



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



2015 ANNUAL REPORT

* For identification purpose only

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CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2015, the business environment was severe and complex. Under the strong leadership of the Board and under the guide of the management team, the Company, with the goal of becoming a world first-class company, thoroughly implemented the “One, Five and Five” core strategy (“一五五”核心戰略) of Guodian Group with reform and innovation as its key drivers. It solidly proceeded with the “double enhancement” (“雙提升”) and proactively adapted to the new normality, striving to achieve a quality, efficient and sustainable development.

As at the end of 2015, the consolidated installed capacity of the Company reached 17,950MW, among which, the consolidated installed capacity of wind power reached 15,765MW, making the Company the world's largest wind power operator. In 2015, despite the decline in wind resources and aggravated grid curtailment in the second half year, wind power output for the year reached 25.709 billion kWh, representing an increase of 2.621 billion kWh year-on-year. The Company recorded a profit before taxation of RMB4,676 million, representing an increase of 15.3% year-on-year. Net profit attributable to equity holders of the Company amounted to RMB2,881 million, representing an increase of 12.8% from 2014, the highest level in recent years. The Company obtained approvals for wind power projects with installed capacity of 2,628MW in 2015, including new wind power projects with installed capacity of 2,222MW, reaching the historically highest level. In 2015, Standard and Poor's Corporation, an international renowned rating agency, upgraded the corporate credit rating of the Company from BBB+ to A-, currently the highest rating among comparable listed new energy companies in the world.

2016 heralds the start of China's "Thirteenth Five-Year Plan" and is year full of hope. New normality presents new opportunities and a new starting point initiates a new journey. Led by the "five main development ideas", we, following the main line of innovative management and development, will keep up with the national strategic deployment of energy. On the occasion of the new round of power system reform, we will do our utmost in the operation, management and development of the Company to build it into an innovative, management and benefits-oriented enterprise. We will accelerate the pace of building a world first-class listed new energy company to make more contributions in terms of coping with global climate change and building ecological civilization and a beautiful China.

乔保平

Chairman of the Board
Qiao Baoping



PRESIDENT'S STATEMENT

Dear Shareholders,

From a long-term perspective of national energy security and sustainable development, the trend of energy development through transformation featured by vigorous development of new energy is irreversible and the national determination for development of new energy is firm and long term. In March 2015, the CCP Central Committee and the State Council published the Several Opinions on Further Deepening Power System Reform (《關於進一步深化電力體制改革若干意見》), specifying the basic principle and objective of adherence to energy conservation and emission reduction and promotion of energy structure optimisation to increase the proportion of renewable energy power generation in power supply; in November 2015, the NDRC issued six core supporting documents on system reform, of which the Opinions on Implementation of Orderly Release of Power Generation and Utilisation (《關於有序放開發用電計劃的實施意見》) further specified preferential arrangement of guaranteed power generation with renewable energy including wind power and solar power. These are favourable national policies supporting the development of new energy.

In 2015, under the strong leadership of the Board, the Group earnestly followed and implemented the spirits of the Working Conferences held at the beginning and middle of the year respectively and took initiatives to accommodate the new normality. In adherence to the “eight focuses” (“八個注重”) and in pursuit of the “four first-classes” (“四個一流”), the Group carried out the activity of “year for improvement of normalized and standardized management” in a deep-going way, strengthened the operation and management, deepened reform and innovation and advanced each work in a steady manner, thus maintaining a sound operation and development trend.



FAVORABLE PRODUCTION AND OPERATION RESULT

In 2015, through a number of measures for taping corporate profit potentials, the Group achieved consolidated operating revenue for the year amounting to RMB19,649 million, representing a year-on-year increase of 7.8%. Net profit attributable to equity holders of the Company amounted to RMB2,881 million, representing an increase of 12.8% from 2014. The earnings per share amounted to RMB35.84 cents. As at the end of 2015, the total annual assets amounted to RMB133,473 million, among which its net assets amounted to RMB44,533 million and its net gearing ratio was 61.71%.

LEADING POSITION IN UTILISATION HOURS OF WIND POWER

Against the sharp decline in wind resources and aggravated grid curtailment in the second half year of 2015, the Group reinforced the benchmarking of power generation, thoroughly boosted “lean maintenance” of equipment and carried out difference rate management of utilization hours in an all-round way. An annual cumulative wind power of 25,709 million kWh was generated, representing an increase of 11.35% year-on-year, and the utilisation hours of wind power reached 1,888 hours, 160 hours higher than the industry average.



SUSTAINED GROWTH IN INSTALLED CAPACITY

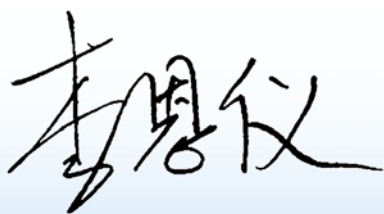
In 2015, in order to cope with the declining price policy for wind power, the Group constructed a batch of high quality wind power projects in a fast-paced manner. The newly installed wind power capacity of the Group reached 2,222 MW, reaching the historically highest level. As at the end of 2015, the consolidated installed capacity of the Group reached 17,950 MW, of which the wind power installed capacity was 15,765 MW, ranking the first in the world.

SUSTAINED ENHANCEMENT OF DEVELOPMENT QUALITY

Through optimising project development layout, maximizing the effort input for the preliminary works and intensifying assessment of preliminary work, the Group obtained approvals for wind power projects with installed capacity of 2,628 MW in 2015, 87% capacity of which were located in the regions not subject to grid curtailment(非限電地區), further enhancing the quality of its development.



We would like to extend our sincere gratitude to each shareholder for your tremendous support. Looking forward to the next year, we will further accelerate the establishment of an international first-class listed new energy company with the focus on the following aspects: I. To strengthen operation of stock assets with the “double enhancement” as the focus. Through in-depth promotion of “double enhancement”, we will consolidate the foundation of safe production and cope with the grid curtailment with all our strength. A complete model system for economic operation management and control will be established to intensify assets operation and management; II. To optimise the development of earned assets with economic benefit as the centre. Steady efforts will be made in development of high quality resources while enhancing the quality of preliminary work. We will endeavour to improve the management and control of project progress to build high quality projects. In addition, we will also proactively explore and study the application and management model for new wind power technologies; III. To deepen system and mechanism reform to improve enterprise management innovation capacity. All-round innovation will be made in terms of basic management, management system and mechanism, talents selection and employment mechanism, and training for young employees. We will implement the technological innovation-driven strategy; and IV. To strengthen ideological and political work for Party building to create an overall harmonious atmosphere. The building of Party and a clean management organization will be strengthened in the general to create the happiness of the Company.

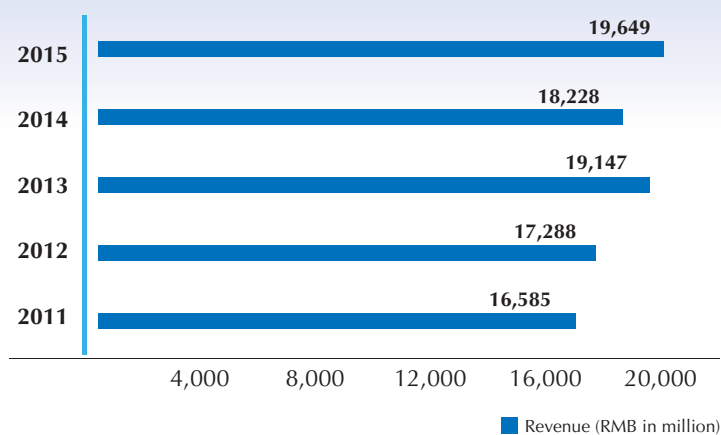


President
Li Enyi

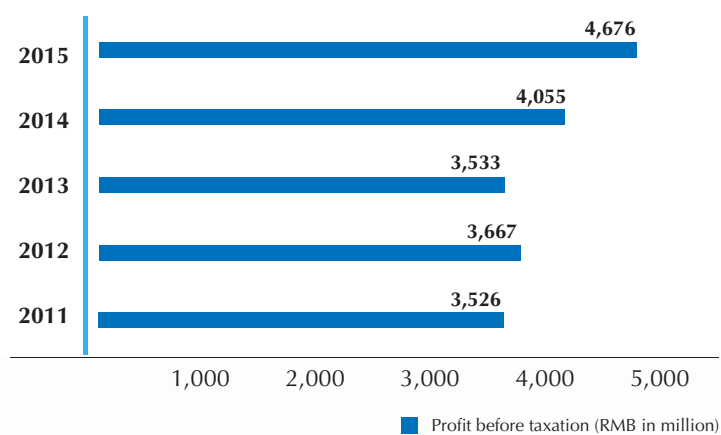


KEY OPERATING AND FINANCIAL DATA

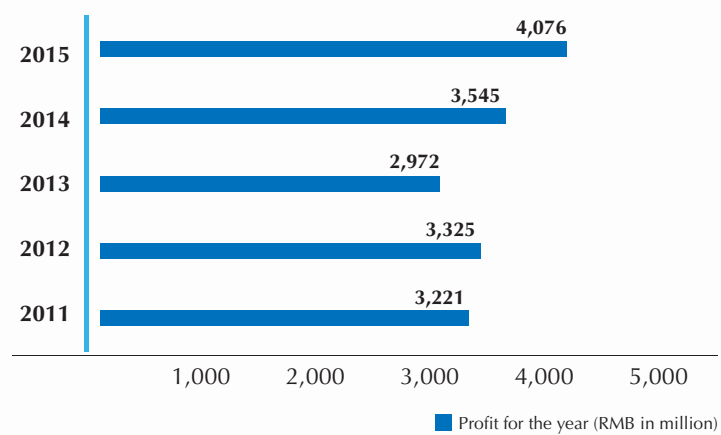
1. Revenue



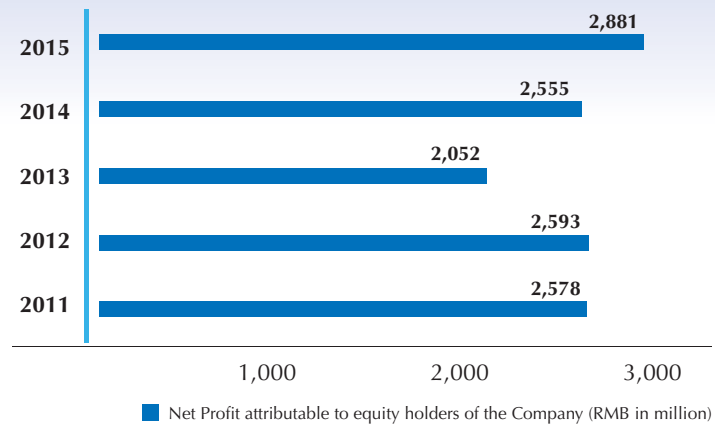
2. Profit before taxation



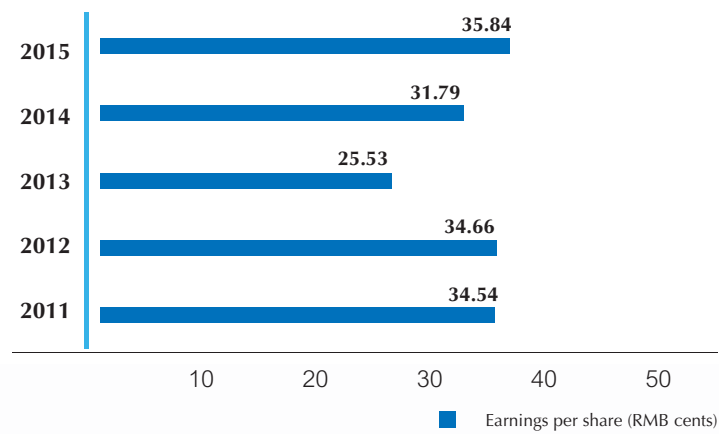
3. Profit for the year



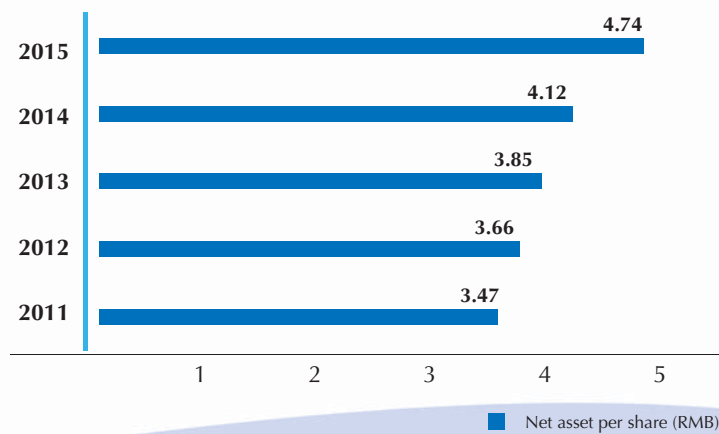
4. Net Profit attributable to equity holders of the Company



5. Earnings per share

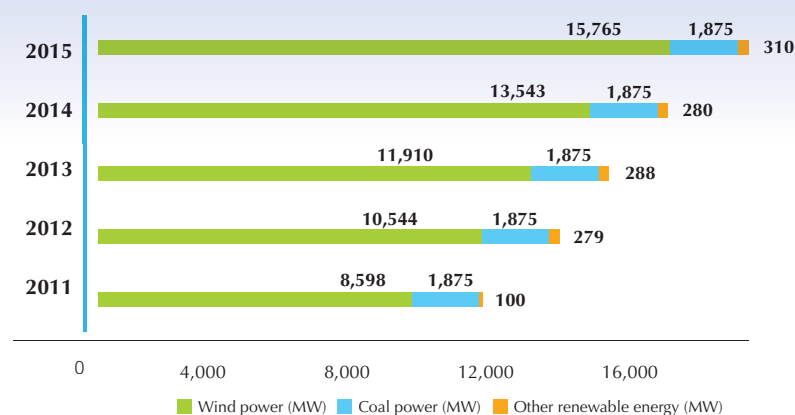


6. Net asset per share

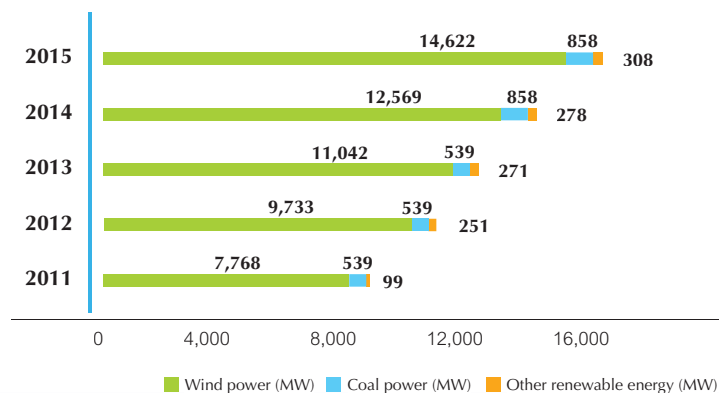


KEY OPERATING AND FINANCIAL DATA

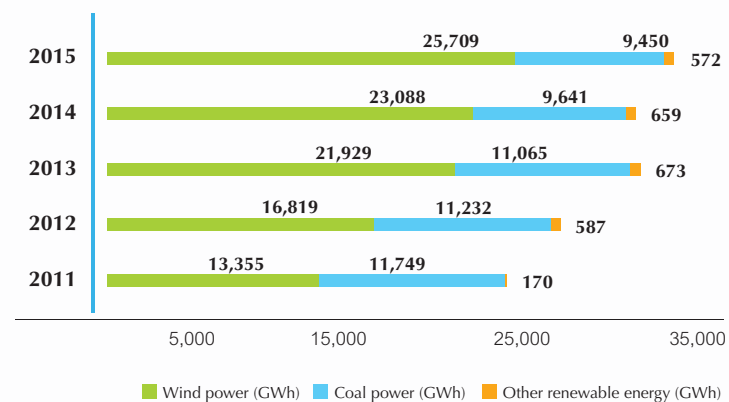
7. Consolidated installed capacity



8. Attributable installed capacity

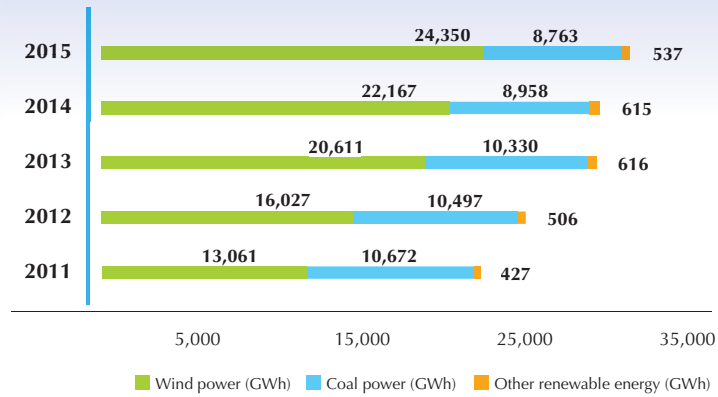


9. Electricity output

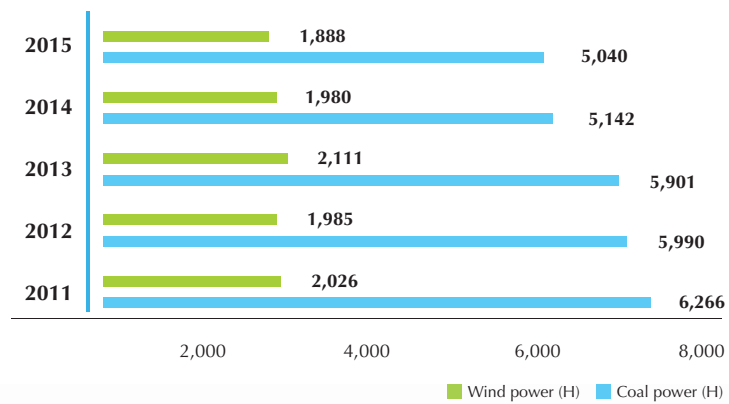


KEY OPERATING AND FINANCIAL DATA

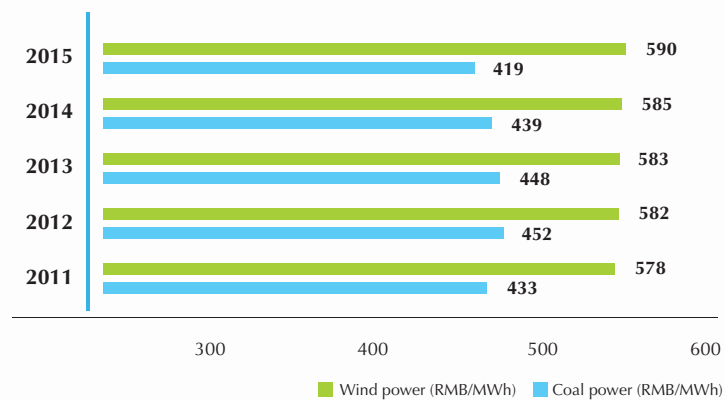
10. Electricity sales



11. Utilisation hours



12. Tariffs



KEY OPERATING AND FINANCIAL DATA

	2011	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<u>16,584,536</u>	<u>17,288,185</u>	<u>19,146,618</u>	<u>18,228,433</u>	<u>19,648,642</u>
Profit before taxation	3,525,552	3,667,387	3,533,246	4,054,978	4,676,270
Income tax	(304,964)	(342,093)	(560,945)	(510,414)	(599,840)
Profit for the year	<u>3,220,588</u>	<u>3,325,294</u>	<u>2,972,301</u>	<u>3,544,564</u>	<u>4,076,430</u>
Attributable to:					
Equity holders of the Company	2,578,290	2,593,239	2,051,584	2,554,502	2,880,615
Non-controlling interests	<u>642,298</u>	<u>732,055</u>	<u>920,717</u>	<u>990,062</u>	<u>1,195,815</u>
Total comprehensive income for the year	<u>3,205,855</u>	<u>3,320,194</u>	<u>2,860,690</u>	<u>3,525,017</u>	<u>3,843,679</u>
Attributable to:					
Equity holders of the Company	2,563,557	2,591,101	2,014,640	2,525,552	2,540,007
Non-controlling interests	<u>642,298</u>	<u>729,093</u>	<u>846,050</u>	<u>999,465</u>	<u>1,303,672</u>
Basic and diluted earnings per share (RMB cents)	<u>34.54</u>	<u>34.66</u>	<u>25.53</u>	<u>31.79</u>	<u>35.84</u>

KEY OPERATING AND FINANCIAL DATA

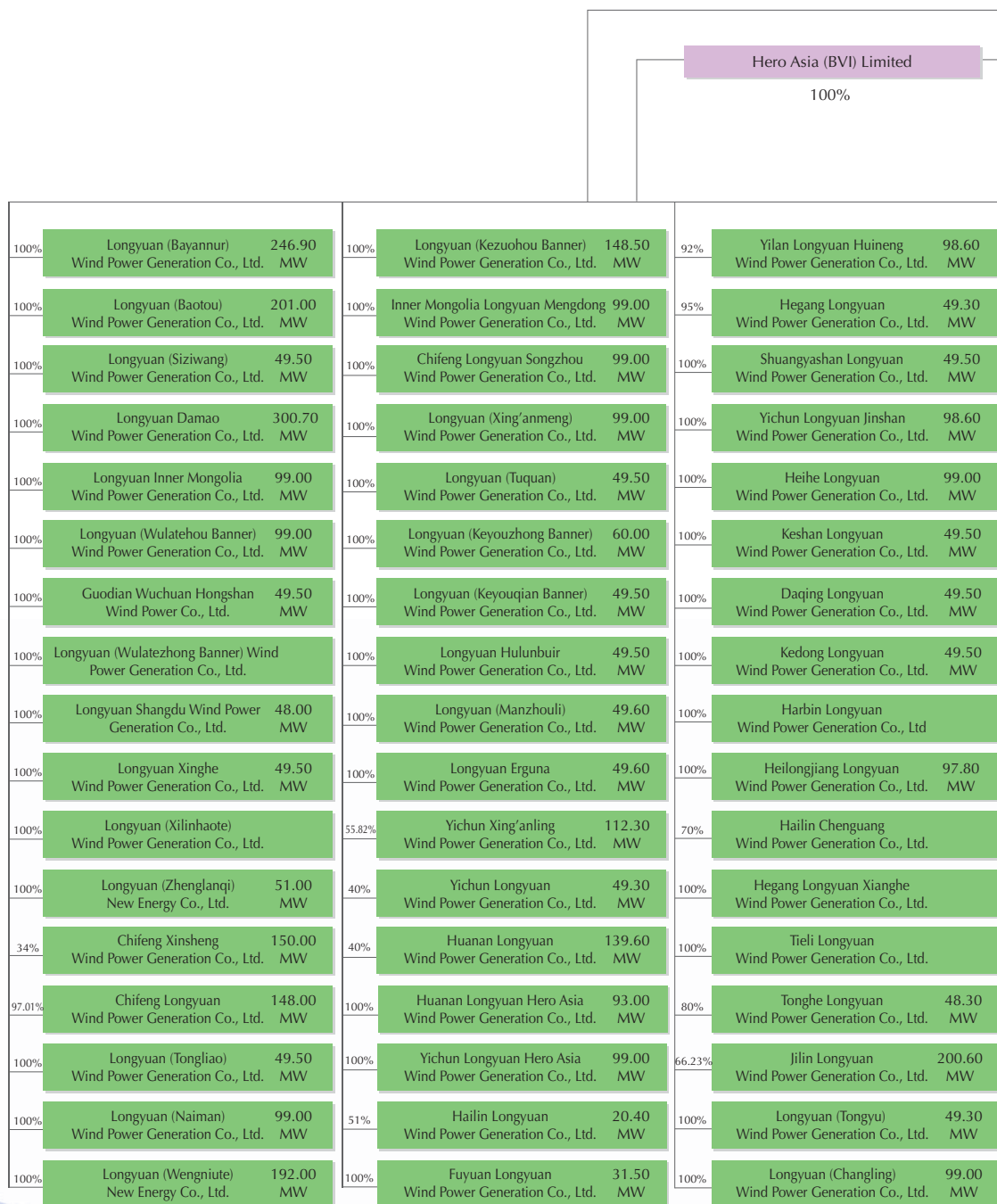
	2011	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	81,151,336	90,053,746	97,299,088	109,017,690	120,776,331
Total current assets	<u>13,472,683</u>	<u>17,786,113</u>	<u>13,807,098</u>	<u>14,795,095</u>	<u>12,696,622</u>
TOTAL ASSETS	<u>94,624,019</u>	<u>107,839,859</u>	<u>111,106,186</u>	<u>123,812,785</u>	<u>133,472,953</u>
Total current liabilities	29,836,314	36,074,948	36,775,184	46,328,043	55,647,473
Total non-current liabilities	<u>34,462,488</u>	<u>35,342,985</u>	<u>36,201,479</u>	<u>36,580,657</u>	<u>33,292,845</u>
TOTAL LIABILITIES	<u>64,298,802</u>	<u>71,417,933</u>	<u>72,976,663</u>	<u>82,908,700</u>	<u>88,940,318</u>
NET ASSETS	<u>30,325,217</u>	<u>36,421,926</u>	<u>38,129,523</u>	<u>40,904,085</u>	<u>44,532,635</u>
Total equity attributable to the equity holders of the Company	25,908,591	29,429,434	30,953,502	33,107,443	38,099,785
Non-controlling interests	<u>4,416,626</u>	<u>6,992,492</u>	<u>7,176,021</u>	<u>7,796,642</u>	<u>6,432,850</u>
TOTAL EQUITY	<u>30,325,217</u>	<u>36,421,926</u>	<u>38,129,523</u>	<u>40,904,085</u>	<u>44,532,635</u>
NET ASSETS PER SHARE (RMB)	<u>3.47</u>	<u>3.66</u>	<u>3.85</u>	<u>4.12</u>	<u>4.74</u>

CORPORATE PROFILE

Founded in January 1993, China Longyuan Power Group Corporation Limited was originally affiliated to National Department of Energy of the PRC and successively served as an affiliated corporation of former Ministry of Power Industry and former State Power Corporation. As a pioneer specialised in wind power development in the PRC, it has been engaged in new energy research and development on behalf of the state. In June 1996, China Longyuan Electric Power Group Corporation, Zhongneng Power-Tech Development Co., Ltd. and China Fulin Wind Energy Development Co., Ltd. were consolidated into China Longyuan Power Group Corporation. As at the end of 2002, the corporation was affiliated to Guodian Group, one of the five major power groups of the state, in China's reform of the electricity industry. In July 2009, the Company was officially restructured into China Longyuan Power Group Corporation Limited upon approval by the SASAC. In December 2009, the Company's H share was successfully listed in Hong Kong, becoming the first state-owned new energy generation company listed overseas.

Currently, Longyuan Power has developed into a large-scale power generation conglomerate focusing on new energy. It operates in 29 provinces of mainland China, and in countries such as Canada and South Africa. As approved, it 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) and the “National Occupational Skill Testing Authority Station” (國家職業技能鑒定站), taking the lead in technological innovation and upgrade in the industry. As at the end of December 2015, the total consolidated installed capacity of the Company was 17,950 MW, of which the consolidated installed capacity of wind power was 15,765 MW, making the Company the biggest wind power operator in the world. The Company was awarded “The Most Influential Listed Companies (最具影響力上市公司)” and “The Best Corporate Governance in Listed Companies (最佳公司治理上市公司)” as well as the “National Labour Day Award (全國五一勞動獎狀)”, the highest honour awarded by All-China Federation of Trade Unions (中華全國總工會) to enterprises and public institutions.

CORPORATE STRUCTURE



Major Subsidiaries:



Shareholders of the Company



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%

Longyuan Canada Renewables Ltd. 99.10 MW

Longyuan South Africa Renewables (Pty) Ltd.

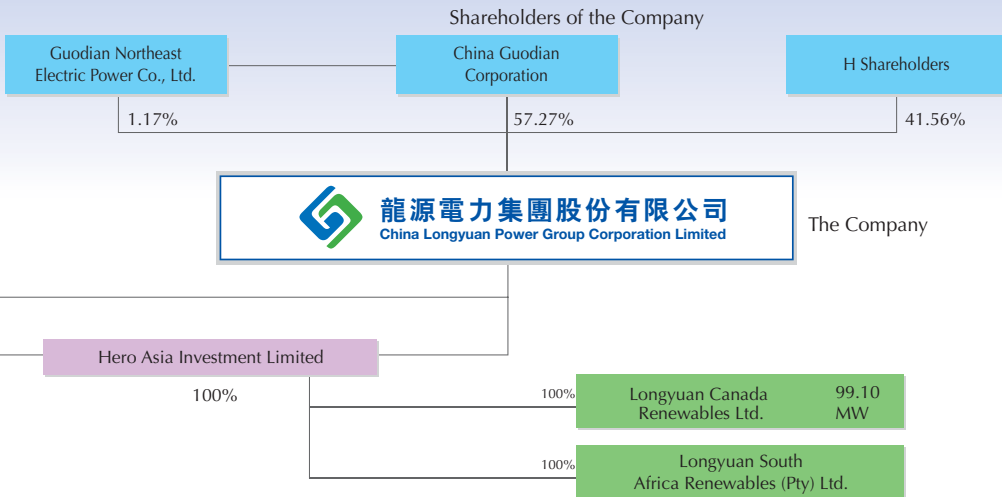
Longyuan Gongzhuling Wind Power Generation Co., Ltd.	100%	Longyuan (Chengde) Wind Power Generation Co., Ltd.	99.00 MW	55%	Guodian Xinjiang Alashankou Wind Power Development Co., Ltd.	99.00 MW	70%	
Tongyu Xingfa Wind Power Generation Co., Ltd.	100%	Hebei Longyuan Wind Power Generation Co., Ltd.	398.10 MW	100%	Longyuan Habahe Wind Power Generation Co., Ltd.	99.00 MW	100%	
Yanbian Longyuan Wind Power Generation Co., Ltd.	100%	Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd.	325.50 MW	100%	Longyuan Tuoli Wind Power Generation Co., Ltd.	49.50 MW	100%	
Longyuan (Nong'an) Wind Power Generation Co., Ltd.	99.00 MW	100%	Longyuan (Zhangbei) Wind Power Generation Co., Ltd.	99.00 MW	100%	Longyuan Urumchi Wind Power Generation Co., Ltd.	49.50 MW	100%
Longyuan Tongyu Xinglongshan Wind Power Generation Co., Ltd.	100%	Longyuan (Shangyi) Wind Power Generation Co., Ltd.	100.00 MW	100%	Longyuan Turpan New Energy Co., Ltd.		90%	
Longyuan Yitong Wind Power Generation Co., Ltd.	100%	Gansu Jieyuan Wind Power Generation Co., Ltd.	340.30 MW	77.11%	Longyuan Burqin Wind Power Generation Co., Ltd.	49.50 MW	100%	
Jilin DongfengLongxin Power Generation Co., Ltd.	88%	Gansu Xin'an Wind Power Generation Co., Ltd.	99.00 MW	54.54%	Longyuan Jeminay Wind Power Generation Co., Ltd.		100%	
Dandong Haiyanghong Wind Power Generation Co., Ltd.	21.00 MW	100%	Longyuan (Jiuquan) Wind Power Generation Co., Ltd.	402.00 MW	100%	Fujian Wind Power Co., Ltd.		90%
Shenyang Longyuan Wind Power Generation Co., Ltd.	141.30 MW	98.60%	Gansu Longyuan Wind Power Generation Co., Ltd.	300.00 MW	100%	Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd.	56.00 MW	97.50%
Longyuan Shenyang Wind Power Generation Co., Ltd.	247.30 MW	100%	Longyuan Zhangye New Energy Co., Ltd.	99.00 MW	100%	Longyuan Pingtan Wind Power Generation Co., Ltd.	100.00 MW	89.50%
Tieling Longyuan Wind Power Generation Co., Ltd.	98.60 MW	100%	Longyuan Subei Wind Power Generation Co., Ltd.	49.50 MW	100%	Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd.	6.00 MW	60%
Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd.	148.50 MW	100%	Xinjiang Tianfeng Power Generation Joint Stock Company	249.30 MW	59.52%	Fujian Putian Nanri Wind Power Generation Co., Ltd.	16.15 MW	41.56%
Longyuan Kangping Wind Power Generation Co., Ltd.	247.50 MW	100%	Xinjiang Longyuan Wind Power Generation Co., Ltd.	99.00 MW	100%	Fujian Dongshan Aozaihsan Wind Power Generation Co., Ltd.	85.50 MW	91.15%
Longyuan Fuxin Wind Power Generation Co., Ltd.	100%	Longyuan Balikun Wind Power Generation Co., Ltd.	248.00 MW	100%	Longyuan (Putian) Wind Power Generation Co., Ltd.	96.45 MW	100%	
Liaoning Longyuan Wind Power Generation Co., Ltd.	99.00 MW	100%	Longyuan Hami New Energy Co., Ltd.	201.00 MW	100%	Fujian Longyuan Zhongmen Wind Power Generation Co., Ltd.	48.00 MW	100%
Hebei Weichang Longyuan Construction and Investment Wind Power Generation Co., Ltd.	99.00 MW	50%	Longyuan Alashankou Wind Power Generation Co., Ltd.	198.00 MW	100%	Fujian Longyuan Wind Power Generation Co., Ltd.	98.00 MW	100%
Longyuan Jiantou (Chengde Weichang) Wind Power Generation Co., Ltd.	49.50 MW	55%	Bu'erjin Tianrun Wind Power Generation Co., Ltd.	49.50 MW	60%	Fujian Longyuan Offshore Wind Power Generation Co., Ltd.	16.00 MW	78.10%

COMPANY PROFILE



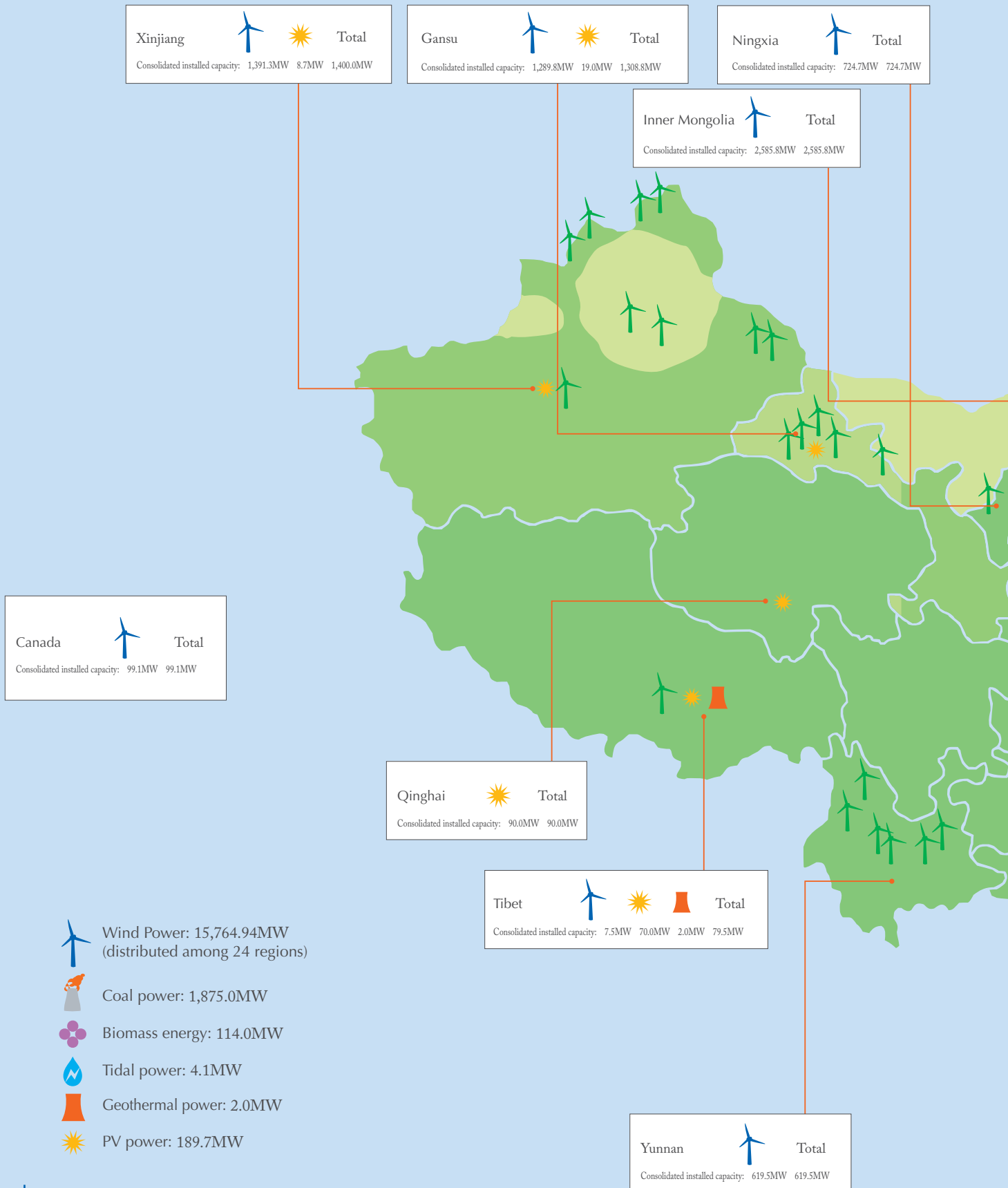
Major Subsidiaries:

