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

2016
ANNUAL REPORT

* *For Identification Purpose Only*

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2016, the business environment was severe and complex. Under the strong leadership of the Board, the Company, with the goal of becoming a world first-class company, thoroughly implemented the "One, Five and Five" strategy ("一五五"戰略) of Guodian Group and carried out the activity of "year for management innovation" ("管理創新年") in a deep-going way with reform and innovation as its key drivers. It proactively adapted to the new normal and the new trend of power reform, striving to achieve a quality, efficient and sustainable development by virtue of advantages.

As at the end of 2016, the consolidated installed capacity of the Company reached 19,494 MW, among which, the consolidated installed capacity of wind power reached 17,369 MW, making the Company the world's largest wind power operator. In 2016, wind power output reached 29.962 billion kWh, representing an increase of 4.253 billion kWh year-on-year. The Company recorded a profit before taxation of RMB5,150 million, representing an increase of 10.30% year-on-year. Net profit attributable to equity holders of the Company amounted to RMB3,549 million, representing an increase of 23.31% from 2015, the highest level in recent years. The Company obtained approvals for wind power projects with installed capacity of 1,840 MW in 2016, including new wind power projects with installed capacity of 1,604 MW. In 2016, Moody's, an international credit rating agency, upgraded the credit rating of the Company from Baa1 to A3.

2017 is a critical year that will link the past achievements with future development during the "Thirteenth Five-year" period and it's a year full of hope. Led by the "Five Main Development Ideas" ("五大發展理念"), 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 continually improve and upgrade the stock assets, carefully build first-class earned assets and 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 new energy company in an all-round way to make more contributions in terms of coping with global climate change and building ecological civilization and a beautiful China.

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. To promote the industrialised development of renewable energy sources, it is proposed in the "Thirteenth Five-year" Plan for Power Development of the PRC to vigorously develop clean energy, aiming at achieving the national installed wind power capacity of over 210 million kW in 2020. In February 2016, the National Energy Administration ("NEA") issued two important documents regarding consumption in "three-north" areas and target guidance system, providing powerful guarantee for the healthy and sustainable development of renewable energy sources including wind power. In March, the NEA issued the Administrative Measures on Guaranteed Purchase of All Electricity Generated from Renewable Energy (《可再生能源發電全額保障性收購管理辦法》) and its supporting documents, which stipulated to give priority to arrangement of guaranteed power generated from renewable energy sources including wind power and photovoltaic energy, and thus new energy industries represented by wind power and photovoltaic energy further demonstrated sound momentum of development.

In 2016, 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 the initiative to implement the "One, Five and Five" strategy of Guodian Group under the guidance of the "Five Main Development Ideas". In adherence to the idea of "quality, beneficial and sustainable development by virtue of advantages" ("有質量、有效益、可持續的優勢發展"), the Group carried out the activity of "year for innovative management" in an in-depth way, strengthened the operation and management, deepened reform and innovation and advanced each piece of work in a steady manner, thus continuing to maintain a sound operation and development trend.

STEADY INCREASE IN OPERATING RESULTS

In 2016, by laying equal stress on both quality and efficiency and vigorously enhancing its profitability, the Group achieved consolidated operating revenue for the year amounting to RMB22,304 million, representing a year-on-year increase of 13.32%. Net profit attributable to equity holders of the Company amounted to RMB3,549 million, representing an increase of 23.31% from 2015. The earnings per share amounted to RMB42.50 cents. As at the end of 2016, the total annual assets amounted to RMB138,661 million, among which its net assets amounted to RMB47,786 million and its net gearing ratio was 60.89%.

LEADING POSITION IN UTILISATION HOURS OF WIND POWER

Against the continuously aggravated wind power grid curtailment in certain provinces in 2016, the Group continued to reinforce the benchmarking of power generation and strengthen power generation assessment and incentive mechanism in full effort to cope with grid curtailment, thoroughly boosted "lean maintenance" of equipment and carried out difference rate management of utilization hours in an all-rounded way. An annual cumulative wind power of 29,962 million kWh was generated, representing an increase of 16.54% year-on-year, and the utilisation hours of wind power reached 1,901 hours, 159 hours higher than the industrial average.

CREATING HIGH QUALITY PROJECTS

In 2016, both the quality and efficiency of the Group's construction projects were boosted significantly. The newly installed wind power capacity of the Group for the year reached 1,604 MW. As at the end of 2016, the consolidated installed capacity of the Group reached 19,494 MW, of which the wind power installed capacity was 17,369 MW, ranking the first in the world; currently, the onshore wind power installed capacity in 7 provinces exceeded 1,000 MW.

CONTINUOUS OPTIMIZATION OF DEVELOPMENT LAYOUT

In 2016, the Group, adhereing to the general work keynote of making progress and optimisation in a steady way, carefully planned its preliminary development layout and increased efforts input in the preliminary stage, and obtained approvals for wind power projects with installed capacity of 1,840 MW, all of which were located in the regions enjoying favourable transmission conditions and abundant wind power sources, achieving a wind power development layout covering 32 provinces and cities nationwide.

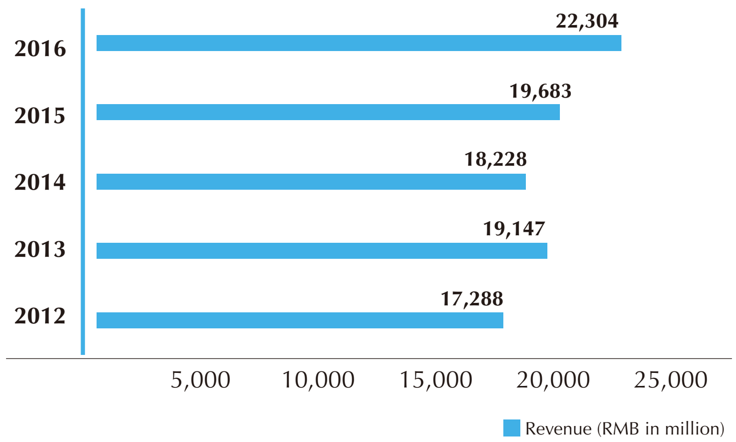
Looking forward to the next year, we will persist in innovation with determination to enhance quality and efficiency, and comprehensively advance the establishment of an international first-class new energy company with the focus on the following aspects: I. With the support from enhancement of quality and efficiency, we will consolidate the foundation of safe production, fully strengthen the implementation of "capturing every single kWh of electricity"("度電必爭") and reinforce assets operation and management for continuous improvement and upgrading of stock assets; II. Focusing on building first-class wind farms, we will exploit high quality resources and construct high-quality fine projects in a steady manner to elaborately build first-class earned assets. III. To establish modern enterprise systems, we will innovate the management systems and mechanisms, and strengthen the construction of first-class teams. In addition to the implementation of the innovation-driven strategy, we will vigorously carry out the activity of "the year for corporate governance in strict accordance with the law" ("依法從嚴治企管理年"), with a view to ensure the sustained and healthy development of the Company; and IV. To strictly implement the requirements of comprehensive and stringent governance of the Party, and constantly strengthen the Party building. We will give full play to the employees' principal role to enhance the building of corporate culture and brand, and organize more and more diverse social welfare projects and mass activities to build a harmonious and happy Longyuan. We would like to extend our sincere gratitude to each Shareholder for your tremendous support.

