Co., Ltd. 70.00 MW
100%
Longyuan Zhangye New Energy Co., Ltd. 19.00 MW
100%
Zhejiang Wenling Jiangxia Pilot Tidal Power Station 3.90 MW
100%
Longyuan (Beijing) New Energy Co., Ltd.
100%
Longyuan Donghai Biomass Power Plant 24.00 MW
95%
Guodian Youyi Biomass Power Co., Ltd. 30.00 MW
100%
Guodian Jiansanjiang Qianjin Biomass Power Co., Ltd. 30.00 MW
100%
Guodian Tangyuan Biomass Power Co., Ltd. 30.00 MW
60%
Guodian Liaocheng Biomass Power Co., Ltd. 30.00 MW
52%
Zhongneng Power-Tech Development Co., Ltd.
100%
China Fulin Wind Power Engineering Co., Ltd.
100%
Longyuan Beijing Wind Power Projects Design & Consultation Co., Ltd.
100%
Longyuan (Beijing) Wind Power Projects Technology Co., Ltd.
100%
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%
Major Subsidiaries:
Wind Power
Coal Power
Other New Energies
Other Corporations

Geographical Breakdown of our Projects





As at 31 December 2012

Corporate Milestones in 2012

In January, the Company was awarded as the winner in the 2011 Ankang Cup (安康杯) competition nation-wide, praised by the All China Federation of Trade Unions and the State Administration of Work Safety (國家安全生產監督管理局).

In early April, the Company was awarded as "AAA Credit Enterprise in the Power Industry of the PRC (全國電力行業AAA級信用企業)".

In April, the Exploration and Practice of Intensive Management of Wind-power Development, a project led by Xie Changjun, President of the Company, was selected as the case of "Top 10 Management Innovation in the Power Industry for 2011 (2011電力十大管理創新)" in the magazine of China Power Enterprise Management (《中國電力企業管理》).

In July, the Company participated in the 2012 wind power operation and inspection skill competition of China Guodian Corporation, and finally gained the place of the top six among competitors. Three staff were awarded with the "Technical Experts of Central State-owned Enterprises" by State-owned Assets Supervision and Administration Commission of the State Council.

In July, the Company sold the Voluntary Emission Reductions of 2,000 tons attributable to the Heilongjiang Huanan Hengdaishan West Wind Power Project (黑龍江樺南橫岱山西風電場項目) of Huanan Longyuan Wind Power Generation Co. Ltd. (樺南龍源風力發電有限公司), a subsidiary of the Company, to Shanghai Zero Carbon Architectural Design Co. Ltd. (上海零碳建築設計有限公司) for balancing the carbon emission from the zero carbon credit system constructed and operated by them, a deal which became the first "Transaction of Voluntary Reduction of Greenhouse Gas Emission" in the PRC.

In July, the Fortune magazine in US published the latest ranking of Fortune China 500 for 2012. The Company was once again on the list with its operating revenue ranked the 238th.

On 28 August, the Company released its first social responsibility report to the media at the press conference held in Hong Kong for its 2012 interim results.

On 9 September, Xie Changjun, President of the Company, was honoured as the "Top 10 Brand Leaders in Industry in China (中國行業品牌十大領軍人物獎)" in the Seventh Asia Brand Ceremony. The Company achieved significant progress on the list of "Asia Top 500 Brands", ranking the 47th climbing up from the 89th in the last ceremony and was honoured as "The Champion of Brand Value in China (中國品牌價值冠軍)".

In October, the latest monthly journal of "Window of World's Wind Power (世界風電之窗)" in the United Kingdom selected 30 most influential people in the wind power industry in the world for 2012. Xie Changjun, President of the Company, ranked the 3rd on the list.

On 23 November, Longyuan Jiangsu Rudong 150 MW Offshore (Intertidal) Pilot Wind Farm (龍源江蘇如東150兆瓦海上(潮間帶)示範風電場) fully commenced power generation following the fully commenced operation of Jiangsu Rudong Offshore (Intertidal) Pilot Wind Farm (江蘇如東海上(潮間帶)試驗風電場) at the end of September 2010, the Group has constructed the largest offshore wind farm in the PRC in the Rudong County.

On 24 November, the result of TOP 100 Independent Innovation of Chinese Enterprises in 2012（2012中國企業自主創新 TOP 100）, organised by China Enterprise Evaluation Association, was announced. The ten major supporting systems developed by the Company was awarded with the Independent Innovation Achievement of Chinese Enterprises in 2012（2012中國企業自主創新成果獎）and Xie Changjun, President of the Company, was honoured as the "Top Ten Talents in Independent Innovation of Chinese Enterprises in 2012（2012中國企業自主創新十大人物）".

On 24 November, the Company, was honoured as the "Outstanding Enterprise of Power Industry in China（全國電力行業優秀企業）" in the "CPEM Annual Conference 2012（2012中國電力企業管理年會）" organised by China Electricity Council（中電聯）.

On 30 November, Hero Asia Investment Company, a subsidiary of the Company, successfully issued senior perpetual securities of USD400 million with interest rate at 5.25% per annum, which were completed on 7 December. The Company became the first H Share listed company in the PRC to issue senior perpetual securities successfully. Standard & Poor's ("S&P"), the internationally famous credit rating agency, assigned the Company the corporate rating of BBB+ for the issue, which is not only the highest rating granted to a Chinese power company listed in Hong Kong, but also the highest rating among the comparable listed companies engaged in new energy in the world.

On 14 December, the Company successfully completed the book building for its placing of H Shares. The placing price was HK$5.08 per share and approximately 572 million shares were issued. The total amount of proceeds reached HK$2,906 million. The placement of H Shares was completed on 21 December. The placement was 3 times over-subscribed and the price was discounted at only 8.1%, a figure that is much lower than the average discount of more than 9% of public placement in Hong Kong market in the last two years.

In December, the No. 37 generating unit in Longyuan Yunnan Longtan Wind Farm（龍源雲南龍潭風電場）commenced operation, marking the wind power installed capacity of the Group exceeded 10 million kW. As at the end of 2012, the Group had a wind power installed capacity of 10,544 MW and continued to rank first in both Asia and China, and second in the world. The leading position of the Group in the domestic wind power industry was further strengthened.

In December, the 150 MW Longyuan Wind Farm Project in Shangyi, Hebei（河北尚義龍源風電場(150兆瓦)工程）of the Company won the "PRC Construction Project Luban Award (National Premium Project) for 2012-2013（2012-2013年度中國建設工程魯班獎(國家優質工程)）" issued by the Ministry of Construction and the China Construction Industry Association. The Luban Award（魯班獎）is the highest-ranked award for quality constructions in the architecture sector in China, symbolising the greatest honour in terms of construction quality in the architecture sector in China. Our 150MW wind farm project in Shangyi, Hebei is the first project in the wind power industry winning the Luban Award in China.

Directors' Report

The Board hereby presents to shareholders the annual report and the audited financial statements for the year ended 31 December 2012 (the "Financial Statements").

SHARE CAPITAL

As of 31 December 2012, the total issued share capital of the Company was RMB8,036,389,000, divided into 8,036,389,000 shares of RMB1.00 each. Details of movements in the share capital of the Company during the year are set out in Note 36(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 2012.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association 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.

PLACING OF H SHARES

On 14 December 2012, the Company and the placing agents entered into the placing agreement in respect of the placing of H shares, with a view to expanding the renewable energy power generation business of the Company with main focus on wind power business, whilst consolidating the leading position of the Company in the industry. An aggregate of 572,100,000 H shares of HK$5.08 each was placed by the placing agents. There was a discount of approximately 8.1% in the placing price per H share as compared to the closing price of HK$5.53 per H share of the Company as quoted on the Hong Kong Stock Exchange on 13 December 2012 (being the last trading day before the execution of the placing agreement).

The aggregate nominal value of the aforementioned H shares under the placing was RMB572.1 million. The aggregate gross proceeds amounted to approximately HK$2,906 million which was proposed to be invested in wind power and solar power generation projects and replenish the Company's working capital. The net placing price (after deduction of the commissions and expenses relating to the placing) was approximately HK$5.0 per placing share.

The placing agents have placed the placing shares to more than six placees who are independent professional organisations and other investors whose ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules).

This placing of H shares was completed on 21 December 2012. Upon the placing of H shares, the total number of issued shares of the Company increased from 7,464,289,000 shares to 8,036,389,000 shares, of which the total number of issued H shares increased from 2,710,719,000 H shares to 3,340,029,000 H shares.

The Directors are of the opinion that the placing of H shares is in the interests of the Company and its shareholders as a whole.

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, 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 2012 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 118 to 119. The financial position of the Company and its subsidiaries as of 31 December 2012 is set out in the consolidated balance sheet on pages 120 to 122. The consolidated cash flow of the Company and its subsidiaries for the year ended 31 December 2012 is set out in the consolidated statement of cash flows on pages 127 to 129.

A discussion and analysis of the Group'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 54 to 83 of this annual report.

PROFIT DISTRIBUTION

The Board recommends to distribute a final dividend of RMB0.0637 per share (tax inclusive) in cash to the shareholders for the year ended 31 December 2012. The dividends mentioned above will be distributed upon approval of 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 36(a) to the Financial Statements, among which, details of reserves attributable to the shareholders are set out in Note 36(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 2012 are set out in Note 29 to the Financial Statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth some information concerning the Directors, supervisors and senior management of the Company for the year ended 31 December 2012.

Name	Position in the Company	Date of Being Re-elected
Zhu Yongpeng	Chairman of the Board and Non-executive Director	3 July 2012
Xie Changjun	Executive Director and President	3 July 2012
Wang Baole	Non-executive Director	3 July 2012
Chen Bin	Non-executive Director	3 July 2012
Luan Baoxing	Non-executive Director	3 July 2012
Huang Qun	Executive Director	3 July 2012
Lv Congmin	Independent Non-executive Director	3 July 2012
Zhang Songyi	Independent Non-executive Director	3 July 2012
Meng Yan	Independent Non-executive Director	3 July 2012
Qiao Baoping	Chief Supervisor	3 July 2012
Yu Yongping	Supervisor	3 July 2012
He Shen	Employee Representative Supervisor	3 July 2012
Zhang Yuan	Vice President	3 July 2012
Li Hongmei	Chief Accountant	3 July 2012
Fei Zhi	Vice President	3 July 2012
Jia Nansong	Board Secretary and Joint Company Secretary	3 July 2012
Zhang Baoquan	Vice President	3 July 2012

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 Listing Rules and considered 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 44 to 53 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts are (1) for a term of three years commencing from 3 July 2012; and (2) 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, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Company's Directors, supervisors and senior management are set out in Note 9 and 10 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 2012, save as disclosed below, none of the Directors or 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 to General Manager of Guodian Group
Wang Baole	Non-executive Director	Assistant to General Manager and Head of Plan & Development Department of Guodian Group
Chen Bin	Non-executive Director	Assistant to 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 to 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 directly from Guodian Group.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

On 31 December 2012, none of the Directors, supervisors and chief executives (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept, 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 in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 31 December 2012, so far as known to the Directors of the Company, 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	Beneficial owner and interest of corporation controlled by substantial shareholders	4,696,360,000 *(Note 2)* (Long position)	100%	58.44%
China Investment Corporation	H shares	Interest of corporation controlled by substantial shareholders	388,373,000 *(Note 3)* (Long position)	11.63%	4.83%
National Council for Social Security Fund (全國社會保障基金理事會)	H shares	Beneficial owner	303,640,000 (Long position)	9.09%	3.78%
JPMorgan Chase & Co.	H shares	Beneficial owner and custodian - corporation/ approved lending agent	303,988,526 *(Note 4)* (Long position)	9.10%	3.78%
JPMorgan Chase & Co.	H shares	Custodian - corporation/approved lending agent	288,497,406 *(Note 5)* (interest in a lending pool)	8.64%	3.59%
JPMorgan Chase & Co.	H shares	Beneficial owner	6,000,000 *(Note 6)* (Short position)	0.18%	0.07%
T. Rowe Price Associates, Inc. and its Affiliates	H shares	Beneficial owner	274,868,000 (Long position)	8.23%	3.42%
China Life Insurance (Group) Company	H shares	Beneficial owner and interest of corporation controlled by substantial shareholders	262,191,000 *(Note 7)* (Long position)	7.85%	3.26%

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 2012.

2. Among these 4,696,360,000 domestic shares, 4,602,432,800 shares were directly held by Guodian Group while the remaining 93,927,200 shares were held by Guodian Northeast Electric Power Co., Ltd., a subsidiary of Guodian Group. Accordingly, Guodian Group was deemed as the owner of the equity interests held by Guodian Northeast Electric Power Co., Ltd.

3. Among these 388,373,000 H shares, 379,901,000 H shares were held by Chengdong Investment Corporation, and 8,472,000 H shares were held by Best Investment Corporation, both were wholly-owned subsidiaries of China Investment Corporation. Accordingly, China Investment Corporation was deemed as the owner of the equity interests of the H shares held by its aforesaid subsidiaries.

4. Among these 303,988,526 H shares, 288,497,406 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., 8,438,974 H shares were held by J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 5,552,146 H shares were held by J.P. Morgan Securities plc, an indirect non-wholly owned subsidiary of JPMorgan Chase & Co., 1,500,000 H shares were held by J.P. Morgan Markets Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the equity interests of the H shares held by its aforesaid subsidiaries.

5. These 288,497,406 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed to have interests in such H shares (lending pool) held by its aforesaid subsidiary.

6. Among these 6,000,000 H shares, 4,500,000 H shares were held by J.P. Morgan Securities plc, an indirect non-wholly owned subsidiary of JPMorgan Chase & Co., 1,500,000 H shares were held by J.P. Morgan Markets Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed to have the short position of the H shares held by its aforesaid subsidiaries.

7. Among these 262,191,000 H shares, 24,830,000 H shares were directly held by China Life Insurance (Group) Company, 231,411,000 H shares were held by China Life Insurance (Overseas) Company Limited, a wholly-owned subsidiary of China Life Insurance (Group) Company, and 5,950,000 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 owner of the H share equity interests held 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 2012.

SUBSEQUENT EVENTS

The Company completed the private issuance of its first tranche of debt financing instruments on 21 February 2013. The total issuance amount of the debt financing instruments is RMB5 billion with a maturity period of one year. The unit face value is RMB100 and the issuing interest rate is 4.5%.

CONNECTED TRANSACTIONS

Major connected transactions of the Group during 2012 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. Increase in Capital Contribution to Guodian Finance

On 17 April 2012, Guodian Finance entered into the capital increase agreement with twelve shareholder companies, pursuant to which, these twelve shareholder companies agreed to inject a total capital contribution of RMB1,989 million into Guodian Finance in cash, in proportion to each of their existing shareholding in Guodian Finance. Meanwhile, Guodian Finance transferred RMB750 million of capital reserve to increase its registered capital, involving an aggregated amount of RMB2,739 million in aggregate to increase the capital of Guodian Finance. Upon the increase in capital contribution, the registered capital of Guodian Finance will be increased by RMB2,050 million and the capital reserve of Guodian Finance will be decreased by RMB61 million. As Guodian Group at the time of the transaction directly and indirectly held approximately 63.68% (at the time of this report: 58.44%) 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 RMB189.154 million to Guodian Finance, among which RMB123.630 million will be injected into the registered capital of Guodian Finance, and RMB65.524 million will be injected into the capital reserve of Guodian Finance. Upon completion of the capital increase, the Company's shareholding in Guodian Finance remained unchanged. 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.

2. Increase in Capital Contribution to United Power

On 28 August 2012, United Power entered into the capital increase agreement with two shareholder companies, namely Guodian Tech and the Company, pursuant to which, each of the shareholder companies agreed to increase their capital contribution to United Power on a pro rata basis. The two shareholder companies will contribute a total capital contribution of RMB734.4808 million to United Power, which will be used in increasing the registered capital of United Power from RMB1,403.0463 million to RMB2,137.5271 million. As Guodian Group at the time of the transaction directly and indirectly held approximately 63.68% (at the time of this report: 58.44%) 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 Tech is a subsidiary of Guodian Group and United Power is a 70% subsidiary of Guodian Tech. Therefore, United Power is a connected person of the Company and the capital increase to United Power 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 of RMB220.3442 million to United Power, among which RMB87.8571 million will be paid in cash and the remaining RMB132.4871 million will be settled by way of converting the undistributed dividend attributable to the Company as capital contribution to United Power by the Company. The total capital injection of RMB220.3442 million will be injected into the registered capital of United Power. Upon completion of the capital increase, the Company's shareholding in United Power remained unchanged at 30%. The capital increase can enhance the registered capital and working capital of United Power, which will effectively improve the operation and business of United Power. As a 30% shareholder of United Power and a long-term customer of United Power, the Company can benefit from the improvement of the operation and business of United Power, including but not limited to obtaining economic benefits and securing a reliable supply of wind turbines with high quality.

3. Acquisition of 20% equity interests in Zhongneng Power-Tech

On 19 September 2012, the Company entered into an equity transfer agreement with GDPD, pursuant to which the Company acquired 20% of equity interests in Zhong Neng Power-Tech Development Co., Ltd. ("Zhongneng Power-Tech") from GDPD. As Guodian Group at the time of the transaction directly and indirectly held approximately 63.68% (at the time of this report: 58.44%) 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 Group is also a controlling shareholder of GDPD, holding approximately 51.78% equity interests in the total issued share capital of GDPD at the time of the transaction. Therefore, under Chapter 14A of the Listing Rules, GDPD is a connected person of the Company, and the equity transfer agreement and the acquisition thereof constitute connected transactions of the Company.

Pursuant to the equity transfer agreement, the total consideration of the acquisition of 20% equity interests in Zhongneng Power-Tech by the Company is RMB36,469,700. The terms of the equity transfer agreement were negotiated on an arm's length basis between the Company and GDPD. The consideration shall be paid in cash by using internal sources of the Company within ten (10) business days from the execution of the equity transfer agreement. Please refer to the announcement of the Company dated 19 September 2012 for the principal terms of the transaction. The acquisition of the 20% equity interests in Zhongneng Power-Tech is in line with the Company's objective of becoming a top-tier renewable energy company, and would also decrease the amount of connected transactions between the Company and Guodian Group (other than the Group). Through the acquisition, the competitions and potential competitions between Guodian Group (other than the Group) and the Company in terms of the wind power business and relevant services will be reduced.

(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 each 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 for 2011 convened on 28 October 2011.

The table below has set out the annual caps for 2012 and the actual transaction amounts of such connected transactions:

	Connected Transactions	Connected Person	Annual Cap for 2012 (RMB'000)	Actual Transaction Amount for 2012 (RMB'000)
1	Provision of products and services by the Group	Guodian Group	937,566	369,600
2	Provision of products and services to the Group	Guodian Group	5,333,202	2,448,000
3	Provision of products and services to the Group	Zhongneng Power-Tech	395,200	185,000
4	Provision of financial services to the Group	Guodian Finance	Deposit Services: 2,200,000	Maximum Outstanding Balance: 2,143,800

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. 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 months' 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 policies: 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 a 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 2012 was RMB937,566,000 and the actual transaction amount was RMB369,600,000.

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. 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 months' prior written notice.

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 a 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 2012 was RMB5,333,202,000 and the actual transaction amount was RMB2,448,000,000.

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 (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. 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 months' 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. 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 are 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.

Before the completion of the acquisition of the 20% equity interests in Zhongneng Power-Tech under the non-exempt one-off connected transaction abovementioned, Zhongneng Power-Tech is a non-wholly-owned subsidiary of the Company. GDPD, 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. As on 19 September 2012, the Company entered into equity transfer agreement with GDPD and acquired 20% equity interests in Zhongneng Power-Tech from GDPD. Upon the acquisition, Zhongneng Power-Tech became a wholly-owned subsidiary of the Company, thus it is no longer a connected person of the Company.

During the reporting period, the annual cap of this continuing connected transaction for the year 2012 was RMB395,200,000 and the actual transaction amount was RMB185,000,000.

4. Provision of financial services to the Group

4.1 On 6 September 2010, the Company entered into the financial services agreement with Guodian Finance, 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 utilised as fixed assets loans, project financing loans, working capital loans, letter of guarantee and accounts receivable factoring 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.

4.2 The Company entered into the New Financial Services Agreement with Guodian Finance on 13 December 2012, pursuant to which, the services 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.

Material terms and conditions of the agreement are as below:

- 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 New Financial Services Agreement, Guodian Finance will grant integrated credit facilities of RMB3 billion to the Group. The credit facilities shall be free of any security and utilised as fixed assets loans, project financing loans, working capital loans, letter of guarantee and accounts receivable factoring etc.;

- In respect of the provision of the deposit services under the New Financial Services Agreement, the maximum amount of the daily deposit balance for the Group's deposits with Guodian Finance shall be RMB1.5 billion for each of the three years ending 31 December 2013, 31 December 2014 and 31 December 2015 (including any interest accrued thereon);

- The term of the New Financial Services Agreement shall be three years, i.e. from 1 January 2013 to 31 December 2015. 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 provides 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 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 promulgated 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 2012 was RMB2,200,000,000 and the actual maximum amount of daily deposit balance was RMB2,143,800,000.

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 favourable 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 2012, the purchase from the Group's five largest fuel suppliers in aggregate contributed 61.2% of the Group's total purchase of fuel for the year, among which, the total purchase from the largest fuel supplier contributed 16.9% of the Group's total purchase of fuel for the year.

For the year ended 31 December 2012, the sales to the Group's five largest customers in aggregate contributed 50.9% of the Group's total sales for the year, among which, the sales to the largest customer contributed 29.8% 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 33 to the Financial Statements.

CHANGE IN INFORMATION OF DIRECTORS

The change in information of Directors in 2012 was announced in the 2012 interim report. There is no other information relating to Directors of the Company which is discloseable according to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE

As a company listed on the Hong Kong Stock Exchange, the Company has committed itself to maintaining a higher standard of corporate governance practices. Please refer to the Corporate Governance Report as set out on pages 94 to 112 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 at 31 December 2012, the Group 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 Group.

AUDIT COMMITTEE

The 2012 annual results of the Group and the Financial Statements for the year ended 31 December 2012 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 China Accounting Standards for Business Enterprises for the year ended 31 December 2012, 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. as its auditors 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, 25 March 2013

* *For identification purpose only*

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Zhu Yongpeng, aged 61, is the Chairman of the Board and a non-executive Director 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 re-appointed as a non-executive Director of the second session of the Board of the Company in July 2012 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 China Guodian Corporation. Mr. Zhu is currently the general manager of China Guodian Corporation, chairman of GD Power Development Co., Ltd, and non-executive director and chairman of Guodian Technology & Environment Corporation Limited (1296.HK).

Mr. Wang Baole, aged 56, 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 re-appointed as a non-executive Director of the second session of the Board of the Company in July 2012. 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 China Guodian Corporation.

Mr. Chen Bin, aged 53, is 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 re-appointed as a non-executive Director of the second session of the Board of the Company in July 2012. 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 China Guodian Corporation.

Mr. Luan Baoxing, aged 45, 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 re-appointed as a non-executive Director of the second session of the Board of the Company in July 2012. 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 China Guodian Corporation. Mr. Luan is currently the head of Capital Operation and Property Right Management Department of China Guodian Corporation.

EXECUTIVE DIRECTORS

Mr. Xie Changjun, aged 55, is an executive Director and president of the Company. He graduated from Northeast Dianli University with a bachelor's degree in Engineering. He is a professor-grade senior engineer. He was re-appointed as an executive Director of the second session of the Board of the Company in July 2012. 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. He is currently serving as the President of the Company and the assistant to general manager of China Guodian Corporation.