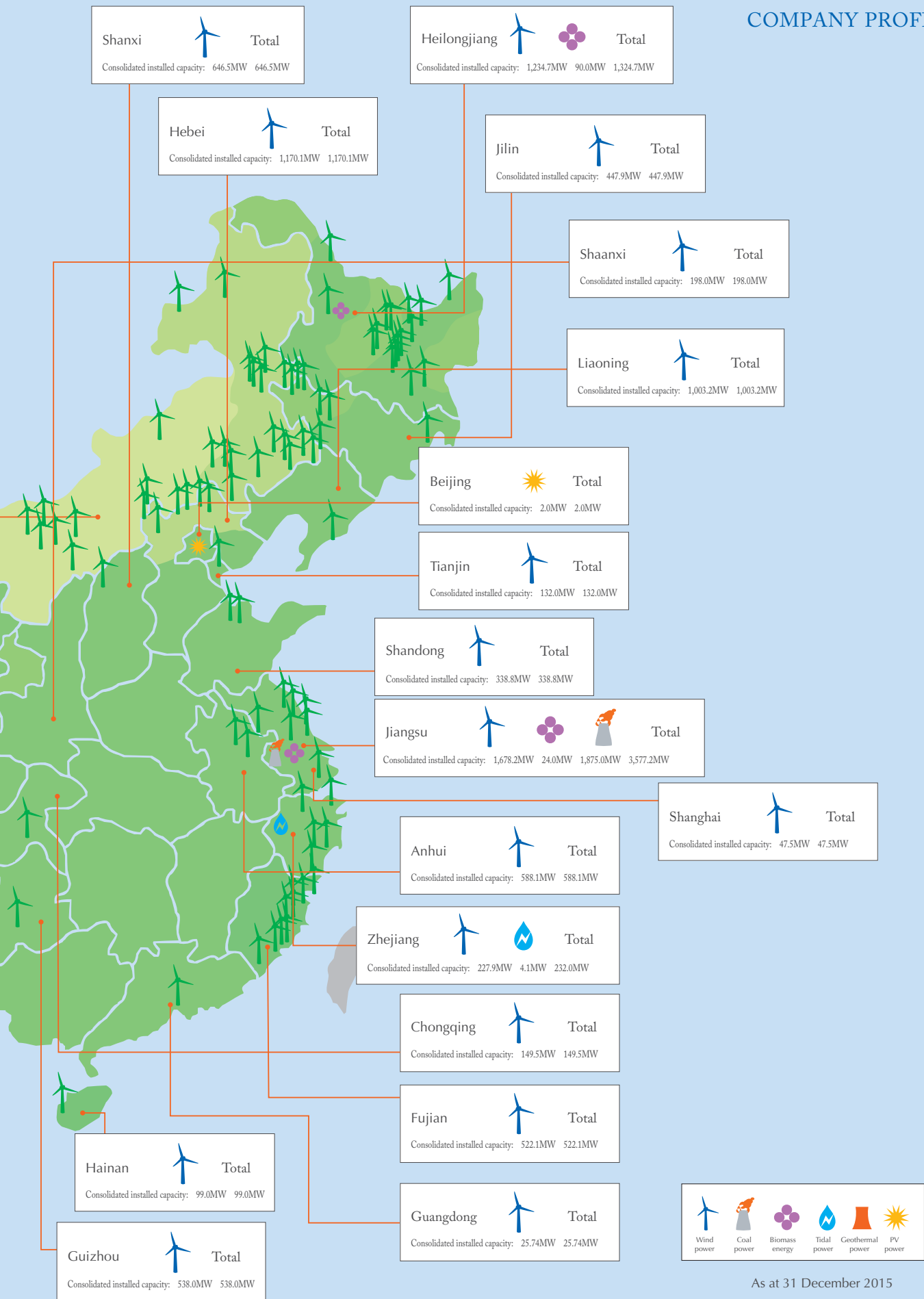




Longyuan Kelan Wind Power Generation Co., Ltd. 49.50 MW	100%	Longyuan Yulin Wind Power Generation Co., Ltd.	100%	Longyuan (Beijing) New Energy Co., Ltd. 2.00 MW	100%
Longyuan Jingle Wind Power Generation Co., Ltd. 150.00 MW	100%	Longyuan Power Group (Shanghai) Wind Power Co., Ltd. 47.50 MW	100%	Donghai Longyuan Biomass Power Plant 24.00 MW	95%
Guodian Longyuan Shenchi Wind Power Generation Co., Ltd. 49.50 MW	51%	Guangdong Guodian Longyuan Wind Power Generation Co., Ltd. 25.74 MW	51%	Guodian Youyi Biomass Power Co., Ltd. 30.00 MW	100%
Longyuan Ningxia Wind Power Generation Co., Ltd. 297.00 MW	100%	Hubei New energy Wind Power Generation Co., Ltd.	100%	Guodian Jiansanjiang Qianjin Biomass Power Co., Ltd. 30.00 MW	100%
Longyuan Lingwu Wind Power Generation Co., Ltd. 99.50 MW	100%	Longyuan Baokang Wind Power Generation Co., Ltd.	100%	Guodian Tangyuan Biomass Power Co., Ltd. 30.00 MW	100%
Ningxia Tianjing Wind Power Generation Co., Ltd. 79.50 MW	100%	Guodian Longyuan Jiangyong Wind Power Generation Co., Ltd.	50%	Zhonneng Power-Tech Development Co., Ltd.	100%
Longyuan Litong Wind Power Generation Co., Ltd. 98.70 MW	100%	Guodian Longyuan Chongqing Wind Power Development Co., Ltd. 149.50 MW	51%	China Fulin Wind Power Engineering Co., Ltd.	100%
Longyuan Wuzhong Wind Power Generation Co., Ltd. 150.00 MW	100%	Nantong Tianshenggang Power Generating Co., Ltd. 660.00 MW	31.94%	Longyuan (Beijing) Wind Power Projects Design & Consultation Co., Ltd.	100%
Longyuan Shaanxi Wind Power Generation Co., Ltd. 99.00 MW	100%	Jiangyin Sulong Heat and Power Generating Co., Ltd. 1,215.00 MW	27%	Longyuan (Beijing) Wind Power Projects Technology Co., Ltd.	100%
Longyuan Jingbian Wind Power Generation Co., Ltd. 99.00 MW	100%	Longyuan Tibet New Energy Co., Ltd. 42.00 MW	100%	Longyuan (Beijing) Carbon Assets Management Technology Co., Ltd.	100%
Longyuan Dingbian Wind Power Generation Co., Ltd.	100%	Longyuan Shigatse New Energy Co., Ltd. 30.00 MW	100%	Longyuan (Beijing) Solar Energy Technology Co., Ltd.	100%
Longyuan Hengshan New Energy Co., Ltd.	100%	Longyuan Ge'ermu New Energy Development Co., Ltd. 90.00 MW	100%	Xinjiang Wind Power Engineering Consultant Co., Ltd.	100%
Guodian Longyuan Wuqi New Energy Co., Ltd.	51%	Longyuan Zhangye New Energy Co., Ltd. 19.00 MW	100%	Suzhou LongyuanBailu Wind Power Technique Vocational Training Centre Co., Ltd.	100%
Longyuan Yichun Wind Power Generation Co., Ltd.	100%	Zhejiang Wenling Jiangxia Pilot Tidal Power Station 4.10 MW	100%	Longyuan (Yichun) Wind Power Engineering Services Co., Ltd.	100%
LongyuanLe'an Wind Power Generation Co., Ltd.	100%	Longyuan Turpan New Energy Co., Ltd. 8.72 MW	90%	Longyuan Power Group (Shanghai) Investment Limited	60%
Longyuan Tibet Naqu New Energy Co., Ltd. 7.50 MW	100%				
Guangxi Longyuan Wind Power Generation Co., Ltd.	100%				

GEOGRAPHICAL BREAKDOWN OF OUR PROJECTS





As at 31 December 2015

HONOURS AND AWARDS

9 APRIL

The press conference for the first “China Power Role Model (中國電力楷模)” selection event was held in Beijing. Zhang Xi from Longyuan Tibet New Energy Co., Ltd. was entitled the “China Power Role Model”.



28 APRIL



Zhang Xi from Longyuan Tibet New Energy Co., Ltd., who was awarded the title of “National Model Worker”, along with other national model workers from all walks of life, attended the awarding ceremony of 2015 National Model Workers and Advanced Workers and received the receptions from leaders of the Communist Party and the government.

18 MAY

Beijing State Administration of Taxation and Beijing Local Taxation Bureau awarded the honorary title of “A Grade Tax-paying Enterprise” to Longyuan Power.

FROM 7 TO 10 SEPTEMBER



Longyuan Power dispatched 7 representative teams to participate in the second Wind Power Operation and Inspection Skill Competition. All of the teams won awards, two of which received the first prize. Zhang Enfu and Hui Xiaowen were awarded the May Day Medal of National Energy Chemistry System.



11 OCTOBER

The result of “2015 Global Top 500 New Energy Companies (2015全球新能源企業500強)” was unveiled. Longyuan Power was included in the list for the third consecutive year, ranking first among domestic new energy developers, and was granted “Outstanding Contribution Award (卓越貢獻獎)” and “Market Development Award (市場開拓獎)”.



19 NOVEMBER



The 2015 National Power Enterprise Management Innovation Achievements (《2015年度電力行業企業管理創新成果》), which were appraised and selected by various management experts in the power sector as organized by the National Power Enterprise Modern Management Achievement Committee, were unveiled. The New Energy Enterprise Standards Development (《新能源企業標準體系建設》) submitted by Longyuan Power, stood out from the 368 achievements presented in the national power system in 2015 and was granted the First Prize.

23 NOVEMBER

According to a formal notice of the Construction Enterprise Management Association of China, Longyuan Power’s 150MW Jiyangshan Wind Power Project in Shenchì, Shanxi was awarded the “2014–2015 National Premium Quality Construction Award (2014–2015國家優質工程獎)”, a nationally recognized award in project construction industry.



DECEMBER



In December, the results of the first session of “2015 China Financial Market – Awards for Listed Companies” were announced in Hong Kong and Longyuan Power won the “Best Corporate Governance Award.”

CORPORATE MILESTONES IN 2015

From 3 to 5 February, the Company held the third session of the second Staff Representatives Assembly & 2015 Working Conference in Beijing to comprehensively summarize the work in 2014, make in-depth analyses of the current situation, determine the work plans for the coming period and the work targets and priorities for 2015, and call on all of the officers and employees to fully implement the “One, Five and Five” core strategy (“一五五”核心戰略) of the Group and solidly carry out “double enhancement” (“雙提升”) tasks, so as to speed up its development into a internationally leading new-energy listed company.

On 16 February, the Company officially entered into a framework agreement for offshore wind power project development in Haiyang, Yantai with the municipal government of Haiyang, Shangdong Province, marking another major breakthrough in the development of offshore wind power by the Company.

On 24 February, Nedbank and IDC, the lending banks of the Company’s wind power projects in South Africa, agreed to grant loans to the Company’s two bid-winning wind power projects and confirmed in writing that the financing of the two projects was formally completed, marking another major phased achievement in its overseas projects and the formal launch of the preparation and construction of its South African projects.

On 14 April, the “863” research subject undertaken by the Company titled Offshore Wind Power Plant Technologies for Operation and Maintenance & Equipment Design, in which the Company designed a ship for offshore wind power operation and maintenance to fill the domestic technology gap in the field, officially passed acceptance inspection.

On 26 May, the Company and Jiangsu Traffic Holding Co., Ltd. entered into an agreement for strengthening comprehensive strategic cooperation, pursuant to which, their cooperation scope was extended from coal power to coal power and new energy, thereby paving the way for deeper cooperation with regional state-owned enterprises.

On 2 June, the internationally recognized rating agency S&P conducted follow-up international credit rating for the Company and upgraded its corporate credit rating from BBB+ to A-, which is currently the highest credit rating among comparable new energy listed companies in the world.

On 10 June, Luo Zhaohui and Yu Benlin, being the Chinese Ambassador and Minister-Counsellor to Canada respectively, inspected the 99.1 MW Dufferin wind farm in Canada, learned about the Company's project development and operation of wind farms in North America, extended warm greetings to the employees and encouraged them to advance the overseas business.

On 6 July, National Energy Administration ("NEA") issued an announcement titled "Scheduled Projects of Independent Energy Innovation and Energy Equipment for 2015", on which the "Big Data" Center Project of the Company was selected by NEA as the only national independent innovation research subject for 2015 in the new-energy industry.

On 16 October, the Company's Canada Dufferin project bonds, the first overseas bonds for China wind power projects, were priced and issued for a term of 18 years, with an issuing amount of 200 million Canadian dollars and a nominal interest rate of 4.317%. At the lowest interest rate to date among wind power bonds with the same term in Canada, the bonds were nearly two times oversubscribed.

On 25 November, the Fujian subsidiary had its 400 MW Offshore Wind Power Plant Project Phase I in Nanri Island, Putian officially approved by Fujian Development and Reform Commission. Situated in the northeast of Nanri Island, Xiuyu District, Putian, the project was currently proved to have the most abundant wind resources and the longest windy hours among all the offshore wind power projects in China. Its installed capacity is 400 MW, the biggest install capacity to date for a domestic single project.

On 4 December, Mr. Zhang Yi, the director of SASAC inspected Longyuan South Africa Renewables (Pty) Ltd.. He commented that Longyuan Power's wind power projects in South Africa had totally accorded with the "innovative, coordinated, green, open and shared" development concepts put forward in the Fifth Plenary Session of the Eighteenth CCP Central Committee. He also called on SASAC to offer more attention and services to the Company's South African projects, conduct research on supporting new energy development, ensure full consumption of new energy power, and help new energy enterprises overcome difficulties.

MANAGEMENT DISCUSSION AND ANALYSIS

(The following information disclosure was based on financial information prepared in accordance with International Financial Reporting Standards unless otherwise specified)

I. INDUSTRY REVIEW

Operational environment

In 2015, facing the complex international situation and arduous tasks of domestic reform, development and stability, our country took the initiative to respond to the new normality of economic development and properly dealt with major risks and challenges. Economic operation saw a steady progress and economy maintained medium and high speed growth. With the optimisation of economic structure, reform and opening-up proceeded in an in-depth way. People's livelihood improved on a continued basis and the general social situation was generally stable. To understand, adapt to and lead the new normality is the logic of China's economic development at present and in a period in the future.

In 2015, the nation's electricity consumption growth is slowing down. According to the "Annual Statistics of China Power Industry 2015" (《2015年全國電力工業統計快報》) issued by the China Electricity Council, the power consumption across the country was 5,550 billion kWh in 2015, representing an increase of 0.5% year-on-year, 3.6 percentage points lower than that of last year. The total electrical output reached 5,604.5 billion kWh, representing an increase of 0.6% year-on-year and a decrease of 3.8 percentage points than that of last year. As at the end of 2015, the power generation installed capacity across the country reached 1,506,732 MW, representing an increase of 10.4% as compared to last year.

In 2015, wind power generation reached 185.1 billion kWh, representing 3.3% of the total national power generation and an increase of 0.4 percentage point in terms of the percentage in national power generation as compared to last year. The national wind power utilisation hours reached 1,728 hours, representing a decrease of 172 hours over last year. The newly installed capacity of wind power reached 29,609 MW, representing 22.8% of the national newly installed capacity and an increase of 2.7 percentage points in terms of the percentage in national installed capacity as compared to last year. The installed capacity of wind power as at the end of 2015 reached 128,302 MW.

Policy factor

In March 2015, the CCP Central Committee and the State Council published the Several Opinions on Further Deepening Power System Reform (《關於進一步深化電力體制改革若干意見》), officially launching a new round of power system reform, the basic principle and objective of which are in adherence to energy conservation and emission reduction and promotion of energy structure optimisation to increase the proportion of renewable energy power generation in power supply. The NDRC and the NEA successively issued the Directives on Regulating and Promoting the Sufficient and Full Utilisation of Clean Energy for Power Generation (《調節促進清潔能源多發滿發的指導意見》) to encourage engagement of clean-energy power generation in the market and support interests regulation for different types of power by means of generation rights trade.

In March 2015, the NEA issued the Notice of the National Energy Administration Regarding Making Sufficient Efforts in Wind Power Grid Connection and Consumption in 2015 (《關於做好2015年度風電並網消納工作的通知》). Pursuant to the notice, all regions were required to attach great importance to the consumption and effective utilisation of wind power market and actively explore wind power consumption markets which adapted to the characteristics of wind power resources. Local power grids' capacity of wind power consumption should be enhanced to promote spot utilisation of wind power. Meanwhile, it was required to accomplish the preliminary work of wind power construction and the planning for spot utilisation of wind power in “three-north” areas and delivery bases.

In June 2015, the Comprehensive Division of the NEA issued the Notice on Clean Heating Supply of Wind Power (《關於開展風電清潔供暖工作的通知》), pursuant to which, certain provinces were required to study and explore the clean heating supply of wind power on the basis of streamlining the operation of existing wind power grid connection, regional heating demands, local electric power planning and the construction of heat-power co-generating units. It aimed at improving the ability of the northern areas with rich wind power resources to consume wind power, alleviating the operation difficulties with wind power grid connection in the northern areas in the period of low power load during the heating period in winter, promoting clean urban energy utilisation, and reducing environmental pollution caused by the inefficient combustion of fossil energy to improve the atmospheric environmental quality of northern areas in winter.

MANAGEMENT DISCUSSION AND ANALYSIS

In October 2015, at the Fifth Plenary Session of the Eighteenth CPC Central Committee, the idea of green development was presented, and the Suggestions on the Thirteenth Five-Year Plan (《第十三個五年規劃的建議》) proposed to accelerate the development of new energy including wind power and to build a modern clean, low-carbon, safe and efficient energy system.

At the Paris Conference on Climate Change held from November to December 2015, the participating countries agreed to further increase their contributions to emission reduction and proposed to achieve “net zero” emission of greenhouse gases in the century as soon as possible. The PRC government further stressed that: the carbon dioxide emission should reach the peak by around 2030 or earlier; the carbon dioxide emission per unit of Gross Domestic Product (hereinafter referred to as “GDP”) should decrease by 60%-65% as compared with that in 2005 and the percentage of non-fossil energy in primary energy consumption should be approximately 20% in 2030; and the national carbon emissions permit trading market would be launched in 2017.

In December 2015, the Comprehensive Division of the NEA issued the Measures for Management of Full-amount Protective Purchase of Renewable Energy Power Generation (Exposure Draft) (《可再生能源發電全額保障性收購管理辦法(徵求意見稿)》) which set out the focus of full-amount acquisition of renewable energy and clarified the responsible subject, scope of protection and compensation measures, aiming at completely solving the long-standing knotty problems with the sustainable development of renewable energy industry by establishing a feasible mechanism.

In December 2015, the NDRC published the Notice on Improving the Benchmark On-grid Tariff Policy for Onshore Wind Power and Photovoltaic Power Generation (《關於完善陸上風電、光伏發電上網標杆電價政策的通知》) specifying the implementation of benchmark on-grid tariffs of 2016 and 2018 for the onshore wind power projects approved after 1 January 2016 and 1 January 2018, respectively. For the projects, the construction of which has not commenced within the 2-year approval period, the benchmark tariff specific to the approval will not be executed. For the onshore wind power projects, which are approved before 2016 and the construction of which has not commenced by the end of 2017, the benchmark on-grid tariff of 2016 will be executed. In December 2015, the state lowered the on-grid tariff of coal-fired units and raised the surcharge standard for tariff of renewable energy from RMB1.5 cents/kWh to RMB1.9 cents/kWh.

II. BUSINESS REVIEW

1. **With safety production management being strengthened continuously, the leading industry position in terms of wind power utilisation hours was sustained**

In 2015, taking the activity of “year for improvement of normalized and standardized management” as the carrier and the fundamental management reinforcement as the starting point, the Group pushed its overall management to a new level and implemented standardized management for production. With an aim to strengthen weak sections and solve existing problems, the Group made a lot of efforts in building up a standardized system for safe production of wind power and formulated 16 relevant systems and detailed rules of implementation in accordance with the characteristics of wind power. While promoting the all-round construction of “six types” standardized work groups, it set up a new operation and maintenance model for wind power and established an integrated and information-based system for spare parts management. In addition, the Group built a remote intelligent support system for technological supervision and fault diagnosis. All the economic and technological indicators were further optimised and enhanced.

The Group laid emphasis on the efficient management and utilisation of wind power and realised comprehensive balance and dynamic optimisation of the core performance indicators of equipment. First, an economic operation management and control model was established for difference rate management for utilization hours. Second, “lean maintenance” of equipment was carried out in a deep-going way, and personalized and preventative maintenance was implemented on wind power generating units and electrical equipment based on the statistic analysis of operation data and fault information. Third, electricity output benchmarking was enhanced and further problem-oriented efforts were made on detailing the electricity benchmarking by region within the province and increasing discrimination of assessment. Fourth, multiple measures were adopted to reduce the losses caused by grid curtailment while controlling both the percentage and quantity of our electricity subject to grid curtailment. Meanwhile, the Group innovated marketing strategies and actively developed external channels for consumption. It conducted a thorough study on regional electricity markets and endeavoured to guarantee consumption by means of prompt following-up of direct power supply for big customers, wind power heating, swap of wind power and coal-fired power and other market transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the Group generated a cumulative gross electricity output of 35,731 GWh, of which electricity generated from our wind power business amounted to 25,709 GWh, representing an increase of 11.35% year-on-year. In 2015, the Group's average utilisation hours of the wind power business was 1,888 hours, 160 hours higher than the industry average, representing a decrease of 92 hours as compared with that of 2014, which was primarily due to the worsening of nationwide grid curtailment in the second half of the year despite of little change in wind resources as compared with that of last year, offset by on-going effective management measures of the Group.

Geographical breakdown of the consolidated power generation of the Group's wind farms for 2014 and 2015:

Region	2015 (MWh)	2014 (MWh)	Percentage of Change
Heilongjiang	2,023,711	2,193,322	-7.73%
Jilin	556,488	465,020	19.67%
Liaoning	1,795,109	1,665,503	7.78%
Inner Mongolia	4,578,381	4,610,009	-0.69%
Jiangsu	2,717,063	2,446,430	11.06%
Zhejiang	304,788	229,793	32.64%
Fujian	1,469,278	1,337,837	9.82%
Hainan	137,633	133,262	3.28%
Gansu	1,472,666	1,670,752	-11.86%
Xinjiang	2,234,619	2,012,483	11.04%
Hebei	2,091,200	2,023,166	3.36%
Yunnan	1,495,473	1,152,890	29.72%
Anhui	1,013,681	802,235	26.36%
Shandong	504,631	215,754	133.89%
Tianjin	274,995	250,159	9.93%
Shanxi	943,645	661,067	42.75%
Ningxia	456,162	394,509	15.63%
Guizhou	702,983	453,513	55.01%
Shaanxi	424,313	233,747	81.53%
Tibet	13,919	13,749	1.24%
Chongqing	123,419	90,085	37.00%
Shanghai	67,697	—	—
Guangdong	34,340	—	—
Canada	272,466	32,757	731.78%
Total	25,708,660	23,088,042	11.35%

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the average utilisation hours/load factor of wind power of the Group's wind farms for 2014 and 2015:

Region	Average utilisation hours of wind power for 2015 (hour)	Average load factor of wind power for 2015	Average utilisation hours of wind power for 2014 (hour)	Average load factor of wind power for 2014	Percentage of change of the average utilisation hours of wind power
Heilongjiang	1,706	19%	1,929	22%	-11.56%
Jilin	1,242	14%	1,333	15%	-6.83%
Liaoning	1,789	20%	1,660	19%	7.77%
Inner Mongolia	1,920	22%	2,017	23%	-4.81%
Jiangsu	2,185	25%	2,264	26%	-3.49%
Zhejiang	1,595	18%	1,670	19%	-4.49%
Fujian	2,903	33%	2,643	30%	9.84%
Hainan	1,390	16%	1,346	15%	3.27%
Gansu	1,250	14%	1,608	18%	-22.26%
Xinjiang	1,730	20%	2,101	24%	-17.66%
Hebei	1,954	22%	2,083	24%	-6.19%
Yunnan	2,624	30%	2,454	28%	6.93%
Anhui	2,040	23%	2,026	23%	0.69%
Shandong	2,061	24%	2,179	25%	-5.42%
Tianjin	2,083	24%	1,945	22%	7.10%
Shanxi	1,724	20%	1,855	21%	-7.06%
Ningxia	1,643	19%	1,621	19%	1.36%
Guizhou	2,050	23%	2,105	24%	-2.61%
Shaanxi	2,143	24%	2,061	24%	3.98%
Tibet	1,856	21%	1,833	21%	1.25%
Chongqing	1,884	22%	1,820	21%	3.52%
Shanghai	2,021	23%	-	-	-
Guangdong	1,334	15%	-	-	-
Canada	2,749	31%	-	-	-
Total	1,888	22%	1,980	23%	-4.65%

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the average utilisation percentage of wind power of the Group's wind farms for 2014 and 2015:

Region	2015 (%)	2014 (%)	Change
Heilongjiang	98.99	99.18	-0.19%
Jilin	98.10	98.64	-0.54%
Liaoning	98.98	98.69	0.29%
Inner Mongolia	98.43	98.91	-0.48%
Jiangsu	98.53	98.79	-0.26%
Zhejiang	98.50	98.83	-0.33%
Fujian	98.42	98.70	-0.28%
Hainan	98.64	98.84	-0.20%
Gansu	99.11	98.98	0.13%
Xinjiang	99.10	98.22	0.88%
Hebei	97.97	99.05	-1.08%
Yunnan	99.07	98.86	0.21%
Anhui	99.26	99.31	-0.05%
Shandong	98.88	99.14	-0.26%
Tianjin	99.38	99.05	0.33%
Shanxi	98.78	98.65	0.13%
Ningxia	99.12	99.19	-0.07%
Guizhou	99.00	98.75	0.25%
Shaanxi	98.92	99.03	-0.11%
Tibet	99.27	98.69	0.58%
Chongqing	99.34	–	–
Shanghai	99.47	–	–
Guangdong	99.52	–	–
Canada	95.30	–	–
Total	98.72	98.81	-0.09%

During the reporting period, the consolidated gross power generation from coal power business of the Group was 9,450 GWh, representing a decrease of 1.98% as compared with 9,641 GWh in the corresponding period of 2014. This was primarily due to that Jiangsu Province witnessed a slow growth of power consumption and that the growth of installed capacity outpaced that of power consumption in 2015. The average number of utilisation hours of the Group's coal power business in 2015 was 5,040 hours, 711 hours higher than the national average, representing a decrease of 102 hours as compared with 5,142 hours in the corresponding period of 2014.

2. **With the leading advantage of development being kept, the development quality is elevated in a continuous manner**

In 2015, adhering to the principle of development with high quality and profits, the Group coped with the down-regulation expectation of wind power tariff through prompt optimization and adjustment of project layout which placed the focus on ultra-high voltage power transmission bases, and sparing no effort to win project approvals and reserves. A gross capacity of 1,557 MW was included in the Fifth Batch of Wind Power Projects Approval Plan (第五批風電項目核准計劃) promulgated by the NEA in 2015, and the Group obtained approvals for wind power projects with total capacity of 2,628 MW, of which 87% were located in regions not subject to grid curtailment and 900MW were offshore projects. As at the end of 2015, the Group had 7.2 GW of wind power projects approved but not yet put into operation, of which the projects located in the regions not subject to grid curtailment accounted for 70% and could basically help maintain the prevailing tariff and satisfy the development plan for the next three years, and 9.6 GW of wind power projects including projects approved but not yet put into operation and projects listed in the national plan but not yet approved, of which the projects located in the regions not subject to grid curtailment accounted for 77%, indicating a larger adjustment space for developable projects.

With a view to promote development through strategic planning, the Group formulated the “Thirteenth Five-year Plan” for wind power development of the Company and carried out in-depth analysis of policy environment and market situation. The projects with mature development conditions and high return level from valid project reserves were determined to be the key development projects during the “Thirteenth Five-year” period. In the continuous optimization of development layout, the Group applied laser anemography and other advanced technologies, and prepared scientific development strategies for different regions based on the detailed assessment of nationwide wind resources as well as the Group’s local layouts and the grid curtailment trend. Since the proportion of new wind power reserves in the regions not subject to grid curtailment reached over 90%, such regions will be the focus of development in the next few years. Besides, most reserved projects in the “three-north” areas and other regions subject to grid curtailment are ultra-high voltage transmission channel bases under national plans, and will be available for development on a selective basis upon the alleviation of grid curtailment.

MANAGEMENT DISCUSSION AND ANALYSIS

Seeing that the national carbon emissions permit trading market is to open in 2017, in order to boost the development of CCER without a hitch, the Group issued the Measures for Administration of CCER (《CCER工作管理辦法》) on 31 August 2015, and released the development plan for the first batch of 23 CCER projects with the total installed capacity of 1,240 MW and an estimated annual emission reduction of 1.7 million tonnes, of which 10 projects have already been put on file. Subsequently, the Group will put more efforts on CCER and launch the development of more CCER projects.

3. With effective promotion of project progress, project construction achieves historical breakthrough

In 2015, in order to cope with the national declining tariff policy for wind power, the Group constructed a batch of high quality wind power projects in a fast-paced manner. In the first half of the year, over 1,000 MW has been put into operation. The newly additional wind power capacity of the Group reached 2,222 MW in 2015, reaching the historically highest level. With prior planning, scientific organization and proactive coordination, the Group made efforts in satisfaction of conditions for commencement of production, strengthening the schedule control of project and coordinating equipment supply. 45% of the wind power projects put into operation during the year are located in I, II and III tariff regions, fulfilling the task of maintaining stable tariff and creating income.

The Group kept to strengthening project quality control and promoting the implementation of the general thought of “double enhancement” (“雙提升”) of infrastructure in project construction, thus achieving continuous enhancement in both project quality and profits. The 150MW Jiyangshan Wind Power Project in Shenchi, Shanxi (山西神池繼陽山150MW風電工程) of the Company was awarded the “Premium Quality Power Construction in China” (中國電力優質工程獎) and the “National Quality Project Award” (國家優質工程獎) in 2015. Leveraging the control of budget estimate, the Group effectively controlled the cost of ancillary projects despite of the rise of wind turbine price and the shortage of resources arising from the reduction of tariff. The Group was more stringent with investigation into the change of project and the price ceiling in tenders, giving rise to effective control of construction cost and realisation of benefit indicators determined at making investment decisions.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the Group had 34 new wind power projects, with the new consolidated installed capacity of 2,222 MW. As at 31 December 2015, the consolidated installed capacity of the Group was 17,950 MW, among which, the consolidated installed capacity of the wind power business was 15,765 MW, while the consolidated installed capacity of the coal power business and the consolidated installed capacity of other renewable power business were 1,875 MW and 310 MW, respectively.

Geographical breakdown of the consolidated installed capacity of the Group's wind farms as of 31 December 2014 and 31 December 2015:

Region	As of 31 December 2015 (MW)	As of 31 December 2014 (MW)	Percentage of change
Heilongjiang	1,234.7	1,186.4	4.07%
Jilin	447.9	447.9	0.00%
Liaoning	1,003.2	1,003.2	0.00%
Inner Mongolia	2,585.8	2,384.1	8.46%
Jiangsu	1,678.2	1,243.5	34.96%
Zhejiang	227.9	163.1	39.73%
Fujian	522.1	506.1	3.16%
Hainan	99.0	99.0	0.00%
Gansu	1,289.8	1,139.8	13.16%
Xinjiang	1,391.3	1,291.8	7.70%
Hebei	1,170.1	1,070.1	9.34%
Yunnan	619.5	570.0	8.68%
Anhui	588.1	538.6	9.19%
Shandong	338.8	244.8	38.40%
Tianjin	132.0	132.0	0.00%
Shanxi	646.5	547.5	18.08%
Ningxia	724.7	277.7	160.97%
Guizhou	538.0	343.0	56.85%
Shaanxi	198.0	198.0	0.00%
Tibet	7.5	7.5	0.00%
Chongqing	149.5	49.5	202.02%
Shanghai	47.5	—	--
Guangdong	25.74	—	--
Canada	99.1	99.1	0.00%
Total	15,764.94	13,542.7	16.41%

4. Maintaining basically steady in the tariff

The average on-grid tariffs for overall power generation of the Group for 2015 amounted to RMB551 per MWh (value-added tax (“VAT”) inclusive), representing an increase of RMB1 per MWh as compared with the average on-grid tariffs of RMB550 per MWh (VAT inclusive) in 2014. The average on-grid tariffs for wind power amounted to RMB590 per MWh (VAT inclusive), representing an increase of RMB5 per MWh as compared with RMB585 per MWh (VAT inclusive) in 2014, which was primarily due to a higher share of wind power generated in the regions which enjoy a higher tariff. The average on-grid tariffs for coal power amounted to RMB419 per MWh (VAT inclusive), representing a decrease of RMB20 per MWh as compared with the average on-grid tariffs for coal power of RMB439 per MWh (VAT inclusive) in 2014, which was mainly attributable to a reduction of the benchmark on-grid tariffs of coal power of Jiangsu Province in September 2014 and April 2015 respectively in Jiangsu Province.

5. With the lean management of capital being further reinforced, the value creation ability was uplifted

In 2015, the domestic and foreign currency market was changing. In response, the Group first continuously improved the construction of “capital pool” to enhance the intensified management and control of financing and raise the cash sweep ratio and laid down an overall operation plan to optimise regional capital allocation and realise value creation for capital management; second, the Group further changed its operation ideas to reduce the balance of interest-bearing liabilities and capital cost of wind power projects in operation, thus reducing its financial expenses in an effective manner; and third, it kept a close watch on the domestic and foreign capital markets to raise domestic and foreign low cost capital with all its strength, including the successful issuance of short-term debentures, corporate bonds and mid-term notes as well as the successful issuance of Dufferin Project bonds by Longyuan Canada Renewables Ltd., a subsidiary of the Company, helping the Group keep a leading position in respect of capital cost in the industry for the whole year.

6. Raced for the commanding height and consolidated cutting-edge technology leadership

In 2015, based on the adjustment to the function division between the technological management department at the head office and relevant science and technology companies, we attentively streamlined, revised and supplemented the standards, rules and systems associated to science and technology of the Group, building up a comprehensive institutional system, and our scientific and technological research stepped onto the standard, systematic and normal benign development track. Progress was made in the improvement and reinforcement of the operation and management of the National Wind Power Operation R&D (Experiment) Centre (國家能源風電運營研發(實驗)中心). By reference to the 27 critical scientific achievements in the past three years, we prepared the underlying scientific research reports and passed the regular inspection and acceptance held every three years by the NEA, helping Longyuan Wind Power Operation and Technical Research and Development Centre retain its qualification as a national research and development center.

With an advancing strategic vision, the Group took the lead in launching the first wind power big data project and completed the construction of a big data platform with an aim to race for the commanding height for future technical development. The wind power big data project was successfully included into the list of national energy independent innovation projects, and was rated by the NEA as the sole independent-innovation project in the new power industry of the country in 2015. Meanwhile, the application research module of the partly funded wind power big data project gained support from Guodian Group. The project was included in the list of key scientific projects of Guodian Group for 2016 with partial financial subsidy.

The Group completed the conclusion and acceptance of the Operation and Maintenance Technology and Equipment Design for Offshore Wind Farm (《海上風電場運維技術及裝備設計》), a National 863 Program, in 2015, which filled the domestic technological gap by the outcome of an offshore wind power operation and maintenance ship. Since continuous support had been channeled to scientific projects of great influence on the wind power development of the Group, the Group filed 3 technological projects to Guodian Group for 2016 and identified 16 in-house projects. In 2015, eight standards of the Group were successfully included in the new edition of the Wind Power Standards System of the Energy Industry (能源行業風電標準體系). Throughout the year, the Company obtained 33 newly authorized patents and 20 software copyrights, including two Chinese Electricity Science and Technology Prizes and six Scientific Advance Prizes of Guodian Group.

7. Established strategic planning for overseas business and advanced steadily as scheduled

In 2015, after closing the financing process of the wind power project in De Aar, South Africa (南非德阿風電項目) (244.5MW), of which the Group won the bid in October 2013, the Commercial Section of Chinese Embassy in South Africa sent a letter of congratulation to the Group and reported to the Ministry of Commerce of the PRC, to extend congratulations to the Group's achievements in development of new energy in South Africa. Phase I of the De Aar wind power project in South Africa was awarded the title of "2014 Outstanding Development Project" (2014年年度優秀開發項目). The Group was the winner in the competition with European and American transnational companies and the only PRC company winning this title. The De Aar wind power project in South Africa has broken ground in October 2015 and is estimated to be put into operation by the end of 2017.

The Group formulated the strategic planning for overseas business and determined the ideas of developing the surrounding areas of existing projects, seeking for strategic cooperation and investment opportunities based on the initiative of "One Belt One Road" and seizing investment opportunities to obtain high quality projects, thus clarifying the objectives for short, medium, and long term development. Rational and distinct strategic objectives and planning will guide the Group's overseas development and optimize overseas investment efficiency, further speeding up the progress of "going-out". Relying on the successful experience in merger & acquisition, bidding, pre-development, construction and operation of existing overseas wind power projects, the Group will endeavor to make the most of and take part into the inter-state industry cooperation and coordination mechanism. With the focus on economic benefits, the Group will accelerate the pace of "going-out" to build overseas high-quality and high-efficient profitable projects provided that it is able to place risks under its control.