President

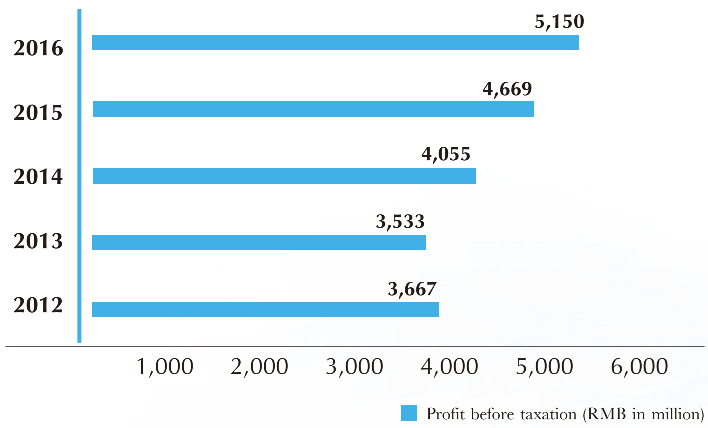
Li Enyi

KEY OPERATING AND FINANCIAL DATA

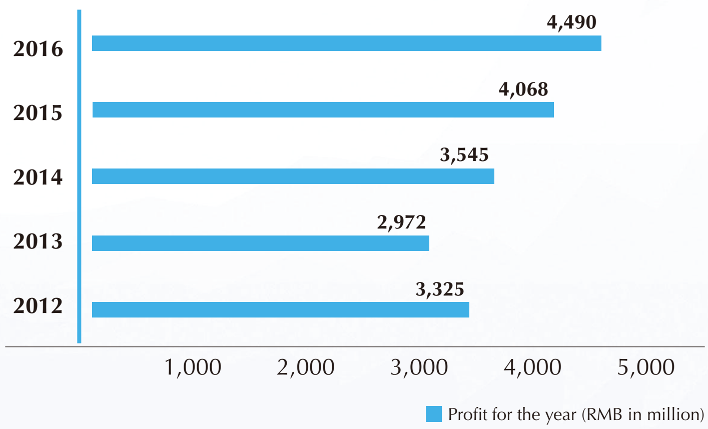
1. Revenue



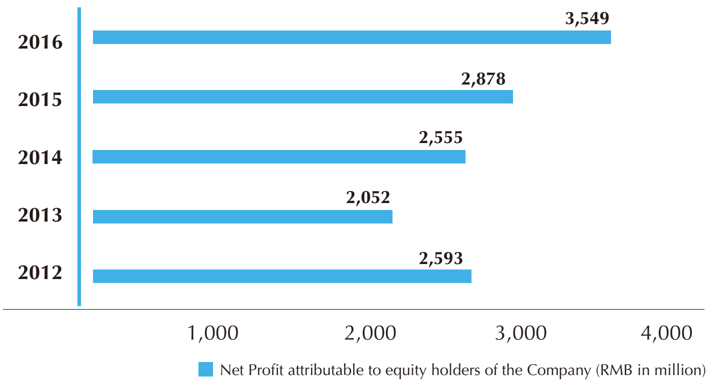
2. Profit before taxation



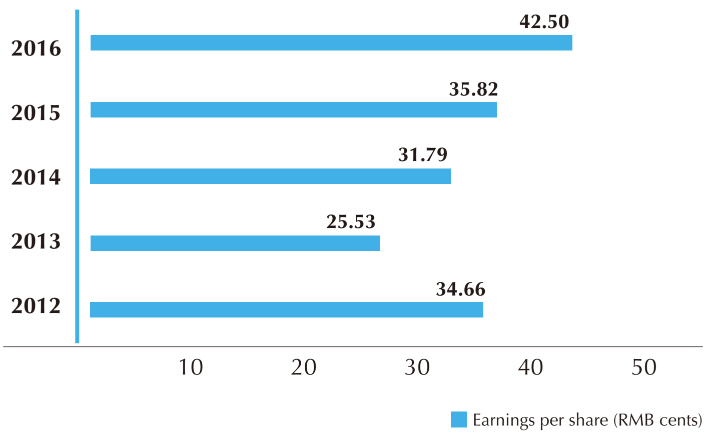
3. Profit for the year



4. Net Profit attributable to equity holders of the Company

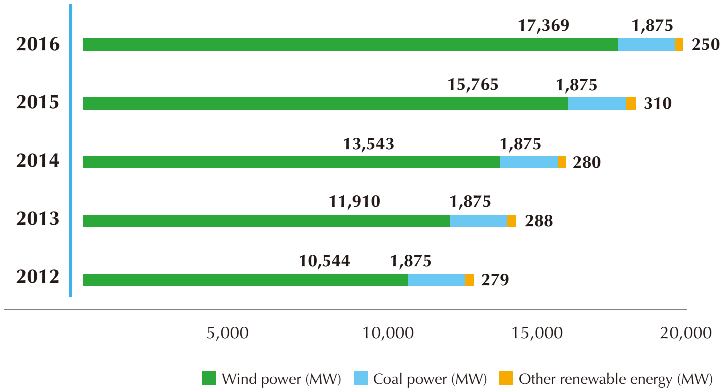


5. Earnings per share

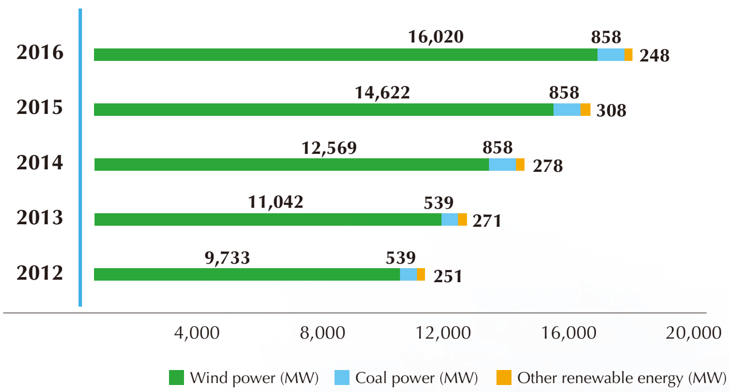


6. Net asset per share

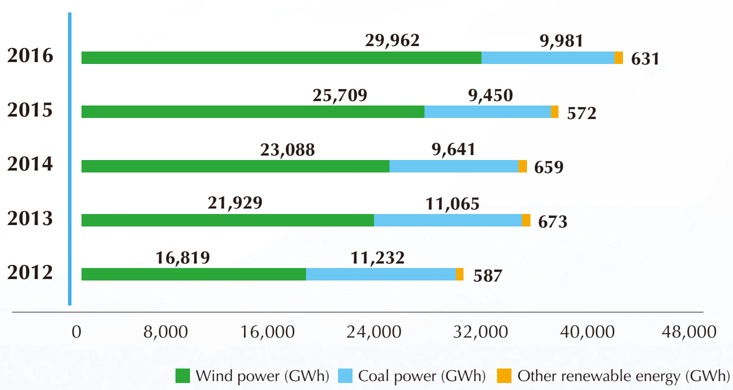
7. Consolidated installed capacity



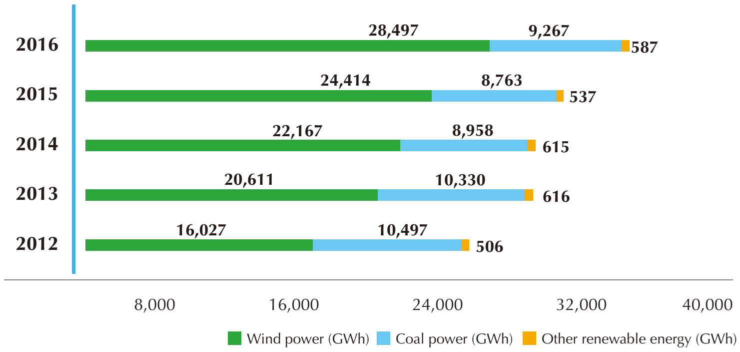
8. Attributable installed capacity



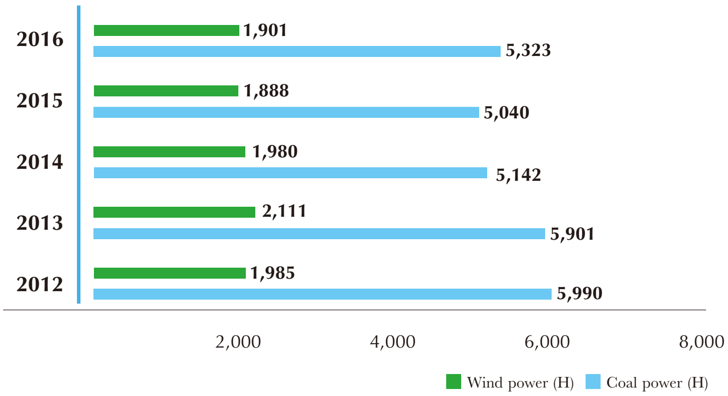
9. Electricity output



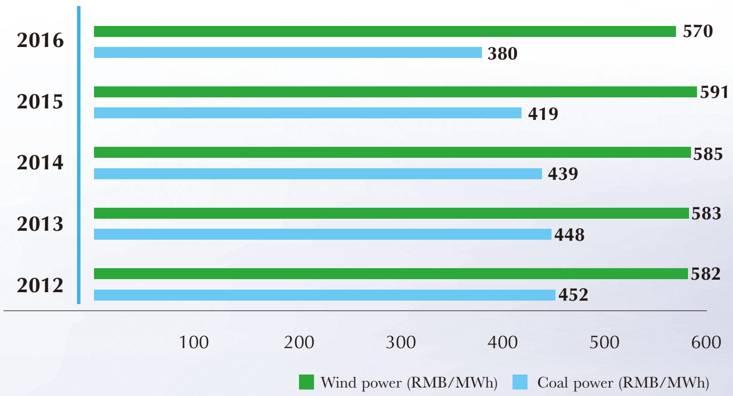
10. Electricity sales



11. Utilisation hours



12. Tariffs



KEY OPERATING AND FINANCIAL DATA

	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	**2016** ***RMB'000***
Revenue	17,288,185	19,146,618	18,228,433	19,683,064	**22,304,055**
Profit before taxation	3,667,387	3,533,246	4,054,978	4,668,567	**5,149,903**
Income tax	(342,093)	(560,945)	(510,414)	(600,952)	**(660,182)**
Profit for the year	3,325,294	2,972,301	3,544,564	4,067,615	**4,489,721**
Attributable to:					
Equity holders of the Company	2,593,239	2,051,584	2,554,502	2,878,277	**3,548,578**
Non-controlling interests	732,055	920,717	990,062	1,189,338	**941,143**
Total comprehensive income for the year	3,320,194	2,860,690	3,525,017	3,834,864	**4,460,041**
Attributable to:					
Equity holders of the Company	2,591,101	2,014,640	2,525,552	2,537,669	**3,481,342**
Non-controlling interests	729,093	846,050	999,465	1,297,195	**978,699**
Basic and diluted earnings per share *(RMB cents)*	34.66	25.53	31.79	35.82	**42.50**

	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	**2016** ***RMB'000***
Total non-current assets	90,053,746	97,299,088	109,017,690	121,163,674	**125,328,117**
Total current assets	17,786,113	13,807,098	14,795,095	12,703,603	**13,332,576**
TOTAL ASSETS	107,839,859	111,106,186	123,812,785	133,867,277	**138,660,693**
Total current liabilities	36,074,948	36,775,184	46,328,043	56,000,117	**55,807,408**
Total non-current liabilities	35,342,985	36,201,479	36,580,657	33,292,845	**35,067,034**
TOTAL LIABILITIES	71,417,933	72,976,663	82,908,700	89,292,962	**90,874,442**
NET ASSETS	36,421,926	38,129,523	40,904,085	44,574,315	**47,786,251**
Total equity attributable to the equity holders of the Company	29,429,434	30,953,502	33,107,443	38,135,798	**40,889,777**
Non-controlling interests	6,992,492	7,176,021	7,796,642	6,438,517	**6,896,474**
TOTAL EQUITY	36,421,926	38,129,523	40,904,085	44,574,315	**47,786,251**
NET ASSETS PER SHARE *(RMB)*	3.47	3.66	4.12	4.75	**5.09**

CORPORATE PROFILE

Founded in January 1993, China Longyuan Power Group Corporation Limited was originally affiliated to the NEA 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 32 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 2016, the total consolidated installed capacity of the Company was 19,494 MW, of which the consolidated installed capacity of wind power was 17,369 MW, maintaining the position of the Company as the biggest wind power operator in the world. The Company was successively awarded "The Best Listed Company Award in Investor Relations Management (最佳投資者關係管理上市公司)", "The Best Listed Company Award in Corporate Governance (最佳公司治理上市公司)", "The Listed Company with the Most Investment Value during the "Thirteenth Five-Year" Period (「十三五」最具投資價值上市公司)" and the "Best Corporate Governance Award (最佳企業管治獎)" in Hong Kong. The Company was granted "Global Top 500 New Energy Companies" for four consecutive years, the "National Labour Day Award (全國五一勞動獎狀)", and 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