Mr. Huang Qun, aged 51, is an executive Director of the Company. He graduated from Tongji University with a bachelor's degree in Engineering. He is a senior engineer. He was re-appointed as an executive Director of the second session of the Board of the Company in July 2012. Mr. Huang joined the Group in 1993 and worked as an engineer at Power Department of the Ministry of Energy Resources and Policy Research Office of the Ministry of Water Resources and Electric Power. He had successively served at China Longyuan Electric Power Group Corporation as deputy head and head of Manager Department, head of the First Division of the Operation Department, chief economist and head of Operation Department, as well as assistant to general manager, and deputy general manager. He is currently serving as the vice president of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lv Congmin, aged 74, is an independent non-executive Director of the Company. He graduated from the department of Foreign Languages of Nankai University majoring in English. Mr. Lv was re-appointed as an independent non-executive Director of the second session of the Board of the Company in July 2012. He had successively worked at the China's Charge d'affaires Office in the U.K. (中國駐英國代辦處), Department of European and American Affairs at the Ministry of Foreign Affairs, Embassy of the PRC in Canada, Department of North American and Oceanian Affairs at the Ministry of Foreign Affairs, He has thereafter served successively as deputy director of the Foreign Affairs Office of the State Council and secretary to the Prime Minister. Mr. Lv had been a member of the 9th and 10th National People's Congress of the PRC, the deputy general secretary of the Standing Committee of the 9th National People's Congress of the PRC, Party Secretary (機關黨委書記), and the vice chairman of the Foreign Affairs Committee of the 10th National People's Congress of the PRC. Besides, Mr. Lv held a number of positions such as the vice chairman representing China in Sino-US Inter-parliamentary Exchange Program (中美議會交流機制), the chairman representing China in Sino-Canada Parliament Association (中國—加拿大議會協會), the chairman representing China in Sino-Chile Parliamentary Political Dialogue Committee (中國—智利議會政治對話委員會), a member of executive committee of the Inter-Parliamentary Union, a member of the Steering Committee of the Parliamentary Conference on the WTO (議會世貿大會指導委員會) and an observer at the Latin-American Parliament. Mr. Lv is currently a special expert on foreign affairs of the National People's Congress, an adjunct professor at Nankai University and China Foreign Affairs University and director of the International Law Research Center in China Law Society.

Mr. Zhang Songyi, aged 57, an independent non-executive Director of the Company. He holds a Juris Doctor from Yale University. Mr. Zhang was re-appointed as an independent non-executive Director of the Company in July 2012. Mr. Zhang practiced law at Milbank, Tweed, Hadley & McCloy LLP from 1985 to 1993. 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. Mr. Zhang is currently an independent director of Sina Corporation (NASDAQ:SINA) and an independent non-executive 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. Meng Yan, aged 57, 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 re-appointed as an independent non-executive Director of the Company in July 2012. Mr. Meng received the special government allowance from the State Council in 1997. 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 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.

SUPERVISORS

Mr. Qiao Baoping, aged 57, 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 re-appointed as the chairman of supervisory board of the Company in July 2012. 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 SASAC, 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 Corporation and a director of GD Power Development Co., Ltd. (SSE: 600795).

Mr. Yu Yongping, aged 52, 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 Economics. He is a senior accountant. Mr. Yu was re-appointed as a supervisor of the Company in July 2012. Mr. Yu had served as accountant of Finance Division of Machinery Manufacturing Construction Bureau of the Ministry of Water Resources and Electric Power. He had 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 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 China Guodian Corporation. Mr. Yu is currently head of Audit Department of China Guodian Corporation.

Mr. He Shen, aged 38, 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 re-appointed as the employee representative supervisor of the Company in July 2012. 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 Electric 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 46 of this annual report.

Mr. Huang Qun is an executive Director and vice president of the Company. Biographical details of Mr. Huang Qun as at the date hereof are set out on Page 46 of this annual report.

Mr. Zhang Yuan, aged 56, is a vice president of the Company. He graduated from Northwest Telecommunication Construction University with a bachelor's degree. 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 the deputy division chief of Hydropower and Agriculture Electricity Department of the Ministry of Electric Power, the division chief of Hydropower and New Energy Development Department and Power Construction Department of the State Power Corporation, and the deputy president of China Longyuan Electric Power Group Corporation.

Ms. Li Hongmei, aged 55, 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 45, is a vice president and the chief legal advisor of the Company. He graduated from Shanghai Institute of Electric Power in Engineering and graduated from Southeast University as well as Jiangsu University and holds a doctoral degree in management. 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 50, 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 in 1994. Mr. Jia 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 52, is a vice president of the Company. Mr. Zhang graduated successively from Tsinghua University and the Hydropower Department of China Electric Power Research 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 Research 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 (中能電力技術貿易公司), 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 52 of this annual report.

Ms. Soon Yuk Tai, aged 46, 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 a Fellow 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

In 2012, the global economy was complex and challenging, with the national economy stabilised whilst economic and social developments improved steadily. The gross domestic product for the year increased by 7.8% as compared with last year. Due to the general slowdown in economic growth, the growth of electricity consumption in the PRC was moderate, as revealed by the slower growth in the first three quarters and gradual improvement in the fourth quarter. According to the "National Power Industry Statistics Express in 2012(2012年全國電力工業統計快報)"(hereafter as "CEC Express") issued by the China Electricity Council, the power consumption across the country was 4,959.1 billion kWh in 2012, representing an increase of 5.5% over last year. The power generation installed capacity across the country reached 1,144,912 MW, representing an increase of 7.8% over last year. Installed capacity of the additional power generation infrastructure facilities across the country dropped below 90,000 MW to 80,206MW, among which the additional installed capacity of hydropower, coal power, wind power and solar power reached 15,513 MW, 50,648 MW, 12,855 MW and 1,190 MW, respectively. The investment in wind power became better regulated and in order.

In order to solve the problems of the excessively rapid growth in wind power installed capacity and the intensified abandonment of wind power generation and grid curtailment in some regions, the National Energy Administration promulgated "Notice of Strengthening the Requirements of Wind Power Absorption and Grid Connection (《關於加強風電併網和消納工作有關要求的通知》)" to ensure the on-grid operation of the wind power concession projects and the full purchase of the electricity generated, as well as no restriction on the electricity output of the concession projects and the pilot projects approved by the competent energy authorities of the PRC. In the meantime, on-grid review of new wind power projects has to be enhanced and the electricity output of the completed wind power projects should not be limited by new wind power projects. To a certain extent, this protected the electricity output of the existing wind power projects. By launching the plans such as "Twelfth Five-Year Plan for Wind Power Development Plan (《風電發展「十二五」規劃》)", "Twelfth Five-Year Plan for Solar Power Development Plan (《太陽能發電發展「十二五」規劃》)" and "Twelfth Five-Year Plan for Biomass Power Development Plan (《生物質能發展「十二五」規劃》)", the National Energy Administration made key arrangements for the development layout of renewable energy, construction of auxiliary grids and optimisation of systems, technology equipment and industry system, as well as global development and cooperation. The overall development of renewable energy was favorable.

The general objectives of the development of renewable energy in the "Twelfth Five-Year Period" is that, by 2015, the annual utilisation of renewable energy shall reach 478 million tons of standard coal, accounting for more than 9.5% of energy consumption. The objectives of the development of different categories of renewable energy include: by 2015, the installed capacity of hydropower shall reach 290 GW, of which conventional hydropower and pumped storage power stations shall account for 260 GW and 30 GW respectively; the installed capacity of cumulative on-grid wind power shall reach 100 GW, of which offshore wind power shall account for 5 GW; the installed capacity of solar power and cumulative solar collector area for the utilisation of solar thermal power shall reach 21 GW and 400 million square meters respectively; annual utilisation of biomass power shall reach 50 million tons of standard coal; aggregate utilisation of different categories of geothermal power development shall reach 15 million tons of standard coal, and different categories of power station of ocean power shall account for 50,000 kW.

According to the CEC Express, as at the end of 2012, the length of the loops of the transmission lines of 220 kV or above in the power grids across the country and the capacity of the public transformer facility increased by 6.7% and 8.3% respectively over last year. The State Grid invested huge amount of resources in solving the problem of the delivery of wind power, and the completion and operation of the Northeast - North China (Gaoling) Direct Current Back to Back Expansion Project (東北 — 華北(高嶺)直流背靠背擴建工程) significantly increased the capacity of energy transmission between the power grids of Northeast and North China and was critical in solving the wind power delivery problem in the Northeast China. The commencement of the double pole operation of the ±660 kV Direct Current Transmission Project from Ningdong to Shandong (寧東至山東±660千伏直流輸電工程) hewed a channel in the north of China for transmitting electricity from the west to the east. In addition, the construction of the Xinjiang - Northwest Main Grid 750 kV Second Channel Project (新疆 — 西北主網750千伏第二通道) and South Hami - Zhengzhou 800 kV Ultra High Voltage Direct Current Transmission Project (哈密南 — 鄭州800千伏特高壓直流輸電工程) commenced construction in 2012 and the completion and operation of these two aerial electricity highways will significantly improve the existing capacity of electricity transmission in Xinjiang and Gansu, thereby promote the expansion of the scope for the absorption of energy resources.

Despite the State Grid has increased its investment, it would be difficult to solve the problem of grid curtailment of wind power in short term. The problem of delivery and grid curtailment of wind power has not yet been materially improved in 2012. The average utilisation hours of wind power across the country were 1,893 hours in 2012, which remained basically stable with that of 2011. From the year as a whole, the problem of abandonment in wind power still existed at numerous wind farms across the country.

II. BUSINESS REVIEW

1. Continuous Optimisation in Investment Strategy and More Reasonable Layout of Development

In 2012, the wind power industry faced with obvious conflict of grid connection, serious problem of grid curtailment, increased approval formalities and heightened standard of review. The Group made adjustments to the "Development Plan For The Twelfth Five-year Period", reduced the scale of wind power development in regions where the grid curtailment issue was serious. The risk of investment was controlled strategically and systemically so as to secure investment return. During the reporting period, 50 projects of the Group were listed under the second batch of plans for wind power projects to be approved (supplemented projects included) during the "Twelfth Five-Year Period" issued by the National Energy Administration, with aggregate installed capacity of 2,824.8 MW, of which projects in regions not subject to grid curtailment accounted for 89.4%. The aggregate installed capacity of the Group's projects included in the first and second batch of projects to be approved under the plan of the PRC was 6,354.8 MW, which ranked the first among the development enterprises. Approvals for preliminary work from the National Energy Administration were received for three projects with aggregate installed capacity of 790 MW, all of which are located in regions not subject to grid curtailment. The layout of project development was optimised and the foundation of the preliminary works was further reinforced.

In 2012, the Group obtained approvals for its wind power projects with 2,231.8 MW. The projects are located in Yunnan, Guizhou, Fujian, Jiangsu etc., of which 73.3% of the projects are in the regions not subject to grid curtailment. As at the end of 2012, wind power projects of the Group which were approved but had not yet been commissioned exceeded 3,000 MW. The Group's accumulated pipeline capacity of wind power projects reached 63.10 GW, providing more flexibility in further screening of projects and optimising the Group's investment layout.

2. Largest Offshore Wind Farm Developed and Leading Position in the Development of Offshore Wind Power in the PRC Maintained

In 2012, the Group implemented the principal strategy of "small scale trial first, medium scale demonstration second, large scale development last" and proceeded with the development of offshore wind power in a proactive and steady manner. In 2012, the Group's offshore wind power projects with an additional installed capacity of 100 MW have commenced operation, and the accumulated operating installed capacity has reached 232 MW. As at the end of 2012, the Group entered into development agreements for offshore wind power projects with an aggregated installed capacity of 5,900 MW, which covers areas such as Jiangsu, Fujian, Liaoning, Hebei and Tianjin.

Whilst completing the construction of its projects, the Group emphasised on technological innovation. The construction technology of the Group reached a standard that is leading in the PRC and advanced in the world, which enabled the Group to effectively lower the construction costs of its projects whilst improving its efficiency. With relentless exploration and successful implementation, the Group made a number of technological breakthroughs in the development of offshore wind power businesses. It has 35 patents under application, of which 22 inventions and utility model patents were authorised by the State Intellectual Property Office. The Group has also undertaken 3 projects of the National 863 Projects (國家863課題). During the year, the Group was awarded one First Prize of Science and Technology from China Association of Construction Enterprise Management (中國施工企業管理協會科學技術一等獎), one Third Prize of Science and Technology from China Water Transportation Construction Association (中國水運建設行業協會科學技術三等獎), one First Prize of Science and Technology Achievement for China Electric Power Construction (中國電力建設科學技術成果一等獎), one First Prize of Enterprise Management Innovation Achievement for China Electricity Power Industry (全國電力行業企業管理創新成果一等獎), one Technology Achievement Award for National Power Industry Staff (全國電力職工技術成果獎) and one Method of Power Construction of China (中國電力建設工法). The Group's development and construction technology in offshore wind power projects has become more mature, and more experienced while the pipeline capacity of its projects has become more reasonable.

During the "Twelfth Five-Year Period", the Group will gradually develop the offshore wind power projects in such areas as Liaoning, Tianjin, Hebei, Shandong, Zhejiang and Guangdong, whilst focusing on the development in Jiangsu and Fujian where the condition for resources and construction are satisfactory.

3. Construction Objectives Achieved with Satisfactory Quality and Quantity, and Wind Power Installed Capacity Exceeded 10 GW

In 2012, the Group comprehensively enhanced the control over its project construction process and persisted in refined management. It further improved the safety supervision and control system for its project construction, and completed the mission of its annual project construction with satisfactory quality and quantity. The Group's projects, namely the 300 MW Large-scale Self-developed Pilot Wind Farm in Guazhou, Gansu (甘肅瓜州300兆瓦大型自主化示範風電場), the 150 MW Longyuan Wind Farm Project in Shangyi, Hebei (河北尚義龍源風電場(150兆瓦)工程), the 4×49.5 MW Longyuan Laian Wind Farm Project in Anhui (安徽龍源來安4×49.5兆瓦風電場) and the Phase II 49.5 MW Wind Farm Project of Alashankou(阿拉山口風電二期49.5兆瓦風電場)were honoured as Premium Quality Power Construction in China (中國電力優質工程獎). Among these projects, the project in Guazhou, Gansu and the Longyuan Laian project in Anhui were granted National Premium Quality Construction Award (國家優質工程獎), while the project in Shangyi, Hebei was granted the most prestigious award of project quality in the construction industry in China ---Luban Award (魯班獎), which was the first wind power project in wind power industry in the PRC to have obtained this honour.

In 2012, the Group had 30 wind power projects and 4 photovoltaic power generation projects newly put into operation, with installed capacity of 1,598.9 MW and 59 MW, respectively. The Group completed the acquisition of 7 wind power projects and 4 biomass power generation projects, with installed capacity of 346.5 MW and 120 MW, respectively. As at 31 December 2012, the consolidated installed capacity of the Group was 12,698 MW, of which the consolidated installed capacity of our wind power, coal power and other renewable power businesses were 10,544 MW, 1,875 MW and 279 MW respectively.

Geographical breakdown of the consolidated installed capacity of the Group's wind farms in 2011 and 2012:

Region	**As of 31 December 2012 (MW)**	As of 31 December 2011 (MW)	Percentage of change
Heilongjiang	**1,099.4**	1,051.1	4.60%
Jilin	**348.9**	348.9	0.00%
Liaoning	**1,003.2**	904.2	10.95%
Inner Mongolia	**2,175.6**	1,928.1	12.84%
Jiangsu	**932.3**	702.8	32.66%
Zhejiang	**137.6**	137.6	0.00%
Fujian	**506.1**	408.1	24.01%
Hainan	**99.0**	99.0	0.00%
Gansu	**1,039.3**	957.3	8.57%
Xinjiang	**744.3**	447.3	66.40%
Hebei	**971.1**	871.5	11.43%
Yunnan	**346.5**	99.0	250.00%
Anhui	**346.5**	247.5	40.00%
Shandong	**99.0**	49.5	100.00%
Tianjin	**99.0**	99.0	0.00%
Shanxi	**348.0**	99.0	251.52%
Ningxia	**99.5**	49.5	101.01%
Guizhou	**148.5**	99.0	50.00%
Total	**10,543.8**	8,598.4	22.63%

4. **Management on Safe Production Continuously Deepened and the Leading Position in the Wind Power Generation Industry Maintained**

2012 was the Year of Safe Production and Operation Management (安全生產與經營管理年) for the Group. The Group fully tapped the space and efficiency for the potential improvement of its power plants through formulating a series of implementation measures and prudently implementing all these rules and measures, and endeavoured to ensure the safety, stability and efficiency in its power generation. The Group introduced the establishment of safety standards for power generation and commenced assessment and evaluation on 30 wind farms, further enhancing the foundation for safe production. In addition, the Group further pressed on the special research and transformation on the optimisation of operation and adopted an optimised pilot mode of operation and control for its generating units in 36 wind farms located at such areas as Tianjin, Inner Mongolia, Jilin, Xinjiang, Hebei and Gansu, so as to improve their generating capacity. The Group also commenced benchmarking management on wind power enterprises, conducted in-depth analysis on the underlying reasons and took measures to boost the electricity output. The Group took initiative to organize activities of star-rated enterprise among the wind power enterprises of Guodian Group, leading to improvement of its management on safe production. The operation and supervision centre, having developed the function of statistical analysis as well as defect and failure tracking and handling, supervised and provided guidance to deal with defects of the wind power companies in a timely manner to ensure the normal operation of generating units. A provincial regional supervision centre was preliminarily established in each of Jiangsu, Heilongjiang and Liaoning. The Group comprehensively promoted the checking of equipment, so as to ensure the reliability of the power generating units.

During the year, the Group generated a cumulative gross electricity output of 28,638 GWh, of which electricity generated from our wind power business amounted to 16,820 GWh, representing an increase of 25.95% over last year. The increase in the Group's wind power electricity output was attributable to (i) the growth in wind power installed capacity and (ii) the improvement of management which to some extent offset the adverse impact of grid curtailment. The Group maintained a high availability factor of its equipment, with an average availability factor of its wind power generating units at 98.43%. The average utilisation hours of wind power business was 1,985 hours in 2012, representing a decrease of 41 hours from the corresponding period in 2011. The decrease was primarily due to the worsening of grid curtailment in certain regions.

Geographical breakdown of the consolidated power generation of the Group's wind farms as of 2011 and 2012:

Region	**2012 (MWh)**	2011 (MWh)	Percentage of change
Heilongjiang	**1,807,916**	1,793,371	0.81%
Jilin	**450,815**	521,688	-13.59%
Liaoning	**1,317,548**	1,421,392	-7.31%
Inner Mongolia	**3,792,876**	2,655,498	42.83%
Jiangsu	**1,612,700**	1,014,041	59.04%
Zhejiang	**253,326**	193,755	30.75%
Fujian	**1,122,493**	1,084,178	3.53%
Hainan	**153,505**	178,865	-14.18%
Gansu	**1,497,555**	1,519,632	-1.45%
Xinjiang	**1,314,149**	957,872	37.19%
Hebei	**1,820,414**	1,459,931	24.69%
Yunnan	**402,514**	226,133	78.00%
Anhui	**439,314**	249,496	76.08%
Shandong	**82,236**	49,181	67.21%
Tianjin	**196,070**	29,583	562.78%
Shanxi	**334,191**	—	—
Ningxia	**98,500**	—	—
Guizhou	**123,792**	—	—
Total	**16,819,914**	13,354,616	25.95%

Geographical breakdown of the average utilisation hours / capacity factor of wind power of the Company's wind farms for the years 2011 and 2012:

Region	**Average utilisation hours of wind power in 2012 (hr)**	**Average capacity factor of wind power in 2012**	Average utilisation hours of wind power in 2011 (hr)	Average capacity factor of wind power in 2011	Percentage of change of the average utilisation hours of wind power
Heilongjiang	1,783	20%	1,987	23%	–10.27%
Jilin	1,292	15%	1,495	17%	–13.58%
Liaoning	1,498	17%	1,812	21%	–17.33%
Inner Mongolia	1,849	21%	1,832	21%	0.93%
Jiangsu	2,401	27%	2,104	24%	14.12%
Zhejiang	1,841	21%	1,936	22%	–4.91 %
Fujian	3,049	35%	3,474	40%	–12.23%
Hainan	1,551	18%	1,807	21%	–14.17 %
Gansu	1,578	18%	1,771	20%	–10.90%
Xinjiang	2,540	29%	2,408	27%	5.48%
Hebei	2,358	27%	2,345	27%	0.55%
Yunnan	2,957	34%	2,284	26%	29.47 %
Anhui	1,775	20%	1,551	18%	14.44%
Shandong	1,661	19%	2,168	25%	–23.39 %
Tianjin	2,067	24%	2,049	23%	0.88%
Shanxi	1,976	22%	—	—	—
Ningxia	2,388	27%	—	—	—
Guizhou	2,144	24%	—	—	—
Total	1,985	23%	2,026	23%	–2.02%

Geographical breakdown of the average availability factor of wind power of the Company's wind farms for the years 2011 and 2012:

Region	**Average availability factor of wind power in 2012 (%)**	Average availability factor of wind power in 2011 (%)	change
Heilongjiang	**98.95**	98.93	0.02%
Jilin	**98.78**	98.26	0.52%
Liaoning	**98.63**	99.01	–0.38%
Inner Mongolia	**98.66**	98.64	0.02%
Jiangsu	**98.21**	98.50	–0.29%
Zhejiang	**98.03**	98.75	–0.72%
Fujian	**98.18**	98.45	–0.27%
Hainan	**98.85**	99.11	–0.26%
Gansu	**98.84**	98.72	0.12%
Xinjiang	**96.76**	97.37	–0.61%
Hebei	**97.89**	97.81	0.08%
Yunnan	**97.82**	98.04	–0.22%
Anhui	**98.78**	97.93	0.85%
Shandong	**99.34**	99.42	–0.08%
Tianjin	**98.38**	97.60	0.78%
Shanxi	**98.12**	—	—
Ningxia	**96.80**	—	—
Guizhou	**98.90**	—	—
Total	**98.43**	98.44	–0.01%

During the year, the power generation from coal power business of the Group was 11,232 GWh, representing a decrease of 4.40% as compared with 11,749 GWh of last year. This was primarily attributable to the slowdown in the growth of the electricity consumption of the society. The average number of utilisation hours of the Group's coal power business for 2012 was 5,990 hours, representing a decrease of 276 hours as compared with 6,266 hours for 2011.

5. Steady Increase in Tariffs

In 2012, the average on-grid tariffs for wind power of the Group amounted to RMB582 per MWh (value-added tax (VAT) inclusive), representing an increase of RMB4 per MWh as compared with the average on-grid tariffs for wind power of RMB578 per MWh (VAT inclusive) for 2011. The annual increase in the wind power tariffs was mainly due to the fact that the additional wind power projects of the Group are located in regions not subject to grid curtailment and regions with higher tariffs. The average on-grid tariffs for the Group's coal power amounted to RMB452 per MWh (VAT inclusive), representing an increase of RMB19 per MWh (VAT inclusive) as compared with the average on-grid tariffs for coal power of RMB433 per MWh (VAT inclusive) for 2011. The annual increase in the coal power tariffs was mainly due to the increase of RMB25 per MWh in the benchmark tariff of electricity generated from desulphurisation coal-fired power generating units located in Jiangsu Province since 1 December 2011.