III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Profit or loss and other comprehensive income

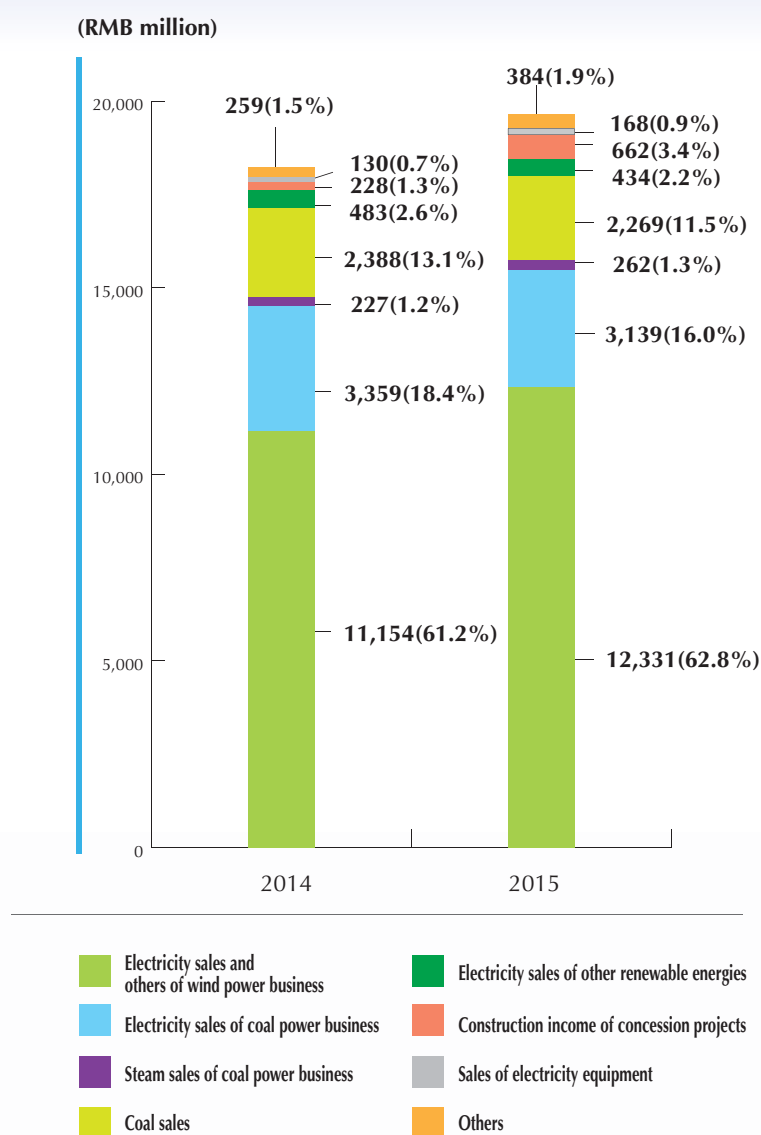
In 2015, the net profit of the Group amounted to RMB4,076 million, representing an increase of 15.0% as compared to RMB3,545 million in 2014. Net profit attributable to equity holders of the Company amounted to RMB2,881 million, representing an increase of 12.8% as compared to RMB2,555 million in 2014. Earnings per share amounted to RMB35.84 cents, representing an increase of RMB4.05 cents as compared to RMB31.79 cents in 2014.

Operating revenue

Operating revenue of the Group amounted to RMB19,649 million in 2015, representing an increase of 7.8% as compared to RMB18,228 million in 2014. The increase in operating revenue was primarily due to: 1) an increase of RMB1,177 million, or 10.6%, in electricity sales and other revenue of wind power business to RMB12,331 million in 2015 as compared to RMB11,154 million in 2014; 2) an increase of RMB434 million, or 190.4%, in service concession construction revenue of wind power business to RMB662 million as compared to RMB228 million in 2014, which was primarily attributable to the increase in number and construction volume of service concession projects under construction; and 3) a decrease of RMB185 million, or 5.2%, in revenue from sales of electricity and steam of coal power business to RMB3,401 million as compared to RMB3,586 million in 2014, which was primarily attributable to the decrease of electricity sales volume of coal power business of 195 million kWh, or 2.2%, as compared to that in 2014, and the downward adjustment to the benchmark tariff of electricity generated by desulphurization coal-fired power generating units by the PRC government in September 2014 and April 2015 respectively. The non-tax average tariff of coal power electricity decreased by RMB17 per MWh, or 4.5%, as compared to that in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

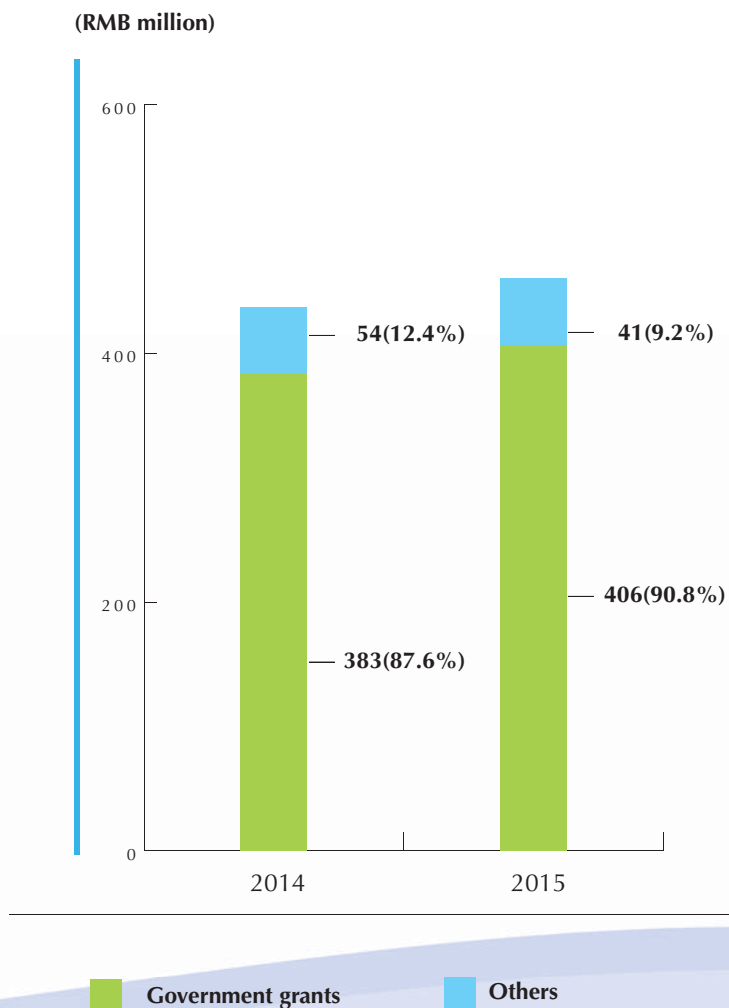
The operating revenue of each segment and their respective proportions are set out in the diagram below:



Other net income

Other net income of the Group amounted to RMB447 million in 2015, which increased by 2.3% as compared to RMB437 million in 2014 which was mainly caused by following reasons: 1) in line with the increase in revenue from electricity sales of wind power business, the refund of VAT and other government grants amounted to RMB406 million in 2015, representing an increase of RMB23 million as compared to that in 2014; 2) an increase of RMB16 million in the income from the disposal of assets of coal power business in 2015 as compared to that in 2014; and 3) the gain from the disposal of Guodian Liaocheng Biomass Power in 2014 amounted to RMB29 million, while there was no similar income in 2015.

The breakdown of other net income items and their respective proportions are set out in the diagram below:

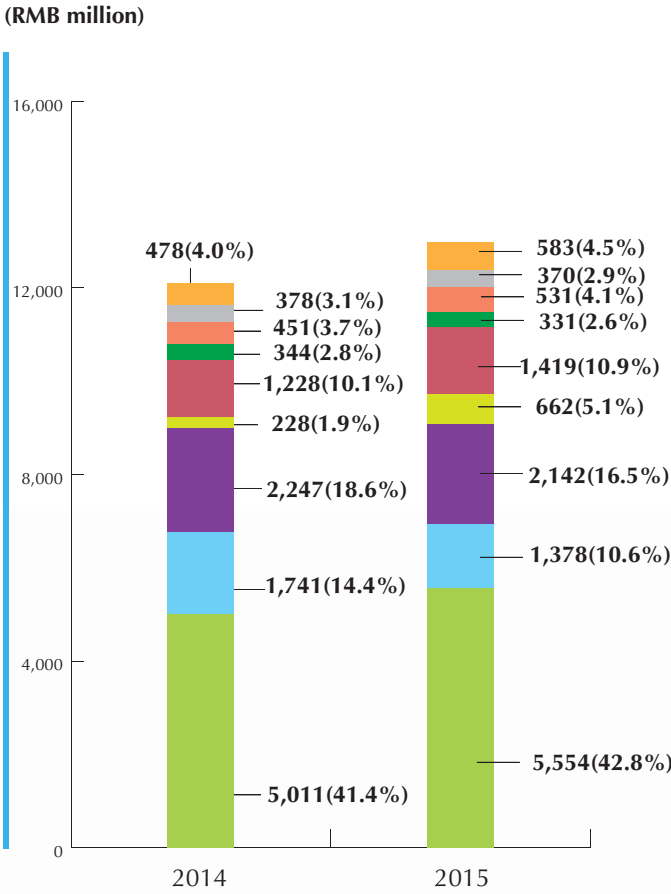


MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

Operating expenses of the Group amounted to RMB12,970 million in 2015, representing an increase of 7.1% as compared to RMB12,105 million in 2014, primarily due to the increase in the depreciation and amortisation expenses of the wind power business and construction cost of the service concession projects, the decrease in the coal consumption costs and the costs of coal sales in the coal power business and the increase in personnel costs and repair and maintenance expenses.

Operating expenses items and their respective proportions are set out in the diagram below:

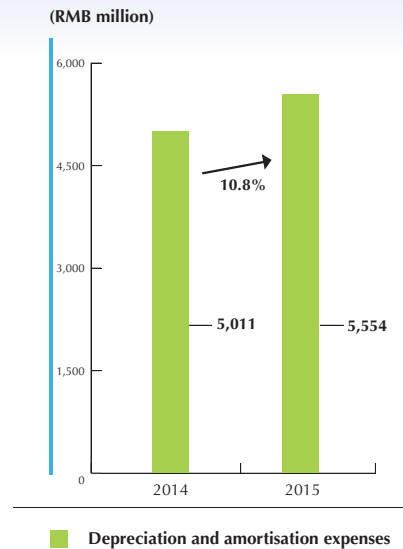


- Depreciation and amortisation expenses
- Material costs
- Coal consumption costs
- Repair and maintenance expenses
- Costs of coal sales
- Administrative expenses
- Construction costs of service concession projects
- Other operating expenses
- Personnel costs

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB5,554 million in 2015, representing an increase of 10.8% as compared to RMB5,011 million in 2014, primarily due to an increase of RMB643 million, or 14.7%, in depreciation and amortisation expenses of wind power business over 2014 as a result of expansion in the installed capacity of wind power projects.

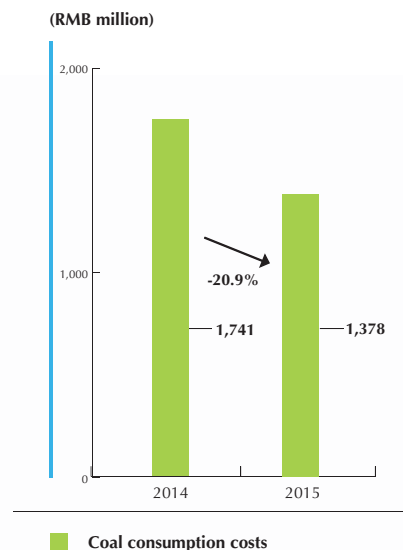
The depreciation and amortisation expenses are set out in the diagram below:



Coal consumption costs

The coal consumption costs of the Group amounted to RMB1,378 million in 2015, representing a decrease of 20.9% as compared to RMB1,741 million in 2014. The main reasons are as follows: 1) a decrease of approximately 20.6% in the average unit price of standard coal for power and steam generation compared with that of 2014 in line with the decrease in the price of coal in 2015; and 2) a decrease of approximately 2.2% in the coal consumption as a result of the decrease in power generation.

The coal consumption costs are set out in the diagram below:

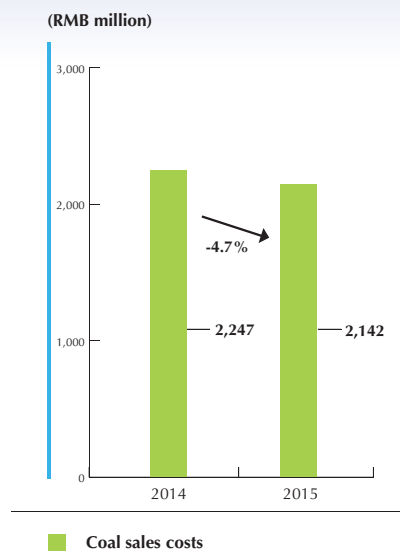


MANAGEMENT DISCUSSION AND ANALYSIS

Coal sales costs

The coal sales costs of the Group in 2015 amounted to RMB2,142 million, representing a decrease of 4.7% as compared to RMB2,247 million in 2014. The main reasons are as follows: 1) a decrease of approximately 18.8% in the average procurement price of coal for the year of 2015; and 2) an increase of approximately 17.3% in the sales volume of coal as compared with that of 2014.

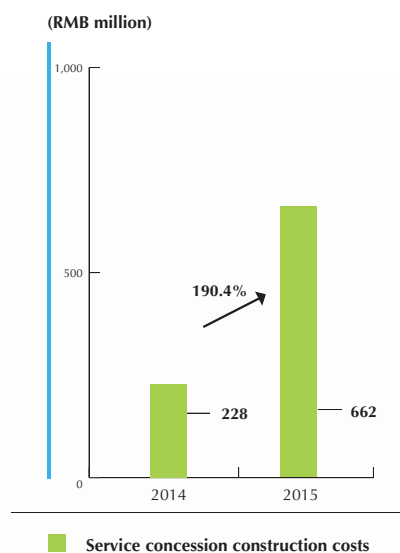
The coal sales costs are set out in the diagram below:



Service concession construction costs

The Group's service concession construction costs in 2015 amounted to RMB662 million, representing an increase of 190.4% as compared to RMB228 million in 2014, primarily due to an increase in number and construction volume of service concession projects under construction in 2015 as compared with that of 2014.

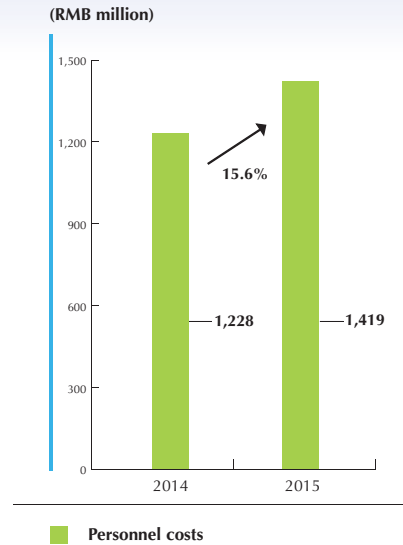
The service concession construction costs are set out in the diagram below:



Personnel costs

Personnel costs of the Group amounted to RMB1,419 million in 2015, representing an increase of 15.6% as compared to RMB1,228 million in 2014. The main reasons are as follows: 1) an increase in headcounts as a result of the Group's expansion; and 2) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation.

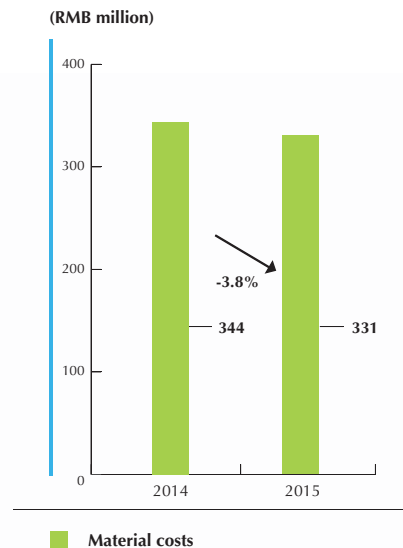
The personnel costs are set out in the diagram below:



Material costs

Material costs of the Group amounted to RMB331 million in 2015, representing a decrease of 3.8% as compared to RMB344 million in 2014, primarily due to the decrease in fuel costs of biomass power generation caused by disposal of Guodian Liaocheng Biomass Power and the decrease in unit fuel consumption of biomass business; and the increase in material costs as a result of the increase in sales volume of products of Longyuan (Beijing) Wind Power Projects Technology Co., Ltd. (龍源(北京)風電工程技術有限公司).

The material costs are set out in the diagram below:

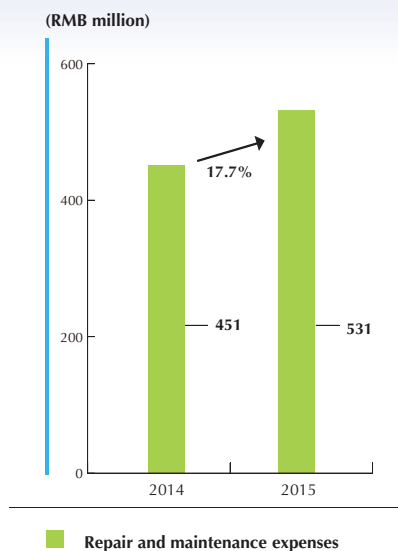


MANAGEMENT DISCUSSION AND ANALYSIS

Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB531 million in 2015, representing an increase of 17.7% as compared to RMB451 million in 2014, mainly due to the increase in repair and maintenance expenses incurred by the wind power business as more wind power turbines' warranty periods expired.

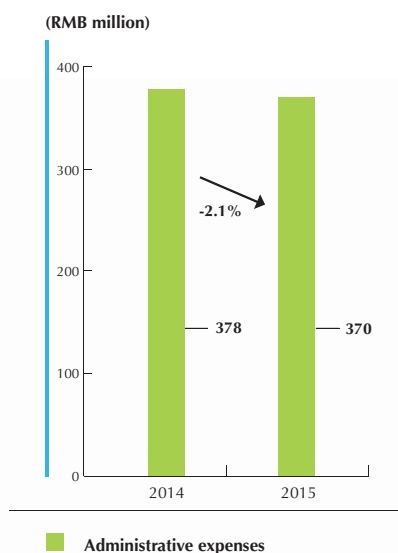
The repair and maintenance expenses are set out in the diagram below:



Administrative expenses

Administrative expenses of the Group amounted to RMB370 million in 2015, representing a decrease of 2.1% as compared to RMB378 million in 2014. Such decrease was primarily due to the continuously effective control on the office and meeting expenses, transportation expenses and other expenses of the Group.

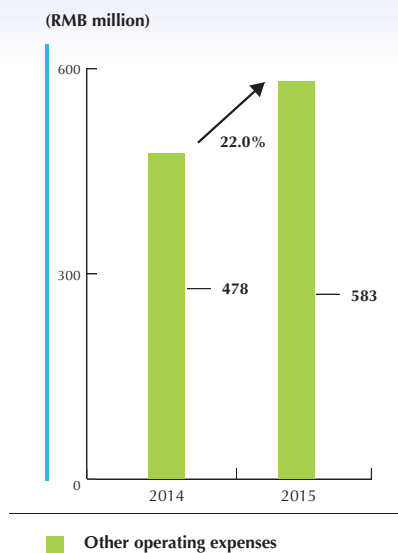
The administrative expenses are set out in the diagram below:



Other operating expenses

Other operating expenses of the Group amounted to RMB583 million in 2015, representing an increase of 22.0% as compared to RMB478 million in 2014. The main reasons are as follows: 1) the increase of RMB56 million in the costs of engineering procurement construction (“EPC”) service and bidding service of other business due to the increase in business volume; 2) the cost for obtaining generation right of wind power business in 2015 amounting to RMB30 million, while there was no similar expenses in 2014; and 3) the increase in operating expenses of insurance fees, water and electricity fees, due to the increase in installed capacity as a result of the expansion of the Group’s business.

The other operating expenses are set out in the diagram below:

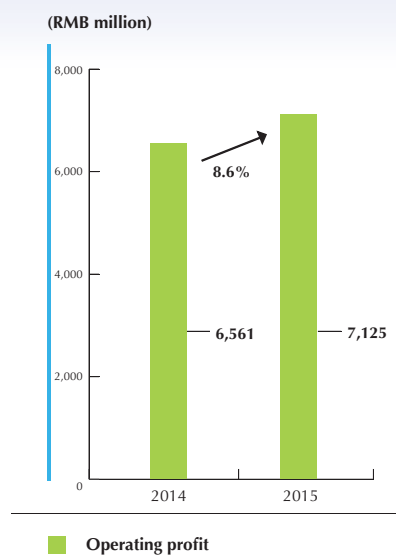


MANAGEMENT DISCUSSION AND ANALYSIS

Operating profit

In 2015, the operating profit of the Group amounted to RMB7,125 million, representing an increase of 8.6% as compared to RMB6,561 million in 2014. The main reasons are as follows: 1) the operating profit of the wind power business amounted to RMB5,986 million in 2015, representing an increase of RMB298 million, or 5.2% from RMB5,688 million in 2014. This was mainly attributable to the increase in revenue and operating profit from sales of electricity of wind power business, as a result of the installed capacity expansion of the wind power business; 2) the operating profit of the coal power business amounted to RMB1,133 million in 2015, representing an increase of RMB341 million, or 43.1% as compared to RMB792 million in 2014, which was primarily attributable to the increased gross margin of electricity and steam sales business resulting from the decrease in coal price as compared to 2014; and 3) the operating profit of other business in 2015 was RMB151 million, representing a decrease of RMB48 million, or 24.1% as compared to RMB199 million in 2014, which was primarily attributable to the income of RMB29 million from the disposal of Guodian Liaocheng Biomass Power as recognised by the Group in 2014, while there was no similar income in 2015, and the adjustments to the charging standard and way of assessment for inter-group design consultancy service business.

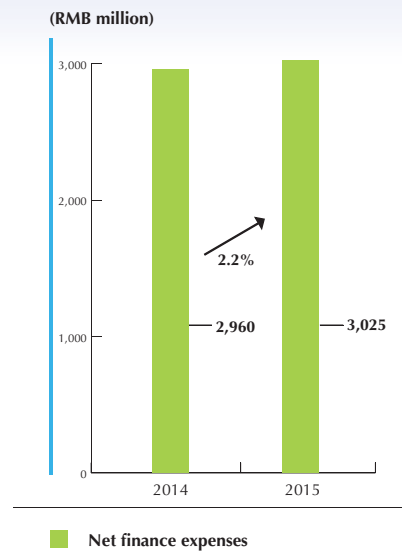
Operating profit is set out in the diagram below:



Net finance expenses

The net finance expenses of the Group amounted to RMB3,025 million in 2015, representing an increase of 2.2% as compared to RMB2,960 million in 2014. The main reasons are as follows: 1) the interest expenses amounted to RMB2,795 million in 2015, representing a decrease of RMB185 million as compared to that of RMB2,980 million in 2014 as the People’s Bank of China (“PBOC”) lowered the benchmark loan rate; and 2) the gain on changes in fair value amounting to RMB20 million from the trading securities of Hero Asia Investment Limited in 2015 increased by RMB106 million as compared with a loss on changes in fair value amounting to RMB86 million in 2014; 3) the interest income from bank deposits and from loans provided to related parties increased by RMB73 million in 2015 as compared to that in 2014; and 4) the Group’s net foreign exchange losses amounted to RMB399 million, representing an increase of RMB425 million as compared to the net foreign exchange gain of RMB26 million in 2014.

The net finance expenses are set out in the diagram below:

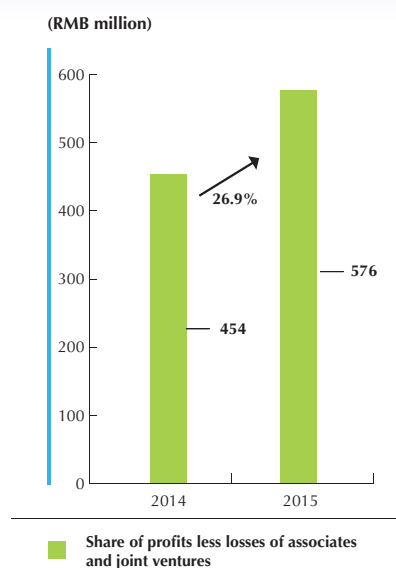


MANAGEMENT DISCUSSION AND ANALYSIS

Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and joint ventures amounted to RMB576 million in 2015, representing an increase of 26.9% as compared to RMB454 million in 2014, which was mainly due to the improved operating results of Jiangsu Nantong Power Generation Co., Ltd. (江蘇南通發電有限公司), a joint venture, in 2015 as compared to that in 2014.

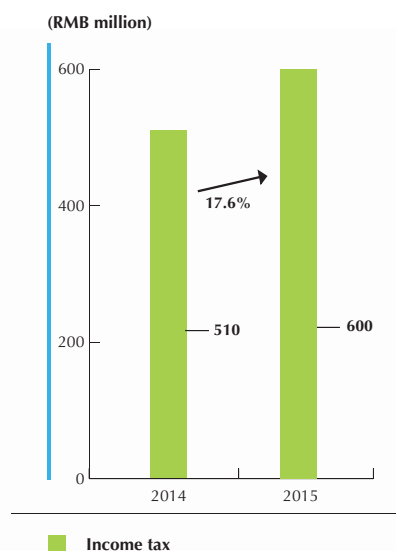
The share of profits less losses of associates and joint ventures is set out in the diagram below:



Income tax

Income tax of the Group amounted to RMB600 million in 2015, representing an increase of 17.6% as compared to RMB510 million in 2014, which was mainly due to the increase in profit before tax of wind power business and coal power business in 2015.

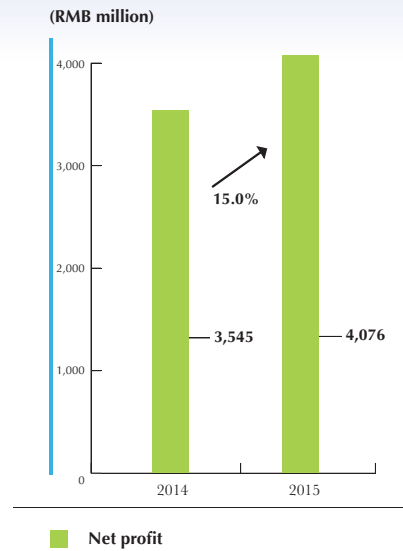
The income tax is set out in the diagram below:



Net profit

In 2015, the net profit of the Group amounted to RMB4,076 million, representing an increase of 15.0% as compared to RMB3,545 million in 2014, mainly attributable to: the increase of RMB298 million in operating profit of wind power business as compared to that in 2014; the increase of RMB341 million in operating profit of coal power business as compared to that in 2014; and the increase of RMB65 million in net finance expenses as compared to that in 2014.

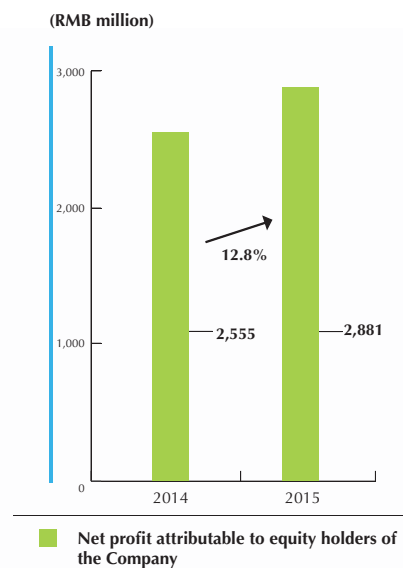
The net profit is set out in the diagram below:



Net profit attributable to equity holders of the Company

In 2015, net profit attributable to equity holders of the Company amounted to RMB2,881 million, representing an increase of 12.8% as compared to RMB2,555 million in 2014, mainly attributable to the increase in net profit from wind power business, most equity interests of which were held by equity holders of the Company.

The net profit attributable to equity holders of the Company is set out in the diagram below:



Segment results of operations

Wind power business

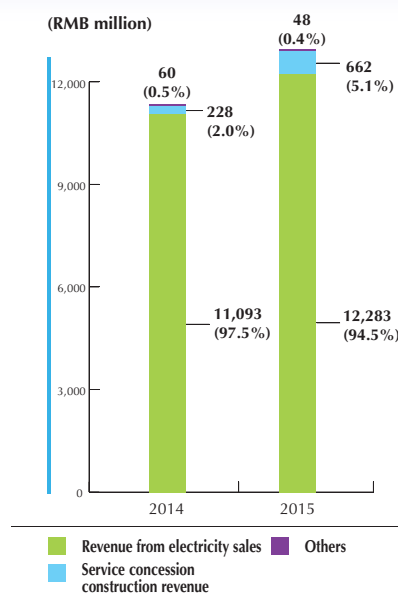
Operating revenue

In 2015, the operating revenue of the wind power business of the Group amounted to RMB12,993 million, representing an increase of 14.2% from RMB11,381 million in 2014, primarily due to the increase in electricity sales revenue derived from growing power generation led by the increase of installed capacity of wind power business; and the fact that construction revenue from service concession projects increased significantly resulting from the increase in the numbers and construction volume of projects under construction.

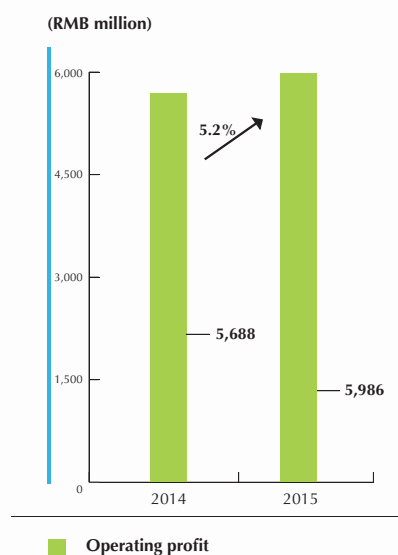
Operating profit

In 2015, the operating profit of the wind power business of the Group amounted to RMB5,986 million, representing an increase of 5.2% as compared to RMB5,688 million in 2014. The growth rate in operating profit of wind power business was lower than that of the revenue from electricity sales of wind power business, which was mainly due to the decrease of average utilisation hours of generation equipment in 2015.

Operating revenue of the wind power business and proportions are set out in the diagram below:



Operating profit of the wind power business is set out in the diagram below:

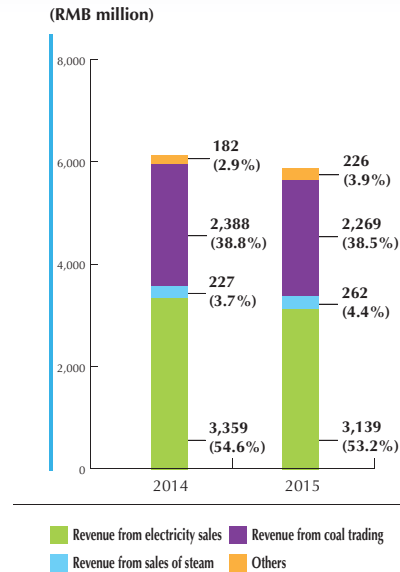


Coal power business

Operating revenue

In 2015, operating revenue of our coal power business amounted to RMB5,896 million, representing a decrease of 4.2% as compared to RMB6,156 million in 2014, primarily attributable to: 1) sales of electricity decreased due to downward adjustment of tariff and decline of coal power generation in 2015 as compared to 2014; and 2) the decrease in the revenue from coal trading as a result of the drop of unit selling price of coal under the effect of the decline in the coal market.

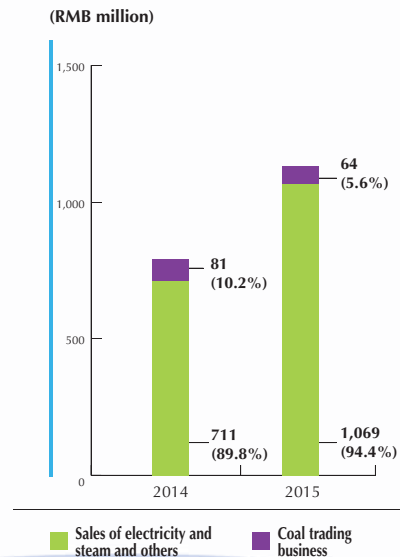
Operating revenue of the coal power business and proportions are set out in the diagram below:



Operating profit

In 2015, operating profit of our coal power business amounted to RMB1,133 million, representing an increase of 43.1% as compared to RMB792 million in 2014, which was mainly attributable to the increase of the gross profit margin of sales of electricity and steam as compared with 2014, as a result of decreasing unit price of coal.

Operating profit of the coal power business and proportions are set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

Other segments

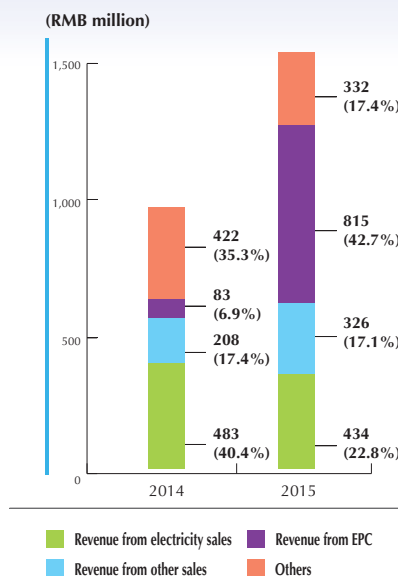
Operating revenue

In 2015, the operating revenue of other segments amounted to RMB1,907 million, representing an increase of 59.4% as compared to RMB1,196 million in 2014. The main reason is that revenue from EPC under other segments amounted to RMB815 million in 2015, among which the inter-group revenue amounted to RMB761 million, representing an increase of RMB732 million as compared to that in 2014.

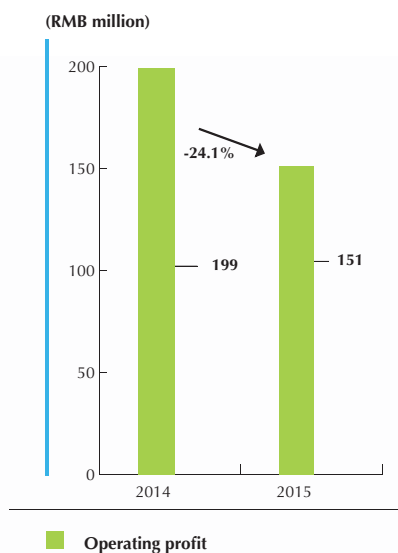
Operating profit

In 2015, the operating profit of other segments of the Group amounted to RMB151 million, representing a decrease of 24.1% as compared to RMB199 million in 2014, which was primarily attributable to: 1) the income of RMB29 million under other segments from the disposal of Guodian Liaocheng Biomass Power in 2014, while there was no similar income in 2015; and 2) the adjustments to the charging standard and way of assessment for inter-group design consultancy service business.

Operating revenue of other segments and proportions are set out in the diagram below:



Operating profit of other segments is set out in the diagram below:



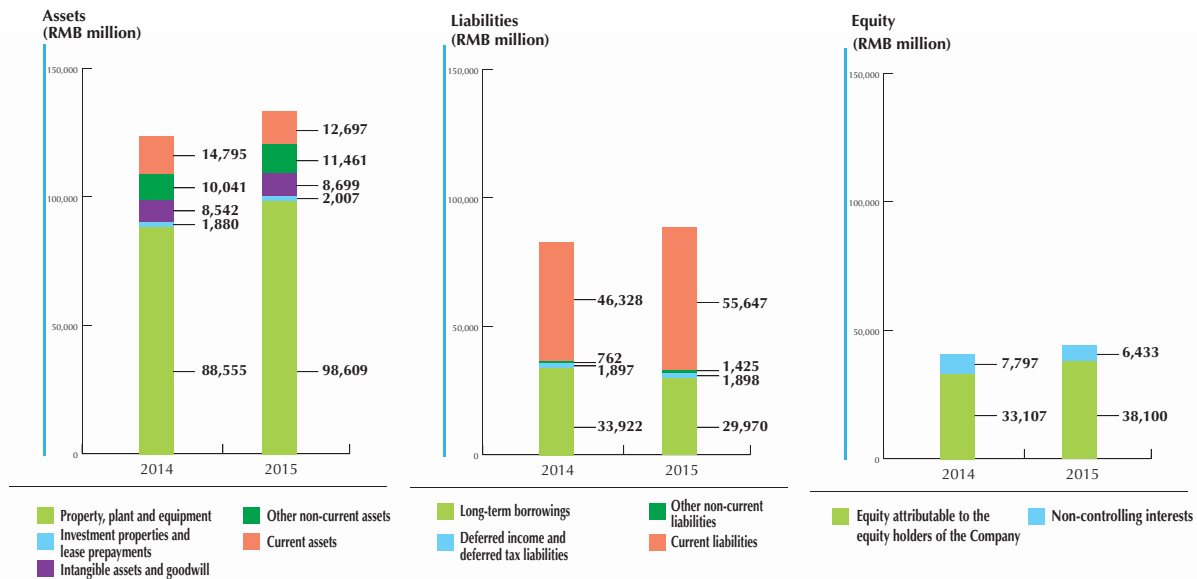
Assets and liabilities

As at 31 December 2015, total assets of the Group amounted to RMB133,473 million, representing an increase of RMB9,660 million as compared with total assets of RMB123,813 million as at 31 December 2014. This was primarily due to: 1) an increase of RMB11,758 million in non-current assets including property, plant and equipment; and 2) a decrease of RMB2,098 million in current assets including receivables.