Hero Asia (BVI) Limited

100%

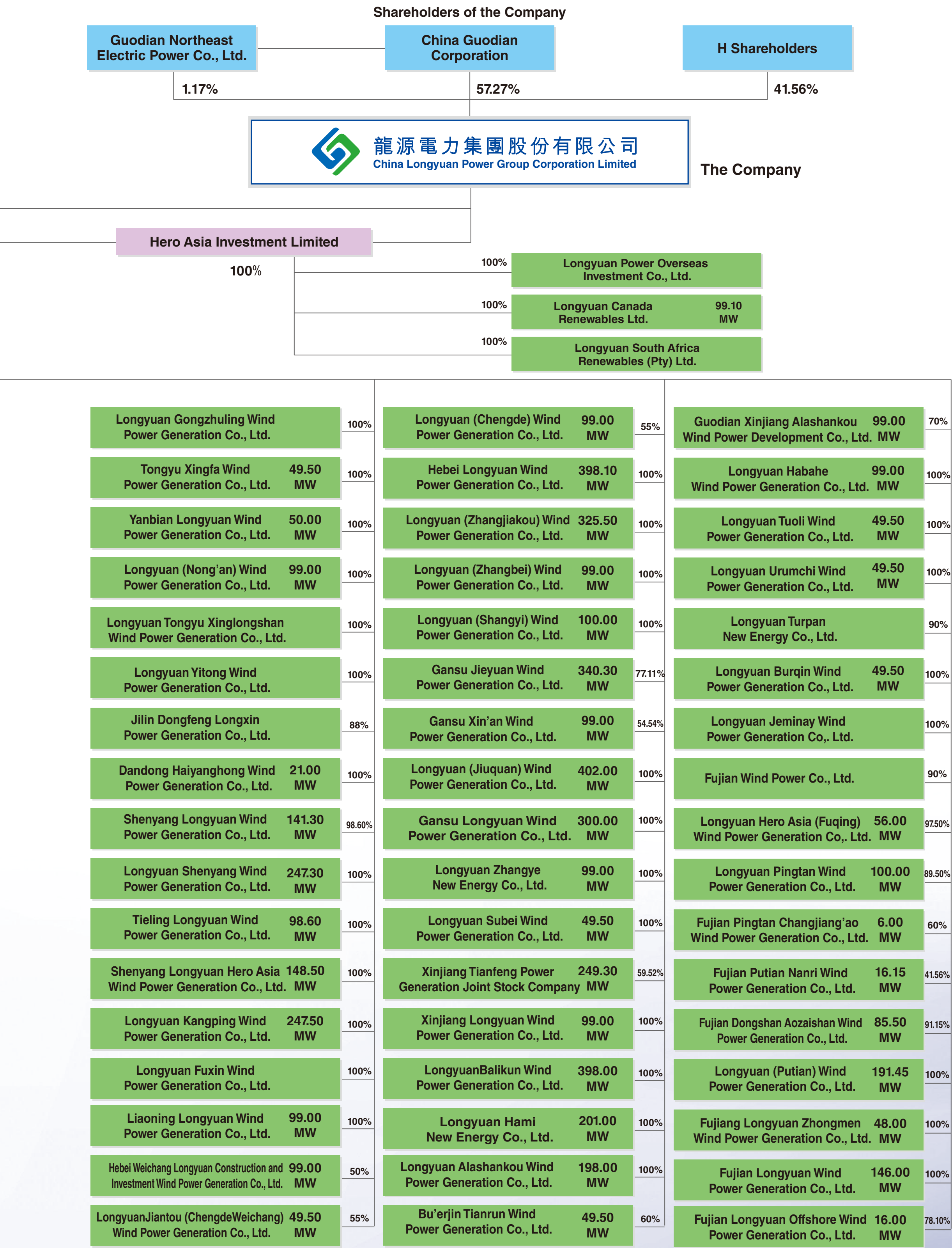
100%	Longyuan (Bayannur) Wind Power Generation Co., Ltd.	246.90 MW
100%	Longyuan (Baotou) Wind Power Generation Co., Ltd.	201.00 MW
100%	Longyuan (Siziwang) Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan Damao Wind Power Generation Co., Ltd.	300.70 MW
100%	Longyuan Inner Mongolia Wind Power Generation Co., Ltd.	99.00 MW
100%	Longyuan (Wulatehou Banner) Wind Power Generation Co., Ltd.	99.00 MW
100%	Guodian Wuchuan Hongshan Wind Power Co., Ltd.	49.50 MW
100%	Longyuan (Wulatezhong Banner) Wind Power Generation Co., Ltd.	
100%	Longyuan Shangdu Wind Power Generation Co., Ltd.	48.00 MW
100%	Longyuan Xinghe Wind Power Generation Co., Ltd.	99.50 MW
100%	Longyuan (Xilinhaote) Wind Power Generation Co., Ltd.	
100%	Longyuan (Zhenglanqi) New Energy Co., Ltd.	51.00 MW
34%	Chifeng Xinsheng Wind Power Generation Co., Ltd.	150.00 MW
97.01%	Chifeng Longyuan Wind Power Generation Co., Ltd.	148.00 MW
100%	Longyuan (Tongliao) Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan (Naiman) Wind Power Generation Co., Ltd.	99.00 MW
100%	Longyuan (Wengniute) New Energy Co., Ltd.	192.00 MW

100%	Longyuan (Kezuohou Banner) Wind Power Generation Co., Ltd.	148.50 MW
100%	Inner Mongolia Longyuan Mengdong Wind Power Generation Co., Ltd.	99.00 MW
100%	Chifeng Longyuan Songzhou Wind Power Generation Co., Ltd.	99.00 MW
100%	Longyuan (Xing'anmeng) Wind Power Generation Co., Ltd.	99.00 MW
100%	Longyuan (Tuquan) Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan (Keyouzhong Banner) Wind Power Generation Co., Ltd.	60.00 MW
100%	Longyuan (Keyouqian Banner) Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan Hulunbuir Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan (Manzhouli) Wind Power Generation Co., Ltd.	49.60 MW
100%	Longyuan Erguna Wind Power Generation Co., Ltd.	49.60 MW
55.82%	Yichun Xing'anling Wind Power Generation Co., Ltd.	112.30 MW
40%	Yichun Longyuan Wind Power Generation Co., Ltd.	49.30 MW
40%	Huanan Longyuan Wind Power Generation Co., Ltd.	139.60 MW
100%	Huanan Longyuan Hero Asia Wind Power Generation Co., Ltd.	93.00 MW
100%	Yichun Longyuan Hero Asia Wind Power Generation Co., Ltd.	99.00 MW
51%	Hailin Longyuan Wind Power Generation Co., Ltd.	20.40 MW
100%	Fuyuan Longyuan Wind Power Generation Co., Ltd.	31.50 MW

92%	Yilan Longyuan Huineng Wind Power Generation Co., Ltd.	98.60 MW
95%	Hegang Longyuan Wind Power Generation Co., Ltd.	49.30 MW
100%	Shuangyashan Longyuan Wind Power Generation Co., Ltd.	49.50 MW
100%	Yichun Longyuan Jinshan Wind Power Generation Co., Ltd.	98.60 MW
100%	Heihe Longyuan Wind Power Generation Co., Ltd.	99.00 MW
100%	Keshan Longyuan Wind Power Generation Co., Ltd.	49.50 MW
100%	Daqing Longyuan Wind Power Generation Co., Ltd.	49.50 MW
100%	Kedong Longyuan Wind Power Generation Co., Ltd.	49.50 MW
100%	Harbin Longyuan Wind Power Generation Co., Ltd	
100%	Heilongjiang Longyuan Wind Power Generation Co., Ltd.	97.80 MW
70%	Hailin Chenguang Wind Power Generation Co., Ltd.	
100%	Hegang Longyuan Xianghe Wind Power Generation Co., Ltd.	
100%	Tieli Longyuan Wind Power Generation Co., Ltd.	
80%	Tonghe Longyuan Wind Power Generation Co., Ltd.	48.30 MW
66.23%	Jilin Longyuan Wind Power Generation Co., Ltd.	200.60 MW
100%	Longyuan (Tongyu) Wind Power Generation Co., Ltd.	49.30 MW
100%	Longyuan (Changling) Wind Power Generation Co., Ltd.	99.00 MW

Major Subsidiaries:

Wind Power business | Coal Power business | Other new energy business | Other enterprises


Shareholders of the Company
Guodian Northeast Electric Power Co., Ltd.
China Guodian Corporation
H Shareholders
1.17%
57.27%
41.56%
龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited
The Company
Hero Asia Investment Limited
100%
100% Longyuan Power Overseas Investment Co., Ltd.
100% Longyuan Canada Renewables Ltd. 99.10 MW
100% Longyuan South Africa Renewables (Pty) Ltd.
Longyuan Gongzhuling Wind Power Generation Co., Ltd. 100%
Tongyu Xingfa Wind Power Generation Co., Ltd. 49.50 MW 100%
Yanbian Longyuan Wind Power Generation Co., Ltd. 50.00 MW 100%
Longyuan (Nong'an) Wind Power Generation Co., Ltd. 99.00 MW 100%
Longyuan Tongyu Xinglongshan Wind Power Generation Co., Ltd. 100%
Longyuan Yitong Wind Power Generation Co., Ltd. 100%
Jilin Dongfeng Longxin Power Generation Co., Ltd. 88%
Dandong Haiyanghong Wind Power Generation Co., Ltd. 21.00 MW 100%
Shenyang Longyuan Wind Power Generation Co., Ltd. 141.30 MW 98.60%
Longyuan Shenyang Wind Power Generation Co., Ltd. 247.30 MW 100%
Tieling Longyuan Wind Power Generation Co., Ltd. 98.60 MW 100%
Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd. 148.50 MW 100%
Longyuan Kangping Wind Power Generation Co., Ltd. 247.50 MW 100%
Longyuan Fuxin Wind Power Generation Co., Ltd. 100%
Liaoning Longyuan Wind Power Generation Co., Ltd. 99.00 MW 100%
Hebei Weichang Longyuan Construction and Investment Wind Power Generation Co., Ltd. 99.00 MW 50%
LongyuanJiantou (ChengdeWeichang) Wind Power Generation Co., Ltd. 49.50 MW 55%
Longyuan (Chengde) Wind Power Generation Co., Ltd. 99.00 MW 55%
Hebei Longyuan Wind Power Generation Co., Ltd. 398.10 MW 100%
Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 325.50 MW 100%
Longyuan (Zhangbei) Wind Power Generation Co., Ltd. 99.00 MW 100%
Longyuan (Shangyi) Wind Power Generation Co., Ltd. 100.00 MW 100%
Gansu Jieyuan Wind Power Generation Co., Ltd. 340.30 MW 77.11%
Gansu Xin'an Wind Power Generation Co., Ltd. 99.00 MW 54.54%
Longyuan (Jiuquan) Wind Power Generation Co., Ltd. 402.00 MW 100%
Gansu Longyuan Wind Power Generation Co., Ltd. 300.00 MW 100%
Longyuan Zhangye New Energy Co., Ltd. 99.00 MW 100%
Longyuan Subei Wind Power Generation Co., Ltd. 49.50 MW 100%
Xinjiang Tianfeng Power Generation Joint Stock Company 249.30 MW 59.52%
Xinjiang Longyuan Wind Power Generation Co., Ltd. 99.00 MW 100%
LongyuanBalikun Wind Power Generation Co., Ltd. 398.00 MW 100%
Longyuan Hami New Energy Co., Ltd. 201.00 MW 100%
Longyuan Alashankou Wind Power Generation Co., Ltd. 198.00 MW 100%
Bu'erjin Tianrun Wind Power Generation Co., Ltd. 49.50 MW 60%
Guodian Xinjiang Alashankou Wind Power Development Co., Ltd. 99.00 MW 70%
Longyuan Habahe Wind Power Generation Co., Ltd. 99.00 MW 100%
Longyuan Tuoli Wind Power Generation Co., Ltd. 49.50 MW 100%
Longyuan Urumchi Wind Power Generation Co., Ltd. 49.50 MW 100%
Longyuan Turpan New Energy Co., Ltd. 90%
Longyuan Burqin Wind Power Generation Co., Ltd. 49.50 MW 100%
Longyuan Jeminay Wind Power Generation Co,. Ltd. 100%
Fujian Wind Power Co., Ltd. 90%
Longyuan Hero Asia (Fuqing) Wind Power Generation Co,. Ltd. 56.00 MW 97.50%
Longyuan Pingtan Wind Power Generation Co., Ltd. 100.00 MW 89.50%
Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. 6.00 MW 60%
Fujian Putian Nanri Wind Power Generation Co., Ltd. 16.15 MW 41.56%
Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd. 85.50 MW 91.15%
Longyuan (Putian) Wind Power Generation Co., Ltd. 191.45 MW 100%
Fujiang Longyuan Zhongmen Wind Power Generation Co., Ltd. 48.00 MW 100%
Fujian Longyuan Wind Power Generation Co., Ltd. 146.00 MW 100%
Fujian Longyuan Offshore Wind Power Generation Co., Ltd. 16.00 MW 78.10%