6. Optimisation on Designs, Stringent Control on Budget and Stable Construction Cost Maintained

The Group effectively lowered the procurement price of its equipment by means of centralised procurement and joint invitation to tender. In 2012, 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 8.87%, the average procurement costs of wind turbines only increased by 2.5% as compared to 2011. In 2012, staff expenses and prices of such construction materials as steel and cement grew rapidly, and environment protection and land use expenses also increased. Meanwhile, more construction works occurred in newly developed sites of the construction projects during the year, resulting in an increase in the construction costs of the ancillary segment. In spite of these, the Group brought construction costs for wind power projects under effective control throughout the process by optimising design proposals, as well as other management practices such as exercising stringent control over changes in design during the construction process. In 2012, the average construction cost per kW of wind power projects was substantially in line with that of 2011.

7. **Overall Enhancement of Financing Capability and Continued Rise in Credit Standing**

In 2012, the Company successfully completed a private issue of debt financing instruments of RMB4,000 million and received a short-term loan of RMB3,500 million from Guodian Group. The Group also issued short-term debentures of RMB1,000 million and Hero Asia Investment Limited, a subsidiary of the Company, issued senior perpetual securities of USD400 million overseas. Through all of these, the Group has established diversified financing channels both domestically and overseas with financing costs lower than the industry average. In 2012, the Group entered into strategic financial cooperation agreements with a number of major domestic and foreign financial institutions with total amount exceeding RMB150,000 million, and successfully registered private debt financing instruments of RMB10,000 million with the National Association of Financial Market Institutional Investors, thereby significantly improved the subsequent financing capacity of the Company. In November, the Company was assigned a BBB+ rating by Standard and Poor's Rating Services and its credit standing is continuously rising.

8. **Rapid Increase in the Number of Registered CDM Projects**

During the reporting period, the development of the Group's CDM projects proceeded smoothly, with rapid increase in the number of registered projects. As of 31 December 2012, an aggregate of 190 CDM projects of the Group were successfully registered with the CDM Executive Board, involving a cumulative installed capacity of 9,878 MW. Those projects were comprised of 181 wind power projects with a cumulative installed capacity of 9,660 MW, 5 biomass projects with installed capacity of 138 MW and 4 solar power projects with installed capacity of 80MW. In 2012, additional 83 CDM projects were successfully registered with total installed capacity of 3,826 MW. The Group's net income from sales of CERs and VERs for 2012 amounted to RMB742 million in total.

9. Strengthened Technological Research and Development and Enhanced Contribution by Technological Advance to the Development of the Company

In 2012, the Group commenced 33 science and technology projects in total (comprising of 7 subsisting projects and 26 newly commenced projects), including one project under the National Science and Technology Support Program (國家科技支撐計劃項目), six National 863 Planned Projects (國家863計劃項目), two National 973 Planned Projects (國家973計劃項目) and one National Oceanic Renewable Energy Fund Project (國家海洋可再生能源專項基金項目). In 2012, one project under the National Science and Technology Support Program and two National 863 Planned Projects were successfully completed and passed the review by the PRC. The National Oceanic Renewable Energy Fund Project provided financial support for the research and development of new tidal generating units and renovation of existing power stations. The Group worked out three basic industry standards for safety regulations, operation regulations and inspection and maintenance regulations of wind farms. Those regulations were promulgated and implemented after they passed the review by the National Energy Administration. The Company successfully convened the Advanced Seminar on Critical Technology of Offshore Wind Power Businesses (海上風電關鍵技術高級研討會), thereby facilitated the exchange of wind power technology between the PRC and the other countries and improved the technological skills of the offshore wind power professionals of the Group and the PRC.

10. Coordinated Development of Other Renewable Energy Sources

In addition to wind power development, the Group has been actively expanding solar and other renewable energy projects. During the reporting period, four solar photovoltaic power generation stations with an installed capacity of 59 MW were put into operation. As at 31 December 2012, the cumulative installed capacity of the Group's solar energy projects was 129 MW. Five solar energy projects were approved during the year, with installed capacity of 57.4 MW, located in such regions as Qinghai, Gansu, Beijing and Xinjiang. The project in Turpan, Xinjiang was the first project among the 100 new locations mentioned in the Notice of the National Energy Administration on the Reporting of Pilot Cities and Industrial Parks of New Energy (《國家能源局關於申報新能源示範城市和產業園區的通知》) issued by the National Energy Administration in August 2012. As at 31 December 2012, the pipeline installed capacity of the Group's solar energy projects amounted to 2,000 MW, located in such regions as Tibet, Qinghai, Gansu, Xinjiang, Inner Mongolia and Yunnan. In 2012, the Group was the first power corporation to undertake the project of "sending electricity to households" for the households with no access to electricity in the Tibet Autonomous Region and put that into production, thereby solved the problem of the 160,000 households having no access to electricity in the whole Tibet. In 2013, the Group will base its development on the large scale ground power station projects that are equipped with better conditions in those western regions with abundant resources, focus on "distributed photovoltaic power generation" projects and continue to push forward the power supply projects for those households with no access to electricity in such regions as Xinjiang and Qinghai.

III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Overview

In 2012, the net profit of the Group amounted to RMB3,325 million, representing an increase of 3.2% as compared to RMB3,221 million in 2011. Net profit attributable to shareholders amounted to RMB2,593 million, representing an increase of 0.6% as compared to RMB2,578 million in 2011.

Operating revenue

Operating revenue of the Group amounted to RMB17,288 million in 2012, representing an increase of 4.2% as compared to RMB16,585 million in 2011. Such increase in operating revenue was primarily due to: 1) an increase of RMB1,525 million, or 23.6%, in the revenue from electricity sales and other revenue of our wind power business to RMB7,981 million in 2012 as compared to RMB6,456 million in 2011, which is attributable to an increase in both electricity sales volume and the average tariff; and 2) an increase of RMB141 million, or 3.1%, in the revenue from sales of electricity and steam, and other revenue of our coal power business to RMB4,657 million in 2012 as compared to RMB4,516 million in 2011, which is primarily attributable to the upward adjustment to the benchmark tariff of electricity generated by desulphurisation coal-fired power generating units by the PRC government in December 2011. Average tariff of coal power electricity sales in 2012 increased by RMB19 per MWh as compared to that in 2011. Sales revenue of the coal trading business in our coal power segment was RMB3,395 million in 2012, representing a decrease of RMB714 million or 17.4% as compared to RMB4,109 million in 2011, mainly due to a drop in both the volume of coal trading business and coal price. The operating revenue of each segment is set out as follows:

Operating Revenue	Year 2012 (RMB million)	Year 2011 (RMB million)	Percentage of change
Wind power business	**8,500**	7,249	17.3%
Including: Revenue from electricity sales and other revenue	**7,981**	6,456	23.6%
Service concession construction revenue	**519**	793	–34.6%
Coal power business	**8,052**	8,625	–6.6%
Including: Revenue from sales for electricity & steam, and other revenue	**4,657**	4,516	3.1%
Revenue from coal sales	**3,395**	4,109	–17.4%
All others	**1,059**	921	15.0%
Elimination of inter-segment revenue	**(323)**	(210)	53.8%
Total	**17,288**	16,585	4.2%

Other net income

Other net income of the Group amounted to RMB1,296 million in 2012, which remained stable as compared to RMB1,296 million in 2011, primarily due to 1) a decrease of RMB4 million in the total net income from sales of CERs and VERs from RMB746 million in 2011 to RMB742 million in 2012, owing to a drop in the unit CERs sale price of certain CDM projects despite of more wind power projects successfully registered with CDM Executive Board and more electricity generated by registered projects in 2012; 2) an increase of RMB114 million in the penalty income from wind turbine suppliers from RMB10 million in 2011 to RMB124 million in 2012; and 3) a decrease of RMB104 million in the income from disposal of assets from RMB112 million in 2011 to RMB8 million in 2012.

Operating expenses

The operating expenses of the Group amounted to RMB12,539 million in 2012, representing a decrease of 1.9% from RMB12,777 million in 2011, primarily due to the increase in the depreciation and amortisation expenses of our wind power business and the decrease in both the coal consumption costs and cost of coal sales in the coal power business.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB3,697 million in 2012, representing an increase of 23.3% as compared to RMB2,998 million in 2011, primarily due to an increase of RMB688 million, or 28.3%, in depreciation and amortisation expenses of our wind power business over 2011 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 RMB2,627 million in 2012, representing a decrease of 8.7% as compared to RMB2,877 million in 2011, primarily due to: 1) a decrease of approximately 7.1% in the average unit price of standard coal for power and steam generation as affected by the coal market price in 2012; and 2) a decrease in the volume of coal consumption.

Cost of coal sales

The cost of coal sales of the Group in 2012 amounted to RMB3,197 million, representing a decrease of 18.0% as compared to RMB3,897 million in 2011, primarily due to: 1) a slight decrease in the volume of the coal trading business compared to 2011; and 2) a decrease of approximately 16.5% in the annual average procurement price of coal compared to 2011.

Service concession construction costs

The Group's construction costs of service concession projects in 2012 amounted to RMB519 million, representing a decrease of 34.6% as compared to RMB793 million in 2011, primarily due to a decrease of construction activities of service concession projects under construction in 2012 compared to 2011.

Personnel costs

Personnel costs of the Group amounted to RMB925 million in 2012, representing an increase of 14.9% as compared to RMB805 million in 2011, primarily due to: 1) an increase in headcount as a result of the Group's expansion; and 2) the fact that a portion of the personnel costs were expensed as more projects commenced operation.

Material costs

Material costs of the Group amounted to RMB479 million in 2012, representing an increase of 0.2% as compared to RMB478 million in 2011, primarily including the procurement costs for equipment sales of certain subsidiaries of the Group and the fuel costs of biomass power business.

Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB305 million in 2012, representing an increase of 18.7% as compared to RMB257 million in 2011, primarily due to the facts that: 1) coal power business carried out overhauls to certain coal power generating units in the second half of 2012, resulting in an increase in repair and maintenance expenses of RMB29 million, or 39.2%, as compared to 2011; and 2) as the warranty period of certain wind power projects has expired, the repair and maintenance expenses of our wind power business increased by RMB18 million, or 10.3%, as compared to 2011.

Administrative expenses

Administrative expenses of the Group amounted to RMB402 million in 2012, representing an increase of 30.5% as compared to RMB308 million in 2011. Such increase was primarily due to an increase in office expenses, transportation expenses and other expenses along with the expansion of the Group's business and growth in the number of subsidiaries.

Other operating expenses

Other operating expenses of the Group amounted to RMB390 million in 2012, representing an increase of 7.1% as compared to RMB364 million in 2011. Such increase was primarily due to an increase in insurance premium, utilities and other expenses as more projects commenced operation.

Net finance expenses

The net finance expenses of the Group amounted to RMB2,518 million in 2012, representing an increase of 53.7% as compared to RMB1,638 million in 2011, 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; and 2) higher average interest rate of borrowings in 2012 as compared with that in 2011.

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 RMB140 million in 2012, representing an increase of 133.3% as compared to RMB60 million in 2011, primarily due to a better operating result of associates in 2012 as compared to 2011.

Income tax

Income tax of the Group amounted to RMB342 million in 2012, representing an increase of 12.1% as compared to RMB305 million in 2011, primarily attributable to 1) the increase in profit before tax in 2012 of the coal power business of the Group, which is applicable to the tax rate of 25%; and 2) income tax refunds of RMB84 million recognised by certain wind power subsidiaries of the Group in 2012.

Pursuant to Cai Shui [2008] No. 46, the Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment (《關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》), enterprises which are set up after 1 January 2008 and are engaged in public infrastructure projects, are entitled to a tax holiday of a 3-year tax exemption followed by a 3-year 50% exemption commencing from the year in which the project first generates operating income (the "3+3 tax holiday"). Certain subsidiaries of the Group engaging in wind power business, which are set up prior to 1 January 2008, were not entitled to above tax holiday and were taxed at the statutory rate of 25% before 2012. Pursuant to Cai Shui [2012] No.10, the Notice on Tax Issues Related to Enterprise Income Tax Preferential Policies for Public Infrastructure, Environmental Protection, Energy Saving and Water Conservation Projects (《關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》) issued on 5 January 2012, enterprises engaging in qualified public infrastructure projects which were approved before 31 December 2007, shall be eligible for the 3+3 tax holiday from 1 January 2008.

Segment results of operations

Operating Profit	**Year 2012** ***(RMB million)***	Year 2011 *(RMB million)*	Percentage of change
Wind power business	**5,109**	4,434	15.2%
Coal power business	**990**	783	26.4%
Including: Sales of electricity & steam and other revenue	**909**	688	32.1%
Coal trading business	**81**	95	–14.7%
All others	**158**	51	209.8%
Elimination and other corporate expenses	**(212)**	(165)	28.5%
Total	**6,045**	5,103	18.5%

In 2012, operating profit of the wind power business of the Group amounted to RMB5,109 million, representing an increase of 15.2% as compared to RMB4,434 million in 2011, primarily due to 1) an increase of electricity sales of our wind power business; and 2) an increase of RMB114 million in the penalty income from wind turbine suppliers from RMB10 million in 2011 to RMB124 million in 2012. The growth in operating profit of the wind power business of the Group was less significant than the growth in income, primarily attributable to the impact of certain factors such as grid curtailment, resulting in a more significant increase in operating cost such as depreciation than the increase in electricity sales.

In 2012, operating profit of our coal power business amounted to RMB990 million, representing an increase of 26.4% as compared to RMB783 million in 2011, among which operating profit excluding coal trading business amounted to RMB909 million, representing an increase of 32.1% as compared to RMB688 million in 2011, primarily due to upward adjustment to the on-grid tariffs of coal power generating units and the drop in coal procurement cost. The operating profit from the coal trading business amounted to RMB81 million, representing a decrease of 14.7% as compared to RMB95 million in 2011, primarily due to the decrease in the volume of coal trading business.

In 2012, the operating profit of other businesses amounted to RMB158 million, representing an increase of 209.8% as compared to RMB51 million in 2011, primarily due to: 1) an increase in operating profit as a result of the increase in the number of the Group's photovoltaic power generation projects that commenced operation; and 2) an increase in operating profit as a result of the growth in wind power consulting business of the Group as compared with 2011.

Assets and liabilities

As at 31 December 2012, total assets of the Group amounted to RMB107,840 million, representing an increase of RMB13,216 million as compared to that of RMB94,624 million as at 31 December 2011, primarily due to: 1) an increase of RMB8,903 million in non-current assets such as property, plant and equipment; and 2) an increase of RMB4,313 million in current assets such as receivables and prepayments. Total liabilities amounted to RMB71,418 million, representing an increase of RMB7,119 million as compared to that of RMB64,299 million as at 31 December 2011, primarily due to an increase in non-current liabilities such as long-term borrowings for construction projects amounting to RMB880 million and an increase in current liabilities such as short-term bank loans amounting to RMB6,239 million.

Capital liquidity

As at 31 December 2012, current assets of the Group amounted to RMB17,786 million, including cash at bank and on hand of RMB5,138 million, trade debtors and bills receivable of RMB7,998 million (primarily consisting of receivables from sales of electricity) as well as prepayments and other current assets of RMB3,155 million (primarily consisting of deductible value-added tax and receivables from sales of CERs).

Current liabilities amounted to RMB36,075 million, including trade creditors and bills payable of RMB1,261 million (primarily consisting of payables for purchases of equipment and coal), other payables of RMB8,525 million (primarily consisting of payables for construction of wind power projects and related retention) and short-term borrowings of RMB26,170 million.

As at 31 December 2012, net current liabilities amounted to RMB18,289 million, representing an increase of RMB1,925 million as compared to RMB16,364 million as at 31 December 2011. The liquidity ratio was 0.49 as at 31 December 2012, representing an increase of 0.04 as compared to that of 0.45 as at 31 December 2011. The increase in liquidity ratio was due to an increase of trade debtors and an increase in cash and cash equivalents as a result of the issue of new H shares and debt securities.

Restricted deposits amounted to RMB232 million, mainly including deposits for bills payable and issuance of the letter of credit.

As at 31 December 2012, the Group's outstanding borrowings amounted to RMB58,652 million, representing an increase of RMB7,746 million as compared to the outstanding borrowings as at 31 December 2011. As at 31 December 2012, the Group's outstanding borrowings included short-term borrowings of RMB26,170 million (including long-term borrowings due within one year of RMB3,019 million) and long-term borrowings amounting to RMB32,482 million (including debentures payable of RMB10,484 million). Abovementioned borrowings include borrowings denominated in Renminbi of RMB57,083 million, borrowings denominated in U.S. dollars of RMB776 million and borrowings denominated in other currencies of RMB793 million.

Capital expenditures

The capital expenditures of the Group amounted to RMB12,461 million in 2012, representing a decrease of 14.1% as compared to RMB14,505 million in 2011. Among the capital expenditures, the expenditures for the construction of wind power projects amounted to RMB11,130 million, and the expenditures for the construction of other renewable energy projects amounted to RMB1,055 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 2012, 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 59.53%, representing a decrease of 1.53 percentage points from 61.06% as at 31 December 2011, primarily due to our issue of new H shares in December 2012 as well as the USD400 million senior perpetual securities issued overseas by our subsidiary.

Major investments

The Group made no major investments in 2012.

Material acquisitions and disposals

In 2012, the Group completed the acquisitions of 7 wind power projects and 4 biomass power projects from Guodian Group and its subsidiaries at a consideration of RMB1,507 million, and completed the acquisition of 20% equity interests in Zhongneng Power-Tech held by GDPD at a consideration of RMB36 million.

The Group made no material disposals in 2012.

Pledged assets

The Group has pledged certain wind turbine equipment to secure certain bank loans. As at 31 December 2012, the aggregate net book value of the pledged assets amounted to RMB266 million, representing a decrease of 8.9% as compared to RMB292 million as at 31 December 2011, primarily due to the decrease in the net book value of pledged assets as a result of depreciation of wind turbines.

Contingent liabilities/ Guarantees

As at 31 December 2012, the Group provided a RMB69 million guarantee for bank loans of an associate, and issued a counter-guarantee of no more than RMB38 million to the controlling shareholder of an associate. As at 31 December 2012, the bank loan balance for which the Group provided counter-guarantee amounted to RMB29 million.

Cash flow analysis

As at 31 December 2012, cash at bank and on hand held by the Group amounted to RMB5,138 million, representing an increase of RMB1,430 million as compared to RMB3,708 million as at 31 December 2011. The principal sources of funds of the Group mainly include cash flow generated from operation activities, issue of new H shares, issue of senior perpetual securities, bank loans and issue of debentures. The Group mainly used the funds for capital expenditure and repayment of borrowings.

The net cash inflow of the Group's operating activities amounted to RMB6,998 million in 2012, among which the cash inflow was primarily attributable to revenue from sales of electricity, steam and others. The net cash outflow of the Group was mainly attributable to purchase of fuels and spare parts, taxation payments and expenses of operating cost. The net cash outflow of the Group's investing activities amounted to RMB14,117 million in 2012, among which cash inflow of investing activities primarily resulted from disposal of assets held for sale, collection of loans and advances, dividend and interest income. Cash outflow of investing activities was primarily attributable to wind power project construction, investment in associates and jointly controlled entities, and acquisitions of wind power and biomass power businesses. In 2012, the net cash inflow of the Group's financing activities amounted to RMB8,855 million, primarily attributable to obtaining and repaying bank loans, issue of new H shares, issue of senior perpetual securities, issue of debentures and interest payment.

IV. RISK FACTORS AND RISK MANAGEMENT

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

1. Climatic risk

The amount of electricity generated by wind farms depend on local climatic conditions, particularly wind resources conditions. Annual fluctuations exist in wind resources. As the reasons for the formation of wind resources in each region vary, the Group primarily adopts the strategy of optimising the development layout of wind power to cope with wind resources fluctuations during years of high and low wind speed, so as to curb the economic effects on projects resulting from such fluctuations. The Group will further optimise wind farm layouts reasonably and continue to vigorously develop wind power projects in eastern and southeast coastal regions, southwest inland and central inland regions such as Tianjin, Shandong, Shanxi, Shaanxi, Anhui, Jiangsu, Zhejiang, Fujian, Hainan, Yunnan and Guizhou.

2. Risks relating to grids

Given rapid wind power development in the PRC in recent years, yet subject to factors such as uneven distribution of power utility loads in the society and unreasonable grid connection structure, the problem of grid curtailment in the Three-North Regions still exists. The Group will make adjustments to the development layout of wind power and expand the scale of construction in regions not subject to grid curtailment. The Group will reinforce external coordination, enhance proactive communication with the government and grid companies, and take the initiative of capturing market share of power generation. Internally, it will strengthen production and operation management, optimise means of operation, arrange examination and maintenance of power generating units in a proper manner and minimize decommission time of power generating units as far as possible.

3. Risks relating to CDM project development

The United Nations Climate Change Conference, Doha 2012 confirmed a second commitment period for Kyoto Protocol, jurisprudentially specifying that CDM mechanism will subsist which guarantees a further registration and trading of CDM projects after 2012. However, as the efforts made by developed countries on the emission reduction arrangement in the second commitment period for Kyoto Protocol were not sound, the prospects of CDM development and trading subsequent to 2012 are affected. At present, the secondary markets price of CERs is at a lower level and uncertainty looms over the future contract pricing of CERs. In addition, with active advancement of a trial run of a national carbon trading system in the PRC and in light of the current progress, demand for CDM would be expected to arise. However, there are uncertainties in the prospects of CDM development and trading, given the absence of specific requirements in respect thereof. The Group will make vigorous efforts to push forward the continuous trading of existing projects based on current businesses, subject to how the situation unfolds, and seize opportunities to foster its new project development on a timely basis to maximise its gains from CDM.

4 Interest rate risk

The Group is principally engaged in domestic investment in wind farms, which requires enormous capital expenditure, and its capital is partially sourced from bank loans. Therefore, any changes in domestic 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 able to ensure the financing costs incurred in any phases remain significantly lower than the average level among the peers. Meanwhile, the Group will, through active participation in direct financing markets within and outside the PRC, extensively widen its access to domestic and overseas financial products with long term fixed interest rates in order to effectively avert interest rate risks. Additionally, the Group will keep abreast of policies and changes in the domestic and international financial markets, adopt a targeted financing model during rate hikes and cut channels respectively so as to partially offset the impacts on financial costs brought by changes in interest rates.

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 fluctuations in coal prices will have impacts on the operating results of the Company's coal power business. The Group reinforced its investigation and research analysis on coal and shipping markets and proactively sought to achieve the best balance between supply guarantee and cost reduction. The Group grasped favorable opportunities, conscientiously maintained coal strategic pipelines and continuously explored resources for coal procurement as well as stabilized thermal coal supply channels. By means of proactive liaison and communication with large scale coal supply enterprises, the Group strived to increase the rate of fulfillment of planned coal capacity. It increased its efforts in laying good foundation for minimising the unit price of coal equivalent, through improving economic coal mixture for burning and blending to effectively minimize the energy level of coal into the furnace (入爐煤). The Company enhanced its profitability by leveraging various methods of coping with changes in fuel prices and streamlining fuel management.

V. OUTLOOK IN 2013

In 2013, the general working guidelines of the Group are, in profound adherence to the implementation of the spirits of "promoting scientific development as main theme, expediting adjustment to economic development roadmap as major principle, improving quality and efficiency of economic growth as key focus" introduced by the 18th National Congress of the Communist Party of China and the Central Economic Work Conference. Under the strong leadership of the Board of the Company, with an emphasis on economic efficiency, the Group will foster corporate transformation and development, comprehensively activate the third start of business for the Company and undertake the planning and deployment on various tasks according to the mindset of "six insistences and six improvements" in order to ensure sound and sustainable development of the Company.