As at 31 December 2015, total liabilities of the Group amounted to RMB88,940 million, representing an increase of RMB6,031 million as compared to total liabilities of RMB82,909 million as at 31 December 2014. This was primarily due to a decrease of RMB3,288 million in non-current liabilities including long-term borrowings and an increase of RMB9,319 million in current liabilities including short-term borrowings.

As at 31 December 2015, equity attributable to equity holders of the Company amounted to RMB38,100 million, representing an increase of RMB4,993 million as compared with RMB33,107 million as at 31 December 2014.

Details of assets, liabilities and equity are set out in the diagrams below:



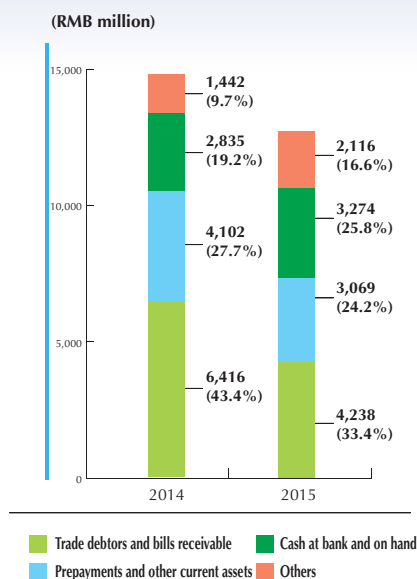
MANAGEMENT DISCUSSION AND ANALYSIS

Capital liquidity

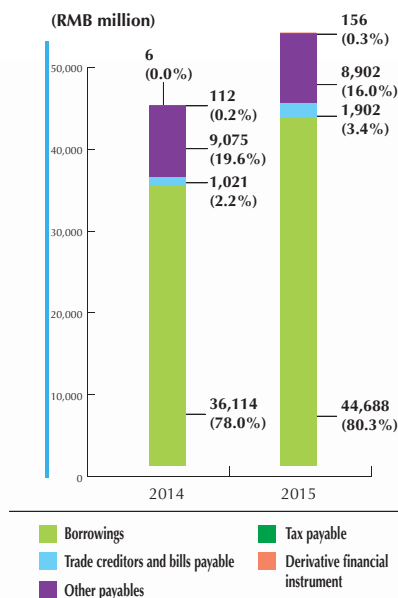
As at 31 December 2015, current assets of the Group amounted to RMB12,697 million, among which, RMB3,274 million was cash at bank and on hand; RMB4,238 million was trade debtors and bills receivable primarily consisted of receivables from sales of electricity; RMB3,069 million was prepayments and other current assets primarily consisted of deductible VAT and advances.

As at 31 December 2015, current liabilities of the Group amounted to RMB55,647 million, including RMB1,902 million of trade creditors and bills payable (primarily consisting of payables for purchase of coal fuels and spare parts), RMB8,902 million of other payables (primarily consisting of payables for construction of wind power projects and related retention payables), and RMB44,688 million of short-term borrowings.

Current assets and their respective proportions are set out in the diagram below:



Current liabilities and their respective proportions are set out in the diagram below:



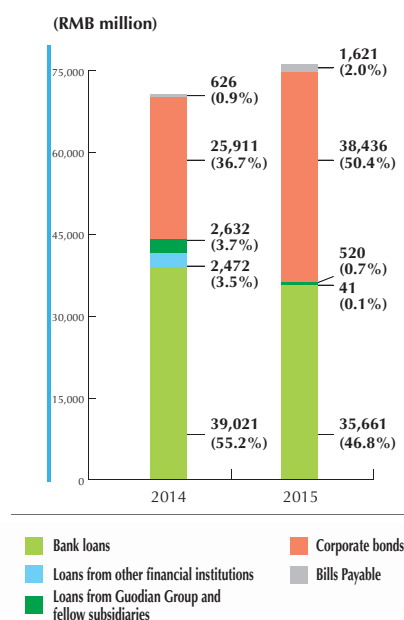
As at 31 December 2015, net current liabilities amounted to RMB42,950 million, representing an increase of RMB11,417 million as compared with RMB31,533 million as at 31 December 2014. The liquidity ratio was 0.23 as at 31 December 2015, representing a decrease of 0.09 as compared with the liquidity ratio of 0.32 as at 31 December 2014.

Restricted deposits amounted to RMB387 million, mainly including deposits for bills and issuance of the letter of credit.

Borrowings and bills payable

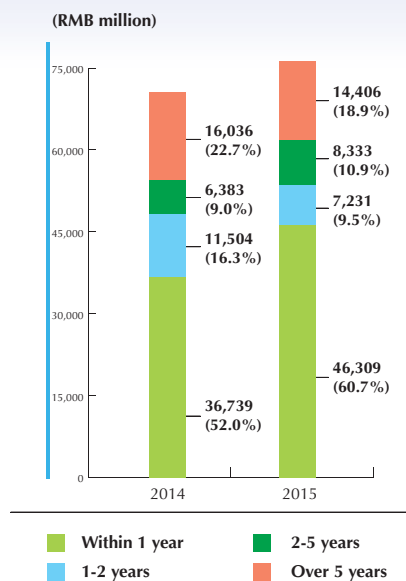
As at 31 December 2015, the Group’s balance of the borrowings and bills payable amounted to RMB76,279 million, representing an increase of RMB5,617 million as compared with the balance of the borrowings and bills payable of RMB70,662 million as at 31 December 2014. As at 31 December 2015, the Group’s outstanding borrowings and bills included short-term borrowings and bills payable of RMB46,309 million (including long-term borrowings due within one year of RMB6,275 million and bills payable of RMB1,621 million) and long-term borrowings amounting to RMB29,970 million (including debentures payable of RMB12,016 million). The abovementioned borrowings included borrowings denominated in Renminbi of RMB65,048 million, borrowings denominated in U.S. dollars of RMB8,328 million and borrowings denominated in other foreign currencies of RMB1,282 million. As at 31 December 2015, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB355 million and corporate bonds with fixed interest rates of RMB12,016 million. As at 31 December 2015, the balance of bills payable issued by the Group amounted to RMB1,621 million.

Borrowings and bills payable by category and proportions are set out in the diagram below:

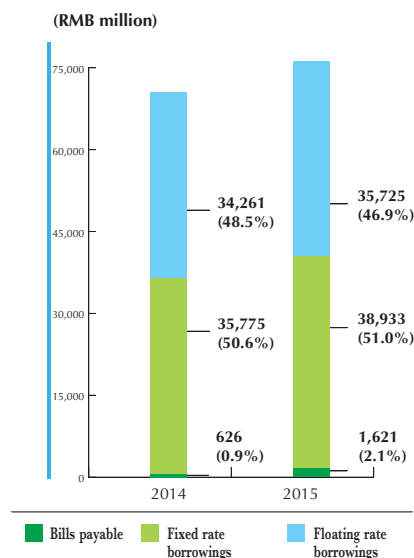


MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and bills payable by term and proportions are set out in the diagram below:



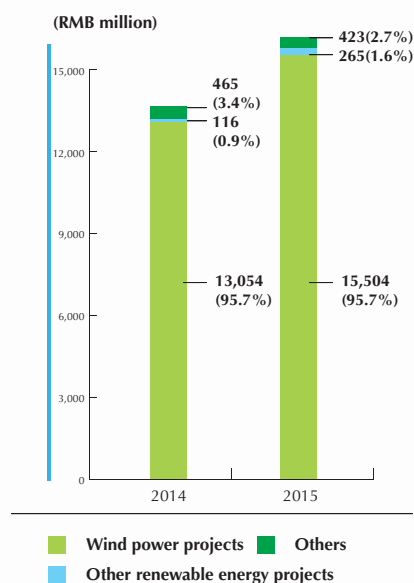
The types of interest rate structure of borrowings and bills payable and their respective proportions are set out in the diagram below:



Capital expenditures

The capital expenditures of the Group amounted to RMB16,193 million in 2015, representing an increase of 18.8% as compared with RMB13,636 million in 2014, among which, the expenditures for the construction of wind power projects amounted to RMB15,504 million, and the expenditures for the construction of other renewable energy projects amounted to RMB265 million. The sources of funds mainly included the proceeds from borrowings from banks and other financial institutions and the issue of bonds.

Capital expenditures classified by use and proportions are set out in the diagram below:



Net gearing ratio

As at 31 December 2015, 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 61.71%, representing a decrease of 0.61 percentage points from 62.32% as at 31 December 2014. This was primarily due to that the increase in debt scale was less than the increase in total equity of the Group in 2015 because 1) the Group optimised its financing structure by issuing perpetual medium term note as an equity instrument; and 2) the Group's retained earnings increased this year.

Major investments

The Group made no major investment in 2015.

Material acquisitions and disposals

The Group had no material acquisitions and disposals in 2015.

Pledged assets

The Group has pledged wind turbine equipments to secure certain bank loans. As at 31 December 2015, the aggregate net book value of the pledged assets amounted to RMB213 million, representing a decrease of 7.8% as compared with RMB231 million as at 31 December 2014. This was primarily due to the corresponding decrease in the net book value of pledged assets as a result of the depreciation of wind turbines.

Contingent liabilities/Guarantees

As at 31 December 2015, the Group provided a guarantee of RMB36 million 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 2015, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB11 million.

Cash flow analysis

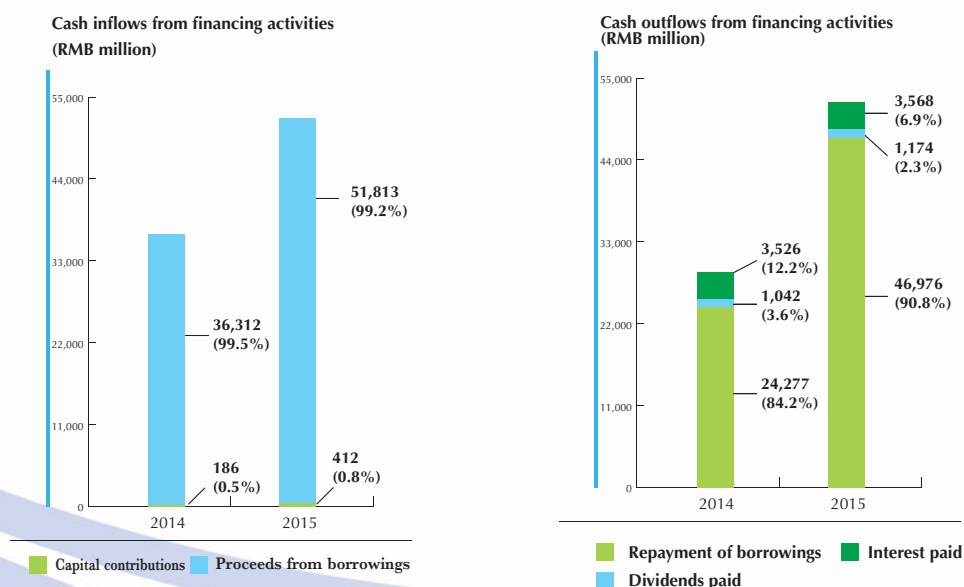
As at 31 December 2015, cash at bank and on hand held by the Group amounted to RMB2,887 million, representing an increase of RMB491 million as compared with RMB2,396 million as at 31 December 2014. The principal sources of funds of the Group mainly include cash inflow generated from operating activities, the issuance of corporate bonds and bank loans. The Group mainly used the funds for the construction of projects, repayment of borrowings and dividends paid to shareholders of the Company.

The net cash inflow of the Group's operating activities amounted to RMB16,325 million in 2015, among which the cash inflow was primarily attributable to revenue from sales of electricity. The cash outflow was mainly attributable to purchase of fuels and spare parts, various taxation payments and operating expenses. The net cash inflow of the Group's operating activities in 2015 increased by 26.7% as compared with that of RMB12,881 million in 2014, mainly due to 1) the increase in cash inflow from sales of electricity of wind power business as a result of the continuous increase in the wind power installed capacity; and 2) the decrease in the cash outflow for purchase of fuels for the coal power business arising from the drop of coal price.

The net cash outflow from investing activities of the Group for 2015 was RMB16,319 million. The cash outflow for investment activities were mainly used for the construction of wind power project.

The net cash inflow from financing activities of the Group for 2015 was RMB507 million. The cash inflow from financing activities was mainly generated from the issue of corporate bonds and bank loans. The cash outflow for financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

Cash inflows from financing activities and cash outflows from financing activities are set out as below:



IV. RISK FACTORS AND RISK MANAGEMENT

1. Climatic risk

The major climatic risk confronted by the wind power industry is the annual fluctuation of wind resources, which is mainly represented by the higher power generation in years of high wind speed and the lower power generation in years of low wind speed than that in normal years. On the vast territory of the PRC, there is a great variation in climate causes in different regions. To be specific, the regions have different climate characteristics of the years of high and low wind speeds in the same period. In 2015, according to the China Wind and Solar Energy Resources Bulletin published by CMA Wind and Solar Energy Resources Center, Shanghai, Jiangsu, Shandong, etc. had a low wind speed, while Chongqing, Tibet, Liaoning, etc. witnessed a high wind speed. The Company has put wind power projects into operation in 23 provinces (including municipalities). In response to the risks brought about by the interannual variation of wind speed, the Company will continue to optimise the layout of wind power and strengthen the development efforts of wind power in the eastern and southeastern coastal areas and inlands in the southwest and middle of China, including Tianjin, Shandong, Shanxi, Jiangsu, Anhui, Fujian, Zhejiang, Hunan, Hubei, Jiangxi, Yunnan, Guizhou, etc. to further balance the project development ratio in the regions subject to the impact of different monsoons.

2. Risks relating to grids

In recent years, the grid curtailment has become an issue with high degree of concern. In 2015, due to the low power load in the society, unreasonable grid connection structure and the lower-than-expected construction of grid lines, the situation of grid curtailment is not optimistic. The Group will study the future characteristics and absorption of wind power, accurately judge the changing trends of policies and make good use of national policies, to cope with the grid curtailment. In addition, it will make adjustments to the development layout of wind power, expand the scale of construction in regions not subject to grid curtailment, and reinforce the selection of generating units in the regions subject to grid curtailment. The Group will 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 reasonable manner and minimize decommission time of power generating units as far as possible.

3. Interest rate risk

The Group is principally engaged in domestic investment in wind farms, which requires enormous capital expenditure and a large amount of loan fund. Therefore, any changes in interest rate will have certain impacts on the Group's cost of funds. With sound performance and credibility, a stable debt structure and diversified financing channels, the financing interest rate incurred always 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, innovate financing products in order to effectively avert interest rate risks. In addition, the Group will pay close attention to changes of policy in the domestic and international financial markets, timely adopt a targeted financing model during fluctuation of interest rate so as to partially offset the impacts on financial costs brought by changes in interest rates.

4. Risk in currency exchange rate

The business of the Group is mainly situated in mainland China where most of its revenue as well as expenses are denominated in Renminbi. Meanwhile, a small portion of the Group's investments are carried out abroad and a small amount of its loans 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. The Group closely monitors and analyses the fluctuations in the foreign exchange rate, effectively takes exchange rate protection measures and locks the US dollar-denominated bonds by virtue of cross-currency swap (CCS) of the bonds. Meanwhile, it designs appropriate means to use foreign currencies and adopts various approaches to improve risk management of the currency exchange rate.

5. 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 stable supply and cost reduction. The Group grasped favourable opportunities, conscientiously ensured the implementation of coal procurement and continuously explored resources for coal procurement as well as stabilised coal supply channels. By means of proactive liaison and communication with large scale coal supply enterprises, it made good use of the preferential policies for the coal under long-term agreements. Through improving economic coal mixture for burning and blending, the Company aims to effectively reduce the energy level of coal into the furnace (入爐煤) to lay a good foundation for reducing the unit price of standard coal into the furnace. The Company will enhance its profitability by leveraging various methods of coping with changes in fuel prices and streamlining fuel management.

V. OUTLOOK IN 2016

Outlook for Domestic and Overseas Environment for Operation

The main economic entities in the world put great efforts on economic transformation and energy structure reform and have set up long term objectives of renewable energy development. It is expected that, by 2020, "green economy" will still be a growth point of world economy. Our state gives powerful support for the development of renewable energy including wind power and the idea of green development has been proposed at the Fifth Plenary Session of the Eighteenth CPC Central Committee. At the Paris Conference on Climate Change, Xi Jinping, President of the PRC, promised to bring down the carbon dioxide emissions per unit of GDP of the PRC by 60%-65% by 2030 over the level in 2005. In 2015, the government introduced a number of policies to support renewable energy development. Meanwhile, the national energy strategic plans including "One Belt and One Road" and their supporting policies also brought about new overseas investment opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite of opportunities, the investment in renewable energy is also confronted with challenges. Although the current world economy continued its weak recovery, the fundamentals of economic development in the PRC are favourable. However, tight environment and resource restrictions and other factors led to more potential risks to economic operation. As it is in the stage with “three periods superimposed” in which the original development mode is unsustainable and new growth points are yet to take shape, the growth of GDP is likely to maintain at 6%-7% in a period in the future. Power development has entered a new normality, while the power market is experiencing “double low”, i.e. low growth and low utilisation hours. The NDRC lowered the benchmark on-grid tariff for onshore wind power, photovoltaic power generation and coal-fired power generation and raised the tariff subsidy for renewable energy. In spite of a decrease in expected earnings, the policy environment is more stable in the wind power industry and more sufficient subsidies will give rise to fiercer competitions.

The operation targets of the Company in 2016

In 2016, the general business guidelines of the Company are, in profound adherence to the implementation of the spirits introduced by the 18th National Congress of the Communist Party of China and the Fifth Plenary Session of the Eighteenth CPC Central Committee, we, led by the “five main development ideas” (“五大發展理念”), will thoroughly implement the “One, Five and Five” strategy (“一五五”戰略) of Guodian Group following the main line of innovative management and development. We will solidly proceed with the “double enhancement” (“雙提升”) and proactively adapt to the new normality, with an view to build an innovative, management and benefits-oriented enterprise and accelerate the pace of building a world first-class new energy company.

MANAGEMENT DISCUSSION AND ANALYSIS

To be specific, in 2016, the Company will endeavour to achieve the following objectives:

1. To strengthen operation of stock assets with the “double enhancement” as the focus. Through in-depth promotion of “double enhancement”, we will consolidate the foundation of safe production and cope with the grid curtailment with all our strength. A complete model system for economic operation management and control will be established to intensify assets operation and management.
2. To optimise the development of earned assets with economic benefit as the centre. Steady efforts will be made in development of high quality resources while enhancing the quality of preliminary work. We will endeavour to improve the management and control of project progress to build high quality projects. In addition, we will also proactively explore and study the application and management model for new wind power technologies.
3. To deepen system and mechanism reform to improve enterprise management innovation capacity. All-round innovation will be made in terms of basic management, management system and mechanism, talents selection and employment mechanism, and training for young employees. We will implement the technological innovation-driven strategy.
4. To strengthen ideological and political work for Party building to create an overall harmonious atmosphere. The building of the Party and a clean management organization will be strengthened in the general to create the happiness of the Company.

DIRECTORS' REPORT

The Board of the Company hereby presents to shareholders the annual report and the audited financial statements for the year ended 31 December 2015 (the “Financial Statements”).

BOARD MEETINGS

During the reporting period, 7 Board meetings were held and 32 resolutions of the Board were approved by the Company:

- 1) The 2015 first meeting of the second session of the Board was held on 24 March 2015, during which 19 resolutions were considered and approved.
- 2) The 2015 second meeting of the second session of the Board was held on 27 April 2015, during which 2 resolutions were considered and approved.
- 3) The 2015 third meeting of the second session of the Board was held on 21 May 2015, during which 3 resolutions were considered and approved.
- 4) The 2015 first meeting of the third session of the Board was held on 9 July 2015, during which 3 resolutions were considered and approved.
- 5) The 2015 second meeting of the third session of the Board was held on 18 August 2015, during which 2 resolutions were considered and approved.
- 6) The 2015 third meeting of the third session of the Board was held on 21 September 2015, during which one resolution was considered and approved.
- 7) The 2015 fourth meeting of the third session of the Board was held on 26 October 2015, during which 2 resolutions were considered and approved.

Directors' attendance at the Board meetings is as follows:

Name	Position in the Company	Number of Meetings	
		Attended/Held	Attendance rate
Qiao Baoping	Chairman of the Board and Non-executive Director	7/7	100%
Wang Baole	Non-executive Director	7/7	100%
Shao Guoyong	Non-executive Director	7/7	100%
Chen Jingdong	Non-executive Director	7/7	100%
Li Enyi	Executive Director and President	7/7	100%
Huang Qun	Executive Director	7/7	100%
Zhang Songyi	Independent non-executive Director	7/7	100%
Meng Yan	Independent non-executive Director	7/7	100%
Han Dechang	Independent non-executive Director	7/7	100%

Save as disclosed above, during the year of 2015, non-executive Directors (including independent non-executive Directors) held one meeting of non-executive Directors.

The terms of office of the aforesaid Directors shall expire at the expiry of the term of the third session of the Board.

SHARE CAPITAL

As of 31 December 2015, the total 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 34(c) to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association of the Company and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

PRINCIPAL BUSINESS

The Group is principally engaged in the design, development, construction, management and operation of wind farms in areas with abundant wind resources in the PRC and the sales of electricity to the local grid companies. Details of major subsidiaries and associates of the Company are set out in Note 18 and 19 to the Financial Statements respectively.

BUSINESS REVIEW

In 2015, the Group earnestly followed and implemented the Electric Power Law of the PRC (《中華人民共和國電力法》) and the Renewable Energy Law of the PRC (《中華人民共和國可再生能源法》), as well as the Several Opinions on Further Deepening Power System Reform (《關於進一步深化電力體制改革若干意見》), the Notice on Clean Heating Supply of Wind Power (《關於開展風電清潔供暖工作的通知》) and the Notice on Improving the Benchmark On-grid Tariff Policy for Onshore Wind Power and Photovoltaic Power Generation (《關於完善陸上風電、光伏發電上網標杆電價政策的通知》) published by the CCP Central Committee and the State Council, the Comprehensive Division of the NEA and the NDRC in 2015, respectively. The Group strictly abided by relevant laws and regulations and was not subject to any punishment in 2015.

For the analysis of business using key financial indicators, major risks facing the Company, particulars of important events affecting the Company and its future business development, please refer to the section headed Management Discussion and Analysis. For the discussion on the Company's environmental policies and their performance, please refer to the section headed Social Responsibility. For the relations between the Company and its employees, customers and suppliers, please refer to the sections headed Human Resources and Corporate Governance Report.

PERFORMANCE

The audited results of the Company and its subsidiaries for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 145 to 146. The financial position of the Company and its subsidiaries as of 31 December 2015 is set out in the consolidated balance sheet on pages 147 to 149. The cash flow of the Company and its subsidiaries for the year ended 31 December 2015 is set out in the consolidated statement of cash flows on pages 152 to 154.

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 26 to 65 of this annual report.

PROFIT DISTRIBUTION

The Board recommends to distribute a final dividend of RMB0.0717 per share (tax inclusive) in cash to the shareholders for the year ended 31 December 2015. The abovementioned dividend will be subject to shareholders' approval at the Annual General Meeting of the Company to be held on Tuesday, 31 May 2016, and is expected to be paid on Friday, 29 July 2016. Details of the dividend payment will be announced after holding of the Annual General Meeting.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, which came into force on 1 January 2008 and other relevant rules, where the Company distributes the proposed 2015 final dividend to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold and pay enterprise income tax at the rate of 10%. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise shareholders, and consequently will be subject to the withholding of the enterprise income tax. According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No.348) and relevant laws and regulations, if the individual H-share shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these shareholders. If the individual H-share shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the relevant tax treaty. If the individual H-share shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H-share shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these shareholders.

DIRECTORS' REPORT

For investors of Southbound Trading, the Company has entered into the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system.

The cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB whilst that paid to holders of Domestic Shares and holders of H Shares will be in RMB and in Hong Kong dollars respectively. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No.81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

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 14 to the Financial Statements.

RESERVES

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

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as of 31 December 2015 are set out in Note 27 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 2015.

Name	Position in the Company	Date of appointment/re-election
Qiao Baoping	Chairman of the Board and Non-executive Director	Re-elected on 9 July 2015
Wang Baole	Non-executive Director	Re-elected on 9 July 2015
Shao Guoyong	Non-executive Director	Re-elected on 9 July 2015
Chen Jingdong	Non-executive Director	Re-elected on 9 July 2015
Li Enyi	Executive Director and President	Re-elected on 9 July 2015
Huang Qun	Executive Director	Re-elected on 9 July 2015
Zhang Songyi	Independent Non-executive Director	Re-elected on 9 July 2015
Meng Yan	Independent Non-executive Director	Re-elected on 9 July 2015
Han Dechang	Independent Non-executive Director	Re-elected on 9 July 2015
Xie Changjun	Chairman of the Supervisory Board	Re-elected on 9 July 2015
Yu Yongping	Supervisor	Re-elected on 9 July 2015
He Shen	Employee Representative Supervisor	Re-elected on 9 July 2015
Jia Nansong	Vice President, Board Secretary, joint Company Secretary	Re-elected on 9 July 2015
Zhang Baoquan	Vice President	Re-elected on 9 July 2015
Zhang Binqun	Vice President	Re-elected on 9 July 2015
Chang Shihong	Chief Accountant	Re-elected on 9 July 2015
Jin Ji	Vice President	Appointed on 21 September 2015

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.

DIRECTORS' REPORT

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on pages 94 to 109 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 include: (1) from the date of appointment to the date of expiry of the term of the current session of the Board/Supervisory Board; 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, observation 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.

DIRECTOR INSURANCES

The Company has bought effective insurances for the Directors.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance to the Group's business in which the Company or its subsidiaries were a party, directly or indirectly, and in which a Director, supervisor or an entity connected with a Director or supervisor had a material interest subsisted during the year or at the end of the year.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year of 2015, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Position in the Company	Other interests
Qiao Baoping	Chairman of the Board and Non-executive Director	Chairman of Guodian Group
Wang Baole	Non-executive Director	Assistant to General Manager of Guodian Group
Shao Guoyong	Non-executive Director	Head of Finance Administration Department of Guodian Group
Chen Jingdong	Non-executive Director	Head of Capital Operation and Assets Management Department of Guodian Group

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

As at 31 December 2015, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be registered in the register indicated in the section, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2015, so far as known to the Directors of the Company, the following persons (other than the Directors, chief executives 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%
Wellington Management Group LLP	H shares	Interest of corporation controlled by substantial shareholders	336,627,506 (Note 3) (Long position)	10.08%	4.19%
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial shareholders	236,138,409 (Note 4) (Long position)	7.07%	2.94%
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial shareholders	5,893,000 (Note 5) (Short position)	0.18%	0.07%
National Council for Social Security Fund (全國社會保障基金理事會)	H shares	Beneficial owner	233,758,000 (Long position)	7.00%	2.91%
JPMorgan Chase & Co.	H shares	Beneficial owner, investment manager and custodian	230,648,893 (Note 6) (Long position)	6.91%	2.87%
JPMorgan Chase & Co.	H shares	Beneficial owner	4,660,855 (Note 7) (Short position)	0.14%	0.06%

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)
JPMorgan Chase & Co.	H shares	Custodian	133,113,653 (Note 8) (Shares in a lending pool)	3.99%	1.66%
Credit Suisse Group AG	H shares	Interest of corporation controlled by substantial shareholders	199,399,047 (Note 9) (Long position)	5.97%	2.48%
Credit Suisse Group AG	H shares	Interest of corporation controlled by substantial shareholders	124,867,258 (Note 10) (Short position)	3.74%	1.55%

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 2015.
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 336,627,506 H shares, 287,259,506 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 49,368,000 H shares were held by Wellington Management International Ltd, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H shares equity interests held by its aforesaid subsidiaries.

DIRECTORS' REPORT

4. Among these 236,138,409 H shares, 1,081,100 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 284,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 39,590,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 46,151,000 H shares were held by BlackRock Fund Advisors, an indirect wholly-owned subsidiary of BlackRock, Inc., 500,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 3,504,000 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 301,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 398,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 19,662,040 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,650,000 H shares were held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 60,253,939 H shares were held by BlackRock Advisors (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,299,200 H shares were held by BlackRock International Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 22,118,032 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 28,966,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 8,650,098 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,620,000 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 96,000 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 14,000 H shares were held by BlackRock Asset Management (Schweiz) AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc., thus BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
5. Among these 5,893,000 H shares, 4,147,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 1,643,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 103,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., thus BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.
6. Among these 230,648,893 H shares, 24,000 H shares were held by J.P. Morgan Clearing Corp, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 1,598,000 H shares were held by JF International Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 48,394,000 H shares were held by JF Asset Management Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 924,000 H shares were held by JPMorgan Asset Management (Taiwan) Limited, an indirect wholly-owned

subsidiary of JPMorgan Chase & Co., 52,000 H shares were held by J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 40,445,678 H shares were held by J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 1,562 H shares were held by J.P. Morgan Securities plc, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 133,113,653 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., 6,096,000 H shares were held by China International Fund Management Co Ltd, an indirect non-wholly-owned subsidiary of JPMorgan Chase & Co., thus JPMorgan Chase & Co. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

7. These 4,660,855 H shares were held by J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., thus JPMorgan Chase & Co. was deemed as the owner of the H share short positions held by its aforesaid subsidiary.
8. These 133,113,653 H Shares in a lending pool were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., thus JPMorgan Chase & Co. was deemed as the owner of the H Shares in a lending pool held by its aforesaid subsidiary.
9. Among these 199,399,047 H shares, 49,215,242 H shares were held by Credit Suisse (Hong Kong) Limited, an indirect wholly-owned subsidiary of Credit Suisse Group AG, 6,481,600 H shares were held by Credit Suisse AG, an indirect wholly-owned subsidiary of Credit Suisse Group AG, 664,000 H shares were held by Credit Suisse Fund Management S.A., an indirect wholly-owned subsidiary of Credit Suisse Group AG, 8,024,809 H shares were held by Credit Suisse Funds AG, an indirect wholly-owned subsidiary of Credit Suisse Group AG, 497,691 H shares were held by Credit Suisse International, an indirect wholly-owned subsidiary of Credit Suisse Group AG, 260,000 H shares were held by Credit Suisse Life (Bermuda) Ltd., an indirect wholly-owned subsidiary of Credit Suisse Group AG, 114,272,718 H shares were held by Credit Suisse Securities (Europe) Limited, an indirect wholly-owned subsidiary of Credit Suisse Group AG, 19,477,987 H shares were held by Credit Suisse Securities (USA) LLC, an indirect wholly-owned subsidiary of Credit Suisse Group AG, 505,000 H shares were held by MultiConcept Fund Management S.A., an indirect wholly-owned subsidiary of Credit Suisse Group AG, thus Credit Suisse Group AG was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
10. Among these 124,867,258 H shares, 1,307,700 H shares were held by Credit Suisse International, an indirect wholly-owned subsidiary of Credit Suisse Group AG, 123,559,558 H shares were held by Credit Suisse Securities (Europe) Limited, an indirect wholly-owned subsidiary of Credit Suisse Group AG, thus Credit Suisse Group AG was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

ISSUE OF DEBENTURES

The debentures issued by the Company in 2015 are set out as below:

Issue date	Type of debentures	Financing amount <i>(RMB million)</i>	Reasons for the issue
29 September 2015	Corporate bonds	3,000	Repayment of debts, optimization of debt structure, replenishment of working capital, investment in projects, etc.
25 November 2015	Mid-term notes	3,000	Optimization of debt structure
25 March 2015	Ultra short-term debentures	5,000	
8 May 2015	Ultra short-term debentures	2,000	
12 May 2015	Ultra short-term debentures	2,000	
20 May 2015	Ultra short-term debentures	2,000	
8 June 2015	Ultra short-term debentures	2,000	
6 July 2015	Ultra short-term debentures	2,000	
19 August 2015	Ultra short-term debentures	1,000	Replenishment of working capital
9 September 2015	Ultra short-term debentures	2,000	and replacement of matured bank
11 September 2015	Ultra short-term debentures	2,000	loans of the Company (including
13 November 2015	Ultra short-term debentures	2,000	subsidiaries) so as to modify the
20 November 2015	Ultra short-term debentures	2,000	debt structure of the Company,
25 November 2015	Ultra short-term debentures	1,000	reduce financing cost and enhance
27 November 2015	Ultra short-term debentures	2,000	competitiveness
10 December 2015	Ultra short-term debentures	3,000	
16 December 2015	Ultra short-term debentures	2,000	
21 December 2015	Ultra short-term debentures	1,000	
30 December 2015	Ultra short-term debentures	2,000	
28 September 2015	Private placement	500	
29 September 2015	Private placement	500	

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 did any such contract subsist at any time during 2015.

SUBSEQUENT EVENTS

Since the last day of the reporting period, there have been no significant changes or subsequent events which need to be adjusted or disclosed in the financial statements.

CONNECTED TRANSACTIONS

Details of substantial connected transactions occurred during the reporting period of the Company are set out in the Connected Transactions section of this report.

DONATIONS

In 2015, the total amount of donations made by the Group was RMB250,000, including the donation of RMB200,000 by Nantong Tianshenggang Power Generating Co., Ltd. (南通天生港發電有限公司) of the Group to the Poverty Alleviation Work Team of the provincial Party committee in Guanyun County for poverty alleviation; and the donation of RMB50,000 by Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司) of the Group to Jiangyin Frontier Inspection Station as consolation money.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the purchase from the Group's five largest fuel suppliers in aggregate contributed 62.8% of the Group's total purchase of fuel for the year, among which, the total purchase from the largest fuel supplier contributed 22.8% of the Group's total purchase of fuel for the year.

For the year ended 31 December 2015, the sales to the Group's five largest customers in aggregate contributed 46.7% of the Group's total sales for the year, among which, the sales to the largest customer contributed 24.8% of the Group's total sales for the year.

DIRECTORS' REPORT

During the year, so far as the Directors are aware, none of the Directors, associates of the Directors nor 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 31 to the Financial Statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong Stock Exchange, the Company has committed itself to maintaining a higher standard of corporate governance practices and complying with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules. Please refer to the Corporate Governance Report as set out on pages 119 to 139 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

In February 2015, the Company and/or some subsidiaries, namely, Longyuan (Naiman) Wind Power Generation Co., Ltd. (龍源 (奈曼) 風力發電有限公司), Longyuan (Jiuquan) Wind Power Generation Co., Ltd. (龍源 (酒泉) 風力發電有限公司), Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. (龍源 (張家口) 風力發電有限公司), Longyuan (Siziwang) Wind Power Generation Co., Ltd. (龍源 (四子王) 風力發電有限公司), Longyuan (Keyouzhong Banner) Wind Power Generation Co., Ltd. (龍源 (科右中旗) 風力發電有限公司), Longyuan (Xing'anmeng) Wind Power Generation Co., Ltd. (龍源 (興安盟) 風力發電有限公司) and Longyuan (Bayannur) Wind Power Generation Co., Ltd. (龍源 (巴彥淖爾) 風力發電有限責任公司) (collectively the "Underlying Subsidiaries"), received the Arbitration Acceptance Notices from CIETAC, which informed that Sinovel Wind Group Co., Ltd. (華銳風電科技 (集團) 股份有限公司) ("Sinovel Wind") had submitted arbitration applications to CIETAC, requesting the Company and/or the Underlying Subsidiaries to make the payment of relevant consideration and interests as agreed in the contracts entered into between Sinovel Wind and the Underlying Subsidiaries, with the amounts to be paid aggregated to approximately RMB415 million (excluding interests and attorney's fees). From February to March 2015, the Company submitted to CIETAC the Jurisdiction Objection Application, and the Underlying Subsidiaries successively applied to CIETAC for the extension of the time limit for defense, objection and designation of arbitrator. From April to June 2015, the Company received the notices from CIETAC in relation to Sinovel Wind's cancellation of all the applications mentioned above in succession. As at 9 June 2015, the Company has received the Decision on Cancellation of Arbitration, informing CIETAC's decisions on the cancellation of the above 7 cases.

Save as disclosed above, as at 31 December 2015, the Group was not involved in any material litigation or arbitration. So far as known to the Directors, no material litigation or claims are pending or threatened against the Group.

DIRECTORS' REPORT

AUDIT COMMITTEE

The 2015 annual results of the Group and the Financial Statements for the year ended 31 December 2015 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 Ruihua Certified Public Accountants (special general partner) (瑞華會計師事務所 (特殊普通合夥)) were appointed as the Company's auditors for the financial statements prepared in accordance with the International Financial Reporting Standards and China Accounting Standards for Business Enterprises, respectively, for the year ended 31 December 2015. The enclosed Financial Statements of the Company prepared in accordance with the International Financial Reporting Standards have been audited by KPMG. The Company has appointed KPMG and Ruihua Certified Public Accountants (special general partner) as the auditors of the Company since the date of preparation of its listing.

By order of the Board

China Longyuan Power Group Corporation Limited*



Qiao Baoping

Chairman of the Board

Beijing, 22 March 2016

* *For identification purpose only*

CONNECTED TRANSACTIONS

The following disclosed connected transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, and conform to the relevant disclosure requirements. In relation to the connected transactions mentioned below, the Directors are of the opinions that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules. Please refer to the announcements disclosed on the website of the Hong Kong Stock Exchange and the website of the Company.