Hero Asia (BVI) Limited
100%
100%
Zhejiang Longyuan Wind Power Generation Co., Ltd. 9.50 MW
76.29%
Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. 40.00 MW
89.69%
Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd. 45.00 MW
100%
Longyuan Zhoushan Wind Power Generation Co., Ltd. 25.50 MW
100%
Longyuan Pan'an Wind Power Generation Co., Ltd. 36.00 MW
100%
Longyuan Xianju Wind Power Generation Co., Ltd. 28.80 MW
90%
Zhejiang Cangnan Wind Power Generation Co., Ltd. 21.80 MW
90%
Zhejiang Linhai Wind Power Generation Co., Ltd. 21.30 MW
57.985%
Jiangsu Longyuan Wind Power Generation Co., Ltd. 150.00 MW
69.373%
Longyuan Qidong Wind Power Generation Co., Ltd. 100.50 MW
82.985%
Longyuan (Rudong) Wind Power Generation Co., Ltd. 250.50 MW
100%
Longyuan Dafeng Wind Power Generation Co., Ltd. 350.50 MW
100%
Longyuan Xuyi Wind Power Generation Co., Ltd. 298.30 MW
100%
Longyuan East Sea Wind Power Generation Co., Ltd. 98.70 MW
78.10%
Jiangsu Off-shore Longyuan Wind Power Generation Co., Ltd. 280.30 MW
100%
Longyuan Yancheng Dafeng Off-shore Longyuan Wind Power Generation Co., Ltd.
100%
Longyuan (Rudong) New Energy Technology Development Co., Ltd.
70%
Longyuan Yellow Sea Rudong Off-shore Wind Power Generation Co., Ltd. 200.00 MW
78.10%
Hai'an Longyuan Off-shore Wind Power Generation Co., Ltd.
100%
Hainan Longyuan Wind Power Generation Co., Ltd. 99.00 MW
100%
Yunnan Longyuan Wind Power Generation Co., Ltd. 439.50 MW
80%
Longyuan Dali Wind Power Generation Co., Ltd. 231.00 MW
100%
Longyuan Shilin Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Yongping Wind Power Generation Co., Ltd.
100%
Longyuan Nanjian Wind Power Generation Co., Ltd.
100%
Longyuan Weishan Wind Power Generation Co., Ltd.
100%
Longyuan Lijiang New Energy Co., Ltd.
100%
Anhui Longyuan Wind Power Generation Co., Ltd. 198.00 MW
100%
Longyuan Mingguang Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Fengyang Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan Dingyuan Wind Power Generation Co., Ltd. 97.80 MW
100%
Longyuan Quanjiao Wind Power Generation Co., Ltd. 95.50 MW
100%
Longyuan Xuancheng Wind Power Generation Co., Ltd. 96.70 MW
100%
Longyuan Hanshan Wind Power Generation Co., Ltd. 48.30 MW
70%
Longyuan Suzhou Wind Power Generation Co., Ltd.
70%
Hanshan Longyuan Meishan Wind Power Generation Co., Ltd. 48.30 MW
100%
Longyuan Langxi Wind Power Generation Co., Ltd.
100%
Longyuan Fanchang Wind Power Generation Co., Ltd.
100%
Shandong Longyuan Wind Power Generation Co., Ltd. 99.00 MW
70%
Shangdong Longyuan Hengxin Wind Power Generation Co., Ltd.
51%
Longyuan Huitai (Binzhou) Wind Power Generaion Co., Ltd. 98.70 MW
100%
Longyuan Linyi Wind Power Generation Co., Ltd. 98.20 MW
100%
Hero Asia (Changdao) Wind Power Generation Co., Ltd.
100%
Hero Asia (Ningyang) Wind Power Generation Co., Ltd.
50%
Guodian Shandong Jinan Longyuan Wind Power Generation Co., Ltd. 49.50 MW
50%
Guodian Shandong Longyuan Linqu Wind Power Generation Co., Ltd. 48.00 MW
100%
Longyuan (Dezhou) Wind Power Generation Co., Ltd.
100%
Tianjin Longyuan Wind Power Generation Co., Ltd. 132.00 MW
100%
Longyuan (Tianjin Binhai New Area) Wind Power Generation Co., Ltd.
100%
Longyuan Guizhou Wind Power Generation Co., Ltd. 592.00 MW
50%
Guodian Longyuan Songtao Wind Power Generation Co., Ltd.
50%
Guodian Longyuan Duyun Wind Power Generation Co., Ltd. 49.50 MW
100%
Shanxi Longyuan Wind Power Generation Co., Ltd. 298.50 MW
100%
Guodian Shanxi Jieneng Youyu Wind Power Generation Co., Ltd. 99.00 MW
100%
Longyuan Ningwu Wind Power Generation Co., Ltd. 84.00 MW
100%
Longyuan Pianguan Wind Power Generation Co., Ltd. 49.50 MW
100%
Longyuan Kelan Wind Power Generation Co., Ltd. 49.50 MW
Major Subsidiaries:
Wind Power business
Coal Power business
Other new energy business
Other enterprises

Shareholders of the Company

Guodian Northeast Electric Power Co., Ltd.	1.17%
China Guodian Corporation	57.27%
H Shareholders	41.56%

The Company

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

Hero Asia Investment Limited 100%

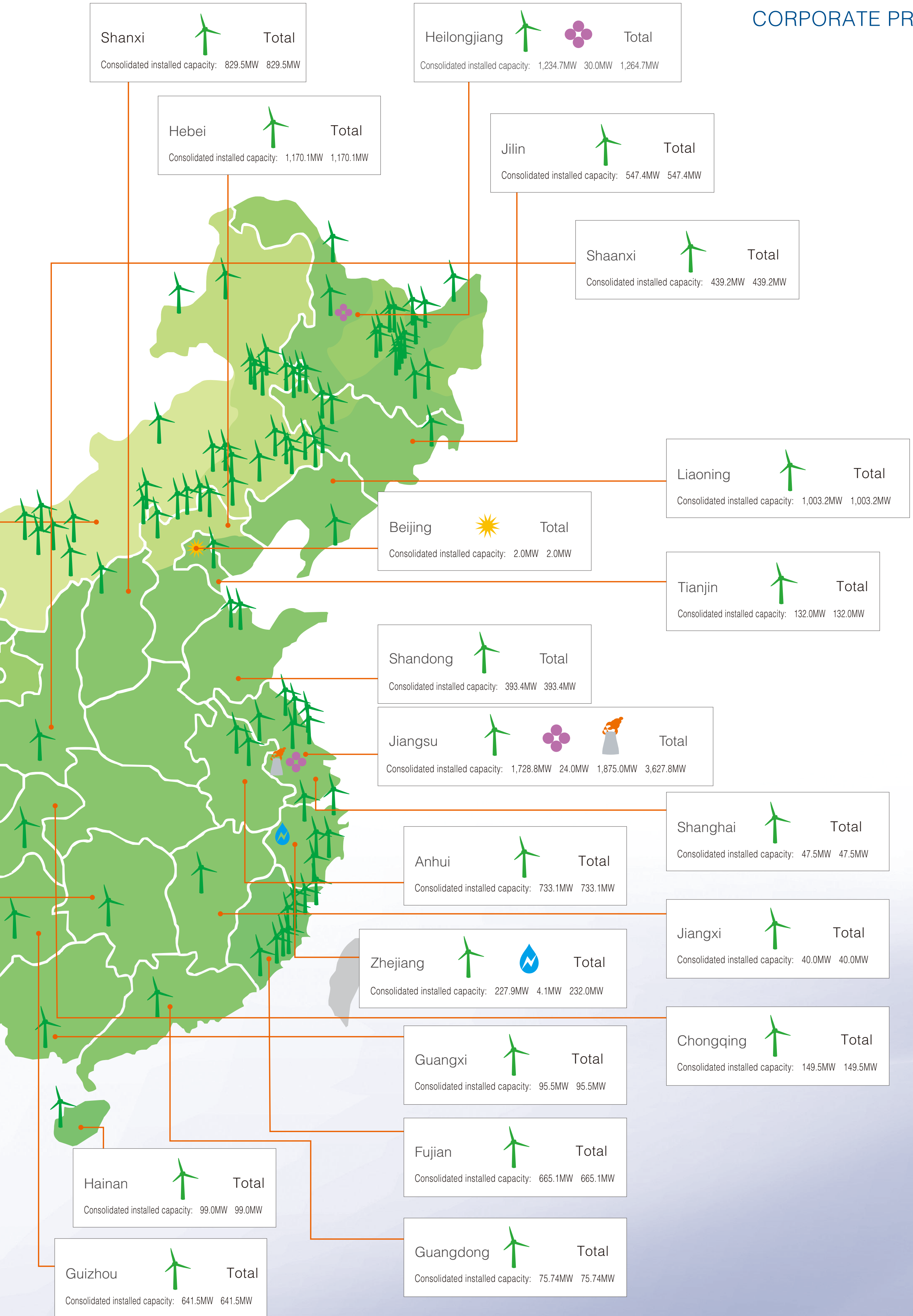
Longyuan Power Overseas Investment Co., Ltd.		100%
Longyuan Canada Renewables Ltd.	99.10 MW	100%
Longyuan South Africa Renewables (Pty) Ltd.		100%

Longyuan Jingle Wind Power Generation Co., Ltd.	150.00 MW	100%
Longyuan Heshun Wind Power Generation Co., Ltd.		100%
Longyuan Lanxian Wind Power Generation Co., Ltd.		100%
Guodian Longyuan Shenchi Wind Power Generation Co., Ltd.	49.50 MW	51%
Shanxi Guodian Jinke Wind Power Generation Co., Ltd.	49.50 MW	26.52%
Longyuan Ningxia Wind Power Generation Co., Ltd.	297.00 MW	100%
Longyuan Lingwu Wind Power Generation Co., Ltd.	99.50 MW	100%
Ningxia Tianjing Wind Power Generation Co., Ltd.	79.50 MW	100%
Longyuan Litong Wind Power Generation Co., Ltd.	98.70 MW	100%
Longyuan Wuzhong Wind Power Generation Co., Ltd.	150.00 MW	100%
Longyuan Shaanxi Wind Power Generation Co., Ltd.	144.10 MW	100%
Longyuan Jingbian Wind Power Generation Co., Ltd.	99.00 MW	100%
Longyuan Dingbian Wind Power Generation Co., Ltd.	50.00 MW	100%
Longyuan Hengshan New Energy Co., Ltd.	46.00 MW	100%
Guodian Longyuan Wuqi New Energy Co., Ltd.	100.10 MW	51%
Jiangxi Longyuan Wind Power Generation Co., Ltd.		100%
Longyuan Yichun Wind Power Generation Co., Ltd.	40.00 MW	100%
Longyuan Le'an Wind Power Generation Co., Ltd.		100%
Longyuan Tibet Naqu New Energy Co., Ltd.	7.50 MW	100%

Guangxi Longyuan Wind Power Generation Co., Ltd.	95.50 MW	100%
Longyuan Yulin Wind Power Generation Co., Ltd.		100%
Longyuan Liuzhou Wind Power Generation Co., Ltd.		100%
Longyuan Binyang Wind Power Generation Co., Ltd.		100%
Longyuan Qinzhou Wind Power Generation Co., Ltd.		100%
Longyuan Power Group (Shanghai) Wind Power Co., Ltd.	47.50 MW	100%
Guangdong Guodian Longyuan Wind Power Generation Co., Ltd.	25.74 MW	51%
Chaozhou Haishan Island Wind Power Development Co., Ltd.	50.00 MW	30.60%
Hubei New Energy Wind Power Generation Co., Ltd.		100%
Longyuan Baokang Wind Power Generation Co., Ltd.		100%
Guodian Longyuan Jiangyong Wind Power Generation Co., Ltd.	48.00 MW	50%
Guodian Longyuan Anhua Wind Power Generation Co., Ltd.		50%
Guodian Chongqing Wind Power Development Co., Ltd.	149.50 MW	51%
Nantong Tianshenggang Power Generating Co., Ltd.	660.00 MW	31.94%
Jiangyin Sulong Heat and Power Generating Co., Ltd.	1,215.00 MW	27%
Longyuan Tibet New Energy Co., Ltd.	42.00 MW	100%
Longyuan Tibet Shigatse New Energy Co., Ltd.	30.00 MW	100%
Longyuan Ge'ermu New Energy Development Co., Ltd.	90.00 MW	100%
Longyuan Zhangye New Energy Co., Ltd.	19.00 MW	100%