In 2013, the Group will strive to achieve the following goals:

1. To insist on strategic transformation and improve sustainability

The Group will continuously optimise the development layout of wind power business to lay foundation for ongoing large scale development; adhere to the implementation of the "outbound" strategy and push forward overseas business in a proactive and steady manner; step up the development of offshore wind power business and accelerate the construction of offshore wind power projects in Jiangsu and Fujian; bolster its efforts in the development of solar photovoltaic projects and closely track the solar energy policies of the PRC; speed up preliminary and construction work for the "developing large units to replace small ones" project of Nantong Tianshenggang power plant; and explore new industry domain in conjunction of the Company's principal business and seek new focal point for profit growth.

2. To insist on exploring potentials and increasing efficiency and improve corporate profitability

The Group will strive to reduce the cost of capital, explore the profitability of stock assets of the Company and make vigorous efforts to develop the independent financing capability of subsidiaries; strengthen marketing efforts and solicit policy support for electricity output and tariffs by various means; reinforce capital operation and acquire projects with strong profitability through acquisitions, mergers and reorganization; comprehensively push forward CDM work in the second commitment period of Kyoto Protocol by broadening the domestic sale channels; and lower enterprise management costs, reinforce corporate internal integration and improve working efficiency.

3. **To insist on professional management and improve corporate core competitiveness**

The Group will reinforce operation and management to effectively improve the standardisation, institutionalisation and structuralisation of management; improve technological standards of preliminary work and place emphasis on the quality of preliminary work; strengthen management over the whole process of safe production, perfect the management mechanism, consolidate safety foundation, optimise equipment operation management and minimise loss arising from grid curtailment; reinforce streamlined management on infrastructure, focus on optimised designs, improve safety management system and mechanism and ensure construction safety and quality; reinforce financial management, boost intensive control standard and pioneer enterprise production and operation through budget management; and enhance management on investor relationship and improve information disclosure mechanism.

4. **To insist on the stable operation and improve risk control capability of the enterprise**

The Group will reinforce the investment control by stringently executing investment plans and fiscal budgets, seriously adhering to the decision making procedures and mastering investment frequency in a scientific and reasonable manner; further develop preliminary operations in depth by adequately considering external conditions such as grid connection; prevent political and exchange rate risks of overseas projects and ensure project profitability; improve operations of other new energies by improving the management on other new energy operations such as biomass, tidal and geothermal power; strengthen the enforcement on systems and establish the legal risks consulting mechanism; push forward the establishment of a penalty and prevention system and refine the supervision and inspection on the major decisions as well as significant projects of the Company.

5. **To insist on science and technology innovation and improve the technical support**

The Group will improve the research and development on wind power operation technology and expedite the hardware and software development in new energy laboratories; actively coordinate efforts in research and development of the National 863 Projects and other technological projects and facilitate technological improvement of the enterprise through project research and development; refine and promote the Company's technology standards with a view to promote the Company's standards to the new energy industry; and place great emphasis on the development of technology innovation by promoting equipment optimisation and grasping advanced control technologies on wind power equipment, and continuously perfect the supporting system for the top ten technologies to polish Longyuan's brand as a project technology provider.

6. **To insist on harmony development and improve the corporate soft power**

The leaders of the Group will further enhance and improve their ideological and working style by apprehending the spirits suggested in the 18th National Congress of the Communist Party of China. The Group will strengthen its talent pipeline, establish a more competitive appointment and employment system and perfect the leadership management system; improve the performance review and assessment and talent incentive measures; provide security to people's livelihood and their living standards, implement the "Public Welfare Projects" (惠民工程) with more efforts and at a higher level, raise the subsidies for less developed regions and improve the living quality of staffs. Aiming at promoting corporate harmony throughout the company, predominance management will be enhanced, so that a harmonious employee relationship could be nourished and maintained and corporate culture could be promoted. Promotion and branding will also be emphasised when perfecting the promotion system, so as to safeguard the Company's image as a highly reputable brand in the new energy industry.

Human Resources

SUMMARY OF HUMAN RESOURCES

As at 31 December 2012, the Group had a total of 6,269 staff, of which 5,226, or 83.36%, were male while 1,043, or 16.64%, 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	126	2.0%
2	Wind power business	3,058	48.8%
3	Coal power business	2,169	34.6%
4	Technical and related services business	384	6.1%
5	Other renewable energy	532	8.5%
	Total	6,269	100%

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

Number	Academic qualifications	Number of staff	Percentage
1	Postgraduate or above	74	58.7%
2	Undergraduate	42	33.3%
3	College diploma	8	6.4%
4	Technical secondary school or below	2	1.6%
	Total	126	100%

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

Number	Age	Number of staff	Percentage
1	56 years old and above	5	4.0%
2	46-55 years old	27	21.4%
3	36-45 years old	34	27.0%
4	35 years old and below	60	47.6%
	Total	126	100%

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

Number	Academic qualifications	Number of staff	Percentage
1	Postgraduate or above	339	5.4%
2	Undergraduate	2,261	36.1%
3	College diploma	1,860	29.7%
4	Technical secondary school or below	1,809	28.8%
	Total	6,269	100%

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

Number	Age	Number of staff	Percentage
1	56 years old and above	228	3.6%
2	46-55 years old	910	14.5%
3	36-45 years old	1,561	24.9%
4	35 years old and below	3,570	57.0%
	Total	6,269	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. Standardisation of the establishment for the organisation of the enterprise and the allocation of personnel to positions were promoted by adhering to the headcount standard in evaluating headcount. 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 future development and talents needs, the Group has adopted a two-tier training system and established a sound staff training system 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 2012, 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. The training system was refined and an in-house team of trainers was organised. A total of 271 training courses were offered covering over 4,971 trainees, propping up the percentage of staff training to 84%.

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

STAFF REMUNERATION POLICY

The staff remuneration of the Group comprises of basic salary and bonus payment, which is determined with reference to the operating results of the Group and results of performance assessment on the employees. The Group insisted the orientation towards efficiency and results as well as the focus on top-tier staff. It also strived to ensure scientific and reasonable allocation of income. The administration of the remuneration of the management of different types of entities of the Group was further improved. Categorised management was implemented to coal power entities, technology entities, new energy entities, entities located in Qinghai and Tibet areas and overseas entities, and a system of allowance to those in the difficult and remote regions was also established and implemented.

Social Responsibility

SOCIAL RESPONSIBILITY STRATEGY AND MANAGEMENT

Deeply rooted in its corporate culture, the Group moved along with the global trend of corporate development and insisted scientific development. It regarded corporate social responsibility as a socially-responsible corporate undertaking and put it into the practice of its management, with a view to achieving sustainable development of the Group and the society. By exploring the management and practice on this front, the Group regularly issued corporate social responsibility report and is committed to the mutual development of corporate responsibility and business operation.

With the mission of "developing green energy, creating harmonious environment", the guideline of scientific corporate social responsibility and the objective of sustainable development and maximisation of consolidated value, the Group practiced the philosophy of corporate social responsibility, by way of all-members and all-rounded participation, in its corporate decision making, system and procedures, operation, routine management and corporate culture. It has also established a system of general management of social responsibility so as to comprehensively increase the creativity of consolidated value, operation transparency and brand influence. The Group insists on compliant operation, integrity, resources saving and environment protection, as well as people-oriented philosophy and dedication to value. It is committed to promote harmonious and mutual development of corporation and the society in the process of creating a premier international enterprise of new energy.

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 continued to develop 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 green power generation of 17,407 million kWh, representing a saving of 5.22 million tons of coal equivalent. In addition, the Group reduced 17.41 million tons of carbon dioxide emissions and 520,000 tons of sulphur dioxide emissions.

Effective control over the index of coal power consumption

In 2012, the Group put the consumption index of coal power generating units on hold by further exploring the potential of coal power generating units and effectively setting higher standards for scientific management. Its standard of production and operation of coal power continued to have a leading position in the industry. All environmental desulphurising facilities of coal power generating units of the Group are under normal and effective operation. In the meantime, the Group conducted the denitration renovation of its coal power generating units. Once completed, it will reduce the emission of NOx and further improve the quality of atmospheric environment. Jiangyin Sulong, our subsidiary, has innovated a technology of coal mixture burning, realising the mutual correlation between technology on energy saving as well as environment protection and economical coals.

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 by 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 in a reasonable and structurally-stable manner 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. The Group set up annual implementation plan for pollution control 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. It has also set up a caring system and launched the "Longyuan's Green Care Action" (「龍源綠色關愛」行動) on a long-term basis in a bid to realising the harmonious development of enterprise and society. In 2012, the Group proposed and established the "Employee Mutual Fund" and formulated the Administrative Measures for Funds. More than 3,500 employees participated in the activities of the mutual fund and assisted several families of the employees which needed urgent help with the funds raised. In 2012, the Group was the first power corporation to undertake the project of "sending electricity to households" for the households with no access to electricity in the Tibet Autonomous Region and put that into production, thereby solved the problem of the 160,000 households having no access to electricity in the whole Tibet. All entities under the Group participated in social welfare activities. For instance, Longyuan Tibet New Energy Co., Ltd. donated 4,500 solar hand torches to the region, thereby helped the Tibet Foundation and Livelihood Team to solve the problem of electricity in the inner rural area. Chifeng Longyuan Wind Power Generation Co., Ltd., our subsidiary, donated RMB300,000 to Dafuyingzi town in Songshan district, Chifeng city for local public infrastructures. 12 subsidiaries of the Group in Xinjiang and Jiangsu Offshore insisted to launch employee free blood donation activities, so as to devote care to the community without ceasing. Xu Xijiang (徐夕江), a staff at the power plant of Nantong Tianshenggang Power Generating Co., Ltd of the Group bravely saved the life of a 10-year-old child in an aquatic accident without considering his own personal safety.

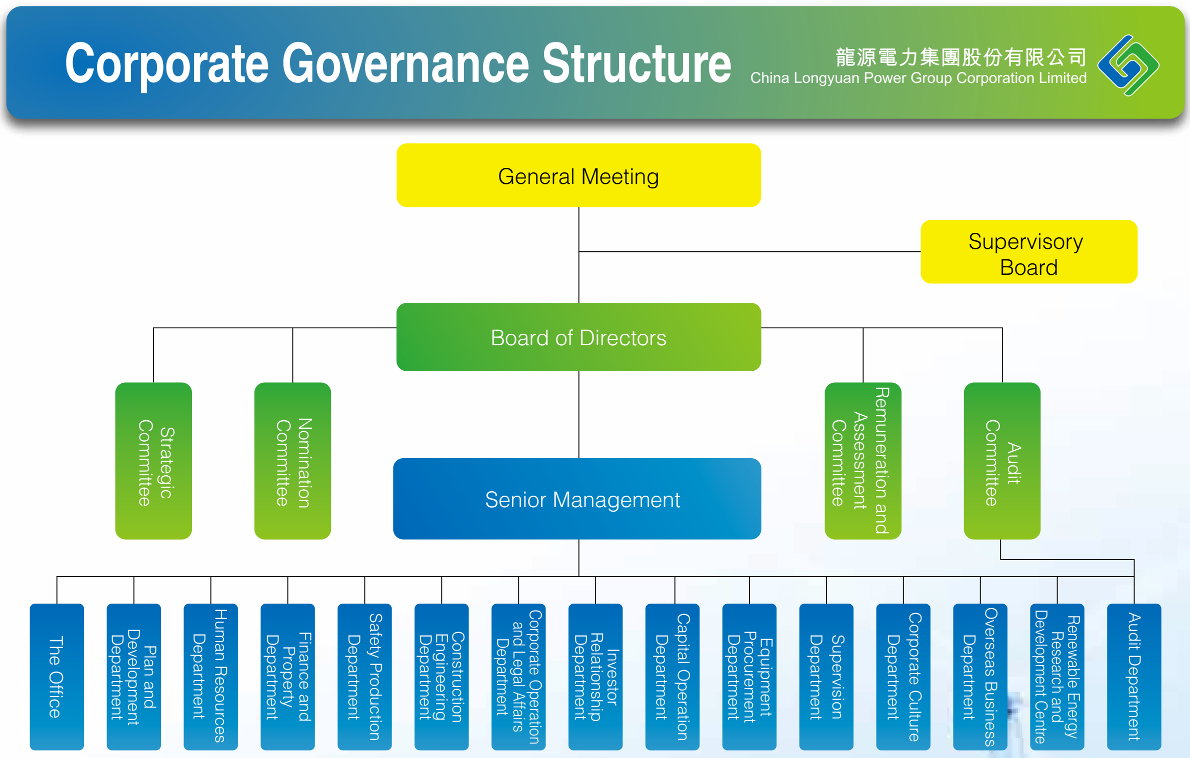
To return to the society, the Group is also committed to provide financial aid to poor students and disabled people, and provide poverty relief and exercise low-carbon measures. Liaoning Longyuan Wind Power Generation Co., Ltd., our subsidiary, injected RMB250,000 in a poverty relief project in Hulin village, Quantou town, Changtu county. Yunnan Longyuan Wind Power Generation Co., Ltd., our another subsidiary, injected RMB200,000 to support water conservancy constructions in drought areas in Dali. Longyuan (Xing'anmeng) Wind Power Generation Co., Ltd., a subsidiary of the Company, insisted to launch the "Care Donation" (「愛心捐助」) activity by giving financial aid to more than 30 poor students. Hebei Longyuan Wind Power Generation Co., Ltd., a subsidiary of the Company, actively proceeded with the plans of helping the poor and needy by regularly visiting the solitary elderly and delivering of daily commodities. The activities received much compliments from the local residents. The Company's subsidiary in Gansu launched the "Connecting villages and families for the improvement of livelihood" (「聯村聯戶、為民富民」) activity for the sixth consecutive year in Malong Village, Shiqiao Town, thereby helped the local residents to overcome poverty and accumulate savings. In 2012, the Group's donations for welfare courses amounted to over RMB7 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 is encouraged to take real action to save resources and protect environment and the new trend of society proactively. The Group positively undertook the construction-related work for the system of the voluntary emission-reduction methodology in the PRC and strived to devote to the development of emission reduction in the country. It issued the pamphlet of "Promote Low-Carbon Life, Support Green Energy" (「倡導低碳生活，支持綠色能源」) and urged employees and villagers to live a low-carbon life. The Group also launched the "Blue Sky, Green Earth, Pure Wind, Nice Scenery" (「天藍、地綠、風清、景美」) activity of green energy base, promoted civilised construction and the sense of environmental protection. 35 entities of the Group have set up volunteer organisations of juvenile employees to launch service activities on regular basis and increasing with the number of participants increased every year.

Corporate Governance Report

The Board of the Company hereby presents to the shareholders the corporate governance report for the year ended 31 December 2012.

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



CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties of the Company, which are specifically as follows: (1) developing and reviewing the Company's policies and practices on corporate governance; (2) reviewing and monitoring the training and continuous professional development of directors and senior management; (3) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (4) developing, reviewing and monitoring the code of conduct of employees and directors; and (5) reviewing the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report contained in annual report.

As a company listed on the Hong Kong Stock Exchange, the Company has committed itself to maintaining a higher standard of corporate governance practices. For the year ended 31 December 2012, save as the deviations from the code provisions A.6.7 and E.1.2 disclosed in paragraph 8 below, the Company has complied with all the code provisions as set out in the "Corporate Governance Code" contained in Appendix 14 to the Listing Rules (applicable to the period from 1 April 2012 to 31 December 2012) and all the code provisions set out in the previous version "Code on Corporate Governance Practices" (applicable to the period from 1 January 2012 to 31 March 2012). The Company has also adopted certain recommended best practices contained in the above Codes, as appropriate.

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. The Board works under the principle of acting in the best interest of the Company and its shareholders, reports its works at general meetings, implements the resolutions passed at general meetings and is accountable to the general meetings.

1.1 Composition of the Board

As at 31 December 2012, 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 44 to 48 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 requirement of Rule 3.10(1) of the Listing Rules requiring the appointment of at least three independent non-executive Directors. It has also complied with the subsequent new requirement of Rule 3.10A of the Listing Rules which requires that independent non-executive Directors shall represent at least one third of the Board. The Company is also in compliance with the requirement under Rule 3.10(2) of the Listing Rules about the qualifications requirement of at least one of the independent non-executive Directors. 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 considers all independent non-executive Directors to be independent pursuant to the requirements as set out in the Listing Rules.

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

Name	Position in the Company	Date of Being Re-elected
Zhu Yongpeng	Chairman of the Board and Non-executive Director	3 July 2012
Xie Changjun	Executive Director and President	3 July 2012
Wang Baole	Non-executive Director	3 July 2012
Chen Bin	Non-executive Director	3 July 2012
Luan Baoxing	Non-executive Director	3 July 2012
Huang Qun	Executive Director	3 July 2012
Lv Congmin	Independent Non-executive Director	3 July 2012
Zhang Songyi	Independent Non-executive Director	3 July 2012
Meng Yan	Independent Non-executive Director	3 July 2012

1.2 Board Meetings

Pursuant to the Articles of Association, the Board is required to hold at least four 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 relevant information such as the time, venue, agenda and the subject matters to be discussed etc.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Association, the quorum for a Board meeting is 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 is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

During 2012, seven meetings were held by the Board. Directors' attendance at these 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	7/7	100%
Xie Changjun	Executive Director and President	7/7	100%
Wang Baole	Non-executive Director	7/7	100%
Chen Bin	Non-executive Director	7/7	100%
Tian Shicun *(Note 1)*	Former Executive Director	3/3	100%
Luan Baoxing	Non-executive Director	7/7	100%
Huang Qun *(Note 2)*	Executive Director	4/4	100%
Li Junfeng *(Note 3)*	Former Independent non-executive Director	3/3	100%
Lv Congmin *(Note 4)*	Independent non-executive Director	4/4	100%
Zhang Songyi	Independent non-executive Director	7/7	100%
Meng Yan	Independent non-executive Director	7/7	100%

Notes:

1 Mr. Tian Shicun resigned as an executive Director on 18 May 2012. Prior to his resignation, a total of three Board meetings had been held for the year ended 31 December 2012.

2 Mr. Huang Qun was appointed as an executive Director on 18 May 2012. Subsequent to his appointment, a total of four Board meetings had been held for the year ended 31 December 2012.

3 Mr. Li Junfeng resigned as an independent non-executive Director on 18 May 2012. Prior to his resignation, a total of three Board meetings had been held for the year ended 31 December 2012.

4 Mr. Lv Congmin was appointed as an independent non-executive Director on 18 May 2012. Subsequent to his appointment, a total of four Board meetings had been held for the year ended 31 December 2012.

Save as disclosed above, during 2012, non-executive Directors (including independent non-executive Directors) held one meeting of non-executive Directors.

1.3 Powers Exercised by the Board and the Management

The powers and duties of the Board and the management have been clearly provided 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 roles of the Chairman of the Board and President (i.e. the chief executive pursuant to the relevant Listing Rules) of the Company are separate 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 three years, renewable upon re-election. The Company has implemented a set of effective procedures for 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). Such service contracts are for a term of three years commencing from 3 July 2012.

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, subject to approval at general meeting, with reference to Directors' experience, work performance, positions and market conditions.

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. Luan Baoxing (non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Meng Yan (independent non-executive Director). 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 objectivity of external auditors and effectiveness of audit process; 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; oversee the financial reporting system and internal control procedures of the Company; evaluate the effectiveness of the internal control and risk management system; ensure co-ordination between the internal and external auditors and ensure that the internal audit function is operating with adequate resources in the Company and the relevant staff have sufficient capabilities 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 26 March 2012, the 2012 first meeting of the audit committee of the first session of the Board was held, at which the following works were performed: (1) the report made by the external auditor in respect of the audit of the Company's 2011 annual financial statements was heard; (2) the Company's 2011 annual financial statements were considered and approved; (3) the Company's 2011 annual report and results announcement were considered and approved; (4) the re-appointment of auditors for 2012 and their remuneration were considered and approved; and (5) amendments to Rules and Procedures of Meetings of the Audit Committee were considered and approved.

- On 27 August 2012, the 2012 first meeting of the audit committee of the second session of the Board was held, at which the following works were performed: (1) the report made by the external auditor in respect of the review of the Company's 2012 interim financial statements was heard; (2) the Company's 2012 interim financial statements were considered and approved; (3) the Company's 2012 interim report and interim results announcement were considered and approved; and (4) the fees payable to KPMG for reviewing of 2012 interim report were considered and approved.

- On 5 November 2012, the 2012 second meeting of the audit committee of the second session of the Board was held, at which the following works were performed: (1) the report relating to the third quarterly results announcement for 2012 of the Company was heard; and (2) the third quarterly results announcement for 2012 of the Company was considered and approved.

All members of the audit committee, i.e. Mr. Meng Yan, Mr. Zhang Songyi and Mr. Luan Baoxing attended the above three meetings. The attendance rate of all the meetings was 100%.

2.2 Remuneration and Assessment Committee

The remuneration and assessment committee consists of three Directors: Mr. Wang Baole (non-executive Director), Mr. Lv Congmin (independent non-executive Director) and Mr. Zhang Songyi (independent non-executive Director). Mr. Lv Congmin was appointed as a member of the remuneration and assessment committee on 18 May 2012 and Mr. Li Junfeng, a former independent non-executive Director, resigned as a member of the remuneration and assessment committee on the same day. In accordance with new Rule 3.25 of the Listing Rules which requires the chairman of the remuneration committee to be an independent non-executive director, a resolution was passed at the Board meeting held on 26 March 2012 to change the chairman of the remuneration and assessment committee from the non-executive Director Mr. Wang Baole to the independent non-executive Director Mr. Zhang Songyi. Mr. Wang Baole remains as a member of the committee.

The Company has adopted the model of making recommendations by the remuneration and assessment committee to the Board in deciding the remuneration packages of executive Directors and senior management.

The primary responsibilities of the remuneration and assessment committee are to make recommendations to the Board with respect to the establishment of policies, schemes or proposals for Directors' and senior management's remuneration; review, approve and oversee the overall remuneration proposals for Directors and senior management; formulate the evaluation standards on Directors and senior management and assess the said standards and ensure that neither the Director nor any of his or her associates may determine his or her own remuneration etc.

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

- On 26 March 2012, the 2012 first meeting of the remuneration and assessment committee of the first session of the Board was held, at which the following works were performed: (1) the briefing on the remuneration proposals for Directors, supervisors and senior management of the Company for 2012 was heard; (2) the remuneration of Directors, supervisors and senior management for 2012 was considered and approved; (3) the briefing on the withdrawal plan of the Board's fund for 2012 was heard; (4) the withdrawal plan of the Board's fund for 2012 was considered and approved; (5) the change of chairman of the remuneration and assessment committee was considered and recommended to the Board so as to be in compliance with the new requirement of the Listing Rules; and (6) amendments to the Rules and Procedures of Meetings of the Remuneration and Assessment Committee were considered and approved.

All members of the remuneration and assessment committee who were in office on the date on which the above meeting was held, being Mr. Wang Baole, Mr. Zhang Songyi and Mr. Li Junfeng attended the meeting. The attendance rate is 100%.

2.3 Nomination Committee

The nomination committee consists of three Directors: Mr. Zhu Yongpeng (non-executive Director), Mr. Lv Congmin (independent non-executive Director) and Mr. Meng Yan (independent non-executive Director). Mr. Lv Congmin was appointed as a member of nomination committee on 18 May 2012 and Mr. Li Junfeng, a former independent non-executive Director, resigned as a member of the nomination committee on the same day. In accordance with the new requirement under the code provision A.5.1 of Appendix 14 to the Listing Rules, which requires the nomination committee to be chaired either by the chairman of the board or an independent non-executive director, a resolution was passed at the Board meeting held on 26 March 2012 to change the chairman of the nomination committee from the executive Director Mr. Xie Changjun to the Chairman Mr. Zhu Yongpeng (who joined the nomination committee on 26 March 2012). Mr. Xie Changjun has also ceased as a member of the committee.