NON-EXEMPT ONE-OFF CONNECTED TRANSACTIONS

1. Capital Increase Towards Guodian Financial Leasing

On 24 March 2015, BVI, a wholly-owned subsidiary of the Company, entered into a Capital Increase Agreement with Guodian Financial Leasing and Guodian Capital in relation to the Capital Increase towards Guodian Financial Leasing. As at the time of this transaction, Guodian Group directly and indirectly held approximately 58.44% of the issued share capital of the Company, thus being the controlling shareholder of the Company. Guodian Capital is a wholly-owned subsidiary of Guodian Group. As Guodian Capital holds 51% equity shares of Guodian Financial Leasing, Guodian Financial Leasing is a connected person of the Company and BVI's capital injection into Guodian Financial Leasing constitutes a connected transaction of the Company under Rule 14A.07 and Rule 14A.13 of the Listing Rules.

In accordance with the Capital Increase Agreement, BVI agreed to inject into Guodian Financial Leasing an aggregate in foreign currency equivalent to RMB735 million according to the ratio of its current shareholding, that is 49%, and the Capital Increase shall be made in cash and in full. Guodian Capital will contribute into Guodian Financial Leasing an aggregate in foreign currency equivalent to RMB765 million according to the ratio of its current shareholding, that is 51%, and the Capital Increase shall be made in cash and in full. Upon completion of the Capital Increase, BVI and Guodian Capital's shareholding structures in Guodian Financial Leasing will remain unchanged and BVI holds 49% of equity shares in Guodian Financial Leasing and Guodian Capital holds 51% of equity shares in Guodian Financial Leasing. For the major terms of the Capital Increase Agreement in relation to the Capital Increase, please refer to the Company's announcement dated 24 March 2015. The Capital Increase may increase the registered capital and working capital of Guodian Financial Leasing, facilitating the rapid growth of its business. Being a shareholder holding 49% equity shares of Guodian Financial Leasing, BVI can benefit from the improvement made to the operation and business of Guodian Financial.

CONNECTED TRANSACTIONS

2. Establishment of a Joint Venture Named Guangdong Guodian Longyuan

On 27 April 2015, the Company entered into a contribution agreement with Guodian Guangdong in relation to the establishment of a joint venture. As at the time of this transaction, Guodian Group directly and indirectly held approximately 58.44% of the issued share capital of the Company, thus being the controlling shareholder of the Company. Guodian Guangdong is a wholly-owned subsidiary of Guodian Group, and is therefore a connected person of the Company under Rule 14A.07 (4) of the Listing Rules. Accordingly, the establishment of the joint venture constitutes a connected transaction of the Company.

The total registered capital of the joint venture is RMB420 million. Pursuant to the contribution agreement entered into by the Company and Guodian Guangdong, the total contribution of the Company shall be RMB214.2 million, representing 51% of the total registered capital. Upon completion of the contribution, the Company will hold 51% equity interests, while Guodian Guangdong will hold 49% equity interests of the joint venture. For the major terms of the contribution agreement in relation to the establishment of the joint venture, please refer to the Company's announcement dated 27 April 2015. The establishment of the joint venture will fully utilize the Company's professional strengths and technological advantages in the wind power development field, fully mobilize and utilize resource advantages and management superiority of Guodian Guangdong in the region, and make the utmost of advantages of both parties.

3. Extension Agreement on Provision of Shareholder Loan to Guodian Financial Leasing

BVI, a wholly-owned subsidiary of the Company, and Guodian Financial Leasing entered into the Original Loan Agreement on 12 August 2014, pursuant to which, BVI provided a shareholder loan amounting to RMB2 billion to Guodian Financial Leasing for a term of one year. On 21 May 2015, BVI and Guodian Financial Leasing entered into the Loan Extension Agreement, pursuant to which, the Original Loan Agreement has been extended for a term from 21 May 2015 to 21 May 2017. As at the date of this agreement, Guodian Group directly and indirectly holds approximately 58.44% of the issued share capital of the Company, thus being the controlling shareholder and a connected person of the Company. Guodian Capital is a wholly-owned subsidiary of Guodian Group, and since Guodian Capital holds 51% equity interest in Guodian Financial Leasing, Guodian Financial Leasing constitutes an associate of Guodian Group, and is therefore a Connected Person of the Company. Accordingly, the extension of the provision of the shareholder loan by BVI to Guodian Financial Leasing constitutes a connected transaction of the Company.

Pursuant to this extension agreement, BVI and Guodian Financial Leasing extended the term of the Original Loan Agreement for providing a loan amounting to RMB2 billion from 21 May 2015 to 21 May 2017. For details of this agreement, please refer to the Company's announcement dated 21 May 2015. The terms of the Loan Extension Agreement, including the applicable interest rate, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices. The Company can not only share the shareholders' profit of Guodian Financial Leasing through BVI, but can also earn differences between domestic and overseas interests by way of shareholder loan.

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 2 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 complying with the announcement and independent shareholders' approval requirements. For type 1 and type 2 non-exempt continuing connected transactions as set out below, the annual caps for each year from 2015 to 2017 have been approved at the first extraordinary general meeting of 2014 held on 23 December 2014.

The table below has set out the annual caps for 2015 and the actual transaction amounts of such connected transactions:

Connected Transactions	Connected Person	Annual Cap	Actual Transaction
		for 2015 (RMB'000)	Amount for 2015 (RMB'000)
1. Provision of products and services by the Group	Guodian Group	1,924,000	225,705
2. Provision of products and services to the Group	Guodian Group	10,378,500	1,855,920
3. Provision of financial services to the Group	Guodian Finance	Deposit Services: 3,000,000	Maximum outstanding balance: 2,953,624

CONNECTED TRANSACTIONS

1. Provision of products and services by the Group

1.1 The Company entered into the New Guodian Master Agreement with Guodian Group on 4 November 2014. Pursuant to the agreement, the Group shall provide Guodian Group with products and services, mainly including wind power design and consulting services, technical services, flanges, spare parts, wind power vocational training, photovoltaic design and consulting services and coal.

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 includes wind power design and consulting services, technical services, flanges, spare parts, wind power vocational training, photovoltaic design and consulting services and coal;
- The provision of products and services by Guodian Group to the Group mainly includes wind power generating units, turbine tower, spare parts, photovoltaic module and installation and construction services, technological renovation of thermal power equipment, coal, and new energy technology research and development services;
- The terms of products and services offered by the Group to Guodian Group are no better than those obtained by an independent third party, or the terms of products and services offered by Guodian Group to the Group are no less favourable than those offered by an independent third party;
- The settlement terms shall be determined separately and in line with market practice applicable to each specific transaction. The detailed settlement terms will be set out in the separate agreements; and
- Relevant subsidiaries of both parties will enter into separate agreements which shall set out the specific scope of provision of products and/or services and terms and conditions of providing such products and/or services according to the principles laid down by the New Guodian Master Agreement.

The New Guodian Master Agreement has a term of three years commencing on 1 January 2015 and expiring on 31 December 2017, 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 2015 was RMB1,924,000,000 and the actual transaction amount was RMB225,705,000.

2. Provision of products and services to the Group

2.1 The Company had entered into the New Guodian Master Agreement with Guodian Group on 4 November 2014. Pursuant to the agreement, Guodian Group shall provide the Group with products and services mainly including wind power generating units, turbine tower, spare parts, photovoltaic module and installation and construction services, technological renovation of thermal power equipment, coal, and new energy technology research and development services.

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 1.1 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 2015 was RMB10,378,500,000 and the actual transaction amount was RMB1,855,920,000.

CONNECTED TRANSACTIONS

3. Provision of financial services to the Group

3.1 The Company entered into the Financial Services Agreement (revised by the Supplemental Agreement dated 22 November 2013) 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.

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 of assets and liabilities 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 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 Financial Services Agreement, the maximum amount of the daily deposit balance for the Group's deposits with Guodian Finance shall be RMB3 billion (Note1) for each of the three years ending 31 December 2013, 31 December 2014 and 31 December 2015 (including any interest accrued thereon);

Note 1: The maximum amount of the daily deposit balance (including any interest accrued thereon) for the Company's deposits with Guodian Finance is increased from RMB1.5 billion under the Financial Services Agreement dated 13 December 2012 to RMB3 billion by the Supplemental Agreement entered into by the Company and Guodian Finance on 22 November 2013.

CONNECTED TRANSACTIONS

- The term of the Financial Services Agreement shall be three years, namely 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 the PBOC from time to time; the interest rate for loans granted to the Group by Guodian Finance shall be 10% below the benchmark interest rates as 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 2015 was RMB3,000,000,000 and the actual maximum amount of daily deposit balance was RMB2,953,624,000.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2016 TO 2018

As the Financial Services Agreement and the Supplemental Agreement entered into between the Company and Guodian Finance and their respective annual caps expired on 31 December 2015, and the Company would continue carrying out the foregoing transactions under the Financial Services Agreement after 31 December 2015 and therefore the Company entered into the New Financial Services Agreement with Guodian Finance on 26 October 2015. The New Financial Services Agreement has a term of 3 years commencing from 1 January 2016 and expiring on 31 December 2018.

The main contents of the New Financial Services Agreement are as follows:

- 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;
- 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 RMB3.0 billion to the Group. The credit facilities shall be free of any security and utilized as fixed assets loans, project financing loans, working capital loans, letter of guarantee and accounts receivable factoring and etc.;
- In respect of the provision of the deposit services under the New Financial Services Agreement, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the Group's deposits with Guodian Finance shall be RMB2.7 billion for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018;

- Guodian Finance has undertaken to provide the aforementioned financial services to the Group based on the following pricing principles: (1) the interest rate for deposits of the same type for the same term as published by the PBOC from time to time; and (2) the interest rate for deposits of the same type for the same term offered to the Group by other major independent commercial banks.

The approved renewed annual caps for the continuing connected transactions in respect of 2016 to 2018 are as follows:

- Loan Services:

In view of the loan services provided by Guodian Finance to the Group are on normal commercial terms which, as far as the Group is concerned, are similar to or more favourable than those offered from independent third parties for comparable services in the PRC, and that no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules. As such, no cap has been set for such services.

- Deposit Services:

The Company estimates that the proposed annual caps for the maximum daily deposit balance (including any interest accrued thereon) with Guodian Finance for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018 is RMB2.7 billion, after taking into account of: (1) the constantly increasing total assets of the Group; (2) the historical amount of the daily outstanding balances of deposits of the Group; (3) the expected daily balances of deposits of the Group; and (4) Guodian Finance has been maintaining satisfactory operating results and financial position with good risks control and well-regulated management in the past three years. The safety standards of its settlement system reach the standards of domestic commercial banks.

CONNECTED TRANSACTIONS

- Other Financial Services:

Apart from the loan services and the deposit services, the other financial services which may be provided by Guodian Finance to the Group mainly include intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds; bill acceptance and discount services; financing lease; investment and financing advice and consultation services; and financial consultation and training services.

The Company confirms that there will not be any provision of financial assistance by the Company to Guodian Finance under this arrangement. The other financial services provided under the New Financial Services Agreement will be on normal commercial terms and, as far as the Group is concerned, on terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC.

The Company expects that each of the percentage ratios (as defined in Rule 14.07 of Listing Rules) of the total fees payable by the Group to Guodian Finance will fall within the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules. The Company will comply with the reporting, announcement and independent shareholders' approval requirements of the Listing Rules if the transaction amount of the other financial services to be provided by Guodian Finance to the Group under the New Financial Services Agreement exceeds the relevant threshold.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 the transaction terms are on normal commercial terms, those transaction terms should be, from the perspective of the Group, no less favourable than the terms obtained from or provided by independent third parties; and
3. in accordance with relevant terms of the transaction agreements, and the transactions terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION OF AUDITORS

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.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS



Mr. Qiao Baoping, aged 60, is a non-executive Director and the chairman of the Company. Mr. Qiao graduated from Nankai University with a bachelor's degree in Economics and is a senior economist. He served as a non-executive Director and the chairman of the second session of the Board of the Company from July 2013 to July 2015, and has been the non-executive Director and the chairman of the third session of the Board of the Company since 9 July 2015. Mr. Qiao had served as the deputy secretary general of All-China Students Federation. He had worked at an institution directly under the Central Commission of China Communist Youth League 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 acted as secretary of the Party Group and vice president of Guodian Group, a director of GDPD (SSE: 600795) and the chairman of the Supervisory Board. Mr. Qiao currently acts as the chairman and secretary of the Party Group in Guodian Group.



Mr. Wang Baole, aged 59, 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 acted as a non-executive Director of the first session of the Board of the Company from July 2009 to July 2012 as well as a non-executive Director of the second session of the Board of the Company from July 2012 to July 2015, and has been the non-executive Director of the third session of the Board of the Company since 9 July 2015. 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, assistant to president and head of Plan & Development Department of Guodian Group. Mr. Wang is currently an assistant to president of Guodian Group.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Shao Guoyong, aged 49, is a non-executive Director of the Company. He graduated from Tsinghua University with a master's degree in Business Administration and is a senior accountant and a certified public accountant. Mr. Shao acted as a non-executive Director of the second session of the Board of the Company from May 2014 to July 2015, and has been the non-executive Director of the third session of the Board of the Company since 9 July 2015. Mr. Shao served as the head of finance at the Shenzhen branch of North China Power Engineering Co., Ltd. (華北電力設計院); head of finance at TECH-WINOVERSEAS, Singapore; financial controller at Malaysia Desheng Engineering Co., Ltd. (馬來西亞德勝工程公司); chief accountant and head of finance department at North China Power Engineering Co., Ltd.; deputy finance manager at Beijing Datang Power Generation Co., Ltd. (HKSE: 00991; LSE: DAT; SSE: 601991); deputy finance manager and manager at GDPD (SSE: 600795); director of funds settlement center, finance and equity department at Guodian Group; general manager, member of the Party Group and chairman at Guodian Finance Corporation Ltd.; general manager and deputy secretary of the Party Group at Guodian Capital Holding Co., Ltd.; chairman at Oldmutual-Guodian Life Insurance Co., Ltd. and general manager at Changjiang Property & Casualty Insurance Co., Ltd. Mr. Shao is currently the head of Finance Administration Department at Guodian Group.



Mr. Chen Jingdong, aged 51, is a non-executive Director of the Company. He graduated from North China Electric Power University with a master's degree in Engineering and from Tsinghua University with a master's degree in Business Administration, and is a senior engineer. Mr. Chen acted as a non-executive Director of the second session of the Board of the Company from May 2014 to July 2015, and has been the non-executive Director of the third session of the Board of the Company since 9 July 2015. Mr. Chen served as the assistant investigator of safety supervision division of safety production department of the Ministry of Electric Power (電力部安生司安監處); deputy head of electricity business division of safety operation and power generation and transmission department (安全運行與發輸電部用電營業處) as well as head of power transmission and transformation division of power generation and transmission operation department (發輸電運營部輸變電處) at State Power Corporation; secretary to the board of directors and deputy general manager at GDPD (SSE:600795). He is currently the head of capital and assets management department at Guodian Group.

EXECUTIVE DIRECTORS



Mr. Li Enyi, aged 52, is an executive Director and president of the Company and concurrently serves as the general manager assistant of Guodian Group. He obtained a master's degree in North China Electric Power University. He is a senior engineer. He acted as an executive Director of the second session of the Board of the Company from July 2013 to July 2015, and has been the executive Director of the third session of the Board of the Company since 9 July 2015. Mr. Li joined the Group in 2013. He has served successively as the deputy head of Weifang Power Plant, Shandong (山東濰坊發電廠), the head of Heze Power Plant Shandong (山東荷澤發電廠廠長), the president of Luneng Development and Property Co., Ltd., Shandong (山東魯能拓展置業有限公司), the president of Luneng Minerals Development Company Limited, Shandong (山東魯能物礦開發有限公司), the vice president and president of Northern China branch of Guodian Group (中國國電集團公司華北分公司) as well as the executive director and president of Guodian North China Power Co. Ltd. (國電華北電力有限公司).



Mr. Huang Qun, aged 54, is an executive Director and vice president of the Company. He graduated from Tongji University with a bachelor's degree in Engineering. He is a senior engineer. He acted as an executive Director of the first session of the Board of the Company from May 2012 to July 2012 as well as an executive Director of the second session of the Board of the Company from July 2012 to July 2015, and has been the executive Director of the third session of the Board of the Company since 9 July 2015. 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 (the predecessor of the Company) 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 president, and vice president.

INDEPENDENT NON-EXECUTIVE DIRECTORS



Mr. Zhang Songyi, aged 60, is an independent non-executive Director of the Company. He holds a Juris Doctor from Yale University. Mr. Zhang acted as an independent non-executive Director of the first session of the Board of the Company from July 2009 to July 2012 as well as an independent non-executive Director of the second session of the Board of the Company from July 2012 to July 2015, and has been the independent non-executive Director of the third session of the Board of the Company since 9 July 2015. Mr. Zhang practiced law at Milbank, Tweed, Hadley & McCloy LLP from 1985 to 1993. Mr. Zhang Songyi was 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). He was the vice chairman, executive director, managing director, and head of joint department of Morgan Stanley Limited. Mr. Zhang is currently a director of Sina Corporation (NASDAQ: SINA).



Mr. Meng Yan, aged 60, is 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 acted as an independent non-executive Director of the first session of the Board of the Company from July 2009 to July 2012 as well as an independent non-executive Director of the second session of the Board of the Company from July 2012 to July 2015, and has been the independent non-executive Director of the third session of the Board of the Company since 9 July 2015. Mr. Meng received the special government allowance from the State Council in 1997. Mr. Meng was also the dean of the School of Accountancy of Central University of Finance and Economics, 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., Ltd. (SZSE: 002296) as well as an independent director of China Merchants Property Development Co., Ltd. (SZSE: 000024; 200024) (SGX: C03). At present, Mr. Meng serves as an independent director of Jolimark Holdings Limited (2028.HK), Wanhua Chemical Group Co., Ltd. (SSE: 600309) and an independent director of COFCO Property (Group) Co., Ltd. (SZSE: 000031). Mr. Meng is currently the 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, management accounting advisor of the Ministry of Finance, 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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Han Dechang, aged 60, is an independent non-executive Director of the Company. He is a tutor of doctoral candidate and has a doctorate degree in Economics. Mr. Han acted as an independent non-executive Director of the second session of the Board of the Company from May 2014 to July 2015, and has been the independent non-executive Director of the third session of the Board of the Company since 9 July 2015. He was admitted to the politics and economics department under the Faculty of Economics of Nankai University in 1979 and became a teacher of the Faculty after his graduation with a bachelor's degree in 1983. During that time, he obtained his master and doctorate degrees in economics. Mr. Han Dechang served as a lecturer in 1988 and then was promoted as an associated professor in 1992. In 1997, he was promoted as a professor and re-designated from the Faculty of Economics to Business School taking the position of dean of the department of marketing in the same year due to restructuring of discipline. Mr. Han Dechang currently serves as a member of the academic degree committee and titles assessment and employment committee of Nankai University. Mr. Han Dechang currently also serves as the vice chairman of the Tianjing Marketing Association, an executive director of the China Marketing Association and the vice chairman of the Chinese Universities Pricing and Teaching Association.

SUPERVISORS



Mr. Xie Changjun, aged 58, is the chairman of the supervisory board of the Company. He graduated from Northeast Dianli University with a bachelor's degree in Engineering. He is a professor-grade senior engineer. He acted as a supervisor and the chairman of the second session of the supervisory board of the Company from July 2013 to July 2015, and has been a supervisor and the chairman of the third session of the supervisory board of the Company since 9 July 2015. Mr. Xie served for the Group from 1993 to 2013. He has served successively as 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 president and vice president of Zhongneng Power-Tech Development Company Limited, vice president and president of China Longyuan Electric Power Group Corporation, president and executive Director of China Longyuan Power Group Corporation Limited*, and assistant to president of Guodian Group. He is currently serving as vice president of Guodian Group.

* *For identification purpose only*

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Yu Yongping, aged 55, 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 acted as a supervisor of the first session of the supervisory board of the Company from July 2009 to July 2012 as well as a supervisor of the second session of the supervisory board of the Company from July 2012 to July 2015, and has been a supervisor of the third session of the supervisory board of the Company since 9 July 2015. 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 the head of Market Development Division of Marketing Department of Guodian Group, vice president of Guodian Finance Corporation Ltd., vice president and chief accountant of Guodian Northeast Electric Power Co., Ltd., deputy head of Finance and Property Department of Guodian Group. Mr. Yu is currently the head of Audit Department of Guodian Group.



Mr. He Shen, aged 41, 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 acted as the employee representative supervisor of the first session of the supervisory board of the Company from June 2011 to July 2012 as well as the employee representative supervisor of the second session of the supervisory board of the Company from July 2012 to July 2015, and has been the employee representative supervisor of the third session of the supervisory board of the Company since July 2015. Mr. He had successively served as project engineer and project manager of Project Engineering Department of China National Electric Equipment Corporation, secretary of President'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 Guodian Group (in charge), deputy director (in charge) and director of human resource department of GD Development Co., Ltd. and the head of disciplinary inspection team and chairman of labour union of China Longyuan Power Group Corporation Limited*. Mr. He is currently the head of disciplinary inspection team of the Company.

SENIOR MANAGEMENT



Mr. Li Enyi is an executive Director and president of the Company. Biographical details of Mr. Li Enyi as at the date hereof are set out on page 98 of this annual report.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



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 99 of this annual report.



Mr. Jia Nansong, aged 53, is a vice president, 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 successively 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 vice president 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 president as well as the director of the Office of President of China Longyuan Electric Power Group Corporation, and the board secretary and one of the joint company secretaries of China Longyuan Power Group Corporation Limited*.



Mr. Zhang Baoquan, aged 55, 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. Mr. Zhang joined the Group in 1993. He had served in China Electric Power Research Institute and China Electricity Council. He had successively worked as the deputy manager of the Engineering Project Department of Zhongneng Power-Tech, the president of Zhongneng Power Technology Trading Company (中能電技術貿易公司), assistant to president and president of Zhongneng Power-Tech, president of Beijing Zhongneng Lianchuang Wind Power Technology Company Limited, assistant to president 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.



Mr. Zhang Binqun, aged 52, is vice president of the Company. He graduated from Harbin Institute of Technology and Yanshan University with a bachelor's degree in Control Engineering and a master's degree in Public Administration, successively. He is a senior economist. Mr. Zhang joined the Group in 2014. He has served successively as project manager of the import department of China Great Wall Industry Corporation (中國長城工業公司), project manager of CITIC International Cooperation Co., Ltd. (中信國際合作公司), general manager assistant and deputy general manager of Guodian Longyuan Power Technology & Engineering Co., Ltd. (國電龍源電力技術工程公司), manager of planning department and manager of operation and development department of Guodian Technology & Environment Group Company (國電科環集團公司), general manager of Guodian Ningxia Solar Co., Ltd. (國電寧夏太陽能有限公司) and deputy general manager of Guodian Technology & Environment Group Corporation Limited (國電科技環保集團有限公司) (HKSE: 01296), and concurrently served as the general manager of Guodian United Power Technology Co., Ltd. (國電聯合動力有限公司) in the period.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Chang Shihong, aged 41, is the chief accountant of the Company. Mr. Chang graduated from Dongbei University of Finance & Economics with a master's degree in Accounting. He is a senior accountant. Mr. Chang joined the Group in 2009. Mr. Chang had successively worked as a member of the Party Committee and the chief accountant of Guodian Datong No. 2 Power Plant, deputy head (in charge) of Finance Division of Finance and Asset Management Department of Guodian Group, deputy head (in charge) of Accounting Division of Finance Management Department of Guodian Group, director of Finance and Property Right Management Department of China Longyuan Electric Power Group Corporation, and director of Finance and Property Right Management Department and deputy chief accountant of China Longyuan Power Group Corporation Limited*.



Mr. Jin Ji, aged 46, is the vice president and chairman of labour union of the Company. Mr. Jin graduated from the Graduate School of Party School of the Central Committee of C.P.C with a master's degree in Economic Management, and is a senior economist. Mr. Jin joined the Group in 1994. He had successively served as the head of general manager office, head of the infrastructure department, head of the department of communist workers and assistant to the general manager of Nantong Tianshenggang Electric Company Limited; vice general manager and general manager of Jiangsu Longyuan Wind Power Generation Co., Ltd; head of Jiangsu Longyuan Off-shore Wind Power Project Preparatory Office (part-time); and general manager of Longyuan Power Group (Shanghai) Wind Power Co., Ltd. (part-time).

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 106 of this annual report.



Ms. Soon Yuk Tai, aged 49, 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 member 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 companies listed in Hong Kong.

HUMAN RESOURCES

SUMMARY OF HUMAN RESOURCES

As at 31 December 2015, the Group had a total of 6,954 staff, of which 5,803, or 83.45%, were male, while 1,151, or 16.55%, were female. The staff structure is as follows:

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

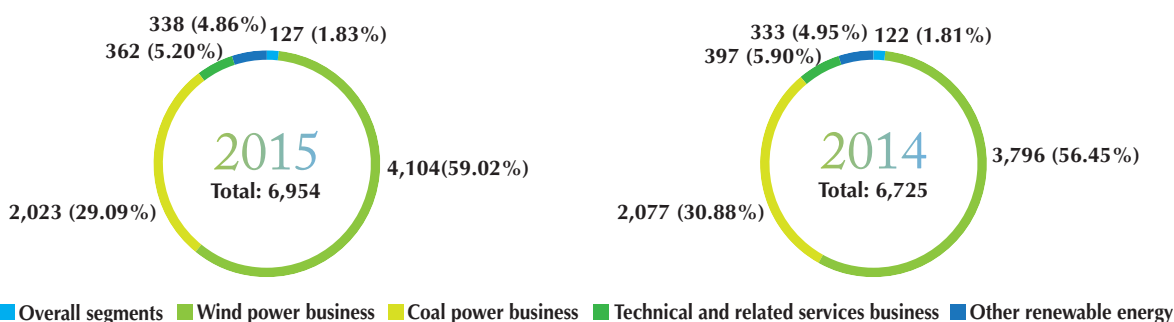


Chart 2: Analysis of the Company's staff by academic qualifications

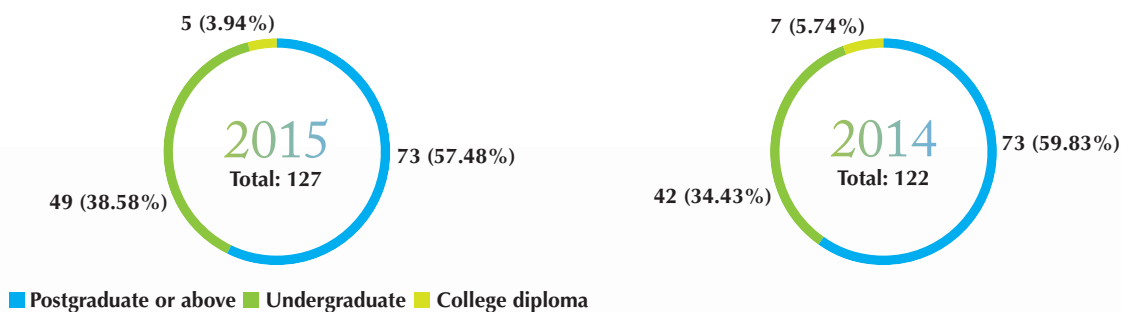


Chart 3: Analysis of the Company's staff by age

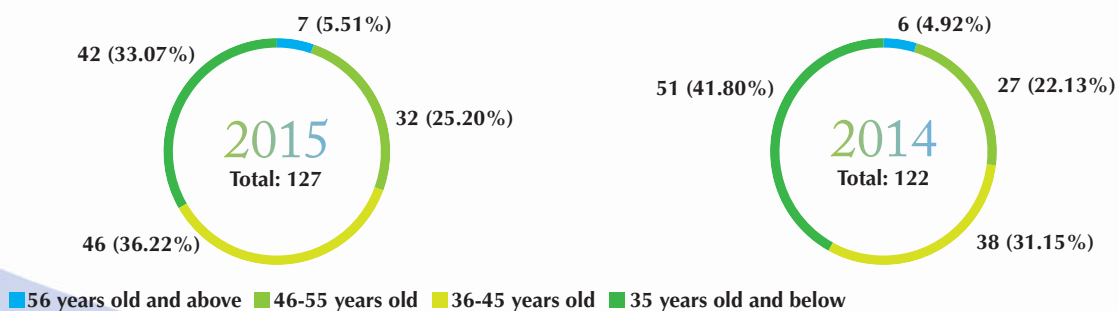


Chart 4: Analysis of the Group's staff by academic qualifications

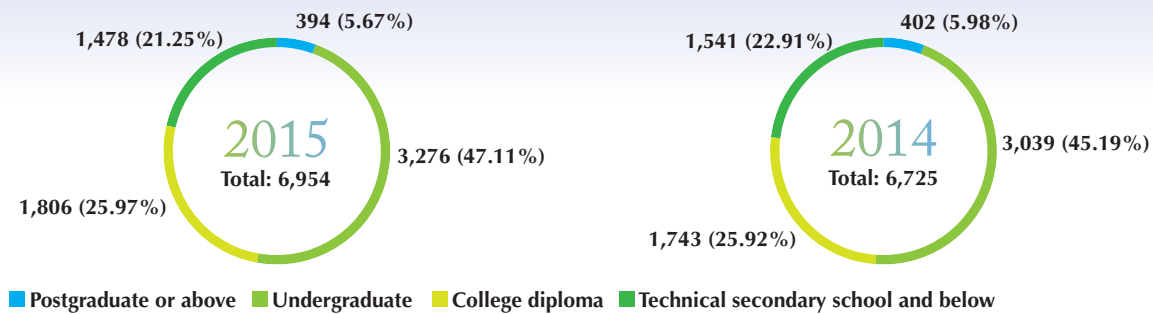
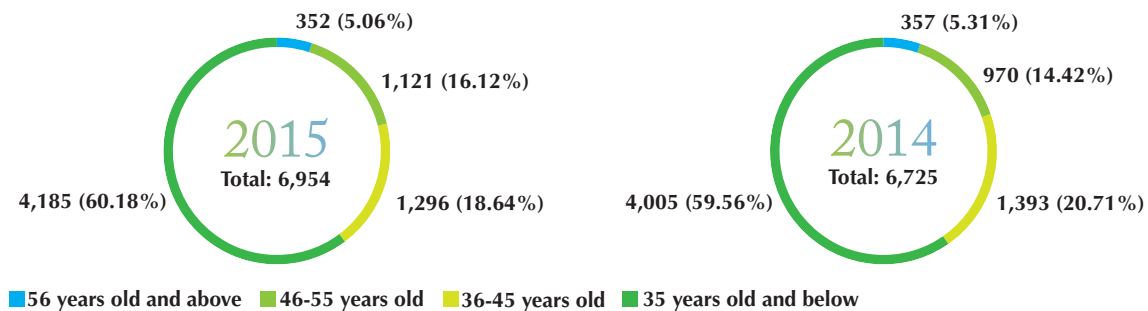


Chart 5: Analysis of the Group's staff by age



STAFF INCENTIVES

In order to cater to its development needs, the Group, on the basis of its existing position-based accountability system, has further 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 objectives for the year, identification of the performance targets of different positions, formulation of performance assessment 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. The Group increased the linkage between income and performance indicators, implemented dynamic process assessment and feasibly improved staff's subjective initiatives. Meanwhile, the remuneration distribution was implemented proactively to lay emphasis on supporting front-line staff and staff from difficult and remote regions by enhancing the wind power enterprise's standards of subsidies for poor regions, which could keep stability of the Group. The Group set up "Sunshine Huimin Welfare Plan (陽光惠民福利保障計劃)" which provided protection with insurance types such as 40 kinds of critical diseases, complete disability due to illness, traffic accidental injuries and so forth.

HUMAN RESOURCES

STAFF TRAINING

The Group has established a tailored staff training program to meet the development needs of the Group, and adopted a two-tier training system to regulate and strengthen its systematic training works. The Group has established training centers and training bases, built a team of internal trainers of the Group, and revised, edited and improved internal training materials which have been published for the Group's internal trainings. The Group has formulated annual training programs and organised training projects for the duty requirements of the management, technical and skilled personnel. The Group attached importance to trainings of senior management and key professional technicians, implemented customised trainings through specific survey in accordance with talents' needs and paid special attention to improve operation capabilities of staff. Through continuous development of various training courses, the Group has continuously improved the quality of staff, especially front-line operation and maintenance staff, reinforced the modern management concept among its management and enhanced the overall management efficiency.

In 2015, the Group continued its efforts in training all kinds of talents and continuously enriched and improved the training system. The Group has independently compiled four induction training materials in relation to wind power, namely the "Base", "Security", "Operation and Inspection", and "Maintenance" with a total of 1.58 million words, which will soon be published. The publication of these training materials will fill the blank of domestic vocational training material for wind power. A new "Studio of Chief Operation Inspector (首席師工作室)" was set up in Liaoning by the Group. By far, Longyuan Power has established 1 training center and 2 trading bases, providing training for more than 1,500 persons per year. It undertakes training works for more than 30 wind power enterprises. A special training named "Chief Inspectors' Lectures (名師講堂)" was provided within the Group, for which an expert group consisting of chief operation inspectors has been organized and presented lectures for front-line workers. During the year, a total of more than 300 employees from 6 enterprises have received the above training. In addition, the videos of the aforesaid lectures have been played within the system, so as to enhance the overall operation capabilities of the front-line staff. The Group provided systematic training to 154 managers of wind farms under its subsidiaries by 3 phases, and all trainings were given by senior management of the Company, with the occupational training coverage of more than 90%. It greatly improved the comprehensive management capabilities of the front-line management personnel. Various training courses in total of 296 had been held within the year. And a total of 3,543 staff received trainings and the number of training person-time was up to 7,497.

STAFF DEVELOPMENT

The Group paid special attention to personnel training and development, increased efforts to train young cadres through constant innovation of selection and appointment mechanism, continuously optimised leadership structure of enterprises and kept innovation capabilities of the Company. The Group implemented “dual-track” management mechanism for administrative positions and technical operation positions, which has broadened the career prospects of the staff. The Group established a talent pool according to profession categories and built teams of talents in technique sequences, created professional profiles for key personnel, conducted dynamic assessment of talents via implementation of regulations and kept the overall external competitiveness of talent team by improvement of internal competition. In recent years, staff of the Group, especially the management, and technician team remained stable.

In 2015, the Group has established talents teams in technique sequences (技能序列人才隊伍) through selection and assessment. A total of 171 talents at various technique sequences were selected from 22 enterprises, including 14 chief operation inspectors at provincial-level companies, 28 head operation inspectors, 51 deputy head operation inspectors and 78 senior operation inspectors and operation inspectors, representing 5% of the total front-line workers. A large number of skillful front-line employees with high performance stood out. The establishment of talents teams in technique sequences opened up a career path for development of professional skills for production personnel, relieved the problem of limited development space of the extensive front-line staff, provided system guarantee and remuneration incentive for attracting, cultivating and stabilizing key production personnel and provided new powerful support for further eliminating faults and defects of wind turbine generators and improving the availability and health level of equipment.

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 of the employees. In respect of the remuneration management, the Group insisted the orientation towards efficiency and results as well as the focus on front-line staff. It also strived to ensure scientific and reasonable allocation of income. Sound and comprehensive remuneration management measures were customised for the management members of different types of entities of the Group. Categorised management was implemented to coal power entities, technology entities, new energy entities, entities located in Qinghai and Tibet areas and overseas entities, and the Company increased subsidies to those in the difficult and remote regions.

In 2015, the Group focused on the regularisation and standardisation of management and further guided its subsidiaries to optimise its implementation measures for monthly performance appraisal and improve the total salary management system based on performance assessment. The Group endeavored to optimise its internal remuneration distribution structure, strengthen adjustment of its subsidiaries' salary distribution structure at various tiers, and actively implement measures to make the remuneration distribution incline to the front-line workers. The remuneration management of the Group will be more reasonable and scientific upon adjustment and optimisation, which will in turn motivate the enthusiasms of employees and effectively improve the guarantee and incentive functions of the remuneration.

SOCIAL RESPONSIBILITY STRATEGIES AND MANAGEMENT

The Group attaches great importance to shouldering corporate social responsibility (hereafter abbreviated as “CSR”), making it an important part of the mission in “developing green energy, creating harmonious environment” and the strategic goal of “establishing a corporation of new energy ranking high among international players”(創建國際一流的新能源企業集團). Under the guidance of work principles “Grouping and internationalization”(集團化、國際化), striking “equal importance on scale and benefits, corporate development and employee interests”(規模和效益並重、企業發展和員工利益並重), and “equal importance on hard power and soft power”(硬實力和軟實力並重), it strives to integrate CSR into the Company’s operations and management to improve the results and performance of CSR continuously.

The Group explores the management and practice of CSR proactively to achieve mutual improvement between CSR and corporate operations.

It implements the CSR management concept in its corporate decisions, systems and procedures, business operations, daily management and corporate culture comprehensively with the goals of sustainable development, maximization of consolidated value by involving all the employees and omnibearing integration, and through transparent and ethical corporate behaviour. It shall improve its ability comprehensively to create consolidated value, transparency in its operations and influence of its brands to establish a new-energy enterprise image of integrity, improvement and harmony.