Zhejiang Wenling Jiangxia Pilot Tidal Power Station	4.10 MW	100%
Longyuan Turpan New Energy Co., Ltd.	8.72 MW	90%
Longyuan (Beijing) New Energy Co., Ltd.	2.00 MW	100%
Donghai Longyuan Biomass Power Plant	24.00 MW	95%
Guodian Youyi Biomass Power Co., Ltd.	30.00 MW	100%
Zhongneng Power-Tech Development Co., Ltd.		100%
China Fulin Wind Power Engineering Co., Ltd.		100%
Longyuan (Beijing) Wind Power Projects Design & Consultation Co., Ltd.		100%
Longyuan (Beijing) Wind Power Projects Technology Co., Ltd.		100%
Longyuan (Beijing) Carbon Assets Management Technology Co., Ltd.		100%
Longyuan (Beijing) Solar Energy Technology Co., Ltd.		100%
Xinjiang Wind Power Engineering Consultant Co., Ltd.		100%
Suzhou Longyuan Bailu Wind Power Technique Vocational Training Centre Co., Ltd.		60%
Longyuan (Yichun) Wind Power Engineering Services Co., Ltd.		100%
Longyuan Power Group (Shanghai) Investment Limited		100%

GEOGRAPHICAL BREAKDOWN OF OUR PROJECTS


Shanxi Total
Consolidated installed capacity: 829.5MW 829.5MW
Heilongjiang Total
Consolidated installed capacity: 1,234.7MW 30.0MW 1,264.7MW
Hebei Total
Consolidated installed capacity: 1,170.1MW 1,170.1MW
Jilin Total
Consolidated installed capacity: 547.4MW 547.4MW
Shaanxi Total
Consolidated installed capacity: 439.2MW 439.2MW
Liaoning Total
Consolidated installed capacity: 1,003.2MW 1,003.2MW
Beijing Total
Consolidated installed capacity: 2.0MW 2.0MW
Tianjin Total
Consolidated installed capacity: 132.0MW 132.0MW
Shandong Total
Consolidated installed capacity: 393.4MW 393.4MW
Jiangsu Total
Consolidated installed capacity: 1,728.8MW 24.0MW 1,875.0MW 3,627.8MW
Shanghai Total
Consolidated installed capacity: 47.5MW 47.5MW
Anhui Total
Consolidated installed capacity: 733.1MW 733.1MW
Jiangxi Total
Consolidated installed capacity: 40.0MW 40.0MW
Zhejiang Total
Consolidated installed capacity: 227.9MW 4.1MW 232.0MW
Chongqing Total
Consolidated installed capacity: 149.5MW 149.5MW
Guangxi Total
Consolidated installed capacity: 95.5MW 95.5MW
Fujian Total
Consolidated installed capacity: 665.1MW 665.1MW
Hainan Total
Consolidated installed capacity: 99.0MW 99.0MW
Guangdong Total
Consolidated installed capacity: 75.74MW 75.74MW
Guizhou Total
Consolidated installed capacity: 641.5MW 641.5MW

HONOURS AND AWARDS

25 January

Zhang Xi, the President of Longyuan Tibet New Energy Co., Ltd., was awarded the "Most Devoted Employees of Central Enterprises (最美央企人)" and commended at the award ceremony held by the SASAC at ACFTU Hotel-Beijing.

7 November

The results of the 2016 Technology Achievement Award for National Power Industry Staff (the eighth session) (2016年度(第八屆)全國電力職工技術成果獎) were unveiled. The "Research on the Data Assimilation Technology of the Short Term Numerical Meteorological Forecast System for Wind Farms (《風電場短期數值氣象預報系統數據同化技術研究》)" undertaken by Zhongneng Power-Tech Development Company Limited, a subsidiary of the Company, was awarded the First Prize of Achievement for National Power Industry Staff (全國電力職工成果一等獎); and the "Research on and Application of High-rise Pile Cap Foundation Technology for Offshore Wind Power Generating Units on Complex Batholith (《複雜岩基地質海上風機高樁承台基礎技術研究及應用》)" jointly completed by Longyuan Fujian and Longyuan Zhongneng won the Second Prize of Achievement for National Power Industry Staff (全國電力職工成果二等獎) and filled the domestic gap in respect of construction technology for offshore wind power generating units on batholith seabed.

10 November

According to an official notice published by China Electricity Council, the project of Standardized Construction of Work Groups of Wind Power Generating Enterprises (風力發電企業班組標準化建設) won the Third Prize of the 2016 China Power Innovation Award (2016年度中國電力創新獎三等獎).

23 November

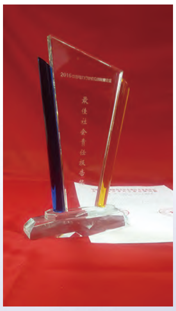
The Sixth Session of China Securities Golden Bauhinia Award (第六屆中國證券「金紫荊」獎) was unveiled in Hong Kong. Longyuan Power stood out once again out of over one thousand listed companies in Hong Kong and was granted "The Listed Company with the Most Investment Value during the "Thirteenth Five-Year" Period (「十三五」最具投資價值上市公司)" and the "Best CEO of Listed Company (最佳上市公司CEO)".

6 December

The result of "2016 Global Top 500 New Energy Companies (2016全球新能源企業500強)" was unveiled. Longyuan Power was included in the list for the fourth consecutive year, and was granted "Outstanding Contribution Award (卓越貢獻獎)", "International Cooperation Award (國際合作獎)" and "Social Responsibility Award (社會責任獎)".

29 December

The Third Session of the Public Transparency Forum of the PRC Electricity Industry Players (中國電力行業企業公眾透明度論壇) was held in Beijing. Longyuan Power was granted the "Best Social Responsibility Report Award (最佳社會責任報告獎)" for the first time and became the sole new energy power enterprise winning the honour at this forum.



December

The results of the second session of "China Financial Market – Awards for Listed Companies" were announced in Hong Kong and Longyuan Power once again won the "Best Corporate Governance Award".

CORPORATE MILESTONES IN 2016

From 17 to 19 February, the Company held the fourth session of the second Staff Representatives Assembly & 2016 Working Conference in Beijing to deeply follow the spirit of the Group's working conferences, comprehensively summarize the work in 2015 and the achievements made during the "Twelfth Five-Year" period, make analyses of the current situation, determine the work plans, targets and focus for 2016, and call on all of the officers and employees to fully implement the "One, Five and Five" strategy (「一五五」戰略) of the Group and solidly carry out "double enhancement" (雙提升) tasks, so as to speed up its development into an internationally leading new-energy company.

On 30 March 2016, a delegation consisting of 17 people, including Fu Huimin, a Standing Committee Member of the CPPCC National Committee and Vice Chairman of the Revolutionary Committee of the Chinese Kuomintang and Liu Jizhen, a member of the CPPCC National Committee, led by Qi Xuchun, Vice Chairman of the CPPCC National Committee and Executive Vice Chairman of the Revolutionary Committee of the Chinese Kuomintang, visited Longyuan Tianjin for an investigation themed by "Beijing-Tianjin-Hebei energy structure adjustment". Qi Xuchun affirmed the Company's contributions to new energy development and wished to strengthen the communication between relevant departments and energy enterprises by virtue of this investigation, so as to provide guarantee for the development and improvement of energy structure.

On 30 March 2016, the China-Czech Republic Economic and Trade Cooperation Round Table Meeting was held in Prague, capital of Czech Republic. At the meeting, witnessed by the heads of Czech Republic and China, Qiao Baoping, Chairman of the Company, signed the "Agreement on Economic and Technical Cooperation in Renewable Energy and Clean Energy Sectors and China's Proposed Acquisitions of Certain Wind Power Projects in Czech Republic" with Petr Necas, Vice President of SWH Group of Czech Republic.

From 31 March 2016 to 1 April 2016, Luo Yulin, Chairman of the Supervisory Committee for Key Large State-owned Enterprises, led a team to visit Longyuan Power's subsidiary in Jiangsu for investigation and fully affirmed the preliminary work, internal control, scientific and technological innovation and mental outlook of Longyuan Power.

From 4 May 2016 to 6 May 2016, Longyuan Power held the first Green Energy Financing Summit in Shanghai. The representatives of the Shanghai Stock Exchange, China Development Bank, Huatai United Securities and other institutions and investors expressed their expectations on the development of green energy from the perspectives of their respective professional fields.

From 12 to 13 July, the Company held the 2016 Interim Working Conference in Beijing to deeply follow the spirit of the Group's 2016 Interim Working Conference, review the achievements made during the first half of 2016, make analyses of the current situation and problems, deploy works for the second half of 2016, further unify the thinking of officers and employees, determine and strictly perform tasks, in order to complete the missions of 2016 and develop the Company in a healthy and sustainable way.

On 16 August 2016, Longyuan Power held the China-UK Electric Reform Seminar, at which, energy experts and practitioners from both China and the UK communicated thoroughly on 7 critical issues including what problems will be solved in the electric reform, what kind of support mechanism should be established by the country to support the development of new energy and how to promote the development of renewable energy and low-carbon energy in the future carbon trading, etc.

On 13 October 2016, the "Study on Design & Integration Technology of 100MW-grade Photovoltaic System and Research of its Key Equipment (百兆瓦級光伏系統設計集成技術研究及關鍵設備研製)", a project as a part of the major "863 Program (「863」計劃)" project of "Study on and Demonstration of Large Photovoltaic (Grid Connection and Microgrid) System Design and Integration Technology and Research of its Equipment (大型光伏(併網、微網)系統設計集成技術研究示範及裝備研製)" in the field of advanced energy technology, undertaken by Longyuan Power passed the technological acceptance.

On 19 October 2016, the 20th Inspection Team composed of three members, i.e. Bao Zhongmin, Shi Zehua and Zhao Tianyu, in charge of key tasks of grass-rooted Party construction of the Organization Department of the Central Committee of the Communist Party of China visited Longyuan Power for the purpose of checking and guiding the practice of "studies on the theoretical and practical issues of party building (兩學一做)" and implementation of the key tasks of the grass-rooted Party construction. They spoke highly of the Company for its Party construction work.

On 23 December 2016, Moody's (MCO), the international credit rating agency, upgraded our corporate credit rating from Baa1 to A3.

MANAGEMENT DISCUSSION AND ANALYSIS

(The following information disclosure was based on financial information prepared in accordance with IFRSs unless otherwise specified)

I. INDUSTRY REVIEW

Operational Environment

Currently, the world economy is still undergoing in-depth adjustment, while China's economy as a whole is stabilizing from slow-down and showing an upward trend. The economy is operating within a reasonable range, with continually improving quality and efficiency. However, China's economy still faces prominent contradictions and problems in the process of operation, such as intense conflicts between excess capacity and upgrading of demand structure and insufficient endogenous driving force for economic growth, etc. China's economic development has entered a new normality. Under the combined effect of international and domestic factors such as the change in international economic environment, gearing-down of China's economic growth, adjustment of economic structure and shift of driving forces, the power market embarked on a course of "Double Reductions and Double Lows" ("雙降雙低"), i.e. reduction of tariffs and reduction of utilization hours, and low power growth and low power load, indicating fiercer market competition in the future.