The primary responsibilities of the nomination committee are to review the structure, size and composition of the Board, formulate the procedures and standards for nominating candidates for Directors and senior management, conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and comment and review the independence of independent non-executive Directors.

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

- On 26 March 2012, the 2012 first meeting of the nomination committee of the first session of the Board was held, at which the following works were performed: (1) the changes of Directors were considered and approved; (2) the change of the chairman to the nomination committee was considered and approved for recommendation to the Board; and (3) the Rules and Procedures of Meetings of the Nomination Committee were considered and approved.

- On 11 May 2012, the 2012 second meeting of the nomination committee of the first session of the Board was held, at which the following works were performed: (1) the report concerning the re-election of the Board was heard; and (2) the re-election of the Board was considered and approved.

All members of the nomination committee who were in office on the dates on which the above two meetings were held, being Mr. Xie Changjun, Mr. Li Junfeng and Mr. Meng Yan for the meeting on 26 March 2012 and Mr. Zhu Yongpeng, Mr. Li Junfeng and Mr. Meng Yan for the meeting on 11 May 2012, attended the said meetings. The attendance rate was 100%.

2.4 Strategic Committee

The strategic committee consists of four Directors: Mr. Xie Changjun (executive Director), Mr. Wang Baole (non-executive Director), Mr. Chen Bin (non-executive Director) and Mr. Huang Qun (executive Director). Mr. Huang Qun was appointed as a member of the strategic committee on 18 May 2012 and Mr. Tian Shicun, the former member of the strategic committee, resigned on the same day. 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 implementation reports; and review significant capital expenditure, investment and financing projects that require approval of the Board.

During the reporting period, the strategic committee held one meeting, details of which are as follows:

- On 26 March 2012, the 2012 first meeting of the strategic committee of the first session of the Board was held, at which the following works were performed: (1) the report on the comprehensive scheme and arrangement of the Company for 2012 was heard; (2) the comprehensive scheme and arrangement of the Company for 2012 was considered and approved; (3) the report on the construction scheme and arrangement of the Company for 2012 was heard; (4) the construction scheme and arrangement of the Company for 2012 was considered and approved; (5) the report on the safety production scheme and arrangement of the Company for 2012 was heard; (6) the safety production scheme and arrangement of the Company for 2012 was considered and approved; and (7) the Rules and Procedures of Meetings of the Strategic Committee were considered and approved.

All members of the strategic committee who were in office on the date on which the above meeting was held, being Mr. Xie Changjun, Mr. Wang Baole, Mr. Chen Bin and Mr. Tian Shicun attended the meeting. The attendance rate was 100%.

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 2012.

The Board is responsible for presenting a clear and specific assessment of annual and interim reports, inside 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 and approval, as appropriate, of the financial information and position of the Group.

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

In addition, the Company has arranged appropriate insurance cover in respect of possible legal actions and liabilities 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 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 is not aware of 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 compliance with relevant requirements under the Listing Rules and to protect shareholders' interests.

5. Training of Directors and Company Secretaries

All Directors participated in continuous professional development in 2012 to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. Details of all Directors' training are set out as below:

Name	Position	Training Received in 2012 *(hours)*	Areas covered in the Training
Zhu Yongpeng	Chairman of the Board and Non-executive Director	364	Corporate governance, relevant regulations, corporate management, financial management, strategic management and capital operations, etc.
Xie Changjun	Executive Director and President	246	Corporate governance, relevant regulations, corporate management, capital operations, technological research and development and relevant business of the Company, etc.
Wang Baole	Non-executive Director	399	Corporate governance, relevant regulations, industry research and corporate management, etc.
Chen Bin	Non-executive Director	193	Corporate governance, relevant regulations, accounting, financial management and corporate operations, etc.
Luan Baoxing	Non-executive Director	182	Corporate governance, relevant regulations, accounting, capital operations and financial management, etc.
Huang Qun	Executive Director	176	Corporate governance, relevant regulations, financial management, capital operations and relevant business of the Company, etc.
Lv Congmin	Independent Non-executive Director	266	Corporate governance, relevant regulations and research, energy and economy, etc.
Zhang Songyi	Independent Non-executive Director	406	Corporate governance, capital operations finance and economy, etc.
Meng Yan	Independent Non-executive Director	260	Corporate governance, training to independent directors of listed companies, accounting and financial management, etc.

In addition, Mr. Jia Nansong and Ms. Soon Yuk Tai, Joint Company Secretaries of the Company, took part in relevant training respectively in 2012 and, therefore, have complied with the requirement under Rule 3.29 of the Listing Rules.

6. Internal Controls

The Company highly recognises the importance of internal controls. A sound and effective 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 controls, including "Rules and Procedures of Board Meetings" (《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》), "Rules and Procedures of Meetings of the Nomination Committee" (《提名委員會議事規則》), "Rules and Procedures of Meetings of the Strategic Committee" (《戰略委員會議事規則》), "Provisions on Information Disclosure" (《信息披露事務管理規定》), "Rules on the Management 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 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》), etc.

In terms of organisational structure, the Company established the Finance and Property Department, Audit Department and Supervision Department with adequate personnel to take charge of specific works such as financial and operational controls, risk management, internal audit and anti-corruption. Besides, the Company provides reasonable budgets and arranges regular training 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 is able to submit relevant information 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 enhance 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, covering financial, operational and compliance controls and risk management etc, and was not aware of any material deficiencies nor any material defaults with respect to internal controls. The Board believes that the current monitoring control systems of the Company are effective and considers that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions are adequate.

7. Auditors and Their Remuneration

KPMG and RSM China Certified Public Accountants Co., Ltd. were appointed as auditors for the Company's financial statements prepared in accordance with the International Financial Reporting Standards and China Accounting Standards for Business Enterprises for the year ended 31 December 2012, respectively.

For the year ended 31 December 2012, the fees payable to KPMG and RSM China Certified Public Accountants Co., Ltd. for audit services were RMB16,000,000 and RMB11,500,000 respectively. For the year ended 31 December 2012, the fees payable to KPMG for non-audit services were RMB1,230,000. The non-audit services included the provision of relevant services on bonds issuance and services related to acquisition of equity interests and capital verification.

The reporting responsibility of KPMG, the Company's external auditor, in respect of the financial statements are set out on pages 116 to 117 of this annual report.

8. Shareholders' Meetings

During the reporting period, the Company held two general meetings in total.

On 18 May 2012, the Company held the annual general meeting for 2011. Executive Director of the Company, Mr. Xie Changjun and non-executive Directors, Mr. Wang Baole, Mr. Chen Bin and Mr. Luan Baoxing were present at such annual general meeting. Executive Director of the Company, Mr. Tian Shicun (resigned); non-executive Director, Mr. Zhu Yongpeng; and independent non-executive Directors, Mr. Li Junfeng (resigned), Mr. Zhang Songyi and Mr. Meng Yan were absent from the abovementioned annual general meeting due to work reasons.

On 3 July 2012, the Company held the first extraordinary general meeting for 2012, the first domestic shareholders class meeting for 2012 and the first H shareholders class meeting for 2012. Executive Directors of the Company, Mr. Xie Changjun and Mr. Huang Qun; non-executive Directors, Mr. Wang Baole, Mr. Chen Bin and Mr. Luan Baoxing; and independent non-executive Directors, Mr. Lv Congmin and Mr. Meng Yan were present at the meetings. Non-executive Director of the Company, Mr. Zhu Yongpeng, and independent non-executive Director, Mr. Zhang Songyi were absent from the abovementioned general meeting and class meetings due to work reasons.

The Company will arrange the Board and relevant committee members to attend and answer questions from shareholders at the Company's annual general meeting for 2012.

A circular to shareholders, containing resolutions to be put forward at the annual general meeting for 2012 and relevant information, has been dispatched to the shareholders together with this annual report.

9. Communication Policy with Shareholders

The Company highly values shareholders' opinions and advice, and proactively organises various investor relations activities to maintain connections with shareholders and makes timely response to the reasonable requests of shareholders.

9.1 Shareholders' rights

The Board is committed to maintaining an on-going dialogue with shareholders and makes timely disclosure to shareholders and investors as to the significant development of the Company. The general meetings of the Company provide a forum for communication between shareholders and the Board. A forty-five (45) days' prior written notice for convening a general meeting shall be served to notify shareholders, whose names appear in the register of shareholders, of the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall serve their written replies on the Company twenty (20) days prior to the date of the meeting.

Two or more than two shareholders who severally or jointly hold more than 10% (including 10%) of the issued and voting shares of the Company may request the Board, in writing, to convene an extraordinary general meeting or a shareholders' class meeting, with the matters to be considered at the meeting stated in the request. The Board shall as soon as possible after receipt of the request proceed to convene an extraordinary general meeting or a shareholders' class meeting within two months. The calculation of the above-mentioned shareholdings shall be based on the information as at the date of deposit of the request.

If the Board fails to issue a notice to convene such a meeting within 30 days from the date of receipt of the above request, shareholders severally or jointly holding more than 10% (including 10%) of the issued and voting shares of the Company are entitled to request the Supervisory Board to convene an extraordinary general meeting or a shareholders' class meeting and such request should be made in written form. The Supervisory Board may itself convene such a meeting within four months of the receipt of the requisition by the Board. In the case of the failure of the Supervisory Board to convene and preside over such a meeting, shareholders severally or jointly holding more than 10% (including 10%) of the Company's shares for more than 90 consecutive days shall be entitled to convene the meeting. The procedures of convening such a meeting should follow, as far as possible, those of a general meeting convened by the Board.

In the event the Company convenes an annual general meeting, shareholders holding an aggregate of 3% (including 3%) or more of the Company's shares with voting rights are entitled to propose ad hoc motions in writing to the Company. The Company should include those motions which fall within the scope of duties and functions of general meetings into the agenda of the meeting. The ad hoc motions proposed by shareholders shall be subject to the following requirements: (i) the contents shall not contravene any requirements of the laws and regulations and shall fall within the scope of the Company's operations and duties and functions of general meetings; (ii) they shall relate to definite topics and specific matters to resolve; and (iii) they shall be made in writing and delivered to the Board at least ten (10) days prior to the holding of the general meeting.

9.2 Shareholders' Enquiries and Communication

The Company publishes its announcements, financial information and other relevant information on its website at www.clypg.com.cn, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business of the Company in Hong Kong, or via phone, fax or email. The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company and investors' means of enquiries and communication is set out on pages 255 to 256 of this annual report.

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

Investor Relations Activities

Results Roadshows

The Company organised an annual results roadshow, an interim results roadshow and a third quarter results roadshow during the reporting period. From March to April 2012, the management of the Company conducted annual results roadshow in Hong Kong, Singapore, England, Germany, the United States and Abu Dhabi respectively, and held a press conference, an analyst meeting and 58 one-to-one/group/teleconference meetings with investors. In August 2012, the management of the Company conducted interim results roadshow in Hong Kong, and held a press conference, an analyst meeting and 14 one-to-one/group/teleconference meetings with investors. In November 2012, the management of the Company conducted third quarter results roadshow in Hong Kong, Singapore, England, the United States and Canada respectively, and held 46 one-to-one/group/teleconference meetings with investors.

Investors' Routine Visits

During the reporting period, the Company received 69 groups of investors by way of one-to-one/group/teleconference meetings and fully communicated and exchanged opinions with investors and analysts from 154 domestic and foreign institutions.

Investment Summits

During the reporting period, the management of the Company attended 5 investment summits organised by world-famous investment banks and fully communicated with investors through presentations at the meetings, and holding group/one-to-one meetings.

10. Contact Person of Joint Company Secretary

Ms. Soon Yuk Tai from Tricor Services Limited, being an external service provider, is acting as the joint company secretary of the Company. Mr. Jia Nansong, the Board secretary of the Company, is her primary contact person.

Supervisory Board's Report

On 3 July 2012, the election of new session of the Supervisory Board was held upon the approval of the 2012 first extraordinary general meeting of the Company. The current session of the Supervisory Board consists of three supervisors.

In 2012, the Supervisory Board of the Company acted in strict compliance with relevant laws and regulations (such as the Company Law of the PRC), 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 for the purposes of the Company's long-run interests and shareholders' interests, it earnestly performed its 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 2012 first meeting of the first session of the Supervisory Board was held on 26 March 2012, at which the Resolution Regarding the 2011 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二零一一年度報告及業績公告的議案》) and the Resolution Regarding the 2011 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二零一一年度監事會報告的議案》) were considered and approved.

2. The 2012 second meeting of the first session of the Supervisory Board was held on 11 May 2012, at which the Resolution Regarding the Election of New Session 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監事會換屆選舉的議案》), the Resolution Regarding the Election of New Chief Supervisor of China Longyuan Power Group Corporation Limited (《關於龍源電力集團股份有限公司監事會主席換屆選舉的議案》) and the Resolution Regarding the Proposed Convening of the 2012 First Extraordinary General Meeting of China Longyuan Power Group Corporation Limited (《關於提請召開龍源電力集團股份有限公司二零一二年第一次臨時股東大會的議案》) were considered and approved.

3. The 2012 first meeting of the second session of the Supervisory Board was held on 17 August 2012, at which the Resolution Regarding the 2012 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二零一二年度中期報告及中期業績公告的議案》) and the Resolution Regarding the 2012 Interim Financial Statements of China Longyuan Power Group Corporation Limited) (《關於龍源電力集團股份有限公司二零一二年度中期財務報表的議案》) were considered and approved.

II. WORK OF THE SUPERVISORY BOARD

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 participants, 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 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, 25 March 2013

Independent Auditor's Report

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 118 to 250, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 2012 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

25 March 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2012 (Expressed in Renminbi unless otherwise stated)

	Note	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Revenue	4	17,288,185	16,584,536
Other net income	5	1,295,837	1,295,871
Operating expenses			
Depreciation and amortisation		(3,696,763)	(2,997,634)
Coal consumption		(2,627,216)	(2,877,254)
Coal sales cost		(3,197,217)	(3,896,635)
Service concession construction costs		(518,519)	(793,129)
Personnel costs		(924,754)	(804,880)
Material costs		(478,519)	(477,911)
Repairs and maintenance		(304,780)	(257,474)
Administration expenses		(401,614)	(308,170)
Other operating expenses		(389,651)	(364,260)
		(12,539,033)	(12,777,347)
Operating profit		6,044,989	5,103,060
Finance income		142,752	400,651
Finance expenses		(2,660,423)	(2,038,380)
Net finance expenses	6	(2,517,671)	(1,637,729)
Share of profits less losses of associates and jointly controlled entities		140,069	60,221
Profit before taxation	7	3,667,387	3,525,552
Income tax	8	(342,093)	(304,964)
Profit for the year		3,325,294	3,220,588

The notes on pages 130 to 250 form part of these financial statements.

	Note	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Other comprehensive income:			
Available-for-sale financial assets: net movement in the fair value reserve		1,002	(4,912)
Exchange difference on translation of financial statements of overseas subsidiaries		(6,169)	(2,442)
Exchange difference on net investment		67	(7,379)
Other comprehensive income for the year, net of tax	12	(5,100)	(14,733)
Total comprehensive income for the year		3,320,194	3,205,855
Profit attributable to:			
Shareholders of the Company		2,593,239	2,578,290
Non-controlling interests		732,055	642,298
Profit for the year		3,325,294	3,220,588
Total comprehensive income attributable to:			
Shareholders of the Company		2,591,101	2,563,557
Non-controlling interests		729,093	642,298
Total comprehensive income for the year		3,320,194	3,205,855
Basic and diluted earnings per share *(RMB cents)*	13	34.66	34.54

The notes on pages 130 to 250 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2012 (Expressed in Renminbi unless otherwise stated)

	Note	2012 RMB'000	2011 RMB'000 (restated - note 41)
Non-current assets			
Property, plant and equipment	15	73,352,443	64,967,071
Investment properties	16	76,163	98,138
Lease prepayments	17	1,417,432	1,214,628
Intangible assets	18	8,321,840	8,162,785
Goodwill	19	11,541	11,541
Investments in associates and jointly controlled entities	21	2,127,151	1,554,483
Other assets	22	4,552,962	4,961,863
Deferred tax assets	32(b)	194,214	180,827
Total non-current assets		90,053,746	81,151,336
Current assets			
Inventories	23	816,414	925,784
Trade debtors and bills receivable	24	7,997,537	5,429,937
Prepayments and other current assets	25	3,155,428	2,898,687
Tax recoverable	32(a)	145,883	72,303
Trading securities	26	301,737	406,041
Restricted deposits	27	231,530	31,741
Cash at bank and on hand	28	5,137,584	3,708,190
Total current assets		17,786,113	13,472,683

The notes on pages 130 to 250 form part of these financial statements.

	Note	2012 RMB'000	2011 RMB'000 (restated - note 41)
Current liabilities			
Borrowings	29(b)	**26,169,965**	19,078,207
Trade creditors and bills payable	30	**1,261,005**	1,597,000
Other payables	31	**8,525,118**	9,003,550
Tax payable	32(a)	**118,860**	157,557
Total current liabilities		**36,074,948**	29,836,314
Net current liabilities		**(18,288,835)**	(16,363,631)
Total assets less current liabilities		**71,764,911**	64,787,705
Non-current liabilities			
Borrowings	29(a)	**32,482,141**	31,828,121
Deferred income	34	**1,903,165**	1,992,723
Deferred tax liabilities	32(b)	**97,691**	100,550
Other non-current liabilities	35	**859,988**	541,094
Total non-current liabilities		**35,342,985**	34,462,488
NET ASSETS		**36,421,926**	30,325,217

The notes on pages 130 to 250 form part of these financial statements.

	Note	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
CAPITAL AND RESERVES			
Share capital	36(c)	**8,036,389**	7,464,289
Reserves	36(d)	**21,393,045**	18,444,302
Total equity attributable to the shareholders of the Company		**29,429,434**	25,908,591
Non-controlling interests		**6,992,492**	4,416,626
TOTAL EQUITY		**36,421,926**	30,325,217

Approved and authorised for issue by the board of directors on 25 March 2013.

Zhu Yongpeng
Chairman

Xie Changjun
Director

The notes on pages 130 to 250 form part of these financial statements.

Balance Sheet

At 31 December 2012 (Expressed in Renminbi unless otherwise stated)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	15	383,811	360,494
Investment properties	16	158,379	183,384
Lease prepayments		4,667	1,407
Intangible assets		614	800
Investments in subsidiaries	20	17,681,706	13,564,233
Investments in associates and jointly controlled entities	21	939,728	732,522
Other assets	22	21,205,494	18,270,988
Total non-current assets		40,374,399	33,113,828
Current assets			
Inventories		639	550
Trade debtors and bills receivable	24	14,377	11,415
Prepayments and other current assets	25	17,254,417	18,310,712
Restricted deposits	27	11,960	11,598
Cash at bank and on hand	28	3,713,545	2,616,577
Total current assets		20,994,938	20,950,852
Current liabilities			
Borrowings	29(b)	13,927,988	9,379,209
Trade creditors and bills payable	30	252	503,608
Other payables	31	4,685,800	5,040,489
Total current liabilities		18,614,040	14,923,306
Net current assets		2,380,898	6,027,546
Total assets less current liabilities		42,755,297	39,141,374

The notes on pages 130 to 250 form part of these financial statements.

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Borrowings	29(a)	**17,795,311**	17,928,540
Deferred income		**44,060**	46,320
Deferred tax liabilities		**2,310**	1,975
Total non-current liabilities		**17,841,681**	17,976,835
NET ASSETS		**24,913,616**	21,164,539
CAPITAL AND RESERVES			
Share capital	36(c)	**8,036,389**	7,464,289
Reserves	36(d)	**16,877,227**	13,700,250
TOTAL EQUITY		**24,913,616**	21,164,539

Approved and authorised for issue by the board of directors on 25 March 2013.

Zhu Yongpeng
Chairman

Xie Changjun
Director

The notes on pages 130 to 250 form part of these financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2012 (Expressed in Renminbi unless otherwise stated)

		Attributable to the shareholders of the Company							Non-controlling interests			
	Note	Share capital RMB'000	Capital reserve RMB'000 *(Note 36 (d)(i))*	Statutory surplus reserve RMB'000 *(Note 36 (d)(ii))*	Exchange reserve RMB'000 *(Note 36 (d)(iii))*	Fair value reserve RMB'000 *(Note 36 (d)(iv))*	Retained earnings RMB'000	Subtotal RMB'000	Senior perpetual securities RMB'000 *(Note 42)*	Others RMB'000	Subtotal 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	4,138,968	27,413,755
Effect on acquisition of businesses under common control	41	—	212,690	—	—	—	6,442	219,132	—	76,247	76,247	295,379
At 1 January 2011 (as restated)		7,464,289	13,562,506	4,447	(6,723)	2,958	2,466,442	23,493,919	—	4,215,215	4,215,215	27,709,134
Changes in equity:												
Profit for the year (as restated)		—	—	—	—	—	2,578,290	2,578,290	—	642,298	642,298	3,220,588
Other comprehensive income		—	—	—	(9,821)	(4,912)	—	(14,733)	—	—	—	(14,733)
Total comprehensive income (as restated)		—	—	—	(9,821)	(4,912)	2,578,290	2,563,557	—	642,298	642,298	3,205,855
Capital contributions		—	—	—	—	—	—	—	—	71,806	71,806	71,806
Appropriation		—	—	143,724	—	—	(143,724)	—	—	—	—	—
Capital contributions to the businesses acquired under common control *(note (i))*		—	265,497	—	—	—	—	265,497	—	—	—	265,497
Dividends by subsidiaries to non-controlling equity owners		—	—	—	—	—	—	—	—	(511,215)	(511,215)	(511,215)
Dividends to shareholders of the Company	36(b)(ii)	—	—	—	—	—	(403,072)	(403,072)	—	—	—	(403,072)
Acquisition of a subsidiary under common control		—	(11,310)	—	—	—	—	(11,310)	—	522	522	(10,788)
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	(2,000)	(2,000)	(2,000)
At 31 December 2011		7,464,289	13,816,693	148,171	(16,544)	(1,954)	4,497,936	25,908,591	—	4,416,626	4,416,626	30,325,217

Note:

(i) The amount represents the capital contributions from the ultimate controlling owner of the businesses under common control required in 2012 (see note 41 for details).

The notes on pages 130 to 250 form part of these financial statements.