ADVANCE ECOLOGICAL ENVIRONMENT PROTECTION

In the process of creation of green energy, the Group endeavored to establish clean development system and gave great impetus to ecological environmental protection. During the reporting period, the Group delivered 26,281 million kWh of green power, representing the saving of 7.87 million tons of standard coal and an emission reduction of 26.28 million tons of carbon dioxide and 0.78 million tons of sulphur dioxide. In the meantime, the Company had established and participated in various projects and activities regarding the conservation of biological diversity, which earned esteem from the government and people from the business locations.

SOCIAL RESPONSIBILITY

On 17 March 2015, Zhejiang Longyuan of the Group launched a tree planting activity by the main roads and their branches at Huangdiping Wind Farm. While cultivating employees' team spirit and sense of collective honour, the activity also stimulated their care for trees and enthusiasm for planting. Moreover, tree planting will help spread love and hope and add more radiance to the wind farm. On 16 April 2015, Longyuan Ge'ermu in Qinghai of the Group carried out a tree planting activity themed by "Build Green Power Stations, Establish Green Thoughts" (建綠色電站，樹綠色思想) on the site of power station. Each drop of sweat represents the dedication and care of employees.

In 2015, Shandong Longyuan of the Group entered into a framework agreement in relation to a 1,300 MW offshore wind power project with the municipal government of Yantai, indicating the possession of the offshore wind power project with the best wind resources in Shandong by Shandong Longyuan. In order to better exploit the ocean in a way without any effects on the marine ecological environment, Shandong Longyuan engaged a professional design institute to conduct a detailed survey for the status quo of marine ecology and fishery resources and to issue a detailed report on marine geological prospecting, marine hydrographic observation and other works, thus making a contribution to the local marine ecological environment.

Jiangsu Offshore Longyuan of the Group worked with ALXA SEE Ecological Association and the project team of "Eurynorhynchus Pygneus in China (勺嘴鷸在中國)" in successfully holding the 2015 "Longyuan • Eurynorhynchus Pygneus" Cup Student Art Exhibition ("龍源 • 勺嘴鷸"杯學生美術作品展), with an aim to arouse public concern on endangered rare species and natural environment by virtue of drawings themed by eurynorhynchus pygneus.

Fujian Longyuan combined wind power development with marine ranching in the sea area surrounding Nanri Island to explore the development model integrating "Offshore Wind Power Development and Abalone Farming (風行海西，鮑打天下)" in an effort to build the largest marine ecological farming base in China. On 4 December 2015, the company carried out a fish propagation and release activity involving a total of 608,731 bighead carp fries and 897,360 chub fries to repay the society and further improve fishery eco-environment.

PUBLIC WELFARE

The Group proactively participates in public welfare, performing CSR with actual action. It introduced the “Longyuan’s Green Care Action” plan (“龍源綠色關愛”行動計劃) with efforts. It earned trust and respect by its integrity, offerings and mutual development and strived to have a harmonious development between corporate and social development, creating the positive image of a responsible corporation in green development. This year, the Group repays the society in various channels such as proactive launch of subsidies of education and to the handicapped, assistance to the poor and people with difficulties.

In order to improve the production and living conditions of villagers in poor counties, Gansu Longyuan of the Group provided assistance in hardening the roads in Malong Village and Wangzhao Village, Shiqiao Town, Lixian County, Longnan, and in renovating activity rooms, rural studies and cultural stages for the village committees to practically help villagers get rid of poverty and become better off, thereby winning a lot of praises from the masses.

Hebei Longyuan of the Group proactively helped the local government solve problems. It hardened the pavement of certain local earth roads in Sanyiyong Township, Weichang County, to greatly facilitate the transportation of the local masses, thus winning praises and establishing a good social image for the Group.

Nantong Tianshenggang Company of the Group held its annual blood donation activity featuring “Make Donations to Repay the Society” (感恩社會、奉獻愛心), in which 142 employees donated 44,000 milliliters of blood on a voluntary basis.

Heilongjiang Longyuan of the Group played an active part in social welfare undertakings by paying comforting visits to “Longyuan Hope School”, “Langxiang Retirement Home”, “Longyuan Changgang Hope Primary School” and the “First Oriental Sentinel” frontier forces in Keshan County, helping the lonely elderly, maintaining the village roads for the village committees and cleaning up Jiangpan “Century Square” in Heilong City, etc.

Longyuan Tibet of the Group held the “Show Compassion to the Disaster Area” (情系災區、奉獻一片愛心) donation activity for the earthquake-stricken area in Shigatse, and all its employees made donations to show their care for the victims of the disaster.

On 4 March 2015, the Youth League Committee of Jiangsu Longyuan of the Group organised “Little Red Hood”(小紅帽) young volunteers to visit Nantong Children Welfare Home to deliver warmth of the new year to the orphans and disabled children.

PROMOTION OF LOW-CARBON LIVING

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 that the staff is encouraged to take real action to save resources, protect environment and lead the new trend of society proactively. 35 entities of the Group have set up volunteer organisations of juvenile employees to launch 115 service activities on regular basis.

Longyuan (Beijing) Wind Power Engineering Technology Co., Ltd. of the Group kept on holding healthy long walk activities in the winter to communicate the low-carbon and healthy life concepts with practical actions while enabling its employees to do physical exercises to achieve physical and mental pleasure.

Hainan Longyuan of the Group proactively participated in the self-driving event “Tour Around Hainan” (海南環島行) and International Tourism Island Clean Energy Trip organized by China Southern Power Grid for public benefit. The goal of such event was to seek for new energy infrastructures, disseminate environmental protection, advocate green travel and call on the public to identify and support new energy infrastructures. Hainan Longyuan Eman Wind Power Farm is the only wind power farm along the tour route.

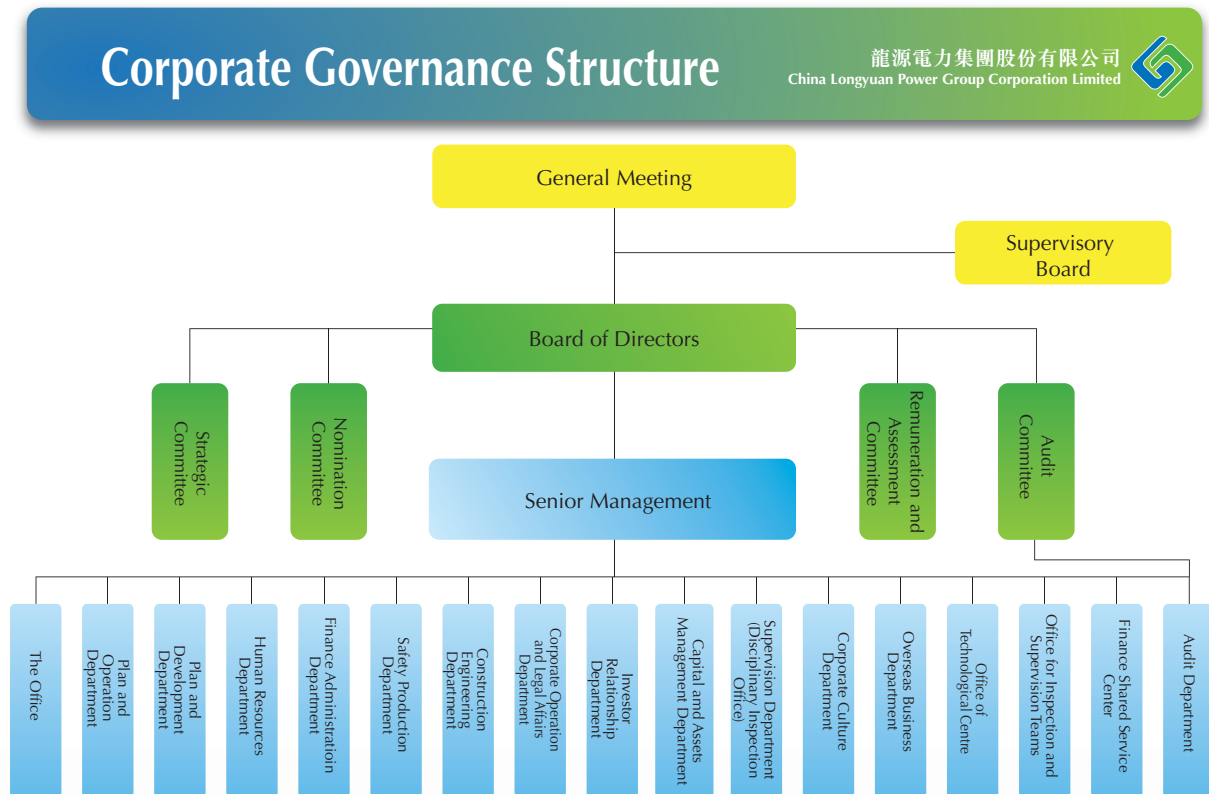
Yunnan Longyuan of the Group proactively organised volunteer service activities including “Serve China-South Asia Expo, Add Luster to the Holiday Resort” (服務南博會，添彩度假區) and “Protect Mountains and Rivers, Care Plateaus and Lakes” (保護山川河流，關愛高原湖泊) to establish and maintain a good corporate image.

Xinjiang Longyuan of the Group actively took part in building a civilized city of Urumchi and coordinated with subdistrict communities in carrying out the practical activity themed by “All Participate in Street Cleaning and Share a Beautiful Environment” (街道清潔齊參與，美好環境共分享). Specifically, they scrubbed the fences of BRT lanes and cleaned up the garbage at the corners of bus stations to create a sanitary and clean urban environment.

CORPORATE GOVERNANCE REPORT

The Board of the Company hereby presents to the shareholders the corporate governance report for the year ended 31 December 2015.

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) formulating 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) formulating, 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.

CORPORATE GOVERNANCE 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 2015, save as the deviation from the code provision 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. The Company has also adopted certain recommended best practices contained in the above Code, 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 2015, 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 94 to 102 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 Company firmly believes that the increasing diversity at the board level is one of essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company formulated Board Diversity Policy in October 2013. While determining the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including but not limited to gender, age, cultural and educational background, professional experiences, skills, knowledge and service tenure, and finally make decisions based on the value of candidates and contributions they can be brought to the Board. All nominees proposed by the Board shall comply with the principle of appointment based on merits and fully take into account objective conditions and benefits of diversity of the Board while considering candidates. The nomination committee will report the composition of the Board at a diversity level in the annual report each year, supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. The nomination committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for the approval of the Board.

CORPORATE GOVERNANCE REPORT

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

Name	Position in the Company	Date of Being Appointed/ Re-elected
Qiao Baoping	Chairman of the Board and Non-executive Director	9 July 2015
Wang Baole	Non-executive Director	9 July 2015
Shao Guoyong	Non-executive Director	9 July 2015
Chen Jingdong	Non-executive Director	9 July 2015
Li Enyi	Executive Director and President	9 July 2015
Huang Qun	Executive Director	9 July 2015
Zhang Songyi	Independent Non-executive Director	9 July 2015
Meng Yan	Independent Non-executive Director	9 July 2015
Han Dechang	Independent Non-executive Director	9 July 2015

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.

The details regarding Board meetings convened during the reporting period and the attendance of Directors at such meetings are set out in the Directors' Report in this annual report.

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. Qiao Baoping acts as the Chairman of the Board and Mr. Li Enyi 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. Qiao Baoping, 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. Li Enyi, 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 commencing from the date of appointment to the expiry of the current session of the Board.

1.6 *Directors' Remuneration*

The remuneration and assessment committee makes recommendations in respect of Directors' remuneration according to criteria such as educational background and work experience. Directors' remuneration is determined by the Board, 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 of the Board consists of three Directors: Mr. Shao Guoyong (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 coordination 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. In 2015, the audit committee and the Board of the Company had no disagreements with the selection, appointment, resignation or dismissal of the external auditors.

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

- On 24 March 2015, the 2015 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 audit of the Company's 2014 annual financial statements was heard; (2) the Company's 2014 annual report and results announcement were considered and approved; (3) the Company's 2014 annual audited financial statements were considered and approved; and (4) the re-appointment of auditors for 2015 and their remuneration were considered and approved.
- On 27 April 2015, the 2015 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 in respect of the review of the Company's 2015 first quarterly results announcement was heard; and (2) the Company's 2015 first quarterly results announcement was considered and approved.

CORPORATE GOVERNANCE REPORT

- On 18 August 2015, the 2015 first meeting of the audit committee of the third 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 2015 interim financial statements was heard; (2) the Company's 2015 interim report and interim results announcement were considered and approved; (3) the Company's 2015 interim financial statements were considered and approved; and (4) the fees payable to KPMG for 2015 interim review were considered and approved.
- On 26 October 2015, the 2015 second meeting of the audit committee of the third session of the Board was held, at which the following works were performed: (1) the report relating to the results announcement of the Company for the first three quarters of 2015 was heard; and (2) the results announcement of the Company for the first three quarters of 2015 was considered and approved.

All members of the audit committee, being Mr. Shao Guoyong, Mr. Meng Yan and Mr. Zhang Songyi attended the above four meetings, with the attendance rate of 100%.

2.2 *Remuneration and Assessment Committee*

The remuneration and assessment committee consists of three Directors: Mr. Wang Baole (non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director). Mr. Zhang Songyi is the chairman of the remuneration and assessment 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 overall 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 24 March 2015, the 2015 first meeting of the remuneration and assessment committee of the second 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 2015 was heard; (2) the remuneration of Directors, supervisors and senior management for 2015 was considered and approved; (3) the briefing on the Company's withdrawal plan of the Board's fund for 2014 was heard; and (4) the withdrawal plan of the Board's fund for 2014 was considered and approved.

All members of the remuneration and assessment committee, being Mr. Wang Baole, Mr. Zhang Songyi and Mr. Han Dechang attended the said meeting, with the attendance rate of 100%.

2.3 *Nomination Committee*

The nomination committee consists of three Directors: Mr. Qiao Baoping (non-executive Director), Mr. Meng Yan (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director). Mr. Qiao Baoping is the chairman of the nomination 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.

In accordance with the Board Diversity Policy issued by the Company in October 2013, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board nominations will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of

diversity on the Board. Selection of candidates will be based on a range of diversity factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee shall supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. Meanwhile, the nomination committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for the approval of the Board. The nomination committee considered that during the reporting period, the composition of the members of the Board was in accordance with the requirements of the Board Diversity Policy.

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

- On 21 May 2015, the 2015 first meeting of the nomination committee of the second 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 proposal for re-election of the Board were considered and approved.

All members of the nomination committee, being Mr. Qiao Baoping, Mr. Han Dechang and Mr. Meng Yan attended the said meeting, with the attendance rate of 100%.

2.4 Strategic Committee

The strategic committee consists of four Directors: Mr. Wang Baole (non-executive Director), Mr. Li Enyi (executive Director), Mr. Chen Jingdong (non-executive Director) and Mr. Huang Qun (executive Director). Mr. Li Enyi is 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 24 March 2015, the 2015 first meeting of the strategic committee of the second session of the Board was held, at which the following works were performed: (1) the report on the comprehensive scheme, target and arrangement of the Company for 2015 was heard; (2) the comprehensive scheme, target and arrangement of the Company for 2015 was considered and approved; (3) the report on the safety production scheme and arrangement of the Company for 2015 was heard; and (4) the safety production scheme and arrangement of the Company for 2015 was considered and approved.

All members of the strategic committee, being Mr. Wang Baole, Mr. Li Enyi, Mr. Chen Jingdong and Mr. Huang Qun attended the said meeting, with the attendance rate of 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 2015.

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 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 training in 2015 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	Time of Training Received in 2015 (hours)	Areas covered in the Training
Qiao Baoping	Chairman of the Board and Non-executive Director	372	Corporate governance and relevant regulations, macroeconomy, corporate management, industry research, strategic planning, enterprise culture, etc.
Wang Baole	Non-executive Director	287	Corporate governance and relevant regulations, energy research, corporate management, strategic planning, market analysis, etc.
Shao Guoyong	Non-executive Director	235	Corporate governance and relevant regulations, accounting, finance and financial management, etc.
Chen Jingdong	Non-executive Director	268	Corporate governance and relevant regulations, capital operating, assets reorganization, financial management and financial strategy, etc.
Li Enyi	Executive Director and President	292	Corporate governance and relevant regulations, corporate management, energy research, enterprise strategic management, enterprise innovation, etc.
Huang Qun	Executive Director	265	Corporate governance and relevant regulations, strategic planning, capital operation, business of the Company, etc.

Name	Position	Time of Training Received in 2015 (hours)	Areas covered in the Training
Zhang Songyi	Independent Non-executive Director	382	Corporate governance, laws and regulations, finance, economics, energy, etc.
Meng Yan	Independent Non-executive Director	376	Corporate governance and relevant regulations, accounting, financial management, auditing and internal control, etc.
Han Dechang	Independent Non-executive Director	325	Corporate governance and relevant regulations, industrial and commercial management, market analysis, marketing strategy, etc.

In addition, Mr. Jia Nansong and Ms. Soon Yuk Tai, Joint Company Secretaries of the Company, took part in relevant training respectively in 2015 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 control. 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 has set up systems on internal control, 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 Management" (《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" (《公司高管職責說明書》), "Interim Measures on Anti-Corruption, Complaints and Reports" (《反舞弊及接收投訴、舉報的暫行辦法》) and "Management System of Internal Audit" (《內部審計管理制度》), etc.

In terms of organisational structure, the Company established the Finance Administration 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 ability 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 or 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 Ruihua Certified Public Accountants (special general partner) 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 2015, respectively.

For the year ended 31 December 2015, the fees payable to KPMG and Ruihua Certified Public Accountants (special general partner) for audit services were RMB11,800,000 and RMB8,300,000 respectively, and the fees for interim review were RMB6,500,000. The statements of the reporting responsibility of KPMG, the Group's external auditor, in respect of the financial statements are set out on pages 143 to 144 of this annual report.

8. Shareholders' Meetings

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

On 29 May 2015, the Company held the annual general meeting for 2014. Mr. Wang Baole, the non-executive Director, Mr. Huang Qun, the executive Director and Mr. Meng Yan, the independent non-executive Director, were present at such annual general meeting. Mr. Qiao Baoping, Mr. Shao Guoyong and Mr. Chen Jingdong, the non-executive Directors; Mr. Li Enyi, the executive Director; and Mr. Zhang Songyi and Mr. Han Dechang, the independent non-executive Directors, were absent from the abovementioned annual general meeting due to work reasons.

On 9 July 2015, the Company held the first extraordinary general meeting for 2015. Mr. Qiao Baoping, Mr. Wang Baole, Mr. Shao Guoyong and Mr. Chen Jingdong, the non-executive Directors; Mr. Li Enyi and Mr. Huang Qun, the executive Directors; and Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang, the independent non-executive Directors, were absent from the abovementioned general meeting 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 2015.

A circular to shareholders, containing resolutions to be put forward at the annual general meeting for 2015 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 respond to the reasonable requests of shareholders in a timely manner.

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.

CORPORATE GOVERNANCE REPORT

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 written 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 submitted/delivered to the Board at least ten 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 278 to 280 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.

10. Investor Relations

10.1 *Investor Relations Activities*

Results Roadshows

In 2015, the Company published 2014 annual results and 2015 interim results in March and August, respectively, and organised results roadshows. During the period of annual results conference, 15 financial media, and 152 analysts and investors attended the meeting. During the period of annual report roadshow, the management of the Company communicated with 43 new and existing shareholders in a face-to-face manner through 17 investor meetings. A total of 10 media and 225 analysts and investors attended the interim results conference. 19 investor meetings were organised for the interim report roadshow and in-depth communications were conducted with 55 representatives from investment institutions.

CORPORATE GOVERNANCE REPORT

Since announcement of first quarterly results and third quarterly results for 2015, the Company organised and convened teleconferences with global investors. 105 and 125 large institutional investors and investment bank analysts from mainland China, Hong Kong, Singapore, the US, Europe and so forth attended the two quarterly report teleconferences respectively.

Investors' Routine Calls and Visits

In 2015, the Company arranged 80 routine investor meetings by way of one-to-one/group/teleconference meetings and fully and effectively communicated and exchanged opinions with 205 corporate investors and analysts.

Investment Summits

In 2015, the Company participated in the summit held by 6 well-known investment banks, and held face-to-face conversations with 150 investors through 23 one-to-one and group meetings.

10.2 Information Disclosure

The Company formulated the Provisions on Information Disclosure Management (《信息披露事務管理規定》) to ensure a timely and fair disclosure of comprehensive and accurate information to investors. We extensively utilised the website of the Company to release information and ensured that all shareholders can receive important information of the Company in a timely and fair manner. The financial reports, energy generation and other news and exchange announcements of the Company are available on the website of the Company for easy inquires. In 2015, the Company published 100 pieces of information on the Stock Exchange and 20 articles concerning the latest news.

The Company did not make any material changes to the Articles of Association of the Company in 2015.

11. 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.

12. Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbours set out in the Securities and Futures Ordinance;
- conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information” and “Recent Economic Developments and the Disclosure Obligations of Listed Issuers” issued by the Securities and Futures Commission in June 2012 and the Hong Kong Stock Exchange in 2008 respectively; and
- has established and implemented procedures for responding to external enquiries about the Group’s affairs. Senior management of the Company is identified and authorized to act as the Company’s spokesperson and responds to enquiries in allocated areas of issues.

SUPERVISORY BOARD'S REPORT

On 9 July 2015, the Supervisory Board was established upon the approval of the extraordinary general meeting of the Company. The current session of the Supervisory Board consists of three supervisors.

In 2015, the Supervisory Board of the Company acted in strict compliance with relevant laws and regulations rules, regulatory documents (such as the Company Law of the PRC), 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

The 2015 first meeting of the second session of the Supervisory Board was held on 24 March 2015, at which the Resolution Regarding the 2014 Annual Report and Results Announcement of China Longyuan Power Group Corporation Limited (《關於龍源電力集團股份有限公司2014年度報告及業績公告的議案》) and the Resolution Regarding the 2014 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2014年度監事會報告的議案》) were considered and approved.

The 2015 second meeting of the second session of the Supervisory Board was held on 21 May 2015, at which the Resolution Regarding the Re-election 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》) and the Resolution Regarding the Proposed Convening of the 2015 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二零一五年第一次臨時股東大會的議案》) were considered and approved.

The 2015 first meeting of the third session of the Supervisory Board was held on 9 July 2015, at which the Resolution Regarding the Re-election of Chairman 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主席換屆選舉的議案》) was considered and approved.

The 2015 second meeting of the third session of the Supervisory Board was held on 18 August 2015, at which the Resolution Regarding the 2015 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二零一五年度中期報告及中期業績公告的議案》) was considered and approved.

II. WORK OF THE SUPERVISORY BOARD

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 considered the proposals which were submitted to the Board for consideration. Through attending such meetings as non-voting participants, the Supervisory Board was able to supervise the major decision-making processes and the performance of duties by the Board members and the senior management members of the Company. The Supervisory Board is of the opinion that the 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, and 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 2015 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.

SUPERVISORY BOARD'S REPORT

3. Inspection of the Company's Connected Transactions

During the reporting period, the Supervisory Board reviewed all information related to the Company's connected transactions with the controlling shareholder of the Company. The Supervisory Board is of the opinion that such 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.

III. OPINIONS OF THE SUPERVISORY BOARD ON THE COMPANY'S WORK

The Supervisory Board opines that during the reporting period, the Group earnestly implemented the spirits of working conferences convened at the beginning and in the middle of the year, proactively coped with the new normality, insisted on the "Eight Focuses" and pursued the "Four Excellences" to strengthen operation and management, deepen the reform and innovation, and maintained a sound and sustainable advantageous development situation. The Supervisory Board is satisfied with the achievement of the Company during the reporting period and is confident on the development prospects of the Company.

Chairman of the Supervisory Board
Xie Changjun

Beijing, 22 March 2016

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 145 to 272, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

INDEPENDENT AUDITOR'S REPORT

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 financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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
22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Revenue	4	19,648,642	18,228,433
Other net income	5	446,954	437,410
Operating expenses			
Depreciation and amortisation		(5,554,258)	(5,010,771)
Coal consumption		(1,377,869)	(1,740,811)
Coal sales costs		(2,142,213)	(2,246,800)
Service concession construction costs		(661,804)	(227,579)
Personnel costs		(1,418,833)	(1,228,229)
Material costs		(331,055)	(343,818)
Repairs and maintenance		(530,784)	(450,510)
Administration expenses		(370,261)	(378,179)
Other operating expenses		(583,081)	(478,274)
		(12,970,158)	(12,104,971)
Operating profit		7,125,438	6,560,872
Finance income		203,686	198,834
Finance expenses		(3,228,360)	(3,158,488)
Net finance expenses	6	(3,024,674)	(2,959,654)
Share of profits less losses of associates and joint ventures		575,506	453,760
Profit before taxation	7	4,676,270	4,054,978
Income tax	8	(599,840)	(510,414)
Profit for the year		4,076,430	3,544,564

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Exchange difference on translation of senior perpetual securities	41	107,857	9,403
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the fair value reserve		447	7,319
Exchange difference on translation of financial statements of overseas subsidiaries		(99,697)	(39,804)
Exchange difference on net investment		(241,358)	3,535
Other comprehensive income for the year, net of tax	11	<u>(232,751)</u>	<u>(19,547)</u>
Total comprehensive income for the year		<u><u>3,843,679</u></u>	<u><u>3,525,017</u></u>
Profit attributable to:			
Equity holders of the Company		2,880,615	2,554,502
Non-controlling interests		1,195,815	990,062
Profit for the year		<u><u>4,076,430</u></u>	<u><u>3,544,564</u></u>
Total comprehensive income attributable to:			
Equity holders of the Company		2,540,007	2,525,552
Non-controlling interests		1,303,672	999,465
Total comprehensive income for the year		<u><u>3,843,679</u></u>	<u><u>3,525,017</u></u>
Basic and diluted earnings per share (RMB cents)	12	<u><u>35.84</u></u>	<u><u>31.79</u></u>

The notes on pages 155 to 272 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Non-current assets			
Property, plant and equipment	14	98,609,393	88,555,163
Investment properties		4,561	4,878
Lease prepayments	15	2,002,826	1,875,074
Intangible assets	16	8,687,766	8,530,483
Goodwill	17	11,541	11,541
Investments in associates and joint ventures	19	4,822,038	3,602,146
Other assets	20	6,483,121	6,283,677
Deferred tax assets	30(b)	155,085	154,728
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total non-current assets		120,776,331	109,017,690
Current assets			
Inventories	21	1,080,628	1,017,288
Trade debtors and bills receivable	22	4,237,768	6,415,915
Prepayments and other current assets	23	3,068,934	4,101,798
Tax recoverable	30(a)	169,716	202,027
Other financial assets	24	865,836	222,639
Restricted deposits	25	387,133	439,512
Cash at bank and on hand	26	2,886,607	2,395,916
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total current assets		12,696,622	14,795,095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	Note	2015 RMB'000	2014 RMB'000 <i>(restated-note 40)</i>
Current liabilities			
Borrowings	27(b)	44,687,909	36,113,570
Trade creditors and bills payable	28	1,902,386	1,020,623
Other payables	29	8,901,540	9,075,366
Tax payable	30(a)	155,638	112,165
Derivative financial instrument		—	6,319
Total current liabilities		<u>55,647,473</u>	<u>46,328,043</u>
Net current liabilities		<u>(42,950,851)</u>	<u>(31,532,948)</u>
Total assets less current liabilities		<u>77,825,480</u>	<u>77,484,742</u>
Non-current liabilities			
Borrowings	27(a)	29,969,856	33,922,179
Deferred income	32	1,791,775	1,790,056
Deferred tax liabilities	30(b)	106,073	106,667
Other non-current liabilities	33	1,425,141	761,755
Total non-current liabilities		<u>33,292,845</u>	<u>36,580,657</u>
NET ASSETS		<u>44,532,635</u>	<u>40,904,085</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
CAPITAL AND RESERVES			
Share capital	34(c)	8,036,389	8,036,389
Perpetual medium-term note	42	2,991,000	–
Reserves	34(d)	27,072,396	25,071,054
Total equity attributable to equity holders of the Company		38,099,785	33,107,443
Non-controlling interests		6,432,850	7,796,642
TOTAL EQUITY		44,532,635	40,904,085

Approved and authorised for issue by the board of directors on 22 March 2016.

Qiao Baoping
Chairman

Li Enyi
Executive Director

The notes on pages 155 to 272 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	Attributable to the equity holders of the Company							Non-controlling interests			
	Share capital	Capital reserve	Statutory		Fair value reserve	Retained earnings	Subtotal	Senior perpetual securities			Total equity
			surplus reserve	Exchange reserve				Others	Subtotal		
			RMB'000	RMB'000						RMB'000	
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
		(Note 34)	(Note 34)	(Note 34)	(Note 34)			(Note 41)			
		(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)						
At 1 January 2014											
(as previously reported)	8,036,389	14,710,896	452,795	(56,559)	(1,021)	7,811,002	30,953,502	2,406,927	4,769,094	7,176,021	38,129,523
Effect on business combination											
under common control	40	56,800	-	-	-	(3,087)	53,713	-	7,812	7,812	61,525
At 1 January 2014											
(as restated)	8,036,389	14,767,696	452,795	(56,559)	(1,021)	7,807,915	31,007,215	2,406,927	4,776,906	7,183,833	38,191,048
Changes in equity:											
Profit for the year (as restated)	-	-	-	-	-	2,554,502	2,554,502	141,094	848,968	990,062	3,544,564
Other comprehensive income	-	-	-	(36,269)	7,319	-	(28,950)	9,403	-	9,403	(19,547)
Total comprehensive income											
(as restated)	-	-	-	(36,269)	7,319	2,554,502	2,525,552	150,497	848,968	999,465	3,525,017
Capital contributions											
	-	-	-	-	-	-	-	-	177,863	177,863	177,863
Appropriation											
	-	-	121,627	-	-	(121,627)	-	-	-	-	-
Dividends by subsidiaries to											
non-controlling equity owners	-	-	-	-	-	-	-	-	(457,779)	(457,779)	(457,779)
Dividends to shareholders of											
the Company	34(b)(ii)	-	-	-	-	(381,728)	(381,728)	-	-	-	(381,728)
Interest payment for senior											
perpetual securities	-	-	-	-	-	-	-	(141,094)	-	(141,094)	(141,094)
Effect on business combination											
under common control	-	(43,596)	-	-	-	-	(43,596)	-	7,840	7,840	(35,756)
Disposal of a subsidiary											
	5(i)	-	-	-	-	-	-	-	26,514	26,514	26,514
At 31 December 2014											
(as restated)	8,036,389	14,724,100	574,422	(92,828)	6,298	9,859,062	33,107,443	2,416,330	5,380,312	7,796,642	40,904,085

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	Attributable to the equity holders of the Company							Non-controlling interests				
	Share capital	Perpetual	Capital	Statutory	Exchange	Fair value	Retained	Subtotal	Senior	Others	Subtotal	Total equity
		medium-term note	reserve	surplus reserve	reserve	reserve	earnings		perpetual securities			
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 42)	(Note 34)	(Note 34)	(Note 34)	(Note 34)			(Note 41)			
			(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)						
At 1 January 2015												
(as previously reported)	8,036,389	-	14,667,300	574,422	(92,828)	6,298	9,865,657	33,057,238	2,416,330	5,375,872	7,792,202	40,849,440
Effect on business combination under common control	40	-	56,800	-	-	-	(6,595)	50,205	-	4,440	4,440	54,645
At 1 January 2015												
(as restated)	8,036,389	-	14,724,100	574,422	(92,828)	6,298	9,859,062	33,107,443	2,416,330	5,380,312	7,796,642	40,904,085
Changes in equity:												
Profit for the year	-	-	-	-	-	-	2,880,615	2,880,615	124,497	1,071,318	1,195,815	4,076,430
Other comprehensive income	-	-	-	-	(341,055)	447	-	(340,608)	107,857	-	107,857	(232,751)
Total comprehensive income	-	-	-	-	(341,055)	447	2,880,615	2,540,007	232,354	1,071,318	1,303,672	3,843,679
Capital contributions	-	-	-	-	-	-	-	-	-	412,233	412,233	412,233
Appropriation	-	-	-	203,640	-	-	(203,640)	-	-	-	-	-
Dividends by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	-	-	(431,013)	(431,013)	(431,013)
Dividends to shareholders of the Company	34(b)(ii)	-	-	-	-	-	(479,772)	(479,772)	-	-	-	(479,772)
Interest payment for senior perpetual securities	-	-	-	-	-	-	-	-	(131,434)	-	(131,434)	(131,434)
Repayment of senior perpetual securities	-	-	(42,150)	-	-	-	-	(42,150)	(2,517,250)	-	(2,517,250)	(2,559,400)
Issuance of perpetual medium-term note, net of issuing expenses	42	-	2,991,000	-	-	-	-	2,991,000	-	-	-	2,991,000
Effect on business combination under common control	40	-	(16,743)	-	-	-	-	(16,743)	-	-	-	(16,743)
At 31 December 2015												
	8,036,389	2,991,000	14,665,207	778,062	(433,883)	6,745	12,056,265	38,099,785	-	6,432,850	6,432,850	44,532,635

The notes on pages 155 to 272 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	2015 RMB'000	2014 RMB'000 <i>(restated-note 40)</i>
Cash flows from operating activities		
Profit before taxation	4,676,270	4,054,978
Adjustments for:		
Depreciation	5,040,856	4,515,604
Amortisation	513,402	495,167
Impairment losses on property, plant and equipment and lease prepayment	324	27,714
Gain on disposal of a subsidiary	–	(28,724)
Loss on disposal of property, plant and equipment and lease prepayments	1,505	4,345
Interest expenses on financial liabilities	2,794,545	2,980,365
Foreign exchange differences, net	399,096	(26,190)
Interest income on financial assets	(123,531)	(85,109)
Dividend income	(52,305)	(54,717)
Share of profits less losses of associates and joint ventures	(575,506)	(453,760)
Changes in working capital:		
Increase in inventories	(52,184)	(263,090)
Decrease in trading securities	141,298	93,293
Decrease in trade debtors and bills receivable	2,178,147	265,531
Decrease in prepayments and other current assets	459,048	1,267,858
Increase in trade and other payables	1,486,406	737,198
Decrease in deferred income	(37,591)	(127,677)
Cash generated from operations	16,849,780	13,402,786
Income tax paid	(525,156)	(521,862)
Net cash generated from operating activities	16,324,624	12,880,924

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	(15,263,583)	(18,273,188)
Payments for loans and advances	(7,141)	(1,973,401)
Payments for acquisition of investments in associates and joint ventures, and unquoted equity investments	(745,000)	(867,211)
Payment for businesses combination, net of cash acquired	(131,600)	(24,265)
Government grant received	39,310	40,827
Proceeds from disposal of property, plant and equipment and intangible assets	2,869	26,562
Proceeds from disposal of a subsidiary, net of cash disposed	–	(403)
Proceeds from repayment of loans and advances	11,000	34,790
Dividends received	141,179	66,693
Interest received	131,902	105,478
Payment for short-term investments	(498,000)	–
Net cash used in investing activities	(16,319,064)	(20,864,118)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Renminbi unless otherwise stated)

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Cash flows from financing activities		
Capital contributions	412,233	185,703
Proceeds from borrowings	48,821,465	36,312,449
Repayment of borrowings	(44,416,273)	(24,277,285)
Dividends paid by subsidiaries to non-controlling equity owners	(694,626)	(660,166)
Dividends paid to shareholders of the Company	(479,772)	(381,728)
Interest paid for borrowings	(3,367,848)	(3,384,702)
Interest paid for senior perpetual securities	(131,434)	(141,094)
Repayment of senior perpetual securities	(2,559,400)	–
Proceeds from issuance of perpetual medium-term note	2,991,000	–
Payment for cross-currency exchange contracts	(68,315)	–
Net cash generated from financing activities	507,030	7,653,177
Net increase/(decrease) in cash and cash equivalents	512,590	(330,017)
Cash and cash equivalents at the beginning of year	2,395,916	2,731,530
Effect of foreign exchange rate changes	(21,899)	(5,597)
Cash and cash equivalents at the end of year (note 26)	2,886,607	2,395,916

The notes on pages 155 to 272 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

1 PRINCIPAL ACTIVITIES

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements set out in this report have been prepared in accordance with 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Group and its interest in associates and joint ventures.

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 2015 amounting to RMB42,950,851,000. 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 35(b)).

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)) and derivative financial instruments are stated at their fair value.

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.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group.

- Annual improvements to IFRSs 2010–2012 Cycle
- Annual improvements to IFRSs 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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 cash flows 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 statement of financial position 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 the consolidated statement of financial position in accordance with notes 2(q) depending on the nature of the liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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 joint venture (see note 2(f)).

In the Company's statement of financial position, 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).

(f) Associates and joint ventures

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 joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to net assets of the arrangement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

An investment in an associate or a joint venture 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). 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 the consolidated statement of 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 joint venture, 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 joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, 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)).

In the Company's statement of financial position, its investments in associates and joint venture 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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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 joint ventures, 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 statement of financial position at amortised cost less impairment losses (see note 2(n)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

Investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot be reliably measured are recognised in the statement of financial position 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 statement of financial position 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(1) 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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets are recognised as property, plant and equipment 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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 joint ventures (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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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;
- goodwill; and
- investment in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

– 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 of disposal (if measurable), 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 statement of financial position at cost less provision for obsolescence.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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

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

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(iii) Rendering of services

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

(iv) Rental income from operating leases

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

(v) Dividends

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

(vi) Interest income

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

(vii) Government grants

Government grants are recognised in the statement of financial position 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 deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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. Statement of financial position 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 statement of financial position.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value.