In 2016, China's electricity consumption is featured with a year-on-year increase in its growth rate, continuous shift of driving forces and further adjustment to the consumption structure. According to the Annual Statistics of China Power Industry 2016 (《2016年全國電力工業統計快報》) issued by the China Electricity Council, the power consumption across the country was 5,919.8 billion kWh in 2016, representing an increase of 5.0% year-on-year. The total electrical output in 2016 reached 5,989.7 billion kWh, representing an increase of 5.2% year-on-year. Under the effect of factors including a stable and upward operation of real economy, hot weather in the summer and a low base quota in the corresponding period of the previous year, power consumption in the third and fourth quarters of the year enjoyed a relatively faster growth. In particular, power consumption in the tertiary industry continued to grow at a relatively high speed, indicating the prominent role of consumption in the service sector in the development of our national economy; in terms of manufacturing industry, the top four energy-intensive sectors recorded a year-on-year nil increase in the aggregate power consumption than that of 2015 while the equipment manufacturing, the emerging technology industries and mass consumables maintained a strong growth momentum, which indicates further effects of the structural adjustment and transformation and upgrading in the manufacturing industries and an increasingly optimized structure of power consumption. As at the end of 2016, the power generation installed capacity across the country reached 1,645,746 MW, representing an increase of 8.2% year-on-year. The power supply and demand across the country is further eased, with excess in certain areas. From the locational perspective, the power supply and demand in North China maintained balance on the whole, the power supply and demand in East China, Central China and southern areas was at ease on the whole while Northeast and Northwest regions recorded an excess in power supply capacity.

In 2016, the power generation from non-fossil fuels of the country increased continuously and rapidly. To be specific, wind power generation reached 241.0 billion kWh, representing 4.0% of the total national power generation and an increase of 0.8 percentage point in terms of the percentage in national power generation as compared to last year. The national wind power utilisation hours reached 1,742 hours, representing an increase of 18 hours over last year. The newly installed capacity of wind power reached 18,725 MW, representing 15.5% of the national newly installed capacity and a decrease of 8.3 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 2016 reached 148,643 MW.

Policy Factors

In February 2016, the NEA issued the Notice in Relation to Work for Renewable Energy Consumption in "Three-North" Areas (《關於做好「三北」地區可再生能源消納工作的通知》) and in March 2016, the Guidance on Establishment of Guidance System on Development and Utilisation Targets for Renewable Energy (《關於建立可再生能源開發利用目標引導制度的指導意見》) was subsequently published on the website of the NEA. The two documents request the implementation of the regulations on prioritized renewable energy power generation, and set out the goals of percentage of power generation from non-hydro renewable energy in the total energy consumption of each province. Besides, it is required that, apart from the enterprises specialised in power generation from non-fossil energy, the power generation from non-hydro renewable energy of each enterprise shall account for over 9% of the total power generation by 2020 and it is proposed to establish a green certification system to provide additional subsidy approach for the development of wind power and other renewable energy.

In March 2016, the NEA issued the Notice on Promoting the Consumption of Wind Power in 2016 (《關於做好2016年度風電消納工作有關要求的通知》), requiring local authorities to fully understand the importance and urgency of grid connection and consumption of wind power, strictly control the construction pace of all types of power generation projects in the regions with severe wind power curtailment, earnestly implement the policy for guaranteed purchase of all power generated from renewable energy and actively explore the consumption channels and potentials of wind power.

In March 2016, the NEA issued the Notice on Guidance Opinions on Work for Energy Sector in 2016 (《關於做好2016年能源工作指導意見的通知》), requiring relevant authorities to vigorously develop non-fossil energy sources and steadily develop wind power. According to the document, China aims to promote the healthy development of wind power sector in the "Three North" areas, and encourage a faster development of wind power sector in central, eastern as well as southern regions of China. By promoting the planning and construction of renewable energy generation bases in Zhundong, Ximeng and northern area of Shanxin and Zhangjiakou Phase III project, it aims to increase the export proportion of electricity generated from new energy. Furthermore, the document calls for efforts to solve the technical bottlenecks and institutional obstacles in the development of offshore wind power, so as to promote the healthy and sustainable development of offshore wind power.

In March 2016, the NDRC issued the Administrative Measures on Guaranteed Purchase of All Electricity Generated from Renewable Energy (《可再生能源發電全額保障性收購管理辦法》), which proposes to establish the regulations on guaranteed purchase of all power generated from renewable energy. It aims to seek a thorough solution to the bottlenecks hindering the healthy development of China's renewable energy sector through practical institutional arrangements. The document has positive impact on the sustainable development of China's renewable energy sector, the fulfillment of China's commitment to emissions reductions in response to climate change, as well as promotion of energy restructuring and energy revolution.

In April 2016, the NEA issued the Letter of Consultation Invitation of the NEA Comprehensive Department with Respect to the Notice Regarding Requirements of Establishing Assessment System on Power Generation Quota for Non-hydro Renewable Energy of Coal-fired Thermal Power Generating Units (《國家能源局綜合司關於徵求建立燃煤火電機組非水可再生能源發電配額考核制度有關要求通知意見的函》). Pursuant to which, power generation licenses of coal-fired power generation enterprises that fail to meet the power generation quota for non-hydro renewable energy will be revoked. By 2020, the power generation quota for non-hydro renewable energy of all coal-fired power generation enterprises in China shall account for more than 15% of the coal-fired power generation.

In May 2016, the NDRC and NEA jointly issued the Notice on Guaranteed Purchase of All Electricity Generated from Wind Power and Solar Power (《關於做好風電、光伏發電全額保障性收購管理工作的通知》), specifying that "the minimum guaranteed purchased utilization hours of wind power and photovoltaic power farms on an annual basis in the regions with curtailment of wind power and photovoltaic energy will be determined based on the local benchmark on-grid tariffs with reference to the permitted cost plus a reasonable markup". Meanwhile, the document also puts forward the solution for failure to meet the annual minimum guaranteed purchased utilization hours, namely "to compensate the power curtailment falling within the guaranteed purchase", and specifies that it is strictly prohibited to acquire power generation rights through payments by renewable power projects to coal-fired and other power source projects in respect of the guaranteed electricity.

In July 2016, the NEA issued the Notice on Establishment of Monitoring and Early Warning Mechanism to Promote the Sustained and Sound Development of Wind Power Industry (《關於建立監測預警機制促進風電產業持續健康發展的通知》), which divides the indicator system of the monitoring and early warning mechanism for investment in wind power into three categories, i.e. policy, resources and operation, and economy, including grid curtailment rate, average utilisation hours, loss rate of local wind power enterprises and other specific parameters. There are three levels of early warning, which are red, orange and green in a descending order. The early warning results will affect the normal progress of wind power development and construction in the province concerned in the current year. In 2016, the risk early warning is red in five provinces, i.e. Jilin, Heilongjiang, Gansu, Ningxia and Xinjiang. The early warning mechanism plays a proactive and promoting role in reasonable planning of national wind power development scheme, alleviating wind power curtailment, and implementing the policy of minimum guaranteed utilisation hours.

In July 2016, the NDRC and NEA jointly issued the Tentative Measures for Prioritized Generation of Power by Renewable Energy Peak-Shaving Units (《可再生能源調峰機組優先發電試行辦法》), stating that power grid companies and power generation companies across the country may, on a voluntary basis and through mutual agreement, specify a certain number of power generating units to serve as peak-shaving units which shall be given priority in power generation. The planned power generation of the peak-shaving units will be higher than the average utilization hours of local coal-fired units in the previous year to a certain degree, and the additional utilization hours will be linked to their committed peak-shaving number and degree. For peak-shaving units that fail to fulfill their prioritized power generation entitlement as a result of peak-shaving service, their entitlements can be transferred to other generating units through substitutive power generation transactions.

In September 2016, President Xi Jinping officially submitted the ratification instruments for the Paris Agreement to the United Nations at the G20 Summit held in Hangzhou, which demonstrated the strong will of China in promoting the global climate governance and boosting the early entry into force of the Paris Agreement. China has included the ecological civilization into its general layout of "Five in One" ("五位一體"), relieved the severe restraint of Gross Domestic Product (GDP) assessment and put the "Breathing Clean Air Campaign" ("呼吸保衛戰") into full swing. Meanwhile, China regarded the construction of ecological civilization as an important part of the Thirteenth Five-year Plan, implemented the development philosophy of innovation, harmony, green, opening and sharing, pushed forward the innovation in science and technology and the innovation in system and mechanism, and blazed a trail of green development with the utmost determination and the highest wisdom.

In November 2016, the NDRC issued the Thirteenth Five-year Plan for the Development of Wind Power Sector, which sets out the development goals, construction layout, key tasks, development patterns and safeguard measures of the country's wind power sector in the coming five years, providing important guidance for optimizing development layout of wind power, tackling wind power curtailments and promoting the sustainable development of the sector. Pursuant to the plan, by the end of 2020, the total grid-connected installed capacity of wind power across the country will reach at least 210 GW, in which the grid-connected installed capacity of offshore wind power projects will reach at least 5,000 MW. The plan aims to promote the shifting of wind power project construction to central eastern and southern regions and actively address the wind-power consumption obstacles in the "Three-North" areas, thus ensuring the healthy development of the wind power sector in terms of both quality and capacity.

In December 2016, the NDRC issued the Thirteenth Five-year Plan for Energy Development (《能源發展「十三五」規劃》) and the Thirteenth Five-year Plan for Renewable Energy Development (《可再生能源發展「十三五」規劃》), outlining the country's general arrangements for its energy consumption for the coming five years. Pursuant to the plan, it is estimated the increase in the consumption of non-fossil energy and natural gas will be over 3 times of the increase in coal consumption, accounting for over 68% of the increase in the country's total energy consumption. The development indicators of renewable energy set out in the plan rank first in the world in terms of both total quantity and growth rate.

In December 2016, the NDRC published the Notice on Adjustments to Benchmark On-Grid Tariffs of Photovoltaic Power Generation and Onshore Wind Power Generation (《關於調整光伏發電陸上風電標杆上網電價的通知》), lowering the benchmark on-grid tariffs of photovoltaic power projects built after 1 January 2017 and onshore wind power projects obtaining construction approvals after 1 January 2018. Benchmark tariffs for newly built onshore wind power projects in the four resource areas were RMB0.40 per kWh, RMB0.45 per kWh, RMB0.49 per kWh and RMB0.57 per kWh, respectively. For offshore wind power projects not subject to tender, different on-grid tariffs will be adopted for offshore projects and intertidal projects. The on-grid tariff is RMB0.85 per kWh for offshore projects and RMB0.75 per kWh for intertidal projects.

In December 2016, the NEA and the State Oceanic Administration jointly issued the Administrative Measures for the Development and Construction of Offshore Wind Power Projects (《海上風電開發建設管理辦法》), which aims to further improve the offshore wind power management system, regulate the development and construction of offshore wind power projects, and promote the sustainable healthy development of offshore wind power sector.