	Note	Attributable to the shareholders of the Company							Non-controlling interests			
		Share capital RMB'000	Capital reserve RMB'000 *(Note 36 (d)(i))*	Statutory surplus reserve RMB'000 *(Note 36 (d)(ii))*	Exchange reserve RMB'000 *(Note 36 (d)(iii))*	Fair value reserve RMB'000 *(Note 36 (d)(iv))*	Retained earnings RMB'000	Subtotal RMB'000	Senior perpetual securities RMB'000 *(Note 42)*	Others RMB'000	Subtotal RMB'000	Total equity RMB'000
At 1 January 2012												
(as previously reported)		7,464,289	13,341,356	148,171	(16,544)	(1,954)	4,554,890	25,490,208	–	4,375,443	4,375,443	29,865,651
Effect on acquisition of businesses	41											
under common control		–	475,337	–	–	–	(56,954)	418,383	–	41,183	41,183	459,566
At 1 January 2012 (as restated)		7,464,289	13,816,693	148,171	(16,544)	(1,954)	4,497,936	25,908,591	–	4,416,626	4,416,626	30,325,217
Changes in equity:												
Profit for the year		–	–	–	–	–	2,593,239	2,593,239	8,810	723,245	732,055	3,325,294
Other comprehensive income		–	–	–	(3,140)	1,002	–	(2,138)	(2,962)	–	(2,962)	(5,100)
Total comprehensive income		–	–	–	(3,140)	1,002	2,593,239	2,591,101	5,848	723,245	729,093	3,320,194
Capital contributions		–	–	–	–	–	–	–	–	29,500	29,500	29,500
Issuance of shares upon placing,												
net of issuing costs		572,100	1,723,273	–	–	–	–	2,295,373	–	–	–	2,295,373
Appropriation		–	–	126,982	–	–	(126,982)	–	–	–	–	–
Dividends by subsidiaries												
to non-controlling equity owners		–	–	–	–	–	–	–	–	(554,531)	(554,531)	(554,531)
Dividends to shareholders of												
the Company	36(b)(ii)	–	–	–	–	–	(515,215)	(515,215)	–	–	–	(515,215)
Issuance of senior												
perpetual securities,												
net of issuing costs	42	–	–	–	–	–	–	–	2,475,746	–	2,475,746	2,475,746
Disposal of a subsidiary		–	–	–	–	–	–	–	–	2,829	2,829	2,829
Acquisition of businesses												
under common control	41	–	(830,608)	–	–	–	–	(830,608)	–	–	–	(830,608)
Acquisition of												
non-controlling interests		–	(19,808)	–	–	–	–	(19,808)	–	(106,771)	(106,771)	(126,579)
At 31 December 2012		8,036,389	14,689,550	275,153	(19,684)	(952)	6,448,978	29,429,434	2,481,594	4,510,898	6,992,492	36,421,926

The notes on pages 130 to 250 form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2012 (Expressed in Renminbi unless otherwise stated)

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Cash flows from operating activities		
Profit before taxation	**3,667,387**	3,525,552
Adjustments for:		
Depreciation	**3,291,986**	2,619,505
Amortisation	**404,777**	378,129
Gain on disposal of unquoted equity investments	**(5,004)**	(211,118)
Gain on disposal of property, plant and equipment, intangible assets and assets held for sale	**(8,032)**	(111,967)
Interest expenses on financial liabilities	**2,550,867**	1,825,752
Foreign exchange differences, net	**(26,491)**	50,890
Interest income on financial assets	**(60,279)**	(110,893)
Dividend income	**(45,500)**	(62,074)
Share of profits less losses of associates and jointly controlled entities	**(140,069)**	(60,221)
Changes in working capital:		
(Increase)/decrease in inventories	**109,370**	(264,786)
(Increase)/decrease in trading securities	**104,304**	(224,623)
Increase in trade debtors and bills receivable	**(2,567,600)**	(1,755,101)
(Increase)/decrease in prepayments and other current assets	**335,237**	(320,254)
Increase in trade and other payables	**22,156**	916,489
Decrease in deferred income	**(164,523)**	(183,200)
Cash generated from operations	**7,468,586**	6,012,080
Income tax paid	**(470,951)**	(370,592)
Net cash generated from operating activities	**6,997,635**	5,641,488

The notes on pages 130 to 250 form part of these financial statements.

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	**(13,744,664)**	(13,782,462)
Payments for loans and advances	**(78,515)**	(333,157)
Payments for acquisition of investments in associates and jointly controlled entities, non-controlling interests and unquoted equity investments	**(912,090)**	(577,843)
Payment for acquisition of businesses, net of cash acquired	**(846,765)**	(493,203)
Government grant received	**74,965**	118,131
Proceeds from disposal of property, plant and equipment, intangible assets and assets held for sale	**352,454**	4,401
Proceeds from repayment of loans and advances	**565,295**	8,210
Proceeds from disposal of unquoted equity investments	**—**	342,975
Dividends received	**91,266**	160,592
Interest received	**87,433**	124,534
Time deposits	**293,134**	(338,358)
Net cash used in investing activities	**(14,117,487)**	(14,766,180)

The notes on pages 130 to 250 form part of these financial statements.

	2012 RMB'000	2011 RMB'000 (restated - note 41)
Cash flows from financing activities		
Capital contributions	29,500	337,303
Proceeds from borrowings	26,071,014	41,481,774
Repayment of borrowings	(18,003,981)	(30,423,755)
Dividends paid by subsidiaries to non-controlling equity owners	(471,716)	(447,598)
Dividends paid to shareholders of the Company	(515,215)	(403,072)
Interest paid	(3,025,108)	(2,222,609)
Proceeds from issuance of senior perpetual securities	2,475,746	—
Proceeds from issuance of shares	2,295,373	—
Net cash generated from financing activities	8,855,613	8,322,043
Net increase/(decrease) in cash and cash equivalents	1,735,761	(802,649)
Cash and cash equivalents at the beginning of year	3,358,190	4,173,530
Effect of foreign exchange rate changes	(13,233)	(12,691)
Cash and cash equivalents at the end of year *(note 28)*	5,080,718	3,358,190

The notes on pages 130 to 250 form part of these financial statements.

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 all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable 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 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Group and its interest in associates and jointly controlled entities.

The consolidated financial statement have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2012 amounting to RMB18,288,835,000. The directors are of the opinion that, based on a review of the forecasted cash flows, the Group will have sufficient liquid funds to finance its operation and capital expenditure (see note 37(b)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale or as trading securities (see note 2(i)) 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(aa)).

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 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies

The IASB has issued a few amendments to IFRSs 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:

- Amendments to IFRS 7*, Financial instruments: Disclosures - Transfers of financial assets*

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 for periods beginning on or after 1 January 2011. 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.

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in current period which require disclosure in the current accounting period under the amendments.

(d) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) 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.

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(q) or (r) depending on the nature of the liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(f)).

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

(f) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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(aa)). 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(n)). 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)*

(f) 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(i)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(f)).

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

(g) 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(n)).

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)*

(h) 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.

(i) 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(x)(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(n)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) 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(n)).

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(x)(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(x)(vi). When these investments are derecognised or impaired (see note 2(n)), 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.

(j) Investment properties

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Other property, plant and equipment

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

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(z)).

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)*

(l) 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(n)).

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(n)). 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.

(m) 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)*

(m) 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(j)); and

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) 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.

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(f))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(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(n)(ii).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Impairment of assets *(Continued)*

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

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Impairment of assets *(Continued)*

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

— property, plant and equipment;

— investment property;

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

— intangible assets; and

— goodwill.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— Recognition of impairment losses

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

— Reversals of impairment losses

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.

(o) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Inventories *(Continued)*

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.

(p) 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(n)), 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.

(q) 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.

(r) Perpetual securities

Perpetual securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any interests and distributions are discretionary. Interests and distributions on perpetual securities classified as equity are recognised as distributions within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) 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(w)(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.

(t) 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.

(u) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Income tax *(Continued)*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Income tax *(Continued)*

— 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.

(w) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

(i) Financial guarantees issued *(Continued)*

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(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and 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(w)(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(w)(iii).

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

(iii) Provisions and contingent liabilities *(Continued)*

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.

(x) 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)*

(x) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Revenue recognition *(Continued)*

(vi) Interest income

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

(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)*

(y) 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. When the exchange differences related to a foreign operation that is consolidated but not wholly-owned, accumulated exchange differences arising from translation and attributable to non-controlling interests are allocated to, and recognised as part of, non-controlling interests in the consolidated balance sheet.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(z) 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.

(aa) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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.

(bb) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(bb) Related parties *(Continued)*

(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)*

(cc) 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 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(CONTINUED)*

(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 be higher than estimated.

(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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(CONTINUED)*

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income tax

The Group files income taxes in numerous tax authorities. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

(f) Provision for guarantees

Provision for outstanding guarantees is recognised if it becomes probable that the holders of these guarantees will call upon the Group under the guarantees and the amount of that claim on the Group is expected to exceed the amount currently carried in payables in respect of the guarantee. The Group reviews the financial position of these guarantee holders regularly and estimates the amount to claim on the Group based on historical experience. If the financial position of these guarantee holders were to deteriorate, actual provisions would be higher than estimated.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(CONTINUED)*

(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.

4 REVENUE

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

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Sales of electricity	12,404,282	10,695,458
Sales of steam	273,608	319,195
Service concession construction revenue *(note 45)*	518,519	793,129
Sales of electricity equipment	232,115	289,312
Sales of coal	3,395,362	4,109,261
Others	464,299	378,181
	17,288,185	16,584,536

5 OTHER NET INCOME

	2012 RMB'000	2011 RMB'000 (restated - note 41)
Government grants		
— CERs and VERs income	**742,136**	746,022
— Others	**401,764**	405,847
Rental income from investment properties	**11,262**	14,552
Net gain on disposal of plant, property and equipment and assets held for sale	**8,032**	111,967
Penalty income from wind turbine suppliers *(note (i))*	**124,081**	9,589
Others	**8,562**	7,894
	1,295,837	1,295,871

Note:

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

6 FINANCE INCOME AND EXPENSES

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Interest income on financial assets	60,279	110,893
Gain on disposal of unquoted equity investments	5,004	211,118
Foreign exchange gains	31,969	16,566
Dividend income from other investments	45,500	62,074
Finance income	142,752	400,651
Interest on bank and other borrowings wholly repayable within five years	2,134,732	1,554,933
Interest on bank and other borrowings repayable more than five years	1,072,151	846,484
Less: interest expenses capitalised into property, plant and equipment and intangible assets	(656,016)	(575,665)
	2,550,867	1,825,752
Foreign exchange losses	5,478	67,456
Net realised and unrealised losses on trading securities	69,250	105,229
(Reversal)/provision of impairment losses on trade and other receivables	(5,475)	6,773
Bank charges and others	40,303	33,170
Finance expenses	2,660,423	2,038,380
Net finance expenses recognised in profit or loss	(2,517,671)	(1,637,729)

The borrowing costs have been capitalised at rates of 4.57% to 7.40% for the year ended 31 December 2012 (2011: 4.86% to 7.40%).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2012 RMB'000	2011 RMB'000 (restated - note 41)
Salaries, wages and other benefits	819,605	712,508
Contributions to defined contribution retirement plan	105,149	92,372
	924,754	804,880

(b) Other items

	2012 RMB'000	2011 RMB'000 (restated - note 41)
Amortisation		
— lease prepayment	45,525	34,650
— intangible assets	359,252	343,479
Depreciation		
— investment properties	3,704	3,892
— property, plant and equipment	3,288,282	2,615,613
Auditors' remuneration-audit services		
— annual audit service	27,500	24,350
— interim review service	6,800	5,500
Operating lease charges		
— hire of plant and machinery	5,223	2,401
— hire of properties	9,536	6,742
Direct outgoings for investment properties		
— occupied	1,040	2,018
— vacant	16	—
Cost of inventories	6,501,715	7,395,832
Including: personnel costs, depreciation, amortisation and operating lease charges	1,867	1,787

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:

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Current tax		
Provision for the year	445,375	290,999
Over provision in respect of prior years *(note (iii))*	(86,701)	(10,842)
	358,674	280,157
Deferred tax		
Origination and reversal of temporary differences *(note 32(b))*	(16,581)	24,807
	342,093	304,964

Notes:

(i) The provision for income tax of the Group is calculated based on 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 2011 and 2012, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to relevant tax authorities' approvals.

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)

(ii) 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.

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").

(iii) Pursuant to Cai Shui [2012] No.10, the Notice on Tax Issues Related to Enterprise Income Tax Preferential Policies for Public Infrastructure, Environmental Protection, Energy Saving and Water Conservation Projects（關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知）issued on 5 January 2012, income derived by an enterprise from engaging in qualified public infrastructure projects which were approved prior to 31 December 2007 shall be eligible for the 3+3 tax holiday. Certain subsidiaries of the Group, which are qualified for the 3+3 tax holiday but were taxed at the statutory rate of 25% prior to 2012, are eligible to request refunds for tax paid prior to 2012.

(iv) 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 2011 and 2012. 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.

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

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

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

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Profit before taxation	**3,667,387**	3,525,552
Applicable tax rates	**25%**	25%
Notional tax on profit before taxation	**916,847**	881,388
Tax effect of non-deductible expenses	**14,927**	11,225
Tax effect of share of profits less losses of associates and jointly controlled entities	**(35,017)**	(15,055)
Tax effect of non-taxable income	**(11,375)**	(15,519)
Effect of differential tax rate of certain subsidiaries of the Group	**(541,214)**	(520,170)
Use of unrecognised tax losses in prior years	**(251)**	(63,666)
Tax effect of unused tax losses and timing differences not recognised	**84,341**	40,384
Tax credits for purchase of domestic equipment	**(527)**	(1,250)
Over provision in respect of prior years	**(86,701)**	(10,842)
Others	**1,063**	(1,531)
Income tax	**342,093**	304,964

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*	2012 Total *RMB'000*
Directors					
Mr. Zhu Yongpeng *(Chairman)*	—	—	—	—	—
Mr. Xie Changjun	—	204	715	72	991
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun (resigned in May 2012)	—	72	286	22	380
Mr. Huang Qun (appointed in May 2012)	—	122	414	41	577
Mr. Luan Baoxing	—	—	—	—	—
Mr. Chen Bin	—	—	—	—	—
Independent non-executive directors					
Mr. Li Junfeng (resigned in May 2012)	63	—	—	—	63
Mr. Lv Congmin (appointed in May 2012)	87	—	—	—	87
Mr. Zhang Songyi	150	—	—	—	150
Mr. Meng Yan	150	—	—	—	150
Supervisors					
Mr. Qiao Baoping	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. He Shen	—	159	456	55	670
	450	557	1,871	190	3,068

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

	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. Wang Jianting (resigned in June 2011)	—	116	403	29	548
Mr. He Shen (appointed in June 2011)	—	102	60	29	191
	450	1,130	2,366	264	4,210

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) The five highest paid individuals:

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

	2012	2011
Directors	2	2
Non-directors	3	3
	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:

	2012 *RMB'000*	2011 *RMB'000*
Salaries and other emoluments	524	826
Discretionary bonuses	1,750	1,647
Retirement scheme contributions	182	202
	2,456	2,675

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

	2012	2011
HKD 500,001 to HKD 1,000,000	1	0
HKD 1,000,001 to HKD 1,500,000	2	3

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(CONTINUED)*

(b) The emoluments of senior management:

The emoluments of the senior management are within the following bands:

	2012	2011
HKD 500,001 to HKD 1,000,000	**3**	3
HKD 1,000,001 to HKD 1,500,000	**4**	4

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of RMB933,867,000 (2011: RMB643,409,000) 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	**2012** *RMB'000*	2011 *RMB'000*
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements		**933,867**	643,409
Final dividends from subsidiaries, associates and jointly controlled entities attributable to the profits of the previous financial year, approved and paid during the year		**1,034,050**	642,984
Company's profit for the year	36(a)	**1,967,917**	1,286,393

Details of dividends paid and payable to equity shareholders of the Company are set out in note 36(b).

12 OTHER COMPREHENSIVE INCOME

	2012 *RMB'000*	2011 *RMB'000*
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets:		
Net movement in fair value reserve		
— Before tax amount		
Change in fair value recognised during the year	**1,337**	(6,549)
— Tax credit	**(335)**	1,637
Net of tax amount	**1,002**	(4,912)
Exchange differences on translation of financial statement of overseas subsidiaries *(note (i))*	**(6,169)**	(2,442)
Exchange difference on net investment		
— Before and net of tax amount	**67**	(7,379)
Other comprehensive income	**(5,100)**	(14,733)

Note:

(i) The amount included the exchange difference on translation of senior perpetual securities amounting to RMB2,962,000 (2011: Nil).

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 2012 of RMB2,593,239,000 (2011 (restated - note 41): RMB2,578,290,000) and the weighted average number of shares in issue during the year ended 31 December 2012 of 7,481,483,000 (2011: 7,464,289,000). The weighted average number of shares for the year ended 31 December 2012 reflects the issuance of 572,100,000 shares in 2012 in connection with the Company's placing of new H shares (see note 36(c)). The weighted average number of shares in issue is set out below:

13 EARNINGS PER SHARE *(CONTINUED)*

	2012 *'000*	2011 *'000*
Issued ordinary shares at 1 January	7,464,289	7,464,289
Effect of shares issued in December 2012	17,194	—
	7,481,483	7,464,289

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 power generation.

14 SEGMENT REPORTING *(CONTINUED)*

(a) Segment results, assets and liabilities

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

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates and jointly controlled entities, net finance expenses, service concession construction revenue and cost and unallocated corporate expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below:

14 SEGMENT REPORTING *(CONTINUED)*

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

For the year ended 31 December 2012

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
— Sales of electricity	7,977,703	4,055,109	371,470	12,404,282
— Others	2,880	3,997,332	365,172	4,365,384
Subtotal	7,980,583	8,052,441	736,642	16,769,666
Inter-segment revenue	—	—	322,662	322,662
Reportable segment revenue	7,980,583	8,052,441	1,059,304	17,092,328
Reportable segment profit (operating profit)	5,109,288	989,805	157,694	6,256,787
Depreciation and amortisation before inter-segment elimination	(3,119,471)	(497,693)	(124,782)	(3,741,946)
Impairment of trade and other receivables	5,488	—	(13)	5,475
Interest income	19,011	11,219	30,049	60,279
Interest expense	(2,227,634)	(162,992)	(160,241)	(2,550,867)
Reportable segment assets	91,789,318	7,064,499	11,287,310	110,141,127
Expenditures for reportable segment non-current assets during the year	11,130,319	275,863	1,054,871	12,461,053
Reportable segment liabilities	66,581,239	5,188,311	10,056,816	81,826,366

14 SEGMENT REPORTING *(CONTINUED)*

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

For the year ended 31 December 2011 (restated - note 41)

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
— Sales of electricity	6,449,400	3,945,119	300,939	10,695,458
— Others	6,236	4,679,561	410,152	5,095,949
Subtotal	6,455,636	8,624,680	711,091	15,791,407
Inter-segment revenue	—	—	210,352	210,352
Reportable segment revenue	6,455,636	8,624,680	921,443	16,001,759
Reportable segment profit (operating profit)	4,433,832	782,603	51,148	5,267,583
Depreciation and amortisation before inter-segment elimination	(2,431,512)	(501,499)	(101,047)	(3,034,058)
Impairment of trade and other receivables	(3,719)	—	(3,054)	(6,773)
Interest income	11,923	6,902	92,068	110,893
Interest expense	(1,547,920)	(166,933)	(110,899)	(1,825,752)
Reportable segment assets	80,400,043	7,440,618	6,261,607	94,102,268
Expenditures for reportable segment non-current assets during the year	13,227,674	111,233	1,165,852	14,504,759
Reportable segment liabilities	59,729,122	5,256,092	7,537,084	72,522,298

14 SEGMENT REPORTING *(CONTINUED)*

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

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Revenue		
Reportable segment revenue	17,092,328	16,001,759
Service concession construction revenue	518,519	793,129
Elimination of inter-segment revenue	(322,662)	(210,352)
Consolidated revenue	17,288,185	16,584,536
Profit		
Reportable segment profit	6,256,787	5,267,583
Elimination of inter-segment profits	(60,599)	(31,034)
	6,196,188	5,236,549
Share of profits less losses of associates and jointly controlled entities	140,069	60,221
Net finance expenses	(2,517,671)	(1,637,729)
Unallocated head office and corporate expenses	(151,199)	(133,489)
Consolidated profit before taxation	3,667,387	3,525,552
Assets		
Reportable segment assets	110,141,127	94,102,268
Inter-segment elimination	(4,749,387)	(2,627,720)
	105,391,740	91,474,548

14 SEGMENT REPORTING *(CONTINUED)*

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

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Investments in associates and jointly controlled entities	**2,127,151**	1,554,483
Available-for-sale investments	**11,830**	10,493
Unquoted equity investments	**699,334**	510,180
Trading securities	**301,737**	406,041
Tax recoverable	**145,883**	72,303
Deferred tax assets	**194,214**	180,827
Unallocated head office and corporate assets	**42,034,199**	39,307,430
Elimination	**(43,066,229)**	(38,892,286)
Consolidated total assets	**107,839,859**	94,624,019

14 SEGMENT REPORTING *(CONTINUED)*

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

	2012 *RMB'000*	2011 *RMB'000* *(restated - note 41)*
Liabilities		
Reportable segment liabilities	**81,826,366**	72,522,298
Inter-segment elimination	**(4,688,788)**	(2,596,686)
	77,137,578	69,925,612
Tax payable	**118,860**	157,557
Deferred tax liabilities	**97,691**	100,550
Unallocated head office and corporate liabilities	**37,130,033**	33,007,369
Elimination	**(43,066,229)**	(38,892,286)
Consolidated total liabilities	**71,417,933**	64,298,802

(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 RMB12,327,259,000 for the year ended 31 December 2012 (2011 (restated-note 41): RMB10,636,806,000). Service concession construction revenue is all from the PRC government.

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land, buildings and structures RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2011 (as previously reported)	3,486,571	38,101,759	443,757	227,036	15,631,158	57,890,281
Effect of acquisition of businesses under common control	548,793	1,861,943	14,368	15,895	1,265,948	3,706,947
At 1 January 2011 (as restated)	4,035,364	39,963,702	458,125	242,931	16,897,106	61,597,228
Additions	54,085	67,996	34,024	91,172	13,090,666	13,337,943
Transfer from construction in progress	965,093	14,168,542	1,006	27,500	(15,162,141)	—
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	5,077,697	54,179,260	484,905	355,356	14,785,816	74,883,034
At 1 January 2012	5,077,697	54,179,260	484,905	355,356	14,785,816	74,883,034
Additions	20,309	19,968	16,859	45,851	11,621,989	11,724,976
Transfer from construction in progress	826,697	10,754,053	2,150	7,213	(11,590,113)	—
Transfer from investment properties *(note 16)*	25,478	—	—	—	—	25,478
Transfer to other assets	—	—	—	—	(33,996)	(33,996)
Disposals	(19,759)	(10,714)	(9,763)	(5,510)	—	(45,746)
Reclassification	156,850	(160,990)	3,001	1,139	—	—
At 31 December 2012	6,087,272	64,781,577	497,152	404,049	14,783,696	86,553,746

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 2011 (as previously reported)	958,707	6,055,632	111,737	109,194	3,804	7,239,074
Effect of acquisition of businesses under common control	13,352	44,640	1,895	775	—	60,662
At 1 January 2011 (as restated)	972,059	6,100,272	113,632	109,969	3,804	7,299,736
Depreciation charge for the year	209,881	2,345,223	36,571	32,913	—	2,624,588
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	1,184,381	8,443,807	145,252	138,719	3,804	9,915,963
At 1 January 2012	1,184,381	8,443,807	145,252	138,719	3,804	9,915,963
Depreciation charge for the year	241,377	2,971,819	41,665	42,284	—	3,297,145
Transfer from investment - properties *(note 16)*	7,207	—	—	—	—	7,207
Written back on disposal	(3,824)	(5,630)	(6,936)	(2,622)	—	(19,012)
Reclassification	21,166	(22,219)	320	733	—	—
At 31 December 2012	1,450,307	11,387,777	180,301	179,114	3,804	13,201,303
Net book value:						
At 31 December 2011	3,893,316	45,735,453	339,653	216,637	14,782,012	64,967,071
At 31 December 2012	4,636,965	53,393,800	316,851	224,935	14,779,892	73,352,443

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Company

	Land, buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
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
At 1 January 2012	184,227	41,166	24,187	30,480	185,895	465,955
Additions	—	627	749	1,387	68,801	71,564
Transfer from construction in progress	4,344	1,037	—	—	(5,381)	—
Transfer from investment properties *(note 16)*	25,478	—	—	—	—	25,478
Transfer to subsidiaries	—	—	—	—	(46,527)	(46,527)
Disposals	(17)	(1,454)	(1,798)	(4,543)	—	(7,812)
At 31 December 2012	214,032	41,376	23,138	27,324	202,788	508,658

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Company *(Continued)*

	Land, buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment losses:						
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
At 1 January 2012	56,916	19,604	12,679	16,262	—	105,461
Depreciation charge for the year	6,955	1,983	1,411	2,700	—	13,049
Transfer from investment properties *(note 16)*	7,207	—	—	—	—	7,207
Written back on disposal	(6)	(284)	(446)	(134)	—	(870)
At 31 December 2012	71,072	21,303	13,644	18,828	—	124,847
Net book value:						
At 31 December 2011	127,311	21,562	11,508	14,218	185,895	360,494
At 31 December 2012	142,960	20,073	9,494	8,496	202,788	383,811

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 RMB265,764,000 as at 31 December 2012 (2011: RMB291,563,000).