If the fair value of derivative financial instruments at initial recognition differs from the transaction price,

- (i) if that fair value is evidenced by a quoted price in an active market or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss;
- (ii) in all other cases, the derivative financial instruments are adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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.

(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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the group's parent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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.

(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 policies 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the ageing of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would 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 joint ventures, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

4 REVENUE

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Sales of electricity	15,856,406	14,934,497
Sales of steam	261,621	226,715
Service concession construction revenue (note 45)	661,804	227,579
Sales of electricity equipment	167,525	129,964
Sales of coal	2,269,368	2,387,984
Others	431,918	321,694
	19,648,642	18,228,433

5 OTHER NET INCOME

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Government grants	406,492	382,639
Rental income from investment properties	5,679	9,031
Net loss on disposal of plant, property and equipment and lease prepayments	(1,505)	(4,345)
Penalty income from wind turbine suppliers	4,220	11,069
Gain on disposal of a subsidiary (note (i))	–	28,724
Others	32,068	10,292
	446,954	437,410

Note:

- (i) Gain on disposal of a subsidiary in 2014 represented the gain from disposal of the Company's entire 52% equity interest in Guodian Liaocheng Biomass Power Co., Ltd. to Guodian Liaocheng Power Generation Co., Ltd. at consideration of RMB1.

6 FINANCE INCOME AND EXPENSES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Interest income on financial assets	123,531	85,109
Foreign exchange gains	2,942	56,985
Net realised and unrealised gains on other financial assets	24,908	2,023
Dividend income from other investments	52,305	54,717
	<u>203,686</u>	<u>198,834</u>
Finance income	203,686	198,834
Interest on bank and other borrowings wholly repayable within five years	2,678,397	2,490,892
Interest on bank and other borrowings repayable more than five years	754,591	890,801
Less: interest expenses capitalised into property, plant and equipment and intangible assets	(638,443)	(401,328)
	<u>2,794,545</u>	<u>2,980,365</u>
Foreign exchange losses	553,442	30,795
Net realised and unrealised gains on derivative financial instruments (note 24)	(151,404)	—
Foreign exchange losses, net	402,038	30,795
Net realised and unrealised losses on trading securities	4,885	85,583
Bank charges and others	26,892	61,745
Finance expenses	3,228,360	3,158,488
Net finance expenses recognised in profit or loss	<u>(3,024,674)</u>	<u>(2,959,654)</u>

The borrowing costs have been capitalised at rates of 2.90% to 7.15% for the year ended 31 December 2015 (2014: 2.52% to 7.15%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Salaries, wages and other benefits	1,249,880	1,087,379
Contributions to defined contribution retirement plan	168,953	140,850
	1,418,833	1,228,229

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(b) Other items

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Amortisation		
– lease prepayment	76,063	65,794
– intangible assets	437,339	429,373
Depreciation		
– investment properties	317	277
– property, plant and equipment	5,040,539	4,515,327
Reversal of impairment losses		
– trade and other receivables	(2,152)	(309)
Impairment losses		
– property, plant and equipment	324	27,714
Auditors' remuneration-audit services		
– annual audit service	20,100	19,200
– interim review service	6,500	6,800
Operating lease charges		
– hire of plant and equipment	2,425	5,106
– hire of properties	21,621	13,577
Cost of inventories	4,013,584	4,422,822
Including: personnel costs, depreciation, amortisation and operating lease charges	77	1,673

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current tax		
Provision for the year	591,803	457,722
Under provision in respect of prior years (<i>note (ii)</i>)	9,137	57,265
	600,940	514,987
Deferred tax		
Origination and reversal of temporary differences (<i>note 30(b)</i>)	(1,100)	(4,573)
	599,840	510,414

NOTES TO THE FINANCIAL STATEMENTS

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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 2014 and 2015, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to relevant tax authorities' approvals.

Pursuant to CaiShui [2008] No.46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, 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.

- (ii) The under provision in 2014 mainly represented income tax for CERs and VERs income of two subsidiaries recognised in prior years. Due to the request by the tax bureau, income tax was paid in 2014.
- (iii) Hero Asia Investment Limited, a subsidiary of the Group incorporated in Hong Kong, is subject to Hong Kong Profits Tax at 16.5%. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Profit before taxation	<u>4,676,270</u>	<u>4,054,978</u>
Applicable tax rates	25%	25%
Notional tax on profit before taxation	1,169,068	1,013,745
Tax effect of non-deductible expenses	7,582	7,355
Tax effect of share of profits less losses of associates and joint ventures	(143,877)	(113,440)
Tax effect of non-taxable income	(13,076)	(13,679)
Effect of differential tax rate of certain subsidiaries of the Group	(638,739)	(491,157)
Use of unrecognised tax losses in prior years	(1,014)	(7,407)
Tax effect of unused tax losses and timing differences not recognised	209,457	57,789
Tax credits for purchase of domestic equipment	–	(2,017)
Under provision in respect of prior years	9,137	57,265
Others	<u>1,302</u>	<u>1,960</u>
Income tax	<u>599,840</u>	<u>510,414</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation 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	2015 Total RMB'000
Directors					
Mr. Qiao Baoping (Chairman)	-	-	-	-	-
Mr. Li Enyi	-	241	735	92	1,068
Mr. Wang Baole	-	-	-	-	-
Mr. Huang Qun	-	241	715	91	1,047
Mr. Shao Guoyong	-	-	-	-	-
Mr. Chen Jingdong	-	-	-	-	-
Independent non-executive directors					
Mr. Zhang Songyi	143	-	-	-	143
Mr. Meng Yan	143	-	-	-	143
Mr. Han Dechang	143	-	-	-	143
Supervisors					
Mr. Xie Changjun	-	-	-	-	-
Mr. Yu Yongping	-	-	-	-	-
Mr. He Shen	-	198	567	83	848
	<u>429</u>	<u>680</u>	<u>2,017</u>	<u>266</u>	<u>3,392</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

	Directors' and supervisors' fees RMB'000	Salaries allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2014 Total RMB'000
Directors					
Mr. Qiao Baoping (Chairman)	—	—	—	—	—
Mr. Li Enyi	—	242	647	85	974
Mr. Wang Baole	—	—	—	—	—
Mr. Huang Qun	—	238	680	85	1,003
Mr. Luan Baoxing (resigned in May 2014)	—	—	—	—	—
Mr. Chen Bin (resigned in May 2014)	—	—	—	—	—
Mr. Shao Guoyong (appointed in May 2014)	—	—	—	—	—
Mr. Chen Jingdong (appointed in May 2014)	—	—	—	—	—
Independent non-executive directors					
Mr. Lv Congmin (resigned in May 2014)	60	—	—	—	60
Mr. Zhang Songyi	143	—	—	—	143
Mr. Meng Yan	143	—	—	—	143
Mr. Han Dechang* (appointed in May 2014)	83	—	—	—	83
Supervisors					
Mr. Xie Changjun	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. He Shen	—	187	462	76	725
	<u>429</u>	<u>667</u>	<u>1,789</u>	<u>246</u>	<u>3,131</u>

* The amount includes his emoluments after appointment as independent non-executive director since June 2014.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

	2015	2014
Directors	2	2
Non-directors	3	3
	<u>5</u>	<u>5</u>

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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Salaries and other emoluments	637	623
Discretionary bonuses	1,760	1,560
Retirement scheme contributions	255	235
	<u>2,652</u>	<u>2,418</u>

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

	2015	2014
HKD500,001 to HKD1,000,000	–	1
HKD1,000,001 to HKD1,500,000	3	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

11 OTHER COMPREHENSIVE INCOME

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Items that will not be reclassified to profit or loss:		
Exchange difference on translation of senior perpetual securities	107,857	9,403
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	596	9,759
– Tax expense	(149)	(2,440)
Net of tax amount	447	7,319
Exchange differences on translation of financial statement of overseas subsidiaries	(99,697)	(39,804)
Exchange difference on net investment		
– Before and net of tax amount	(241,358)	3,535
Other comprehensive income	(232,751)	(19,547)

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year ended 31 December 2015 of RMB2,880,615,000 (2014 (restated-note 40): RMB2,554,502,000) and the number of shares in issue during the year ended 31 December 2015 of 8,036,389,000 (2014: 8,036,389,000).

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

13 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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 joint ventures, 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 joint ventures, 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 2015 and 2014 is set out below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

For the year ended 31 December 2015

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers				
– Sales of electricity	12,283,370	3,139,048	433,988	15,856,406
– Others	47,338	2,756,628	326,466	3,130,432
Subtotal	12,330,708	5,895,676	760,454	18,986,838
Inter-segment revenue	–	–	1,146,128	1,146,128
Reportable segment revenue	12,330,708	5,895,676	1,906,582	20,132,966
Reportable segment profit (operating profit)	5,986,144	1,133,464	150,878	7,270,486
Depreciation and amortisation before inter-segment elimination	(5,011,653)	(400,264)	(174,580)	(5,586,497)
Reversal of impairment losses of trade and other receivables	–	–	2,152	2,152
Impairment losses of property, plant and equipment	(324)	–	–	(324)
Interest income	21,871	19,320	82,340	123,531
Interest expense	(2,405,595)	(59,667)	(329,283)	(2,794,545)
Reportable segment assets	115,875,793	6,025,322	18,532,330	140,433,445
Expenditures for reportable segment non-current assets during the year	15,504,483	423,402	264,957	16,192,842
Reportable segment liabilities	80,860,285	3,907,830	21,534,680	106,302,795

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

For the year ended 31 December 2014 (restated—note 40)

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers				
– Sales of electricity	11,092,566	3,358,645	483,286	14,934,497
– Others	61,220	2,796,899	208,238	3,066,357
Subtotal	11,153,786	6,155,544	691,524	18,000,854
Inter-segment revenue	–	–	504,975	504,975
Reportable segment revenue	11,153,786	6,155,544	1,196,499	18,505,829
Reportable segment profit (operating profit)	5,688,301	791,538	199,380	6,679,219
Depreciation and amortisation before inter-segment elimination	(4,368,357)	(500,603)	(190,212)	(5,059,172)
(Provision)/Reversal of impairment losses of trade and other receivables	(991)	–	1,300	309
Impairment losses of property, plant and equipment	–	(24,593)	–	(24,593)
Interest income	6,567	14,129	64,413	85,109
Interest expense	(2,623,453)	(65,881)	(291,031)	(2,980,365)
Reportable segment assets	108,123,618	6,793,349	14,964,356	129,881,323
Expenditures for reportable segment non-current assets during the year	13,054,160	465,304	116,476	13,635,940
Reportable segment liabilities	77,502,869	4,512,094	14,664,313	96,679,276

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Revenue		
Reportable segment revenue	20,132,966	18,505,829
Service concession construction revenue	661,804	227,579
Elimination of inter-segment revenue	<u>(1,146,128)</u>	<u>(504,975)</u>
Consolidated revenue	<u><u>19,648,642</u></u>	<u><u>18,228,433</u></u>
Profit		
Reportable segment profit	7,270,486	6,679,219
Elimination of inter-segment profits	<u>6,279</u>	<u>13,594</u>
	7,276,765	6,692,813
Share of profits less losses of associates and joint ventures	575,506	453,760
Net finance expenses	<u>(3,024,674)</u>	<u>(2,959,654)</u>
Unallocated head office and corporate expenses	<u>(151,327)</u>	<u>(131,941)</u>
Consolidated profit before taxation	<u><u>4,676,270</u></u>	<u><u>4,054,978</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Assets		
Reportable segment assets	140,433,445	129,881,323
Inter-segment elimination	<u>(8,457,297)</u>	<u>(5,219,448)</u>
	131,976,148	124,661,875
Investments in associates and joint ventures	4,822,038	3,602,146
Available-for-sale investments	22,093	21,497
Unquoted equity investments	721,024	711,024
Other financial assets	792,741	222,639
Tax recoverable	169,716	202,027
Deferred tax assets	155,085	154,728
Unallocated head office and corporate assets	51,378,497	47,094,849
Elimination	<u>(56,564,389)</u>	<u>(52,858,000)</u>
Consolidated total assets	<u><u>133,472,953</u></u>	<u><u>123,812,785</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(restated-note 40)</i>
Liabilities		
Reportable segment liabilities	106,302,795	96,679,276
Inter-segment elimination	(8,133,641)	(5,394,740)
	98,169,154	91,284,536
Tax payable	155,638	112,165
Deferred tax liabilities	106,073	106,667
Unallocated head office and corporate liabilities	47,073,842	44,263,332
Elimination	(56,564,389)	(52,858,000)
Consolidated total liabilities	88,940,318	82,908,700

(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 RMB15,841,825,000 for the year ended 31 December 2015 (2014 (restated-note 40): RMB14,922,556,000). Service concession construction revenue is all from the PRC government.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

	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 2014 (as previously reported)	7,356,621	77,093,863	501,911	480,585	12,177,571	97,610,551
Effect of business combination under common control	–	192,470	1,639	650	75,563	270,322
At 1 January 2014 (as restated)	7,356,621	77,286,333	503,550	481,235	12,253,134	97,880,873
Additions	8,009	13,589	9,054	56,322	12,972,611	13,059,585
Transfer from construction in progress	586,119	9,387,576	4,582	40,282	(10,018,559)	–
Transfer from investment properties	20,353	–	–	–	–	20,353
Transfer to other assets	–	–	–	–	(3,925)	(3,925)
Disposals	(4,915)	(149,286)	(3,902)	(4,460)	–	(162,563)
Effect on disposal of a subsidiary	(65,240)	(135,933)	(1,419)	(547)	–	(203,139)
Reclassification	150,818	(134,902)	162	(16,078)	–	–
At 31 December 2014 (as restated)	8,051,765	86,267,377	512,027	556,754	15,203,261	110,591,184
At 1 January 2015 (as restated)	8,051,765	86,267,377	512,027	556,754	15,203,261	110,591,184
Additions	1,324	14,750	4,941	32,945	15,267,089	15,321,049
Transfer from construction in progress	596,061	16,150,530	–	38,955	(16,785,546)	–
Transfer from intangible assets	–	–	–	–	52,296	52,296
Transfer to construction in progress	–	(16,068)	–	–	4,793	(11,275)
Transfer to other assets	–	–	–	–	(11,156)	(11,156)
Disposals	(226)	(242,598)	(3,716)	(22,937)	–	(269,477)
Reclassification	(27,220)	26,637	(1,604)	2,187	–	–
Exchange adjustments	(328)	(190,827)	(44)	(7)	–	(191,206)
At 31 December 2015	8,621,376	102,009,801	511,604	607,897	13,730,737	125,481,415

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

	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 2014 (as previously reported)	1,787,673	15,268,275	209,793	264,752	95,340	17,625,833
Effect of business combination under common control	–	25,024	662	256	3,265	29,207
At 1 January 2014 (as restated)	1,787,673	15,293,299	210,455	265,008	98,605	17,655,040
Depreciation charge for the year	350,470	4,077,260	40,404	63,313	–	4,531,447
Transfer from investment properties	5,912	–	–	–	–	5,912
Provision for impairment losses	–	24,593	–	–	3,121	27,714
Written back on disposal	(1,895)	(127,137)	(3,027)	(3,391)	–	(135,450)
Effect on disposal of a subsidiary	(14,582)	(32,576)	(1,073)	(411)	–	(48,642)
Reclassification	18,329	(6,222)	162	(12,269)	–	–
At 31 December 2014 (as restated)	2,145,907	19,229,217	246,921	312,250	101,726	22,036,021
At 1 January 2015 (as restated)	2,145,907	19,229,217	246,921	312,250	101,726	22,036,021
Depreciation charge for the year	373,501	4,573,221	38,901	69,220	–	5,054,843
Provision for impairment losses	–	–	–	–	324	324
Written back on disposal	(107)	(191,939)	(3,605)	(17,211)	–	(212,862)
Transfer to construction in progress	–	(11,275)	–	–	–	(11,275)
Reclassification	(1,361)	459	(818)	1,720	–	–
Exchange adjustments	78	4,893	–	–	–	4,971
At 31 December 2015	2,518,018	23,604,576	281,399	365,979	102,050	26,872,022
Net book value:						
At 31 December 2014 (as restated)	5,905,858	67,038,160	265,106	244,504	15,101,535	88,555,163
At 31 December 2015	6,103,358	78,405,225	230,205	241,918	13,628,687	98,609,393

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

Notes:

- (i) The Group's property, plants and buildings are mainly 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 RMB212,824,000 as at 31 December 2015 (2014: RMB231,365,000).
- (iii) As at 31 December 2015, the Group is in the process of applying for 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.

15 LEASE PREPAYMENTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Cost:		
At 1 January	2,250,473	1,969,541
Additions	204,523	287,859
Disposal	(4,700)	-
Effect on disposal of a subsidiary	-	(6,927)
At 31 December	<u>2,450,296</u>	<u>2,250,473</u>
Accumulated amortisation:		
At 1 January	375,399	309,434
Amortisation charge for the year	76,771	66,502
Written back on disposal	(4,700)	-
Effect on disposal of a subsidiary	-	(537)
At 31 December	<u>447,470</u>	<u>375,399</u>
Net book value:	<u><u>2,002,826</u></u>	<u><u>1,875,074</u></u>

Notes:

- (i) 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.
- (ii) As at 31 December 2015, the Group is in the process of applying for registration of the ownership certificates for certain of its land use right. The directors are of the opinion that the Group is entitled to lawfully occupy or use these land.

NOTES TO THE FINANCIAL STATEMENTS

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16 INTANGIBLE ASSETS

	Concession assets	Software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:			
At 1 January 2014			
(as previously reported)	10,278,505	162,429	10,440,934
Effect of business combination under common control	—	584	584
At 1 January 2014 (as restated)	10,278,505	163,013	10,441,518
Additions	227,579	60,333	287,912
Effect on disposal of a subsidiary	—	(412)	(412)
Disposals	(5,861)	—	(5,861)
Exchange adjustments	—	(9,053)	(9,053)
At 31 December 2014 (as restated)	10,500,223	213,881	10,714,104
At 1 January 2015 (as restated)	10,500,223	213,881	10,714,104
Additions	661,804	5,466	667,270
Transfer to construction in progress	(52,296)	—	(52,296)
Exchange adjustments	—	(20,494)	(20,494)
At 31 December 2015	11,109,731	198,853	11,308,584

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FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

	Concession assets	Software and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accumulated amortisation:			
At 1 January 2014			
(as previously reported)	1,745,856	10,065	1,755,921
Effect of business combination			
under common control	–	46	46
At 1 January 2014 (as restated)	1,745,856	10,111	1,755,967
Charge for the year	423,002	6,891	429,893
Effect on disposal of a subsidiary	–	(172)	(172)
Written back on disposal	(2,067)	–	(2,067)
At 31 December 2014 (as restated)	2,166,791	16,830	2,183,621
At 1 January 2015 (as restated)	2,166,791	16,830	2,183,621
Charge for the year	423,675	14,076	437,751
Exchange adjustments	–	(554)	(554)
At 31 December 2015	2,590,466	30,352	2,620,818
Net book value:			
At 31 December 2014 (as restated)	8,333,432	197,051	8,530,483
At 31 December 2015	8,519,265	168,501	8,687,766

NOTES TO THE FINANCIAL STATEMENTS

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17 GOODWILL

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
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”) in 2010. 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.

NOTES TO THE FINANCIAL STATEMENTS

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18 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2015 which principally affected the results, assets or liabilities of the Group. All of these subsidiaries are limited liability companies.

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
1 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
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 235,234,312	32.31%	23.51%	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
8 Longyuan Canada Renewables Ltd. 龍源加拿大可再生能源有限公司	the CAN	CAD 90,000,101	–	100%	Wind power generation

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Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
9 Guodian Chongqing Wind Power Generation Co., Ltd. 國電重慶風電開發有限公司	the PRC	RMB 226,800,000	51%	–	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 Ningxia Wind Power Generation Co., Ltd. 龍源寧夏風力發電有限公司	the PRC	RMB 234,110,000	100%	–	Wind power generation
14 Longyuan Qidong Wind Power Generation Co., Ltd. 龍源啟東風力發電有限公司	the PRC	RMB 245,760,000	30%	70%	Wind power generation
15 Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. 河北圍場龍源建投風力發電 有限公司 (note (ii))	the PRC	RMB 209,300,000	50%	–	Wind power generation
16 Longyuan (Baotou) Wind Power Generation Co., Ltd. 龍源(包頭)風力發電 有限責任公司	the PRC	RMB 394,940,000	75%	25%	Wind power generation
17 Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 龍源(張家口)風力發電有限公司	the PRC	RMB 891,925,900	75%	25%	Wind power generation

NOTES TO THE FINANCIAL STATEMENTS

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Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
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 449,519,999	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 320,140,000	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 Wuzhong Wind Power Generation Co., Ltd. 龍源吳忠風力發電有限公司	the PRC	RMB 61,000,000	100%	–	Wind power generation
22 Longyuan Guizhou Wind Power Generation Co., Ltd. 龍源貴州風力發電有限公司	the PRC	RMB 862,513,600	100%	–	Wind power generation
23 Longyuan Dafeng Wind Power Generation Co., Ltd. 龍源大豐風力發電有限公司	the PRC	RMB 520,614,000	100%	–	Wind power generation
24 Longyuan Zhangye New Energy Co., Ltd. 龍源張掖新能源有限公司	the PRC	RMB 193,887,000	100%	–	Wind power generation
25 Longyuan Shenyang Wind Power Generation Co., Ltd. 龍源瀋陽風力發電有限公司	the PRC	RMB 441,467,000	100%	–	Wind power generation
26 Yunnan Longyuan Wind Power Generation Co., Ltd. 雲南龍源風力發電有限公司	the PRC	RMB 496,680,000	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

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Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
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 Tianjing Longyuan Wind Power Generation Co., Ltd. 天津龍源風力發電有限公司	the PRC	RMB 221,656,020	100%	–	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 246,490,000	100%	–	Wind power generation
31 Fujian Longyuan Wind Power Generation Co., Ltd. 福建龍源風力發電有限公司	the PRC	RMB 254,995,200	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 308,610,000	100%	–	Wind power generation
33 Longyuan (Rudong) Wind Power Generation Co., Ltd. 龍源 (如東) 風力發電有限公司	the PRC	RMB 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 200,240,000	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 230,532,700	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 648,107,000	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 454,336,540	100%	–	Wind power generation

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Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
38 Hebei Longyuan Wind Power Generation Co., Ltd. 河北龍源風力發電有限公司	the PRC	RMB 546,227,000	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 768,000,000	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
41 Longyuan (Wengniute) New Energy Co., Ltd. 龍源(翁牛特)新能源有限公司	the PRC	RMB 323,430,000	100%	–	Wind power generation
42 Longyuan Dali Wind Power Generation Co., Ltd. 龍源大理風力發電有限公司	the PRC	RMB 331,985,000	80%	–	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 168,180,000	100%	–	Wind power generation
44 Longyuan Huanghai Rudong Offshore Wind Power Generation Co., Ltd. 龍源黃海如東海上風力發電有限公司	the PRC	RMB 500,000,000	5%	65%	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

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Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
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
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 30,000,000	100%	–	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 240,705,000	100%	–	Wind power generation
50 Longyuan Xizang New Energy Co., Ltd. 龍源西藏新能源有限公司	the PRC	RMB 182,466,000	100%	–	Solar power generation
51 Guodian Shanxi Jieneng Youyu Wind Power Generation Co., Ltd. 國電山西潔能右玉風電有限公司	the PRC	RMB 202,000,000	100%	–	Wind power generation
52 Longyuan Hami New Energy Co., Ltd. 龍源哈密新能源有限公司	the PRC	RMB 205,400,000	100%	–	Solar power generation
53 Longyuan Balikun Wind Power Generation Co., Ltd. 龍源巴里坤風力發電有限公司	the PRC	RMB 343,918,000	100%	–	Wind power generation
54 Shandong Longyuan Wind Power Generation Co., Ltd. 山東龍源風力發電有限公司	the PRC	RMB 217,880,000	100%	–	Wind power generation
55 Longyuan Jingle Wind Power Generation Co., Ltd. 龍源靜樂風力發電有限公司	the PRC	RMB 210,312,000	100%	–	Wind power generation

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Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
56 Longyuan Xuyu Wind Power Generation Co., Ltd. 龍源盱眙風力發電有限公司	the PRC	RMB 336,913,000	100%	–	Wind power generation
57 Longyuan Shanxi Wind Power Generation Co., Ltd. 龍源陝西風力發電有限公司	the PRC	RMB 190,888,000	100%	–	Wind power generation
58 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 198,150,000	50.01%	49.99%	Wind power generation
59 Longyuan Power Group (Shanghai) Investment Co., Ltd. 龍源電力集團（上海）投資有限公司	the PRC	USD 100,000,000	25%	75%	Investment
60 Heilongjiang Longyuan Wind Power Generation Co., Ltd. 黑龍江龍源風力發電有限公司	the PRC	RMB 166,960,000	100%	–	Wind power generation
61 Longyuan Damao Wind Power Generation Co., Ltd. 龍源達茂風力發電有限公司	the PRC	RMB 320,100,800	100%	–	Wind power generation
62 Longyuan Rudong New Energy Development Co., Ltd. 龍源（如東）新能源技術開發有限公司	the PRC	RMB 650,000,000	5%	95%	Wind power generation
63 Longyuan Nongan Wind Power Generation Co., Ltd. 龍源（農安）風力發電有限公司	the PRC	RMB 146,138,900	100%	–	Wind power generation
64 Longyuan Habahe Wind Power Generation Co., Ltd. 龍源哈巴河風力發電有限公司	the PRC	RMB 141,160,000	100%	–	Wind power generation

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Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
65 Chifeng Longyuan Songzhou Wind Power Generation Co., Ltd. 赤峰龍源松州風力發電有限公司	the PRC	RMB 181,667,540	100%	–	Wind power generation
66 Longyuan Linyi Wind Power Generation Co., Ltd. 龍源臨沂風力發電有限公司	the PRC	RMB 100,455,000	100%	–	Wind power generation
67 Longyuan Jingbian Wind Power Generation Co., Ltd. 龍源靖邊風力發電有限公司	the PRC	RMB 143,136,000	100%	–	Wind power generation
68 Inner Mongolia Longyuan Mengdong Wind Power Generation Co., Ltd. 內蒙古龍源蒙東風力發電有限公司	the PRC	RMB 136,480,000	100%	–	Wind power generation
69 Longyuan (Beijing) Wind Power Engineering Design & Consultation Co., Ltd. 龍源（北京）風電工程設計諮詢有限公司	the PRC	RMB 20,000,000	100%	–	Engineering Design & Consultation
70 Longyuan (Beijing) Solar Power Technology Co., Ltd. 龍源（北京）太陽能技術有限公司	the PRC	RMB 10,000,000	100%	–	Manufacturing and sales of power equipment
71 Xinjiang Wind Power Engineering Design & Consultation Co., Ltd. 新疆風電工程設計諮詢有限責任公司	the PRC	RMB 10,000,000	100%	–	Engineering Design & Consultation

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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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

- (iii) The following table lists out the information relation to subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial information presented below presents the amounts before any inter-company elimination:

	Jiangyin Sulong Heat and Power Generating Co., Ltd. <i>(note 18(ii))</i>		Nantong Tianshenggang Power Generation Co., Ltd. <i>(note 18(ii))</i>		Huanan Longyuan Wind Power Generation Co., Ltd <i>(note 18(ii))</i>		Xinjiang Tianfeng Power Generation Joint Stock Company	
	2015	2014	2015	2014	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NCI percentage	73.00%	73.00%	68.06%	68.06%	60.00%	60.00%	40.48%	40.48%
Current assets	1,981,103	2,220,306	309,220	332,161	67,244	123,721	193,972	289,547
Non-current assets	2,572,647	2,313,436	4,075,643	3,757,687	875,886	939,326	956,308	985,081
Current liabilities	(2,046,866)	(2,523,439)	(1,222,253)	(1,042,014)	(262,759)	(11,558)	(460,816)	(577,101)
Non-current liabilities	(77,825)	(45,802)	(631,537)	(935,787)	(247,290)	(596,336)	(306)	(1,275)
Net assets	2,429,059	1,964,501	2,531,073	2,112,047	433,081	455,153	689,158	696,252
Carrying amount of NCI	1,773,213	1,434,086	1,722,648	1,437,459	259,849	273,092	278,971	281,843
Revenue	3,862,984	4,109,392	2,035,615	2,047,004	87,190	107,913	226,334	269,455
Profit/(loss) and total comprehensive income for the year	770,089	614,009	583,968	387,107	(18,054)	5,647	93,948	112,504
Profit/(loss) allocated to NCI	562,165	448,226	397,449	263,469	(10,832)	3,388	38,030	45,542
Dividend paid to NCI	384,361	441,955	91,523	76,269	2,411	7,758	56,230	27,958
Cash flows from operating activities	1,467,581	1,073,598	680,963	325,348	142,158	75,783	248,011	235,408
Cash flows from/(used in) investing activities	337,627	(675,615)	(42,233)	(32,772)	(1,512)	(1,978)	(5,048)	(11,688)
Cash flows used in financing activities	(1,356,776)	(557,173)	(612,893)	(293,693)	(140,811)	(74,255)	(243,171)	(224,130)

NOTES TO THE FINANCIAL STATEMENTS

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19 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Share of net assets	4,822,038	3,602,146

The following list contains only the particulars of material associates and material joint ventures at 31 December 2015, 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 (<i>RMB'000</i>)	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
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	2,137,527	30%	–	Manufacturing and sales of power equipment
3 China Guodian Financial Leasing Co., Ltd. 國電融資租賃有限公司	the PRC	3,000,000	–	49%	Financial Leasing
4 Yantai Longyuan Power Technology Co., Ltd. 煙台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

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Summarised financial information of the material associates and material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Yilan Longyuan		Guodian United		China Guodian		Yantai Longyuan		Jiangsu Nantong	
	Wind Power		Power Technology		Financial Leasing		Power Technology		Power Generation	
	Co., Ltd.		Co., Ltd.		Co., Ltd.		Co., Ltd.		Co., Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross amounts of:										
Current assets	28,134	70,657	9,879,114	13,905,608	53,373	70,290	2,475,857	2,845,752	629,933	639,132
Non-current assets	529,079	570,839	4,544,745	4,700,468	8,607,060	9,099,380	317,414	334,984	6,376,280	6,917,067
Current liabilities	(8,938)	(18,084)	(10,248,367)	(14,620,388)	(506,339)	(577,880)	(676,333)	(989,332)	(1,583,902)	(2,109,928)
Non-current liabilities	(228,630)	(298,630)	(979,146)	(885,528)	(5,053,000)	(6,947,715)	(17,304)	(20,908)	(2,494,000)	(3,415,025)
Equity	319,645	324,782	3,196,346	3,100,160	3,101,094	1,644,075	2,099,634	2,170,496	2,928,311	2,031,246
— Attribute to										
non-controlling interest	-	-	73,886	160,903	-	-	17,461	21,420	-	-
— Attributable to										
investee's shareholders	319,645	324,782	3,122,460	2,939,257	3,101,094	1,644,075	2,082,173	2,149,076	2,928,311	2,031,246
Revenue	77,773	84,219	8,140,996	9,343,155	517,903	363,427	837,775	1,637,948	3,583,167	3,429,254
Profit/(loss) and total										
comprehensive income										
for the year	3,513	8,029	174,293	148,349	72,859	144,075	(50,299)	170,774	897,066	660,050
— Attribute to										
non-controlling interest	-	-	(43,911)	(3,236)	-	-	(3,921)	1,398	-	-
— Attributable to										
investee's shareholders	3,513	8,029	218,204	151,585	72,859	144,075	(46,378)	169,376	897,066	660,050
Dividends declared during the year	8,649	14,551	35,000	-	115,840	-	20,529	42,766	-	-

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	Yilan Longyuan		Guodian United		China Guodian		Yantai Longyuan		Jiangsu Nantong	
	Wind Power		Power Technology		Financial Leasing		Power Technology		Power Generation	
	Co., Ltd.		Co., Ltd.		Co., Ltd.		Co., Ltd.		Co., Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reconciled to the Group's interests in the associates and joint ventures:										
Group's effective interest	40.00%	40.00%	30.00%	30.00%	49.00%	49.00%	18.75%	18.75%	50.00%	50.00%
Group's interest in net assets of investee at beginning of year	129,913	132,521	881,777	703,814	805,597	-	402,952	379,212	1,015,623	685,598
Profit/(loss) and total comprehensive income attributable to the Group	1,405	3,212	65,461	45,476	59,228	70,597	(8,696)	31,759	448,533	330,025
Dividends declared during the year	(3,460)	(5,820)	(10,500)	-	(67,056)	-	(3,849)	(8,019)	-	-
Capital contributions	-	-	-	132,487	735,000	735,000	-	-	-	-
Group's interest in net assets of investee at end of year	127,858	129,913	936,738	881,777	1,532,769	805,597	390,407	402,952	1,464,156	1,015,623
Elimination of unrealised profit on upstream sales	-	-	(111,617)	(102,126)	-	-	(1,604)	(1,604)	7,025	-
Carrying amount of interest in investee at end of year	127,858	129,913	825,121	779,651	1,532,769	805,597	388,803	401,348	1,471,181	1,015,623

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Aggregate information of associates and joint ventures that are not individually material:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	476,306	470,014
Aggregate amounts of the Group's share of those associates' and joint ventures' profit/(loss) and total comprehensive income for the year	12,041	(17,569)

20 OTHER ASSETS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Available-for-sale investments, measured at fair value	22,093	21,497
Unquoted equity investments in non-listed companies, at cost <i>(note (i))</i>	721,024	711,024
Loans and advances to		
– associates <i>(note (ii))</i>	2,092,790	2,103,790
– fellow subsidiaries	51,000	–
– non-controlling equity owner	42,369	–
Prepayments for acquisition of business	131,600	–
Others	1,176	–
Subtotal	3,062,052	2,836,311
Deductible VAT <i>(note (iii))</i>	3,421,069	3,447,366
	6,483,121	6,283,677

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Notes:

- (i) Fair value for the unquoted equity investments has not been disclosed as the fair value cannot be measured reliably due to lack of an active market for those equity investments. As at 31 December 2015, the Group does not plan to dispose any of these equity investments.
- (ii) The loans to associates are designated loans and are unsecured, not past due as at balance sheet dates, and bear interest at the rates of 4.00% to 5.08% per annum for the year ended 31 December 2015 (2014: 4.00% to 5.08%) The current portion is recorded in other current assets.
- (iii) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets.

21 INVENTORIES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Coal	245,879	346,652
Fuel oil	3,663	6,169
Spare parts and others	831,086	664,467
	1,080,628	1,017,288

22 TRADE DEBTORS AND BILLS RECEIVABLE

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Amounts due from third parties	4,172,634	6,197,936
Amounts due from fellow subsidiaries	34,195	204,205
Amounts due from associates	36,941	19,218
	<u>4,243,770</u>	<u>6,421,359</u>
Less: allowance for doubtful debts	<u>(6,002)</u>	<u>(5,444)</u>
	<u><u>4,237,768</u></u>	<u><u>6,415,915</u></u>

(a) Ageing analysis

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Current	4,235,554	6,410,859
Past due within 1 year	1,999	2,593
Past due between 1 to 2 years	1,449	4,248
Past due between 2 to 3 years	1,109	2,267
Past due over 3 years	3,659	1,392
	<u>4,243,770</u>	<u>6,421,359</u>
Less: allowance for doubtful debts	<u>(6,002)</u>	<u>(5,444)</u>
	<u><u>4,237,768</u></u>	<u><u>6,415,915</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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 grid companies, which consequently takes a relatively long time for settlement.

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 2015, 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
At 1 January	5,444	146,906
Impairment losses recognised	558	676
Reversal of impairment losses	–	(259)
Uncollectible amounts written off	–	(141,879)
At 31 December	<u>6,002</u>	<u>5,444</u>

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FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

As at 31 December 2015, the Group's trade debtors and bills receivable of RMB6,002,000 (2014: RMB5,444,000) were individually determined to be impaired. The individually impaired receivables related to balances that management assessed not to be recovered based on available information. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances. The written off of uncollectible receivables in 2014 mainly represented the receivables relating to CDM.

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

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Neither past due nor impaired	4,229,553	6,408,867
Past due within 1 year	1,999	2,800
Past due over 1 year	6,216	4,248
	<u>4,237,768</u>	<u>6,415,915</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

23 PREPAYMENTS AND OTHER CURRENT ASSETS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Loans and advances to <i>(note (i))</i> :		
– associates and joint ventures	229,653	863,857
– China Guodian Corporation (“Guodian Group”)	7,522	5,030
– fellow subsidiaries	496,674	534,876
– third parties	441,834	868,335
Government grant receivables	98,663	111,348
Dividend receivable from		
– associates	8,832	7,092
Deductible VAT <i>(note 20(iii))</i>	1,623,800	1,562,804
Prepayments and others	211,463	200,673
	3,118,441	4,154,015
Less: allowance for doubtful debts	(49,507)	(52,217)
	3,068,934	4,101,798

Note:

- (i) Interest bearing loans and advances of the Group amounted to RMB88,210,000 with annum interest rates of 5.09% to 5.35% as at 31 December 2015 (2014: RMB118,210,000, 6.00% to 6.12%).