II. BUSINESS REVIEW

1. Continued to enhance the safe production by improving the management system for economic operations

In 2016, the Group strengthened its management measures and endeavored to enhance its management and control capabilities in production safety, thus further intensifying the safety in production. For the purpose of improving its safety management system, the Group set up a standard management system for safety in production, being the first of its kind in the industry. In addition, the Group conducted safety inspections of "Four Don'ts and Two Directs" ("四不兩直") on a regular basis, specified the responsible entities at provincial-level companies, standardised the inspection methods and content, determined the inspection frequency, and strictly supervised the implementation of inspections. Moreover, the Group further implemented anti-accident measures by carrying out its first company-wide emergency drill and on-site observance activities to boost the overall emergency response ability of each business unit. Through upgrading the technology and equipment and increasing investment in safety devices, the Group was able to improve the safety of its equipment and systems at its very source by adopting new techniques, new standards, new devices and scientific management of equipment in the course of maintenance and repair of power generating units.

In 2016, the Group maintained its leading position in terms of power generation and utilisation hours of wind power. First, the Group improved the comprehensive 4-tier management system covering the headquarter, regional companies, wind farms and work teams, which correspond with the existing technical support systems respectively, thereby completed the design for the "double closed-loop" ("雙閉環") demand of management and technology. Second, the professional management was strengthened and refined. The Group established a comprehensive management model system for economic operations, identified the reasons for power loss in different units and adopted specific measures to minimise internal wind power curtailment, so as to level up the economic operation as well as strengthen and expand its competitive advantages in key benchmarks including utilisation hours and unavailable hours. Third, innovative marketing modes were adopted in response to grid curtailment. The Group strictly implemented double control over the percentage and quantity of electricity subject to grid curtailment, set the average red line value of percentage of electricity subject to grid curtailment in different regions, and expanded evaluation on grid curtailment into each wind farm. Meanwhile, coupled with regional horizontal and differential benchmarking, the Group optimised its grid curtailment estimation through in-depth analysis of regional electricity markets and operation characteristics of power grids, thereby formulating specific marketing plans for different regions. The Group actively expanded its external distribution channels by means of swapping of wind power and coal-fired power, direct power supply for big customers, as well as cross-region delivery.

In 2016, the Group generated a cumulative gross electricity output of 40,574 GWh, of which electricity generated from our wind power business amounted to 29,962 GWh, representing an increase of 16.55% year-on-year, mainly attributable to the increase in installed capacity and higher wind speed. In 2016, the Group's average utilisation hours of the wind power business was 1,901 hours, representing an increase of 13 hours as compared with that of 2015, which was primarily attributable to higher wind speed and improved efficiency of new generating units.

Geographical breakdown of the consolidated power generation of the Group's wind farms for 2015 and 2016:

Region	2016 (MWh)	2015 (MWh)	Percentage of Change
Heilongjiang	2,179,811	2,023,711	7.71%
Jilin	612,740	556,488	10.11%
Liaoning	1,975,699	1,795,109	10.06%
Inner Mongolia	4,504,521	4,578,381	-1.61%
Jiangsu (onshore)	2,350,056	1,866,535	25.90%
Jiangsu (offshore)	1,058,757	850,528	24.48%
Zhejiang	416,858	304,788	36.77%
Fujiang	1,470,887	1,469,278	0.11%
Hainan	121,461	137,633	-11.75%
Gansu	1,414,743	1,472,666	-3.93%
Xinjiang	2,184,817	2,234,619	-2.23%
Hebei	2,422,333	2,091,200	15.83%
Yunnan	1,558,875	1,495,473	4.24%
Anhui	1,534,874	1,013,681	51.42%
Shandong	691,070	504,631	36.95%
Tianjin	250,354	274,995	-8.96%
Shanxi	1,272,022	943,645	34.80%
Ningxia	1,085,088	456,162	137.87%
Guizhou	1,172,941	702,983	66.85%
Shaanxi	587,358	424,313	38.43%
Tibet	15,040	13,919	8.05%
Chongqing	301,304	123,419	144.13%
Shanghai	124,221	67,697	83.49%
Guangdong	40,514	34,340	17.98%
Hunan	151,029	–	–
Guangxi	187,248	–	–
Canada	277,590	272,466	1.88%
Total	29,962,211	25,708,661	16.55%

Geographical breakdown of the average utilisation hours/load factor of wind power of the Group's wind farms for 2015 and 2016:

Region	Average utilisation hours of wind power for 2016 *(hour)*	Average load factor of wind power for 2016	Average utilisation hours of wind power for 2015 *(hour)*	Average load factor of wind power for 2015	Percentage of change of the average utilisation hours of wind power
Heilongjiang	1,765	20%	1,706	19%	3.46%
Jilin	1,368	16%	1,242	14%	10.14%
Liaoning	1,969	22%	1,789	20%	10.06%
Inner Mongolia	1,742	20%	1,920	22%	-9.27%
Jiangsu (onshore)	2,141	24%	2,172	25%	-1.43%
Jiangsu (offshore)	2,204	25%	2,354	27%	-6.37%
Zhejiang	1,829	21%	1,595	18%	14.67%
Fujiang	2,817	32%	2,903	33%	-2.96%
Hainan	1,227	14%	1,390	16%	-11.73%
Gansu	1,097	13%	1,250	14%	-12.24%
Xinjiang	1,570	18%	1,730	20%	-9.25%
Hebei	2,070	24%	1,954	22%	5.94%
Yunnan	2,516	29%	2,624	30%	-4.12%
Anhui	2,257	26%	2,040	23%	10.64%
Shandong	2,040	23%	2,061	24%	-1.02%
Tianjin	1,897	22%	2,083	24%	-8.93%
Shanxi	1,968	22%	1,724	20%	14.15%
Ningxia	2,038	23%	1,643	19%	24.04%
Guizhou	2,066	24%	2,050	23%	0.78%
Shaanxi	2,324	27%	2,143	24%	8.45%
Tibet	2,005	23%	1,856	21%	8.03%
Chongqing	2,015	23%	1,884	22%	6.95%
Shanghai	2,615	30%	2,021	23%	29.39%
Guangdong	1,574	18%	1,334	15%	17.99%
Hunan	2,754	31%	–	–	–
Guangxi	3,146	36%	–	–	–
Canada	2,801	32%	2,749	31%	1.89%
Total	1,901	22%	1,888	22%	0.69%

Geographical breakdown of the average utilisation rate of wind power of the Group's wind farms for 2015 and 2016:

Region	2016 (%)	2015 (%)	Change
Heilongjiang	99.33	98.99	0.34%
Jilin	98.50	98.10	0.40%
Liaoning	99.31	98.98	0.33%
Inner Mongolia	98.61	98.43	0.18%
Jiangsu (onshore)	99.16	99.16	0.00%
Jiangsu (offshore)	96.22	96.69	-0.47%
Zhejiang	98.92	98.50	0.42%
Fujiang	98.53	98.42	0.11%
Hainan	98.95	98.64	0.31%
Gansu	99.45	99.11	0.34%
Xinjiang	99.30	99.10	0.21%
Hebei	98.75	97.97	0.78%
Yunnan	99.47	99.07	0.40%
Anhui	99.18	99.26	-0.08%
Shandong	99.35	98.88	0.47%
Tianjin	99.39	99.38	0.01%
Shanxi	99.38	98.78	0.60%
Ningxia	99.19	99.12	0.07%
Guizhou	99.29	99.00	0.29%
Shaanxi	99.46	98.92	0.54%
Tibet	99.95	99.27	0.68%
Chongqing	99.10	99.34	-0.24%
Shanghai	99.55	99.47	0.08%
Guangdong	98.96	99.52	-0.56%
Hunan	98.50	–	–
Guangxi	99.79	–	–
Canada	96.00	95.30	0.70%
Total	98.90	98.72	0.18%

During the reporting period, the consolidated gross power generation from coal power business of the Group was 9,981 GWh, representing an increase of 5.61% as compared with 9,450 GWh in the corresponding period of 2015. This was primarily due to a better-than-expected increase in the power consumption across Jiangsu Province and alternative power of 295 GWh secured by the Company. The average number of utilisation hours of the Group's coal power business in 2016 was 5,323 hours, representing an increase of 283 hours as compared with 5,040 hours in the corresponding period of 2015.

2. With preliminary work being pressed ahead steadily, continually optimised the wind-power development layout

In 2016, the Group adhered to its development strategy of "to build a top tier international new energy listed company by virtue of innovation-driven development and management-based benefits", and earnestly followed the guiding principles of the 18th CPC National Congress and the Fifth Plenary Session of the 18th Central Committee of the Chinese Communist Party. Under the guidance of the "Five Main Development Ideas" ("五大發展理念"), the Group followed the main line of the innovative management and development, implemented the "One Five Five" strategy ("「一五五」戰略") in an all-round way, steadily promoted the "Double Enhancement" ("雙提升") work to proactively adapt to the new normality, devoted more efforts to build itself into an innovative, management-based and profitable enterprise and sped up in forging a top tier international new energy company at a faster pace.

In 2016, the Group vigorously pressed ahead the high-quality resource reserve and continually optimised its wind-power development layout. 35 projects of the Group were included in the approval plan for the first batch of wind power projects under the Thirteenth Five-year Plan issued by all provincial energy administrations in April 2016, with a total installed capacity of 1,891 MW and being the highest among its peers. None of these projects are located in the regions subject to grid curtailment. The Group obtained approvals for wind power projects with installed capacity of 1,840 MW for the year, 97% of which were located in the regions not subject to grid curtailment. With continuous expansion of regional coverage, the Group started from scratch for projects in Qinghai. As at the end of 2016, the Group had wind power projects of 7.5 GW approved but not yet put into operation, and including the projects listed under the national plan but not yet been approved, accumulated effective wind power pipelines amounted to 8.2 GW. The Group is expected to continually optimise its wind-power development layout.

In 2016, the Group has proactively stepped up offshore wind power projects in a high-standard manner. By taking advantage of the current offshore wind power policies, the Group has made an effort in obtaining the quality offshore resources and increasing its resource reserve and actively made good use of the brand influence of Longyuan wind power to attract wind turbine equipment manufacturers to settle down, and to expand the development coverage by collaborative development with the manufacturers. With full reference to the macro experience of site selection of offshore wind power projects, the Group has completely reviewed the offshore wind power resource levels and geology and other conditions in China to scientifically set up the development schedule. In addition, the Group has paid more attention on the assessment of operation of offshore wind power generating units and actively carried out technical communication with generating units manufacturers, so as to customize new wind power materials and technologies suitable for different offshore environments, and to lead the improvement of the offshore wind power technologies. According to the requirements of the Thirteenth Five-year Plan for wind power development promulgated by the NEA, offshore wind power will be the focus of development under the Thirteenth Five-year Plan. After review, the offshore wind resource reserve of the Group exceeded 8.0 GW, of which the capacity approved but not yet put into operation was 1.1 GW.

Since 2014, focusing on comprehensive and strategic cooperation, the Group has conducted its third entrepreneurial activity by bringing in new cooperation model and vigorously expanding its development channel. Capitalising on the opportunity arising from the promotion of mixed-ownership economy by the CPC Central Committee, the Group continually enhanced cooperation with reputable local enterprises. The Group also carried out extensive cooperation with branches (subsidiaries) of Guodian Group, gave full play to the professional core platform of Longyuan wind power and regional resource advantages of the branches (subsidiaries) of Guodian Group and leveraged on the synergy to achieve a win-win situation. As at the end of 2016, the Group had 40 new projects for cooperative development, covering 12 provinces and with the installed capacity of 3,228 MW.