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

(iii) As at 31 December 2012, 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	
	2012	2011	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	131,885	131,291	245,590	247,264
Transfer to property, plant and equipment *(note 15)*	(25,478)	(1,674)	(25,478)	(1,674)
Transfer from property, plant and equipment	—	2,268	—	—
At 31 December	106,407	131,885	220,112	245,590
Accumulated depreciation:				
At 1 January	33,747	29,946	62,206	54,410
Charge for the year	3,704	3,892	6,734	8,454
Transfer to property, plant and equipment *(note 15)*	(7,207)	(658)	(7,207)	(658)
Transfer from property, plant and equipment	—	567	—	—
At 31 December	30,244	33,747	61,733	62,206
Net book value:	76,163	98,138	158,379	183,384

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 year, 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 1 March 2013 and 13 March 2012, the fair value of the Group's investment properties as at 31 December 2012 and 2011 are RMB 358,342,000 and RMB400,698,000, respectively.

17 LEASE PREPAYMENTS

The Group

	2012 *RMB'000*	2011 *RMB'000*
Cost:		
At 1 January (as previously reported)	1,360,084	1,042,786
Effect on acquisition of businesses under common control	56,400	16,180
At 1 January (as restated)	1,416,484	1,058,966
Transferred from property, plant and equipment	33,996	36,038
Additions	215,051	321,480
At 31 December	1,665,531	1,416,484
Accumulated amortisation:		
At 1 January (as previously reported)	200,201	166,320
Effect on acquisition of businesses under common control	1,655	807
At 1 January (as restated)	201,856	167,127
Amortisation for the year	46,243	34,729
At 31 December	248,099	201,856
Net book value:	1,417,432	1,214,628

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 2012, 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 45) RMB'000	Software and others RMB'000	Total RMB'000
Cost:			
At 1 January 2011 (as previously reported)	8,299,797	8,787	8,308,584
Effect on acquisition of businesses under common control	—	385	385
At 1 January 2011 (as restated)	8,299,797	9,172	8,308,969
Additions	793,129	52,207	845,336
Disposals	—	(407)	(407)
At 31 December 2011	9,092,926	60,972	9,153,898
At 1 January 2012	9,092,926	60,972	9,153,898
Exchange adjustments	—	(2,597)	(2,597)
Additions	518,519	2,507	521,026
Disposals	—	(272)	(272)
At 31 December 2012	9,611,445	60,610	9,672,055

18 INTANGIBLE ASSETS *(CONTINUED)*

The Group *(Continued)*

	Concession assets *(note 45)* *RMB'000*	**Software and others** *RMB'000*	**Total** *RMB'000*
Accumulated amortisation:			
At 1 January 2011 (as previously reported)	644,827	2,698	647,525
Effect on acquisition of businesses under common control	—	22	22
At 1 January 2011 (as restated)	644,827	2,720	647,547
Charge for the year	340,908	2,691	343,599
Written back on disposal	—	(33)	(33)
At 31 December 2011	985,735	5,378	991,113
At 1 January 2012	985,735	5,378	991,113
Charge for the year	357,800	1,556	359,356
Written back on disposal	—	(254)	(254)
At 31 December 2012	1,343,535	6,680	1,350,215
Net book value:			
At 31 December 2011	8,107,191	55,594	8,162,785
At 31 December 2012	8,267,910	53,930	8,321,840

19 GOODWILL

The Group

	2012	2011
	RMB'000	*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

	2012	2011
	RMB'000	*RMB'000*
Unlisted investments, at cost	**17,727,706**	13,610,233
Less: impairment loss	**(46,000)**	(46,000)
	17,681,706	13,564,233

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following list contains only the particulars of subsidiaries at 31 December 2012 which principally affected the results, assets or liabilities of the Group. All of these subsidiaries are limited liability companies.

	Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
1	Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd. 福建省東山澳仔山風電開發有限公司	the PRC	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 505,020,000	77.11%	—	Wind power generation
3	Xinjiang Tianfeng Power Generation Joint Stock Company 新疆天風發電股份有限公司	the PRC	RMB 511,016,909	59.52%	—	Wind power generation
4	Yichun Xing'anling Wind Power Generation Co., Ltd. 伊春興安嶺風力發電有限公司 *(note (ii))*	the PRC	RMB 199,380,000	30%	25%	Wind power generation
5	Jilin Longyuan Wind Power Generation Co., Ltd. 吉林龍源風力發電有限公司*(note (ii))*	the PRC	RMB 438,200,000	56.58%	9.65%	Wind power generation
6	Jiangsu Longyuan Wind Power Generation Co., Ltd. 江蘇龍源風力發電有限公司	the PRC	RMB 333,320,000	50%	25%	Wind power generation
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		Principal activities
				Direct	Indirect	
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	the PRC	RMB 238,250,000	75%	25%	Wind Power generation
14	Longyuan Qidong Wind Power Generation Co., Ltd. 龍源啓東風力發電有限公司	the PRC	RMB 245,760,000	30%	70%	Wind power generation
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

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
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 891,925,900	75%	25%	Wind power generation
18	Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd. 瀋陽龍源雄亞風力發電有限公司	the PRC	RMB 382,007,774	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
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 192,223,418	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 299,088,800	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 303,016,700	74.05%	25.95%	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
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	Yunnan Longyuan Wind Power Generation Co., Ltd. 雲南龍源風力發電有限公司	the PRC	RMB 377,640,000	100%	—	Wind power generation
27	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
28	Longyuan Kangping Wind Power Generation Co., Ltd. 龍源康平風力發電有限公司	the PRC	RMB 409,793,000	100%	—	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	92%	—	Wind power generation
30	Longyuan (Putian) Wind Power Generation Co., Ltd. 龍源(莆田)風力發電有限公司	the PRC	RMB 191,490,000	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

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
33	Longyuan (Rudong) Wind Power Generation Co., Ltd. 龍源(如東)風力發電有限公司	the PRC	RMB 666,350,000	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 (Kezuohouqi) Wind Power Generation Co., Ltd. 龍源(科左後旗)風力發電有限公司	the PRC	RMB 213,800,000	100%	—	Wind power generation
36	Longyuan (Jiuquan) Wind Power Generation Co., Ltd. 龍源(酒泉)風力發電有限公司	the PRC	RMB 396,407,000	100%	—	Wind power generation
37	Shanxi Longyuan Wind Power Generation Co., Ltd. 山西龍源風力發電有限公司	the PRC	RMB 154,960,000	100%	—	Wind power generation
38	Hebei Longyuan Wind Power Generation Co., Ltd. 河北龍源風力發電有限公司	the PRC	RMB 419,707,000	100%	—	Wind power generation
39	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 520,000,000	70%	30%	Wind power generation
40	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

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	
41	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
42	Longyuan Damao Wind Power Generation Co., Ltd. 龍源達茂風力發電有限公司	the PRC	RMB 141,939,800	100%	—	Wind power generation
43	Heihe Longyuan Wind Power Generation Co., Ltd. 黑河龍源風力發電有限公司	the PRC	RMB 139,150,000	100%	—	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 *(note (ii))*	the PRC	RMB 307,850,000	30%	25%	Wind power generation
45	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
46	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
47	Zhongneng Power-Tech Development Company Limited 中能電力科技開發有限公司	the PRC	RMB 70,000,000	100%	—	Manufacturing and sales of power Equipment

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	
48	Longyuan (Beijing) Wind Power Engineering Technology Co., Ltd. 龍源(北京)風電工程技術有限公司	the PRC	RMB 10,000,000	50%	50%	Manufacturing and sales of power equipment
49	Longyuan Golmud New Energy Development Co., Ltd. 龍源格爾木新能源開發有限公司	the PRC	RMB 216,240,000	100%	—	Wind power generation
50	Jiangsu Sulong Energy Co., Ltd. 江蘇蘇龍能源有限公司	the PRC	RMB 20,000,000	—	100%	Coal trading
51	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.

21 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**940,176**	732,970
Share of net assets	**2,127,151**	1,554,483	**—**	—
	2,127,151	1,554,483	**940,176**	732,970
Less: impairment loss	**—**	—	**(448)**	(448)
	2,127,151	1,554,483	**939,728**	732,522

The following list contains only the particulars of associates and jointly controlled entities at 31 December 2012, all of which are limited liability companies established in the PRC, which principally affected the results or assets of the Group:

	Name of the company	Place of establishment	Particulars of registered capital *RMB'000*	Percentage of attributable equity interest Direct	Percentage of attributable equity interest Indirect	Principal activities
1	Yilan Longyuan Wind Power Co., Ltd. 依蘭龍源風力發電有限公司	the PRC	293,562	15%	25%	Wind power generation
2	Guodian United Power Technology Co., Ltd. 國電聯合動力技術有限公司	the PRC	1,695,903	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 which adopt the same accounting policy as the Group:

	2012		2011	
	100 per cent *RMB'000*	Group's effective interest *RMB'000*	100 per cent *RMB'000*	Group's effective interest *RMB'000*
Assets	23,769,566	6,805,854	23,160,314	6,487,061
Liabilities	16,340,453	4,678,703	17,610,449	4,932,578
Equity	7,429,113	2,127,151	5,549,865	1,554,483
Revenue	6,744,556	1,788,763	4,548,755	612,594
Profit	528,132	140,069	447,165	60,221

22 OTHER ASSETS

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(restated - note 41)		
Other financial assets:				
Available-for-sale investments, measured at fair value	11,830	10,493	11,830	10,493
Unquoted equity investments in non-listed companies, at cost	699,334	510,180	532,214	343,060
Prepayments for acquisition of businesses	—	482,415	—	482,415
Loans and advances to				
— associates *(note (i))*	50,370	125,580	50,370	58,580
— subsidiaries *(note (i))*	—	—	20,587,080	17,376,440
Others	4,000	6,990	24,000	—
Subtotal	765,534	1,135,658	21,205,494	18,270,988
Deductible VAT *(note (ii))*	3,787,428	3,826,205	—	—
	4,552,962	4,961,863	21,205,494	18,270,988

Notes:

(i) The loans to associates and subsidiaries are designated loans and are unsecured, not past due as at balance sheet dates, and bear interest at the rates of 3.86% to 7.05% per annum for the year ended 31 December 2012 (2011: 4.67% to 6.70%) except for an advance to a subsidiary of RMB2,108,034,000 (2011: RMB2,108,034,000), which are non-interest bearing. The current portion is recorded in other current assets.

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

23 INVENTORIES

The Group

	2012 RMB'000	2011 RMB'000 (restated - note 41)
Coal	366,494	480,382
Fuel oil	3,194	609
Spare parts and others	446,726	444,793
	816,414	925,784

24 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2012 RMB'000	2011 RMB'000 (restated - note 41)	2012 RMB'000	2011 RMB'000
Amounts due from third parties	7,785,972	5,238,138	6,883	3,941
Amounts due from China Guodian Corporation ("Guodian Group")	84	870	—	—
Amounts due from fellow subsidiaries	59,317	188,491	—	24
Amounts due from associates	155,910	16,684	—	980
Amounts due from subsidiaries	—	—	7,494	6,470
	8,001,283	5,444,183	14,377	11,415
Less: allowance for doubtful debts	(3,746)	(14,246)	—	—
	7,997,537	5,429,937	14,377	11,415

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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000 (restated - note 41)*	***RMB'000***	*RMB'000*
Current	**7,996,039**	5,432,121	**14,377**	11,415
Past due within 1 year	**3,852**	5,104	**—**	—
Past due between 1 to 2 years	**1,006**	2,631	**—**	—
Past due between 2 to 3 years	**191**	245	**—**	—
Past due over 3 years	**195**	4,082	**—**	—
	8,001,283	5,444,183	**14,377**	11,415
Less: allowance for doubtful debts	**(3,746)**	(14,246)	**—**	—
	7,997,537	5,429,937	**14,377**	11,415

The Group's trade debtors are mainly wind power and other renewable energy electricity sales receivable from local grid companies. Generally, the debtors are due within 15 - 30 days from the date of billing, except for the tariff premium, representing 15% to 80% of total electricity sales, collected by certain power projects. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local gird companies, which consequently takes a relatively long time for settlement.

24 TRADE DEBTORS AND BILLS RECEIVABLE *(CONTINUED)*

(a) Ageing analysis *(Continued)*

Pursuant to CaiJian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (《可再生能源電價附加補助資金管理暫行辦法》) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, standardized procedures for the settlement of the tariff premium come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 31 December 2012, most of the operating projects have been approved for the tariff premium and certain projects are in the process of applying for the approval.

(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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000* *(restated - note 41)*	***RMB'000***	*RMB'000*
At 1 January	**14,246**	10,839	**—**	—
Impairment losses recognised	**547**	3,429	**—**	—
Reversal of impairment losses	**(6,446)**	(22)	**—**	—
Uncollectible amounts written off	**(4,601)**	—	**—**	—
At 31 December	**3,746**	14,246	**—**	—

24 TRADE DEBTORS AND BILLS RECEIVABLE *(CONTINUED)*

(b) Impairment of trade debtors and bills receivable *(Continued)*

As at 31 December 2012, the Group's trade debtors and bills receivable of RMB3,746,000 (2011 (restated - note 41): RMB14,246,000) 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.

(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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000* *(restated - note 41)*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**7,994,647**	5,426,381	**14,377**	11,415
Past due within 1 year	**2,890**	3,431	**—**	—
Past due over 1 year	**—**	125	**—**	—
	7,997,537	5,429,937	**14,377**	11,415

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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000* *(restated - note 41)*	***RMB'000***	*RMB'000*
Loans and advances to *(note (i))*:				
— subsidiaries	**—**	—	**15,042,325**	16,683,536
— associates and jointly controlled entities	**181,798**	736,775	**16,420**	8,210
— Guodian Group	**5,323**	3,871	**4,931**	3,871
— fellow subsidiaries	**251,485**	74,970	**—**	23,000
— third parties	**172,941**	213,721	**—**	—
Government grant and CERs receivables	**834,735**	702,461	**—**	—
Dividend receivable from				
— subsidiaries	**—**	—	**2,025,918**	1,554,393
— associates	**146,779**	15,183	**141,333**	15,183
— fellow subsidiaries	**—**	17,605	**—**	17,605
Deductible VAT *(note 22(ii))*	**1,367,708**	918,756	**—**	—
Prepayments and others	**252,127**	273,220	**25,692**	7,116
	3,212,896	2,956,562	**17,256,619**	18,312,914
Less: allowance for doubtful debts	**(57,468)**	(57,875)	**(2,202)**	(2,202)
	3,155,428	2,898,687	**17,254,417**	18,310,712

Note:

(i) Interest bearing loans and advances of the Group amounted to RMB75,053,000 with annum interest rates of 4.98% to 6.80% as at 31 December 2012 (2011: RMB45,210,000, 5.85% to 6.56%).

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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000* *(restated - note 41)*	***RMB'000***	*RMB'000*
At 1 January	**57,875**	54,509	**2,202**	2,202
Impairment losses recognised	**1,170**	3,832	**—**	—
Reversal of impairment losses	**(746)**	(466)	**—**	—
Uncollectible amounts written off	**(831)**	—	**—**	—
At 31 December	**57,468**	57,875	**2,202**	2,202

The Group's prepayments and other current assets of RMB57,468,000 as at 31 December 2012 (2011 (restated - note 41): RMB57,875,000) 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

	2012 RMB'000	2011 RMB'000
Listed equity securities at fair value — in Hong Kong	301,737	406,041

27 RESTRICTED DEPOSITS

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

28 CASH AT BANK AND ON HAND

	The Group		The Company	
	2012 RMB'000	2011 RMB'000 (restated - note 41)	2012 RMB'000	2011 RMB'000
Cash on hand	1,518	1,015	300	182
Cash at bank and other financial institutions	5,136,066	3,707,175	3,713,245	2,616,395
	5,137,584	3,708,190	3,713,545	2,616,577
Representing:				
— Cash and cash equivalents	5,080,718	3,358,190	3,713,545	2,266,577
— Time deposits with original maturity over three months	56,866	350,000	—	350,000
	5,137,584	3,708,190	3,713,545	2,616,577

29 BORROWINGS

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000* *(restated - note 41)*	***RMB'000***	*RMB'000*
Bank loans				
— Secured	**7,933,099**	5,875,357	**—**	—
— Unsecured	**12,742,963**	13,614,509	**5,132,660**	5,288,400
Loans from other financial institutions				
— Secured	**2,400,970**	2,400,970	**2,400,970**	2,400,970
Loans from Guodian Group				
— Unsecured	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Loans from fellow subsidiaries				
— Unsecured	**940,000**	200,000	**350,000**	—
Other borrowings *(note 29(e)(i))*				
— Secured	**6,960,442**	6,953,070	**6,960,442**	6,953,070
— Unsecured	**3,523,510**	3,520,764	**2,585,239**	2,580,610
	35,500,984	33,564,670	**18,429,311**	18,223,050
Less: Current portion of long-term borrowings *(note 29(b))*				
— Bank loans	**(2,332,770)**	(1,736,549)	**(634,000)**	(294,510)
— Other borrowings	**(686,073)**	—	**—**	—
	32,482,141	31,828,121	**17,795,311**	17,928,540

As at 31 December 2012, the Group's loans and borrowings guaranteed by Guodian Group amounted to RMB9,751,808,000 (2011: RMB9,769,971,000).

29 BORROWINGS *(CONTINUED)*

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000* *(restated - note 41)*	***RMB'000***	*RMB'000*
Bank loans				
— Secured	**2,524,375**	1,811,520	**—**	—
— Unsecured	**10,579,123**	7,015,991	**5,430,000**	4,120,000
Loans from other financial institutions and others				
— Unsecured *(note (i))*	**41,000**	2,520,699	**—**	2,479,699
Loans from Guodian Group				
— Unsecured	**3,500,000**	2,335,000	**3,500,000**	2,285,000
Loans from fellow subsidiary				
— Unsecured	**1,511,000**	2,656,630	**370,000**	200,000
Other borrowings *(note 29(e)(ii)(iii))*				
— Secured	**400,000**	400,000	**—**	—
— Unsecured	**4,593,988**	600,000	**3,993,988**	—
Loan from government				
— Unsecured	**1,636**	1,818	**—**	—
Current portion of long-term borrowings *(note 29(a))*				
— Bank loans	**2,332,770**	1,736,549	**634,000**	294,510
— Other borrowings	**686,073**	—	**—**	—
	26,169,965	19,078,207	**13,927,988**	9,379,209

Note:

(i) The Group had unpaid loans of RMB40,000,000 as at 31 December 2012 (2011: RMB40,000,000). These unpaid loans represent loans borrowed by a subsidiary, China Fulin Wind Power Engineering Co., Ltd., from third parties.

29 BORROWINGS *(CONTINUED)*

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

	The Group		The Company	
	2012	2011 *(restated - note 41)*	**2012**	2011
Long-term				
Bank loans	**3.79%~7.05%**	4.29%~7.40%	**5.90%~7.05%**	5.53%~ 6.70%
Other borrowings	**4.67%~6.06%**	4.67%~6.56%	**4.67%~6.56%**	4.67%~6.56%
Loans from Guodian Group	**3.86%**	4.16%	**3.86%**	4.16%
Loans from fellow subsidiaries	**3.86%~5.99%**	3.86%~5.99%	**5.99%**	—
Short-term				
Bank loans	**3.40%~6.56%**	4.12%~6.56%	**5.04%~ 6.89%**	5.68%~ 6.56%
Loans from other financial institutions	**—**	5.45%~6.31%	**—**	5.45%~ 6.31%
Other borrowings	**4.71%~5.90%**	4.35%~5.22%	**5.50%~5.90%**	—
Loans from Guodian Group	**4.24%**	4.24%	**4.24%**	4.24%
Loans from fellow subsidiaries	**5.40%~6.22%**	3.86%~6.56%	**5.40%**	5.68%
Loan from government	**2.55%**	2.55%	**—**	—

29 BORROWINGS *(CONTINUED)*

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated - note 41)		
Within 1 year or on demand	**3,018,843**	1,736,549	**634,000**	294,510
After 1 year but within 2 years	**4,868,831**	3,779,474	**1,756,045**	335,000
After 2 years but within 5 years	**15,466,630**	13,905,358	**10,737,891**	9,019,299
After 5 years	**12,146,680**	14,143,289	**5,301,375**	8,574,241
	35,500,984	33,564,670	**18,429,311**	18,223,050

(e) Significant terms of other borrowings

The Group

	2012	2011
	RMB'000	*RMB'000*
Long-term		
Corporate bonds *(note (i))*	**10,483,952**	10,473,834
Short-term		
Debentures *(note (ii))*	**1,000,000**	1,000,000
Corporate bonds *(note (iii))*	**3,993,988**	—

29 BORROWINGS *(CONTINUED)*

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

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.

(ii) On 24 August 2012, Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司) issued short-term debentures of RMB600 million at par with a maturity period of 365 days in the PRC inter-bank debenture market. The effective interest rate of the debentures is 4.71%.

On 16 November 2012, Nantong Tianshenggang Power Generating Co., Ltd. (南通天生港發電有限公司) issued short-term debentures of RMB400 million 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 4.92%.

29 BORROWINGS *(CONTINUED)*

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

Notes: (Continued)

(iii) On 30 March 2012, the Company issued a one-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 5.50% per annum, and a three-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 5.90% per annum. Because the three-year unsecured corporate bond is redeemable after one year of issuance at the option of either the Company or the bond holders, the Group recorded it as a current liability.

30 TRADE CREDITORS AND BILLS PAYABLE

The Group

	2012 *RMB'000*	2011 *RMB'000*
Bills payable	874,966	889,560
Creditors and accrued charges	262,349	456,956
Amounts due to associates	—	244,000
Amounts due to fellow subsidiaries	123,690	6,484
	1,261,005	1,597,000

The Company

	2012 *RMB'000*	2011 *RMB'000*
Bills payable	—	378,500
Creditors and accrued charges	252	108
Amounts due to associates	—	125,000
	252	503,608

As at 31 December 2012 and 2011, all trade creditors and bills payable are payable and expected to be settled within one year.

31 OTHER PAYABLES

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	*RMB'000* *(restated - note 41)*	*RMB'000*	*RMB'000*
Payables for acquisition of property, plant and equipment	5,001,823	5,763,295	231,552	791,278
Payables for staff related costs	210,762	163,313	58,593	43,307
Payables for other taxes	149,240	156,879	4,280	9,600
Dividends payable	423,176	340,361	—	—
Receipts in advance	151,830	187,580	17,736	576
Amounts due to subsidiaries *(note (i))*	—	—	3,923,659	3,918,799
Amounts due to associates and jointly controlled entities *(note (i))*	1,092,337	1,029,839	—	—
Amounts due to fellow subsidiaries *(note (i))*	567,097	651,975	181,414	3,157
Amounts due to Guodian Group *(note (i))*	86,872	67,708	440	39,708
Other accruals and payables	841,981	642,600	268,126	234,064
	8,525,118	9,003,550	4,685,800	5,040,489

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.