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
At 1 January	52,217	57,637
Impairment losses recognised	–	1,054
Reversal of impairment losses	(2,710)	(1,780)
Uncollectible amounts written off	–	(4,694)
At 31 December	49,507	52,217

The Group's prepayments and other current assets of RMB49,507,000 as at 31 December 2015 (2014: RMB52,217,000) 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, including RMB215,000,000 of overdue loans to a fellow subsidiary, the management of the Group is of the opinion that the counterparties are with good credit quality and the balances are considered fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

24 OTHER FINANCIAL ASSETS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trading securities		
– Listed equity securities at HKSE	81,341	222,639
Derivative financial instruments		
– cross-currency exchange contracts (<i>note (ii)</i>)	206,834	–
– forward exchange contracts	6,566	–
– interest rate swap contracts (<i>note (iii)</i>)	73,095	–
Short-term investments (<i>note (i)</i>)	498,000	–
	865,836	222,639

Notes:

- (i) The short-term investments represent wealth management products issued by financial institutions with guaranteed principal amounts and variable returns, and are recognised in accordance with the accounting policies set out in Notes 2(i) and 2(n). As at the date of this report, the Group has redeemed all the short-term investments.
- (ii) In 2015, Hero Asia Investment Limited entered into several cross-currency contracts to mitigate the foreign currency risks. The cross-currency contracts are recognised in accordance with the accounting policies set out in Note 2(aa).
- (iii) In 2015, Longyuan Mulilo De Aar 2 North (RF) Proprietary Limited and Longyuan Mulilo De Aar Wind Power (RF) Proprietary Limited, two subsidiaries of the Group, entered into interest rate swap contracts to mitigate the interest rate risks. The interest rate swap contracts are recognised in accordance with the accounting policies set out in Note 2(aa).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

25 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.

26 CASH AT BANK AND ON HAND

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(restated-note 40)</i>
Cash on hand	281	405
Cash at bank and other financial institutions	2,886,326	2,395,511
	2,886,607	2,395,916
Representing:		
– Cash and cash equivalents	2,886,607	2,395,916

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Bank loans		
– Secured	7,671,544	8,149,114
– Unsecured	12,810,470	16,194,563
Loans from other financial institutions		
– Secured	–	2,400,970
Loans from Guodian Group		
– Unsecured	–	1,000,000
Loans from fellow subsidiaries		
– Unsecured	302,000	1,125,000
Other borrowings <i>(note 27(e)(i))</i>		
– Secured	4,985,137	6,976,330
– Unsecured	10,475,461	6,443,013
	36,244,612	42,288,990
Less: Current portion of long-term borrowings <i>(note 27(b))</i>		
– Bank loans	(2,830,178)	(4,775,210)
– Other borrowings	(3,444,578)	(3,591,601)
	29,969,856	33,922,179

As at 31 December 2015 the Group's loans and borrowings guaranteed by Guodian Group amounted to RMB5,305,050,000 (2014: RMB9,716,586,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Bank loans		
– Secured	1,574,699	1,621,798
– Unsecured	13,603,033	13,054,204
Loans from other financial institutions and others		
– Unsecured <i>(note (i))</i>	41,000	71,000
Loans from fellow subsidiaries		
– Unsecured	217,997	506,900
Other borrowings <i>(note 27(e)(ii))</i>		
– Unsecured	22,975,333	12,491,584
Loan from government		
– Unsecured	1,091	1,273
Current portion of long-term borrowings <i>(note 27(a))</i>		
– Bank loans	2,830,178	4,775,210
– Other borrowings	3,444,578	3,591,601
	44,687,909	36,113,570

Note:

- (i) The Group had unpaid loans of RMB40,000,000 as at 31 December 2015 (2014: RMB40,000,000). These unpaid loans represent loans borrowed by a subsidiary, China Fulin Wind Power Engineering Co., Ltd. from third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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

	2015	2014 <i>(restated-note 40)</i>
Long-term		
Bank loans	2.90%–6.15%	3.57%–6.55%
Other borrowings	3.32%–5.15%	3.32%–5.15%
Loans from fellow subsidiaries	6.00%	3.35%–5.54%
Short-term		
Bank loans	1.27%–4.81%	1.25%–6.15%
Loans from other financial institutions	5.70%	5.70%
Other borrowings	2.98%–4.30%	5.02%–5.72%
Loans from Guodian Group	3.86%	3.86%
Loans from fellow subsidiaries	4.13%–6.55%	5.20%–7.15%
Loan from government	2.55%	2.55%

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Within 1 year or on demand	6,274,756	8,366,811
After 1 year but within 2 years	7,230,779	11,503,847
After 2 years but within 5 years	8,332,609	6,382,824
After 5 years	14,406,468	16,035,508
	<u>36,244,612</u>	<u>42,288,990</u>

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(e) Significant terms of other borrowings

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Long-term		
Corporate bonds (<i>note (i)</i>)	15,460,598	13,419,343
Short-term		
Corporate bonds (<i>note (ii)</i>)	22,975,333	12,491,584

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 9 February 2015, the Company redeemed corporate bond of RMB190 million and changed the coupon rate to 4.80%. The effective interest rate is 4.95% per annum.

On 10 December 2010, the Company issued 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 the bond is 5.15%.

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 August 2013, a subsidiary of the Company, Hero Asia Investment Limited, issued a three-year unsecured corporate bond of USD300 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.61%.

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On 3 October 2014, a subsidiary of the Company, Hero Asia Investment Limited, issued a three-year unsecured corporate bond of USD500 million at par with a coupon rate of 2.875% per annum. The effective interest rate is 3.32%.

On 29 September 2015, the Company issued a five-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 3.75% per annum. The effective interest rate is 3.86%.

On 22 October 2015, a subsidiary of the company, LongYuan Canada Renewables Limited, issued an eighteen-year unsecured corporate bond of CAD200 million at par with a coupon rate of 4.32% per annum. The effective interest rate is 4.32%.

- (ii) In 2015, the Company issued a series of unsecured corporate bond amounting to RMB23,000 million at par, with the coupon rate from 2.88% to 3.90%. The effective interest rates of these bonds are from 2.98% to 4.30%.

28 TRADE CREDITORS AND BILLS PAYABLE

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Bills payable	1,597,602	576,253
Creditors and accrued charges	271,293	392,565
Amounts due to associates	—	51,805
Amounts due to fellow subsidiaries	33,491	—
	<u>1,902,386</u>	<u>1,020,623</u>

As at 31 December 2015 and 2014, all trade creditors and bills payable are payable and expected to be settled within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

29 OTHER PAYABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Payables for acquisition of property, plant and equipment	5,626,814	5,094,883
Payables for staff related costs	335,457	303,664
Payables for other taxes	128,247	131,345
Dividends payable	51,080	314,693
Receipts in advance	121,967	134,614
Amounts due to associates and joint ventures <i>(note (i))</i>	1,387,923	1,626,080
Amounts due to fellow subsidiaries <i>(note (i))</i>	166,972	258,289
Amounts due to Guodian Group <i>(note (i))</i>	24,124	52,493
Other accruals and payables	1,058,956	1,159,305
	8,901,540	9,075,366

Notes:

- (i) Amounts due to Guodian Group, fellow subsidiaries, associates and joint ventures 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.

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FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Net tax recoverable at 1 January	(89,862)	(82,987)
Provision for the year (<i>note 8(a)</i>)	591,803	457,722
Under provision in respect of prior years (<i>note 8(a)</i>)	9,137	57,265
Income tax paid	(525,156)	(521,862)
Net tax recoverable at 31 December	<u>(14,078)</u>	<u>(89,862)</u>
Representing:		
Tax payable	155,638	112,165
Tax recoverable	(169,716)	(202,027)
	<u>(14,078)</u>	<u>(89,862)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax assets arising from:	Provision for impairment of assets <i>RMB'000</i>	Unrealised profits <i>RMB'000</i>	Depreciation and amortisation <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Other financial assets <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2014	18,494	48,542	44,734	2,421	–	47,895	162,086
(Charged)/credited to profit or loss	<u>(3,750)</u>	<u>(1,492)</u>	<u>(2,369)</u>	<u>–</u>	<u>1,580</u>	<u>(1,327)</u>	<u>(7,358)</u>
At 31 December 2014	<u>14,744</u>	<u>47,050</u>	<u>42,365</u>	<u>2,421</u>	<u>1,580</u>	<u>46,568</u>	<u>154,728</u>
At 1 January 2015	14,744	47,050	42,365	2,421	1,580	46,568	154,728
(Charged)/credited to profit or loss	<u>(765)</u>	<u>(577)</u>	<u>(2,369)</u>	<u>(2,421)</u>	<u>(1,580)</u>	<u>8,069</u>	<u>357</u>
At 31 December 2015	<u>13,979</u>	<u>46,473</u>	<u>39,996</u>	<u>–</u>	<u>–</u>	<u>54,637</u>	<u>155,085</u>

NOTES TO THE FINANCIAL STATEMENTS

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Deferred tax liabilities arising from:	Available-	Revaluation	Depreciation	Gain on	Other	Others	Total
	for-sale investments	of other properties	and amortisation	deemed disposal of an associate	financial assets		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	(2,288)	(13,084)	(33,773)	(46,863)	(10,390)	(9,760)	(116,158)
Credited/(charged) to profit or loss	-	1,958	(935)	-	10,390	518	11,931
Charged to reserves	(2,440)	-	-	-	-	-	(2,440)
At 31 December 2014	<u>(4,728)</u>	<u>(11,126)</u>	<u>(34,708)</u>	<u>(46,863)</u>	<u>-</u>	<u>(9,242)</u>	<u>(106,667)</u>
At 1 January 2015	(4,728)	(11,126)	(34,708)	(46,863)	-	(9,242)	(106,667)
Credited/(charged) to profit or loss	-	472	455	-	(1,643)	1,459	743
Charged to reserves	(149)	-	-	-	-	-	(149)
At 31 December 2015	<u>(4,877)</u>	<u>(10,654)</u>	<u>(34,253)</u>	<u>(46,863)</u>	<u>(1,643)</u>	<u>(7,783)</u>	<u>(106,073)</u>

(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 RMB2,596,263,000 as at 31 December 2015 (2014 (restated-note 40): RMB2,115,099,000) 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 2016, 2017, 2018, 2019 and 2020 are RMB130,024,000, RMB253,641,000, RMB407,369,000, RMB339,872,000 and RMB854,446,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

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(d) Deferred tax liability not recognised

At 31 December 2015, taxable temporary differences relating to undistributed profits and surplus reserves of subsidiaries and associates and joint ventures amounted to RMB6,630,633,000 (2014: RMB6,084,009,000). No deferred tax liability was recognised in respect of these taxable temporary differences as dividends from subsidiaries and associates and joint ventures are not subject to PRC income tax and the Group has no plan to dispose of these investments in the foreseeable future.

31 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 14% 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.

32 DEFERRED INCOME

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
At 1 January	1,790,056	1,876,906
Additions	136,889	40,827
Credited to profit or loss	(135,170)	(127,677)
At 31 December	<u>1,791,775</u>	<u>1,790,056</u>

Deferred income mainly represents VAT refund granted by the government relating to the purchase of domestic equipment, 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, and service income received in advance by a subsidiary of the Group, which would be recognised as income on a straight-line basis over the contractual life of the service agreements.

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33 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent long-term retention payables for purchase of wind turbines, among which RMB475,158,000 (2014: RMB227,853,000) is due to an associate of the Group and a fellow subsidiary.

34 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital RMB'000 (note34(c))	Capital reserve RMB'000 (note34(d)(i))	Statutory surplus reserve RMB'000 (note34(d)(ii))	Fair value reserve RMB'000 (note34(d)(iv))	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2014	8,036,389	13,956,328	452,795	(5,250)	2,913,526	25,353,788
Change in equity for 2014:						
Profit for the year	-	-	-	-	2,045,579	2,045,579
Other comprehensive income	-	-	-	7,319	-	7,319
Total comprehensive income for the year	-	-	-	7,319	2,045,579	2,052,898
Appropriation	-	-	121,627	-	(121,627)	-
Dividends to shareholder of the Company	-	-	-	-	(381,728)	(381,728)
At 31 December 2014	8,036,389	13,956,328	574,422	2,069	4,455,750	27,024,958

NOTES TO THE FINANCIAL STATEMENTS

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	Share capital RMB'000 (note 34(c))	Perpetual medium-term note RMB'000 (note 42)	Capital reserve RMB'000 (note 34(d)(i))	Statutory surplus reserve RMB'000 (note 34(d)(ii))	Fair value reserve RMB'000 (note 34(d)(iv))	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2015	8,036,389	-	13,956,328	574,422	2,069	4,455,750	27,024,958
Change in equity for 2015:							
Profit for the year	-	-	-	-	-	2,108,706	2,108,706
Other comprehensive income	-	-	-	-	447	-	447
Total comprehensive income for the year	-	-	-	-	447	2,108,706	2,109,153
Appropriation	-	-	-	203,640	-	(203,640)	-
Dividends to holders of the Company	-	-	-	-	-	(479,772)	(479,772)
Issuance of perpetual medium-term note, net of issuing expenses (note 42)	-	2,991,000	-	-	-	-	2,991,000
At 31 December 2015	8,036,389	2,991,000	13,956,328	778,062	2,516	5,881,044	31,645,339

NOTES TO THE FINANCIAL STATEMENTS

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(b) Dividends

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB0.0717 per share (2014: RMB0.0597)	<u>576,209</u>	<u>479,772</u>

The directors of the Company resolved on 22 March 2016 that a dividend of RMB0.0717 per share is to be distributed to the shareholders for 2015, 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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Final dividend in respect of the financial year ended 31 December 2014, approved during the year, of RMB0.0597 per share (year ended 31 December 2013: RMB0.0475 per share)	<u>479,772</u>	<u>381,728</u>

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(c) Share capital

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:		
4,696,360,000 domestic state-owned ordinary shares of RMB1.00 each	4,696,360	4,696,360
3,340,029,000 H shares of RMB1.00 each	3,340,029	3,340,029
	8,036,389	8,036,389

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.

(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 Electric Power Co., Ltd. upon the establishment of the Company, and the capital reserve as results of acquisition of businesses and businesses combination under common control.

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(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).

(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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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 2015, the aggregate amount of reserves available for distribution to equity holders of the Company is RMB5,881,044,000 (2014: RMB4,455,750,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.0717 per share (2014: RMB0.0597), amounting to RMB576,209,000 (2014: RMB479,772,000) (note 34(b)(i)). The dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

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

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

The Group monitors its capital structure on the basis of net gearing ratio, which is calculated by dividing net debt (total borrowings less cash and cash equivalents) by sum of net debt and total equity. The net gearing ratio of the Group as at 31 December 2015 is 61.7% (2014: 62.3%).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF 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, and movements in its own equity share price.

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 86% of the Group's total trade debtor and bills receivable as at 31 December 2015 (2014 (restated-note 40): 90%). For other trade receivables and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

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

(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 2015, the Group has unutilised banking facilities of RMB1,204,600,000. The Group also signed several strategic cooperative framework agreements with PRC banks with unutilised credit lines of RMB163,778,167,000 as at 31 December 2015. 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.

NOTES TO THE FINANCIAL STATEMENTS

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The following table details the remaining contractual maturities at the balance sheet date of the Group'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:

	Carrying amount RMB'000	Contractual cash flows RMB'000	1 year or less RMB'000	1–2years RMB'000	2–5years RMB'000	more than 5 years RMB'000
31 December 2015						
Long-term borrowings (note 27(a))	29,969,856	37,516,806	1,341,521	8,650,966	11,041,158	16,483,161
Short-term borrowings (note 27(b))	44,687,909	45,444,861	45,444,861	–	–	–
Trade creditors and bills payable (note 28)	1,902,386	1,902,386	1,902,386	–	–	–
Other payables (note 29)	8,779,573	8,779,573	8,779,573	–	–	–
Other long-term liabilities (note 33)	1,352,046	1,358,676	–	314,140	1,030,492	14,044
	<u>86,691,770</u>	<u>95,002,302</u>	<u>57,468,341</u>	<u>8,965,106</u>	<u>12,071,650</u>	<u>16,497,205</u>
31 December 2014 (restated-note 40)						
Long-term borrowings (note 27(a))	33,922,179	42,235,184	1,761,169	13,191,885	12,195,322	15,086,808
Short-term borrowings (note 27(b))	36,113,570	36,935,023	36,935,023	–	–	–
Trade creditors and bills payable (note 28)	1,020,623	1,020,623	1,020,623	–	–	–
Other payables (note 29)	8,940,752	8,940,752	8,940,752	–	–	–
Other long-term liabilities (note 33)	761,755	761,755	–	411,373	350,382	–
	<u>80,758,879</u>	<u>89,893,337</u>	<u>48,657,567</u>	<u>13,603,258</u>	<u>12,545,704</u>	<u>15,086,808</u>

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FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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 2015 and 2014, however, except for the interest rate swap contracts entered into as stated in note 24(iii), 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 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 borrowings are disclosed in note 27.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated note-40)</i>
Net fixed rate borrowings/(lendings):		
Borrowings	38,933,169	35,774,851
Less: Loans and advances <i>(note 23(i))</i>	(88,210)	(118,210)
Other assets <i>(note 20)</i>	(2,160,369)	(2,067,000)
Bank deposits (including restricted deposits)	(4,775)	(17,672)
	36,679,815	33,571,969
Net floating rate borrowings/(lendings):		
Borrowings	35,724,596	34,260,898
Less: Other assets <i>(note 20)</i>	(25,790)	(36,790)
Bank deposits (including restricted deposits)	(3,268,684)	(2,817,351)
	32,430,122	31,406,757
Total net borrowings	69,109,937	64,978,726

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At 31 December 2015, 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 RMB236,872,000 (2014 (restated-note 40): RMB239,022,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The sensitivity analysis is performed on the same basis for the years.

(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. The Group manages this risk as follows:

(i) Recognised assets and liabilities

Except for foreign operations of three subsidiaries which were denominated in foreign currencies, all other 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. In 2015, Hero Asia Investment Limited entered into several cross-currency contracts to mitigate the foreign currency risks. 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.

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(ii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exchange difference on net investment are excluded.

	Exposure to foreign currencies (expressed in RMB)							
	2015				2014			
	HKD <i>RMB'000</i>	USD <i>RMB'000</i>	EUR <i>RMB'000</i>	RMB <i>RMB'000</i>	HKD <i>RMB'000</i>	USD <i>RMB'000</i>	EUR <i>RMB'000</i>	RMB <i>RMB'000</i>
Cash and cash equivalents	29,581	13,804	13,441	26,327	44,754	19,569	8	19,101
Trade debtors	-	-	-	24,856	-	-	-	183,958
Other current assets	-	-	-	4,782,541	-	-	-	3,071,478
Other assets	-	-	-	6,142,000	-	-	-	6,347,000
Notional amounts of cross-currency exchange contracts	-	-	-	(4,974,180)	-	-	-	-
Short-term borrowings	-	(3,656,943)	-	(4,930,000)	-	(4,575,944)	-	-
Long-term borrowings	-	(357,475)	(7,793)	-	-	(375,097)	(9,826)	-
Net exposure	<u>29,581</u>	<u>(4,000,614)</u>	<u>5,648</u>	<u>1,071,544</u>	<u>44,754</u>	<u>(4,931,472)</u>	<u>(9,818)</u>	<u>9,621,537</u>

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of United States dollar against other currencies.

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	2015		2014	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
HKD	5%	1,109	5%	1,678
	(5)%	(1,109)	(5)%	(1,678)
USD	5%	(150,027)	5%	(184,903)
	(5)%	150,027	(5)%	184,903
EUR	5%	209	5%	(368)
	(5)%	(209)	(5)%	368
RMB	5%	40,183	5%	360,808
	(5)%	(40,183)	(5)%	(360,808)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in respective functional currencies, translated into RMB at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender and the borrower. The analysis is performed on the same basis for 2014.

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FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(e) Equity price risk

The Group are exposed to equity price changes arising from equity investments classified as available-for-sale equity securities and trading securities (note 20 and note 24). The Group'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 exposure to equity price risk is insignificant.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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At 31 December 2015 and 2014, the financial instruments of the Group carried at fair value were trading securities, derivative financial instruments and available-for-sale investments. These instruments fall into Level 1 and Level 2 of the fair value hierarchy described above.

	Fair value measurements as at 31 December 2015 categorised into			
	Fair value at 31 December 2015 RMB'000	Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities – listed	22,093	22,093	–	–
Trading securities	81,341	81,341	–	–
Derivative financial instruments				
– cross-currency exchange contract	206,834	–	206,834	–
– forward exchange contracts	6,566	–	6,566	–
– interest rate swap contracts	73,095	–	–	73,095

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	Fair value measurements as at 31 December 2014 categorised into			
	Fair value at 31 December 2014 <i>RMB'000</i>	Quoted prices		
		in active market for identical assets (Level 1) <i>RMB'000</i>	Significant other observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>
<hr/>				

Recurring fair value measurement

Financial assets:

Available-for-sale equity securities – listed	21,497	21,497	–	–
Trading securities	222,639	222,639	–	–

Financial liabilities:

Derivative financial instrument

– Forward exchange contracts	6,319	–	6,319	–
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During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weight averaged
Interest rate swap contracts	Discounted cash flows	Discount for lack of credit risk	1.34%

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The fair value of the interest rate swap contracts is estimated as being the present values of future cash flows, discounted at interest rates based on a swap curve in the South African market as at 31 December 2015 plus a credit spread, adjusted for lack of credit risk. The fair value measurement is negatively correlated to the discount for lack of credit risk. There was no significant change in fair value of the interest rate swap contracts during the year.

(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 2015 and 2014 except as follows:

	Carrying amounts at 31 December 2015 RMB'000	Fair value at 31 December 2015 RMB'000	Fair value measurements as at 31 December 2015 categorised into		
			Level 1	Level 2	Level 3
			RMB'000	RMB'000	RMB'000
Corporate bonds (note 27(a))	12,016,020	12,549,226	12,549,226	-	-
Fixed rate long-term loans	355,146	361,399	-	361,399	-
	<u>12,371,166</u>	<u>12,910,625</u>	<u>12,549,226</u>	<u>361,399</u>	<u>-</u>

	Carrying amounts at 31 December 2014 RMB'000	Fair value at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 categorised into		
			Level 1	Level 2	Level 3
			RMB'000	RMB'000	RMB'000
Corporate bonds (note 27(a))	9,827,742	10,076,689	10,076,689	-	-
Fixed rate long-term loans	3,892,923	3,739,940	-	3,739,940	-
	<u>13,720,665</u>	<u>13,816,629</u>	<u>10,076,689</u>	<u>3,739,940</u>	<u>-</u>

The fair values of the fixed rate long-term loans are estimated as being the present values of future cash flows, discounted at interest rates based on the market interest rates of comparable bank loans as at 31 December 2015.

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36 COMMITMENTS

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Contracted for	11,939,172	14,471,597
Authorised but not contracted for	56,739,589	70,370,515
	<u>68,678,761</u>	<u>84,842,112</u>

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 1 year	2,664	2,475
After 1 year but within 5 years	6,632	7,546
After 5 years	1,453	2,907
	<u>10,749</u>	<u>12,928</u>

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.

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37 CONTINGENT LIABILITIES

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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Associates and joint ventures	<u>36,348</u>	<u>52,290</u>

- (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 2015, the balance counter-guaranteed by the Company amounted to RMB11,407,200 (2014: RMB15,958,000). 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.

38 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group is part of a large group of companies under Guodian Group and has significant transactions and relationships with the subsidiaries of Guodian Group.

The principal transactions which were carried out in the ordinary course of business are as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
<i>Sales of goods and provide service to</i>		
Fellow subsidiaries	219,267	321,415
Associates and joint ventures	121,016	24,422
<i>Purchase of goods and receive service from</i>		
Fellow subsidiaries	292,878	544,817
Associates and joint ventures	2,963,043	2,853,325
<i>Working capital received from/(provided to)</i>		
Guodian Group	15,088	1,234
Fellow subsidiaries	16,006	(6,884)
Associates and joint ventures	(7,118)	(20,665)
<i>Loan guarantees revoked by</i>		
Guodian Group	(4,411,536)	(6,973)
<i>Loan guarantees revoked to</i>		
Associates and joint ventures	(15,942)	(9,942)

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	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
<i>Loans provided to/(repayment from)</i>		
Fellow subsidiaries	–	(200,000)
Associates	(41,000)	2,098,210
<i>Loans repayment to</i>		
Guodian Group	1,000,000	4,500,000
Fellow subsidiaries	1,111,903	6,100
<i>Interest expenses</i>		
Guodian Group	27,015	38,600
Fellow subsidiaries	65,228	67,495
<i>Interest income</i>		
Fellow subsidiaries	22,482	5,689
Associates and joint ventures	94,359	55,039
<i>Deposits placed with</i>		
Fellow subsidiaries	418,611	687,554
<i>Acquisition of businesses from</i>		
Guodian Group	–	58,954
<i>Investments in</i>		
Associates	735,000	867,487

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(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMB2,291,628,000 as at 31 December 2015 (2014: RMB1,873,017,000). Details of the other outstanding balances with related parties are set out in notes 20, 22, 23, 27, 28, 29, and 33.

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

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

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

- Sales of electricity;
- Depositing and borrowing money;
- Purchase of materials and receiving construction work services; and
- Service concession arrangements.

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

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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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Sales of electricity	15,585,258	14,965,924
Sales of other products	185,258	471,518
Interest income	63,981	34,874
Interest expenses	1,913,738	1,961,227
Loans repaid/(received)	2,697,706	(14,619,736)
Deposits placed with/(withdraw from)	165,651	(863,952)
Purchase of materials and receiving construction service	3,849,158	3,199,432
Service concession construction revenue	661,804	227,579

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> <i>(restated-note 40)</i>
Receivables from sales of electricity	3,626,164	5,761,576
Receivables from sales of other products	155,496	205,778
Bank deposits (including restricted deposits)	594,940	429,289
Borrowings	54,624,666	51,926,960
Payable for purchase of materials and receiving construction work service	1,484,819	1,243,973

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

(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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Salaries and other emoluments	1,813	1,681
Discretionary bonus	4,822	4,370
Retirement scheme contributions	727	630
	<u>7,362</u>	<u>6,681</u>

(e) Commitment with related parties

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
<i>Sales commitment with</i>		
Fellow subsidiaries	–	1,050
Associates and joint ventures	4,085	650
<i>Capital commitment with</i>		
Associates and joint ventures	1,172,813	648,397

(f) 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 Guodian Group and its subsidiaries in note 38(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 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current assets		
Property, plant and equipment	364,504	342,457
Investment properties	93,789	95,894
Lease prepayments	4,493	4,551
Intangible assets	2,814	1,167
Investments in subsidiaries	25,372,933	22,226,137
Investments in associates and joint ventures	1,046,124	1,046,124
Other assets	16,539,186	13,607,590
Total non-current assets	43,423,843	37,323,920
Current assets		
Inventories	1,826	2,445
Trade debtors and bills receivable	8,010	9,059
Prepayments and other current assets	32,711,547	31,783,190
Restricted deposits	13,606	13,354
Cash at bank and on hand	2,262,169	1,857,992
Total current assets	34,997,158	33,666,040
Current liabilities		
Borrowings	26,917,333	23,903,185
Trade creditors and bills payable	2,480	4,494
Other payables	8,152,963	8,687,820
Total current liabilities	35,072,776	32,595,499
Net current (liabilities)/assets	(75,618)	1,070,541
Total assets less current liabilities	43,348,225	38,394,461

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Borrowings	11,678,648	11,337,873
Deferred income	19,363	26,904
Deferred tax liabilities	4,875	4,726
Total non-current liabilities	11,702,886	11,369,503
NET ASSETS	31,645,339	27,024,958
CAPITAL AND RESERVES		
Share capital	8,036,389	8,036,389
Perpetual medium-term note	2,991,000	–
Reserves	20,617,950	18,988,569
TOTAL EQUITY	31,645,339	27,024,958

Approved and authorised for issue by the board of directors on 22 March 2016.

Qiao Baoping
Chairman

Li Enyi
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

40 BUSINESS COMBINATION

In August 2015, the Company obtained control of two wind power plants from a fellow subsidiary, Guodian Guangdong Power Co., Ltd. (“Guodian Guangdong”), by establishing a holding company together with Guodian Guangdong. Details are as follows:

Business name	Combination date	Percentage of interest obtained
Chaozhou City Haishan Island Wind Power Generation Co., Ltd.	August 2015	60%
Guodian Yangjiang Hailing Island Wind Power Generation Co., Ltd.	August 2015	100%

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

	As previously reported RMB'000	Combined Business RMB'000	Elimination RMB'000	As restated RMB'000
Results of operations for the year ended 31 December 2014:				
Operating profit	6,558,870	2,002	–	6,560,872
Profit for the year	3,551,444	(6,880)	–	3,544,564
Profit attributable to:				
– Equity holders of the Company	2,558,010	(6,880)	3,372	2,554,502
– Non-controlling interests	993,434	–	(3,372)	990,062
Basic and diluted earnings per share (RMB cents)	31.83	(0.04)	–	31.79
Statement of financial position as at 31 December 2014:				
Non-current assets	108,764,829	258,261	(5,400)	109,017,690
Current assets	14,753,026	42,069	–	14,795,095
Current liabilities	46,247,758	80,285	–	46,328,043
Non-current liabilities	36,420,657	160,000	–	36,580,657
Total equity attributable to the equity holders of the Company	33,057,238	60,045	(9,840)	33,107,443
Non-controlling interests	7,792,202	–	4,440	7,796,642

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

- (ii) **The carrying amount of aggregate assets and liabilities at the date of combination are as follows:**

	Combined business RMB'000
<hr/>	
Net assets as at the combination date	
Non-current assets	416,419
Current assets	36,786
Current liabilities	(271,874)
Non-current liabilities	(125,939)
	<hr/>
Net assets	<u>55,392</u>

At the date of combination, the cash and cash equivalents held by the combined business amounted to RMB4,360,000.

41 SENIOR PERPETUAL SECURITIES

On 7 December 2012, a subsidiary of the Company (the “Issuer”) issued USD400,000,000 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 would 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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 Keepwell Deed, the Company and Guodian Group will undertake to cause the Issuer to have sufficient liquidity to ensure timely payment by the Issuer of any payment in respect of the Senior Perpetual Securities. Under the Company Equity Interest Purchase Undertaking, the Company and Guodian Group agrees that, subject to obtaining all necessary approvals, consents, licenses, orders, permits and any other authorisations from the relevant approval authorities, the Company and Guodian Group will purchase the equity interests in certain of the direct or indirect owned PRC-established subsidiaries of the Issuer upon receiving a purchase notice from the trustee.

On 7 December 2015, the Senior Perpetual Securities have been redeemed by the Group at the principal amounts together with any accrued, unpaid or deferred coupon interest payments.

42 PERPETUAL MEDIUM-TERM NOTE

On 24 November 2015, the Company issued perpetual medium-term note amounting to RMB3,000,000,000. The perpetual medium-term note was issued at par value with initial interest rate of 4.44%. The perpetual medium-term note was recorded as equity, after netting off related issuance costs of approximately RMB9,000,000.

Interests of the perpetual medium-term note is recorded as distributions, which is paid annually in arrears on 25 November in each year (“Distribution Payment Date”) and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company or repaying any securities of lower rank) has occurred.

The perpetual medium-term note has no fixed maturity date and is callable at the Company’s option on 25 November 2020 (“First Call Date”) or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable interest rate will reset, on First Call Date and every five years after the First Call Date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. The premium for First Call Date is 300 basis points per annum and will increase by 300 basis points every five years after the First Call Date.

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 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 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
Annual improvements to IFRSs 2012 – 2014 cycle	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments	1 January 2018
IFRS 16, Lease	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in thousands of Renminbi unless otherwise stated)

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 16) 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.

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
“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
“BVI”	Hero Asia (BVI) Company Limited (雄亞 (維爾京) 有限公司), a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
“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
“CER”	certified emission reductions, which are carbon credits issued by CDM Executive Board for emission reductions achieved by CDM projects and verified by a DOE under the Kyoto Protocol

GLOSSARY OF TERMS

“China Certified Emission Reduction” or “CCER”	the voluntary emission reduction of greenhouse gases filed with the NDRC and registered in the national registration system in accordance with the Interim Measures for Management of Voluntary Emission Reduction Transactions of Greenhouse Gases (《溫室氣體自願減排交易管理暫行辦法》) published and implemented by the NDRC
“CIETAC”	China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“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
“consolidated 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
“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 is equivalent to gross power generation less comprehensive auxiliary electricity
“Fifth Plenary Session of the Eighteenth CCP Central Committee”	The fifth plenary session of the eighteenth Central Committee of the Communist Party of China
“Financial Services Agreement”	the financial services agreement entered into between Guodian Finance and the Company on 13 December 2012

“Group”	China Longyuan Power Group Co., Ltd. and its subsidiaries
“Guangdong Guodian Longyuan”	Guangdong Guodian Longyuan Wind Power Co., Ltd. (廣東國電龍源風力發電有限公司), a limited company incorporated in the PRC and is held by the Company and Guodian Guangdong as to 51% and 49% of its equity interests, respectively.
“Guodian Capital”	China Guodian Capital Holdings Ltd. (中國國電資本控股有限公司), a limited company incorporated in the PRC and a wholly-owned subsidiary of Guodian Group
“Guodian Finance”	Guodian Finance Co., Ltd. (國電財務有限公司)
“Guodian Financial Leasing”	China Guodian Financial Leasing Company Ltd. (國電融資租賃有限公司), a Sino-foreign joint venture incorporated in the PRC and is held by BVI and Guodian Capital as to 49% and 51% of its equity interest, respectively
“Guodian Group”	China Guodian Corporation (中國國電集團公司)
“Guodian Guangdong”	Guodian Guangdong Power Co., Ltd. (國電廣東電力有限公司), a limited company incorporated in the PRC and a wholly-owned subsidiary of Guodian Group
“Guodian Liaocheng Biomass Power”	Guodian Liaocheng Biomass Power Co., Ltd. (國電聊城生物質發電有限公司), a limited liability company established in the PRC and was owned as to 52% by the Company, 30% by Liaocheng Huiyuan Fly Ash Beads Co., Ltd. (聊城慧源粉煤灰微珠有限公司) and 18% by Liaocheng Xinpengyuan Metal Manufacture Co., Ltd. (聊城鑫鵬源金屬製造有限公司); it was a subsidiary of the Company disposed in 2014
“GW”	unit of energy, gigawatt. 1GW = 1,000MW
“GWh”	unit of energy, gigawatt-hour. The standard unit of energy used in the electric power industry. One gigawatt-hour is the amount of energy that would be produced by a generator producing one gigawatt for one hour

GLOSSARY OF TERMS

“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
“load 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
“Loan Extension Agreement”	the Loan Extension Agreement entered into between BVI and Guodian Financial Leasing on 21 May 2015, pursuant to which, the Original Loan Agreement has been extended from 21 May 2015 to 21 May 2017
“MW”	unit of energy, megawatt. 1 MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
“MWh”	unit of energy, megawatt-hour. The standard unit of energy used in the electric power industry. One megawatt-hour is the amount of energy that would be produced by a generator producing one megawatt for one hour
“NDRC”	National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“New Financial Services Agreement”	the financial services agreement entered into between Guodian Finance and the Company on 26 October 2015
“Original Loan Agreement”	the Loan Agreement entered into between BVI and Guodian Financial Leasing on 12 August 2014 with a term of one year

“our Company”, “Company”, “we”, “us”, “our” or “Longyuan Power”	China Longyuan Power Group Corporation Limited* (龍源電力集團有限公司)
“PRC”	People’s Republic of China, and for the purpose of this report, excludes the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“regions not subject to grid curtailment”	Regions excluding Heilongjiang Province, Jilin Province, Liaoning Province, Inner Mongolia Autonomous Region, Gansu, Xinjiang Uygur Autonomous Region and Hebei Zhangjiakou region
“renewable energy sources”	sustainable sources that are regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight
“RMB”	Renminbi, the official currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Shareholder(s)”	holder(s) of shares of the Company
“Southbound Trading”	Investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“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
“18th CPC National Congress”	the 18th National Congress of the Communist Party of China

* For identification purpose only

CORPORATE INFORMATION

THE COMPANY'S OFFICIAL NAME

龍源電力集團股份有限公司

THE COMPANY'S NAME IN ENGLISH

China Longyuan Power Group
Corporation Limited*

REGISTERED OFFICE

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Haidian District
Beijing
PRC

HEAD OFFICE IN THE PRC

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6-9 Fuchengmen North Street
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hopewell Centre
183 Queen's Road East
Hong Kong

* For identification purpose only

BOARD

Non-executive Directors

Mr. Qiao Baoping (*Chairman of the Board*)
Mr. Wang Baole
Mr. Shao Guoyong
Mr. Chen Jingdong

Executive Directors

Mr. Li Enyi (*President*)
Mr. Huang Qun

Independent Non-executive Directors

Mr. Zhang Songyi
Mr. Meng Yan
Mr. Han Dechang

THE COMPANY'S LEGAL REPRESENTATIVE

Mr. Qiao Baoping

AUTHORIZED REPRESENTATIVES

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

JOINT COMPANY SECRETARIES

Mr. Jia Nansong
Ms. Soon Yuk Tai

AUDITORS

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

Ruihua Certified Public Accountants
(special general partner)
4th Floor, Building No. 2
Block No. 16
Xi Si Huan Zhong Road
Haidian District
Beijing
PRC

PRINCIPAL BANKERS

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