32 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

The Group

	2012	2011
	RMB'000	*RMB'000*
Net tax payable at 1 January	**85,254**	175,689
Provision for the year *(note 8(a))*	**445,375**	290,999
Over provision in respect of prior years *(note 8(a))*	**(86,701)**	(10,842)
Income tax paid	**(470,951)**	(370,592)
Net tax payable at 31 December	**(27,023)**	85,254
Representing:		
Tax payable	**118,860**	157,557
Tax recoverable	**(145,883)**	(72,303)
	(27,023)	85,254

32 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 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
At 1 January 2012	24,371	23,799	1,425	28,744	102,488	180,827
Credited/(charged) to profit or loss	(1,350)	(16,523)	(1,425)	17,747	14,938	13,387
At 31 December 2012	23,021	7,276	—	46,491	117,426	194,214

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 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)
At 1 January 2012	(1,976)	(35,840)	(62,734)	(100,550)
Credited to profit or loss	—	1,528	1,666	3,194
Charged to reserves	(335)	—	—	(335)
At 31 December 2012	(2,311)	(34,312)	(61,068)	(97,691)

32 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(CONTINUED)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses and certain provision for impairment of assets of RMB1,472,719,000 as at 31 December 2012 (2011 (restated - note 41): RMB1,175,881,000) 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 years ending 31 December 2013, 2014, 2015, 2016 and 2017 are RMB159,403,000, RMB343,639,000, RMB404,492,000, RMB163,662,000 and RMB339,340,000 respectively.

The cumulative tax losses and provision for impairment of assets of the Company not recognised as deferred tax asset are RMB827,087,000 as at 31 December 2012 (2011: RMB805,507,000). The tax losses that will expire in the year ending 31 December 2013, 2014, 2015, 2016 and 2017 are RMB145,551,000, RMB320,283,000, RMB291,021,000, RMB nil and RMB 70,232,000 respectively.

(d) Deferred tax liability not recognised

At 31 December 2012, taxable temporary differences relating to undistributed profits and surplus reserves of subsidiaries and associates and jointly controlled entities amounted to RMB5,246,850,000 (2011 (restated-note 41): RMB4,528,875,000). 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.

33 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.

34 DEFERRED INCOME

The Group

	2012 *RMB'000*	2011 *RMB'000*
At 1 January	**1,992,723**	2,225,456
Additions	**74,965**	82,943
Disposal	**—**	(132,476)
Credited to profit or loss	**(164,523)**	(183,200)
At 31 December	**1,903,165**	1,992,723

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.

35 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent long-term retention payables for purchase of wind turbines, among which RMB244,482,000 (2011 (restated-note 41): RMB213,972,000) is due to an associate of the Group.

36 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 36(c))*	Capital reserve *RMB'000* *(note 36(d)(i))*	Statutory surplus reserve *RMB'000* *(note 36(d)(ii))*	Fair value reserve *RMB'000* *(note 36(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

36 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

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

	Share capital *RMB'000* *(note 36(c))*	Capital reserve *RMB'000* *(note 36(d)(i))*	Statutory surplus reserve *RMB'000* *(note 36(d)(ii))*	Fair value reserve *RMB'000* *(note 36(d)(iv))*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2012	7,464,289	12,233,055	148,171	(6,183)	1,325,207	21,164,539
Change in equity for 2012:						
Profit for the year	–	–	–	–	1,967,917	1,967,917
Other comprehensive income	–	–	–	1,002	–	1,002
Total comprehensive income for the year	–	–	–	1,002	1,967,917	1,968,919
Issuance of shares upon placing, net of issuing costs	572,100	1,723,273	–	–	–	2,295,373
Appropriation	–	–	126,982	–	(126,982)	–
Dividends to shareholders of the Company	–	–	–	–	(515,215)	(515,215)
At 31 December 2012	8,036,389	13,956,328	275,153	(5,181)	2,650,927	24,913,616

36 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Dividends

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

	2012 *RMB'000*	2011 *RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.0637 per share (2011: RMB0.069)	511,918	515,215

The directors of the company resolved on 25 March 2013 that a dividend of RMB0.0637 per share is to be distributed to the shareholders for 2012, 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

	2012 *RMB'000*	2011 *RMB'000*
Final dividend in respect of the financial year ended 31 December 2011, approved during the year, of RMB0.069 per share (year ended 31 December 2010:RMB0.054 per share)	515,215	403,072

36 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(c) Share capital

	The Group and the Company	
	2012	2011
	RMB'000	*RMB'000*
Issued and fully paid:		
4,696,360,000 (2011: 4,753,570,000) domestic state-owned ordinary shares of RMB1.00 each	**4,696,360**	4,753,570
3,340,029,000 (2011: 2,710,719,000) H shares of RMB1.00 each	**3,340,029**	2,710,719
	8,036,389	7,464,289

In December 2012, the Company issued 572,100,000 H shares with a par value of RMB1.00, at the placing price of HK$5.08 per share. In accordance with relevant government rules, 57,210,000 domestic state-owned shares of RMB1.00 per share owned by Guodian Group and Guodian Northeast Electric Power Co., Ltd. ("Guodian Northeast") were converted into H shares and subsequently transferred to National Council for Social Security Fund of the PRC in connection with the placing.

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

36 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 and the placing of new H shares in December 2012.

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, and the capital reserve as a result of acquisition of businesses under common control.

(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(y).

36 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

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

(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(i) and 2(v).

(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 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company is RMB2,650,927,000 (2011: RMB1,325,207,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.0637 per share (2011: RMB0.069), amounting to RMB511,918,000 (2011: RMB515,215,000) (note 36(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.

36 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(f) Capital management *(Continued)*

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 2012 is 60% (2011: 61%).

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.

37 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 82% of the Group's total trade debtor and bills receivable as at 31 December 2012 (2011: 72%). 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.

37 FINANCIAL INSTRUMENTS *(CONTINUED)*

(a) Credit risk *(Continued)*

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 39(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 39(a).

(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 2012, the Group has unutilised banking facilities of RMB770,500,000. The Group also signed several strategic cooperative framework agreements with PRC banks with unutilised credit lines of RMB158,520,443,521 as at 31 December 2012. 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.

37 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 2012						
Long-term borrowings *(note 29(a))*	32,482,141	42,172,221	1,769,164	6,762,243	17,999,905	15,640,909
Short-term borrowings *(note 29(b))*	26,169,965	27,022,455	27,022,455	–	–	–
Trade creditors and bills payable *(note 30)*	1,261,005	1,261,005	1,261,005	–	–	–
Other payables *(note 31)*	8,373,288	8,373,288	8,373,288	–	–	–
	68,286,399	78,828,969	38,425,912	6,762,243	17,999,905	15,640,909
31 December 2011 (restated - note 41)						
Long-term borrowings *(note 29(a))*	31,828,121	41,542,570	1,970,853	5,425,586	17,728,609	16,417,522
Short-term borrowings *(note 29(b))*	19,078,207	19,563,763	19,563,763	–	–	–
Trade creditors and bills payable *(note 30)*	1,597,000	1,597,000	1,597,000	–	–	–
Other payables *(note 31)*	8,815,970	8,815,970	8,815,970	–	–	–
	61,319,298	71,519,303	31,947,586	5,425,586	17,728,609	16,417,522

37 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 2012						
Long-term borrowings *(note 29(a))*	17,795,311	21,900,630	932,989	2,678,769	12,189,771	6,099,101
Short-term borrowings *(note 29(b))*	13,927,988	14,157,363	14,157,363	—	—	—
Trade creditors and bills payable *(note 30)*	252	252	252	—	—	—
Other payables *(note 31)*	4,668,064	4,668,064	4,668,064	—	—	—
	36,391,615	40,726,309	19,758,668	2,678,769	12,189,771	6,099,101
31 December 2011						
Long-term borrowings *(note 29(a))*	17,928,540	23,985,765	1,245,166	1,307,697	11,464,125	9,968,777
Short-term borrowings *(note 29(b))*	9,379,209	9,658,533	9,658,533	—	—	—
Trade creditors and bills payable *(note 30)*	503,608	503,608	503,608	—	—	—
Other payables *(note 31)*	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

37 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 2012 and 2011, 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 29.

The Group

	2012 ***RMB'000***	2011 *RMB'000* *(restated - note 41)*
Net fixed rate borrowings/(lendings):		
Borrowings	**30,547,858**	30,299,172
Less: Loans and advances	**(75,053)**	(23,000)
Bank deposits (including restricted deposits)	**(636,588)**	(350,000)
	29,836,217	29,926,172
Net floating rate borrowings/(lendings):		
Borrowings	**28,104,248**	20,607,156
Less: Loans and advances	**—**	(22,210)
Other financial assets *(note 22(i))*	**(50,370)**	(125,580)
Bank deposits (including restricted deposits)	**(4,731,008)**	(3,388,916)
	23,322,870	17,070,450
Total net borrowings	**53,159,087**	46,996,622

37 FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Interest rate risk *(Continued)*

The Company

	2012	2011
	RMB'000	*RMB'000*
Net fixed rate borrowings/(lendings):		
Borrowings	**17,369,669**	21,819,349
Less: Loans and advances	**(5,500,000)**	(2,285,000)
Designated loans *(note 22(i))*	**(14,409,000)**	(12,071,978)
Bank deposits (including restricted deposits)	**(579,722)**	(350,000)
	(3,119,053)	7,112,371
Net floating rate borrowings/(lending):		
Borrowings	**14,353,630**	5,488,400
Less: Loans and advances	**(7,301,020)**	(10,270,822)
Designated loans *(note 22(i))*	**(4,120,416)**	(3,255,008)
Bank deposits (including restricted deposits)	**(3,145,483)**	(2,277,993)
	(213,289)	(10,315,423)
Total net lendings	**(3,332,342)**	(3,203,052)

At 31 December 2012, 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 RMB170,143,000 (2011 (restated-note 41): RMB128,499,000).

37 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 Hong Kong dollars 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.

37 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)*					
	2012			2011		
	HKD	*USD*	*EUR*	*HKD*	*USD*	*EUR*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	2,355,278	123,211	91	180,464	8,549	46,738
Trade debtors	–	–	410,501	–	–	253,162
Other current assets	–	–	735,361	–	–	704,582
Short-term borrowings	(391,037)	(346,064)	–	(48,642)	(26,774)	(1,793)
Long-term borrowings	–	(430,394)	(14,616)	–	(809,495)	(14,344)
Net exposure	1,964,241	(653,247)	1,131,337	131,822	(827,720)	988,345

The Company

	Exposure to foreign currencies *(expressed in RMB)*					
	2012			2011		
	HKD	*USD*	*EUR*	*HKD*	*USD*	*EUR*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents/net exposure	2,314,718	58	90	180,464	63	89

37 FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk *(Continued)*

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

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

	Average rate		Reporting date spot rate	
	2012	2011	**2012**	2011
HKD	**0.8136**	0.8308	**0.8108**	0.8107
USD	**6.3108**	6.4618	**6.2855**	6.3009
EUR	**8.1423**	8.4845	**8.3176**	8.1625

A 5% strengthening of RMB against the following currencies as at 31 December 2012 and 2011 would have increased/(decreased) the net profit and retained profit by the amount shown below.

The Group

	2012	2011
	RMB'000	*RMB'000*
HKD	**(101,058)**	(4,919)
USD	**23,881**	31,288
EUR	**(62,866)**	(45,560)
	(140,043)	(19,191)

37 FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk *(Continued)*

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

A 5% weakening of RMB against the above currencies as at 31 December 2012 and 2011 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.

37 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 2012 and 2011, 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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trading securities	**301,737**	406,041	**—**	—
Available-for-sale investments	**11,830**	10,493	**11,830**	10,493
	313,567	416,534	**11,830**	10,493

37 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 2012 and 2011 except as follows:

The Group

	2012		2011	
	Carrying amount *RMB'000*	Fair value *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Corporate bonds	9,797,879	9,754,650	10,473,834	10,465,613
Fixed rate long-term loans	5,255,267	4,934,007	5,227,525	4,858,459
	15,053,146	14,688,657	15,701,359	15,324,072

The Company

	2012		2011	
	Carrying amount *RMB'000*	Fair value *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Corporate bonds	9,545,681	9,494,994	9,533,680	9,524,685
Fixed rate long-term loans	3,400,970	3,350,391	3,400,970	3,304,830
	12,946,651	12,845,385	12,934,650	12,829,515

37 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.

38 COMMITMENTS

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**16,957,609**	12,027,981	**18,467**	10,658
Authorised but not contracted for	**34,393,935**	30,091,286	**3,858,463**	3,068,674
	51,351,544	42,119,267	**3,876,930**	3,079,332

38 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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**1,267**	1,764	**—**	—
After 1 year but within 5 years	**5,169**	5,133	**—**	—
After 5 years	**5,031**	6,333	**—**	—
	11,467	13,230	**—**	—

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.

39 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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Subsidiaries	**—**	—	**824,620**	786,806
Associates and jointly controlled entities	**69,174**	76,116	**69,174**	76,116
	69,174	76,116	**893,794**	862,922

(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 2012, the balance counter-guaranteed by the Company amounted to RMB29,320,000 (2011: RMB33,000,000). The directors of the Company are of the opinion that the likelihood of the bank loans repayment default 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.

40 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 note 36(b), the principal transactions which were carried out in the ordinary course of business are as follows:

	2012 *RMB'000*	2011 *RMB'000* *(restated-note 41)*
Sales of goods and provide service to		
Guodian Group	**1,499**	2,894
Fellow subsidiaries	**366,010**	444,562
Associates and jointly controlled entities	**20,621**	333,703
Purchase of goods and receive service from		
Fellow subsidiaries	**903,542**	311,763
Associates and jointly controlled entities	**1,794,470**	1,859,324
Working capital received from/(provided to)		
Fellow subsidiaries	**(54,781)**	58,254
Associates and jointly controlled entities	**(623,757)**	327,334
Loan guarantees provided/(revoked) by		
Guodian Group	**(18,163)**	5,306,906
Loan guarantees revoked to		
Associates and jointly controlled entities	**(6,942)**	(6,342)

40 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	2012 *RMB'000*	2011 *RMB'000* *(restated-note 41)*
Loans provided to/(repayment from)		
Fellow subsidiaries	—	23,000
Associates and jointly controlled entities	(6,431)	63,305
Loans repayment to/(received from)		
Guodian Group	(1,165,000)	715,000
Fellow subsidiaries	405,630	(2,656,630)
Interest expenses		
Guodian Group	152,900	160,621
Fellow subsidiaries	114,685	94,464
Interest income		
Fellow subsidiaries	2,695	7,275
Associates and jointly controlled entities	8,316	5,328
Deposits placed with/(withdrawn from)		
Fellow subsidiaries	94,656	(1,631,565)
Acquisition of businesses from		
Guodian Group	190,308	—
Fellow subsidiaries	1,316,965	10,788
Investments in		
Fellow subsidiaries (unquoted equity investment)	189,154	134,614
Associates and jointly controlled entities	592,357	419,800
Disposal of investments in		
Fellow subsidiaries (unquoted equity investment)	—	337,281

40 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMB 142,764,000 as at 31 December 2012 (2011 (restated - note 41): RMB48,108,000. Details of the other outstanding balances with related parties are set out in notes 22, 24, 25, 29, 30, 31, and 35.

(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.

40 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure as other state-controlled entities transactions:

	2012	2011
	RMB'000	*RMB'000*
		(restated-note 41)
Sales of electricity	**12,404,282**	10,695,461
Sales of other products	**833,719**	758,426
Interest income	**53,564**	124,010
Interest expenses	**3,061,102**	1,412,744
Loans received/(repaid)	**7,311,164**	(4,061,660)
Deposits placed with/(withdraw from)	**1,095,519**	(959,202)
Purchase of materials and receiving construction service	**4,434,057**	5,805,156
Service concession construction revenue	**518,519**	793,129

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

	2012	2011
	RMB'000	*RMB'000*
		(restated-note 41)
Receivables from sales of electricity	**6,411,075**	3,972,341
Receivables from sales of other products	**58,679**	80,484
Bank deposits (including restricted deposits)	**4,290,414**	3,194,895
Borrowings	**35,536,200**	28,225,036
Payable for purchase of materials and receiving construction work service	**1,039,918**	2,033,846

(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:

	2012 ***RMB'000***	2011 *RMB'000*
Salaries and other emoluments	**1,495**	2,571
Discretionary bonus	**4,903**	5,237
Retirement scheme contributions	**510**	641
	6,908	8,449

(e) Contributions to 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.

(f) Commitment with related parties

	2012 ***RMB'000***	2011 *RMB'000*
Sales commitment with		
Guodian Group	**—**	3,360
Fellow subsidiaries	**2,530**	36,113
Associates and jointly controlled entities	**4,673**	4,877
Capital commitment with		
Associates and jointly controlled entities	**546,148**	405,365
Other commitment with		
Guodian Group	**—**	85,639
Fellow subsidiaries	**—**	939,219
Associates and jointly controlled entities	**158,000**	630,000

40 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the sales and purchase of goods, provide and receive service to and from Guodian Group and its subsidiaries, loans from and deposits placed with Guodain Group and its subsidiaries in note 40(a) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section connected transactions of the Director's Report of the Group for the year ended 31 December 2012.

41 ACQUISITION OF BUSINESSES

On 7 November 2011, the Company entered into several equity transfer agreements and an assets transfer agreement with Guodian Group and certain subsidiaries of Guodian Group. Pursuant to the equity transfer agreements and the assets transfer agreement, the Company acquired equity interests and assets held by Guodian Group and its subsidiaries in the wind power business and the biomass power business (the "Acquired Businesses") at a cash consideration of approximately RMB1,507,273,000. Details of the Acquired Businesses are as follows:

Business name	Acquisition date	Percentage of interest acquired
Guodian Shanxi Jieneng Youyu Wind Power Co., Ltd.	5 January 2012	100%
Guodian Wuchuan Hongshan Wind Power Co., Ltd.	5 January 2012	100%
Guodian Xinjiang Alashankou Wind Power Co., Ltd.	25 April 2012	70%
Guodian Chifeng Wind Power Plant	30 April 2012	100%
Guodian Jiansanjiang Qianjin Biomass Power Co., Ltd.	5 January 2012	100%
Guodian Youyi Biomass Power Co., Ltd.	5 January 2012	100%
Guodian Tangyuan Biomass Power Co., Ltd.	5 January 2012	60%
Guodian Liaocheng Biomass Power Co., Ltd.	5 January 2012	52%

41 ACQUISITION OF BUSINESSES *(CONTINUED)*

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

	The Group (as previously reported) *RMB'000*	Acquired Business *RMB'000*	Elimination *RMB'000*	The Group (as restated) *RMB'000*
Results of operations for the year ended 31 December 2011:				
Operating profit	5,036,403	66,657	—	5,103,060
Profit for the year	3,304,493	(83,905)	—	3,220,588
Profit attributable to:				
— Shareholders of the Company	2,637,989	(59,699)	—	2,578,290
— Non-controlling interests	666,504	(24,206)	—	642,298
Basic and diluted earnings per share *(RMB cents)*	35.34	(0.80)	—	34.54
Balance sheet as at 31 December 2011:				
Non-current assets	77,132,523	4,018,813	—	81,151,336
Current assets	12,974,307	521,376	(23,000)	13,472,683
Current liabilities	26,345,362	3,527,768	(36,816)	29,836,314
Non-current liabilities	33,895,817	566,671	—	34,462,488
Total equity attributable to the shareholders of the Company	25,490,208	445,750	(27,367)	25,908,591
Non-controlling interests	4,375,443	—	41,183	4,416,626

(ii) The carrying amount of aggregate assets and liabilities at the date of acquisition are as follows

	Acquired Businesses *RMB'000*
Net assets as at the acquisition date	
Non-current assets	4,055,029
Current assets	541,739
Current liabilities	(3,621,112)
Non-current liabilities	(534,810)
Net assets	440,846

At the date of acquisition, the cash and cash equivalents held by the Acquired Businesses amounted to RMB63,620,000.

42 SENIOR PERPETUAL SECURITIES

On 7 December 2012, a subsidiary of the Company (the "Issuer") issued US$400,000,000 senior perpetual securities at initial interest rate of 5.25% ("Senior Perpetual Securities"). The Senior Perpetual Securities were issued for general corporate funding purposes to develop and expand the Group's new energy businesses and for the Group's working capital needs. Coupon payments of 5.25% per annum on the Senior Perpetual Securities are paid semi-annually in arrears from 7 June 2013 and may be deferred at the discretion of the Group. The Senior Perpetual Securities have no fixed maturity and are callable at the Group's option on or after 7 December 2015 at their principal amounts together with any accrued, unpaid or deferred coupon interest payments. After 7 December 2015, the coupon rate will be reset to a percentage per annum equal to the sum of (a) the initial spread of 4.912 per cent., (b) the U.S. Treasury Rate and (c) a margin of 5.00 per cent. per annum. While any coupon interest payments are unpaid or deferred, the Group cannot declare or pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

The Company and Guodian Group each issued a Company Keepwell Deed and a Company Equity Interest Purchase Undertaking to the trustee of the Senior Perpetual Securities. Under the Company Equity Interest Purchase Undertaking, the Company and Guodian agrees that, subject to obtaining all necessary approvals, consents, licenses, orders, permits and any other authorisations from the relevant approval authorities, purchase the equity interests of certain of the direct or indirect PRC-incorporated subsidiaries of the Issuer upon receiving a purchase notice from the trustee.

43 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.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 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
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
Amendments to IFRS 7, *Financial instruments: Disclosures - Offsetting financial assets and financial liabilities*	1 January 2013
Annual improvements to IFRSs 2009-2011 Cycle	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 *(CONTINUED)*

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.

45 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.

46 SUBSEQUENT EVENT

The Company issued a debt financing instrument on 21 February 2013. The total issuance amount of the debt financing instrument is RMB5 billion with a maturity period of one year at a coupon rate of 4.5% per annum.

Glossary of Terms

"Articles of Association"	articles of association of the Company
"attributable installed capacity" or "attributable installed capacity under construction"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies or individual projects under one project company in which we have an interest in proportion to the level of our ownership in each of those companies. It is calculated by multiplying our percentage ownership in each project company in which we have an interest, whether or not such interest is a controlling interest, by its total installed capacity or total capacity under construction (as the case may be). Both attributable installed capacity and attributable installed capacity under construction include the capacity of both our subsidiaries and associated companies but only to the extent of our equity ownership
"availability factor"	the amount of time that a wind turbine or a power plant is able to produce electricity over a certain period, divided by the amount of time in such period
"average utilisation hours"	the consolidated gross power generation in a specified period (in MWh or GWh) divided by the average consolidated installed capacity in the same period (in MW or GW)
"biomass"	plant material, vegetation, or agricultural waste used as a fuel or energy source
"Board"	the board of directors of the Company
"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
"GDPD"	國電電力發展股份有限公司(GD Power Development Co., Ltd)
"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)
"Guodian Tech"	國電科技環保集團股份有限公司(Guodian Technology & Environment Group Corporation Limited)
"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
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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)
"regions not subject to grid curtailment"	Regions excluding Heilongjiang Province, Jilin Province, Liaoning Province, Inner Mongolia Autonomous Region and Gansu
"renewable energy sources"	sustainable sources that are regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council
"United Power"	Guodian United Power Technology Co., Ltd.
"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

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

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* *For identification purposes only*

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龍源電力集團股份有限公司

China Longyuan Power Group Corporation Limited*