3. Continued to grip the project construction with quality management reaching a higher level

In 2016, the Group had 28 new wind power projects with the consolidated installed capacity of 1,604 MW. The Group fully fulfilled the task set at the beginning of the year and ranked first in the project construction evaluation of Guodian Group. In 2016, the Group carried out three major comprehensive safety inspections and self-inspection of potential safety hazards, during which every unit of the Group secured the safety and steady of infrastructure work through measures such as strict control over the design, more efforts in checking and evaluation, implementation of the closed-loop management, strengthened prevention and treatment of potential safety hazards, pre-formulation of emergency plan and enhancement of training and rationalization of regulations. In order to ensure project quality, the Group pushed forward the standardization of every aspect of infrastructures construction process including design, construction, supervision and acceptance and further standardized the construction of wind power projects by enhancing construction of systems. In spite of the higher wind turbine price and more self-constructed power transmission lines, the project cost was under control due to more accurate cost management.

As at 31 December 2016, the consolidated installed capacity of the Group was 19,494 MW, among which, the consolidated installed capacity of the wind power, coal power and other renewable power business were 17,369 MW, 1,875 MW and 250 MW, respectively.

Geographical breakdown of the consolidated installed capacity of the Group's wind farms as of 31 December 2015 and 31 December 2016:

Region	As of 31 December 2016 (MW)	As of 31 December 2015 (MW)	Percentage of change
Heilongjiang	1,234.7	1,234.7	0.00%
Jilin	547.4	447.9	22.21%
Liaoning	1,003.2	1,003.2	0.00%
Inner Mongolia	2,635.8	2,585.8	1.93%
Jiangsu (onshore)	1,248.5	1,197.9	4.22%
Jiangsu (offshore)	480.3	480.3	0.00%
Zhejiang	227.9	227.9	0.00%
Fujian	665.1	522.1	27.39%
Hainan	99.0	99.0	0.00%
Gansu	1,289.8	1,289.8	0.00%
Xinjiang	1,541.3	1,391.3	10.78%
Hebei	1,170.1	1,170.1	0.00%
Yunnan	769.5	619.5	24.21%
Anhui	733.1	588.1	24.66%
Shandong	393.4	338.8	16.12%
Tianjin	132.0	132.0	0.00%
Shanxi	829.5	646.5	28.31%
Ningxia	724.7	724.7	0.00%
Guizhou	641.5	538.0	19.24%
Shaanxi	439.2	198.0	121.82%
Tibet	7.5	7.5	0.00%
Chongqing	149.5	149.5	0.00%
Shanghai	47.5	47.5	0.00%
Guangdong	75.74	25.74	194.25%
Hunan	48.0	–	–
Guangxi	95.5	–	–
Jiangxi	40.0	–	–
Canada	99.1	99.1	0.00%
Total	17,368.84	15,764.94	10.17%

4. Proportion of retail power transaction increased and tariffs decreased slightly

The average on-grid tariffs for overall power generation of the Group for 2016 amounted to RMB530 per MWh (value-added tax ("VAT") inclusive), representing a decrease of RMB21 per MWh as compared with the average on-grid tariffs of RMB551 per MWh (VAT inclusive) in 2015. The average on-grid tariffs for wind power amounted to RMB570 per MWh (VAT inclusive), representing a decrease of RMB21 per MWh as compared with RMB591 per MWh (VAT inclusive) in 2015, which was due to the Group's positive efforts in gaining electricity sales through rigorously calculated bids in provinces with severe grid curtailment in order to increase corporate profitability. The average on-grid tariffs for coal power amounted to RMB380 per MWh (VAT inclusive), representing a decrease of RMB39 per MWh as compared with the average on-grid tariffs for coal power of RMB419 per MWh (VAT inclusive) in 2015, which was mainly attributable to a reduction of on-grid tariffs of coal power enterprises in April 2015 and January 2016 respectively in Jiangsu Province.

5. Capital management concepts were enhanced to boost value creation

In 2016, in response to the complicated domestic and foreign currency markets, the Group (i) continued its intensified management and control of financings to raise the cash sweep ratio, and laid down an overall operation plan to optimise regional capital allocation and effectively lower financing costs; (ii) further reduced debt balance and capital cost, actively collected tariffs at lower-level business units, and properly made early repayment of loans, thus significantly reducing its financial expenses; and (iii) kept a close watch on domestic and foreign capital markets to further expand financing channels and varieties, successfully completed the registration of DFI (Debt Financing Instruments) and sought for low-cost capital within the country and abroad, including successful issuance of ultra-short-term debentures in 19 tranches, corporate bonds in 1 tranche and non-public targeted debt financing instruments in 2 tranches. Thanks to these efforts, the Group was able to maintain a leading position in respect of capital cost in the industry for the whole year.

6. Focused on technological innovation for serving the Company's development

In 2016, great breakthrough was achieved in the technological project of "Study on the Technology for Construction of Rock-socketed Single Pile Foundation for Wind Farms in Shallow Sea". The Group was the first to develop the offshore transition section-free single pile rock-socketed technology in the world. The development of critical construction equipment greatly improved construction efficiency and reduced project costs, and provided guarantee for complete sets of technologies as required for large scale development of offshore wind power in the south-east coastal areas of the PRC. The Group completed the construction of a big data platform for the wind power big data project initiated by the Group ahead of its domestic peers, and fulfilled the standardization of various information and the development of a number of production applications through the big-data technology-based data platform clustering, laying a solid foundation for the future management and technology upgrading of the Group. In 2016, the Group undertook the development of 9 wind power standards for the energy industry in China and 2 group standards for the Chinese Society for Electrical Engineering. In addition, throughout the year, the Group obtained 26 newly authorized patents, 23 software copyrights, as well as 4 Scientific Advance Prizes of Guodian Group. The Group continued to increase its support to science and technology projects which are of significance to the development of the Group's wind power business and launched 19 new research projects in 2016.

7. Based on the projects in operation and under construction while speeding up the progress of "Going-out"

No longer content to develop only in China, the Group formulated a layout for the cause of new energy with a strategic vision of globalization and managed to realize the "Going-out" of wind power, which made the Group the first state-owned power generation enterprise that invested in and constructed overseas wind power project. The Group's Canada-based subsidiary actively fulfilled its social responsibilities and established close ties with the local community and government. The project has shown satisfactory progress in power curve verification, noise monitoring, animal and plant monitoring, and maintained safe production for consecutive 762 days as of 31 December 2016. The wind farm project in South Africa has been proceeding steadily in civil work, electrical engineering, turbine assembly and transportation since the commencement of construction in 2015, with construction schedule, construction quality and cost maintained at manageable levels. The hoisting of the first wind turbine was smoothly completed on 28 September 2016. The concrete pouring of wind turbine foundation and hoisting of 51 out of a total of 163 wind turbines had been finished by the end of December 2016.

III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

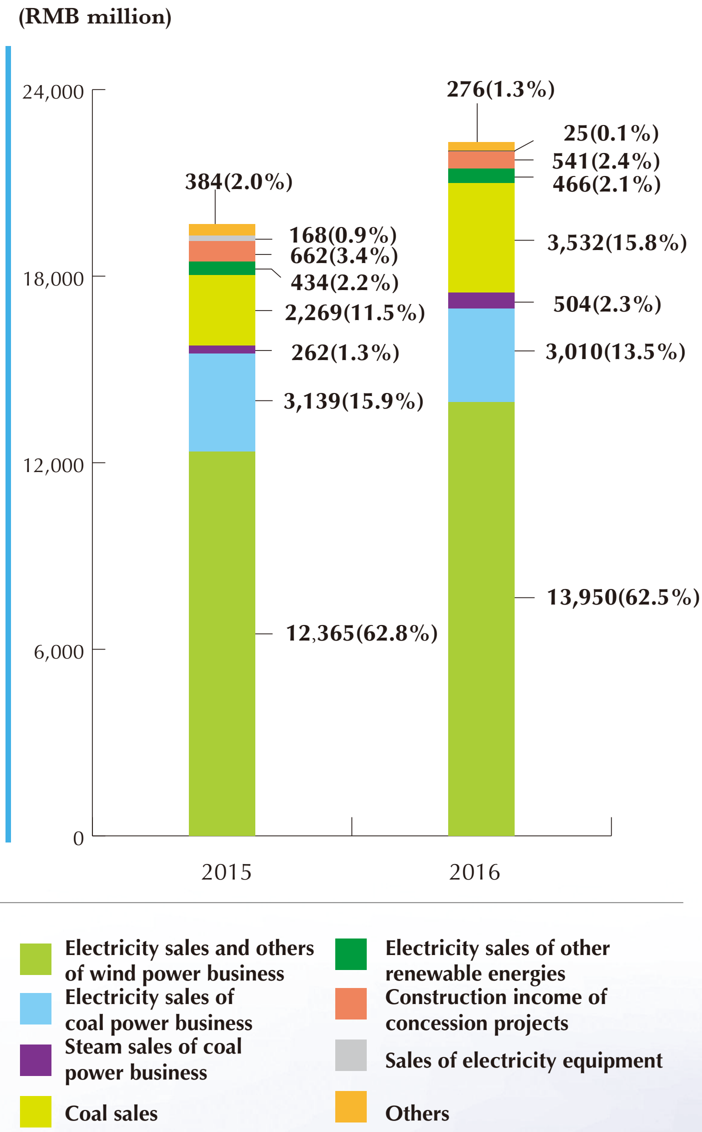
Profit or loss and other comprehensive income

In 2016, the net profit of the Group amounted to RMB4,490 million, representing an increase of 10.4% as compared to RMB4,068 million in 2015. Net profit attributable to equity holders of the Company amounted to RMB3,549 million, representing an increase of 23.3% as compared to RMB2,878 million in 2015. Earnings per share amounted to RMB42.50 cents, representing an increase of RMB6.68 cents as compared to RMB35.82 cents in 2015.

Operating revenue

Operating revenue of the Group amounted to RMB22,304 million in 2016, representing an increase of 13.3% as compared to RMB19,683 million in 2015. The increase in operating revenue was primarily due to: 1) an increase of RMB1,585 million, or 12.8%, in electricity sales and other revenue of wind power business to RMB13,950 million in 2016 as compared to RMB12,365 million in 2015; 2) an increase of 1,263 million, or 55.7%, in revenue from coal sales of coal power business to RMB3,532 million as compared to RMB2,269 million in 2015, which was primarily attributable to the increase in both sales volume and price of coal; 3) a decrease of RMB129 million, or 4.1%, in revenue from sales of electricity of coal power business to RMB3,010 million as compared to RMB3,139 million in 2015, which was primarily attributable to the downward adjustment to the benchmark tariff of electricity generated by desulphurization coal-fired power generating units by the PRC government in April 2015 and January 2016 respectively and the non-tax average tariff of coal power electricity decreased by RMB33 per MWh as compared to that in 2015; 4) an increase of RMB242 million, or 92.4%, in revenue from sales of steam of coal power business to RMB504 million as compared to RMB262 million in 2015, which was primarily attributable to the expansion of coverage of steam sales of the newly acquired heat sales companies; and 5) a decrease of RMB121 million, or 18.3%, in service concession construction revenue of wind power business to RMB541 million in 2016 as compared to RMB662 million in 2015, which was primarily attributable to the decrease in the construction volume of service concession projects under construction.

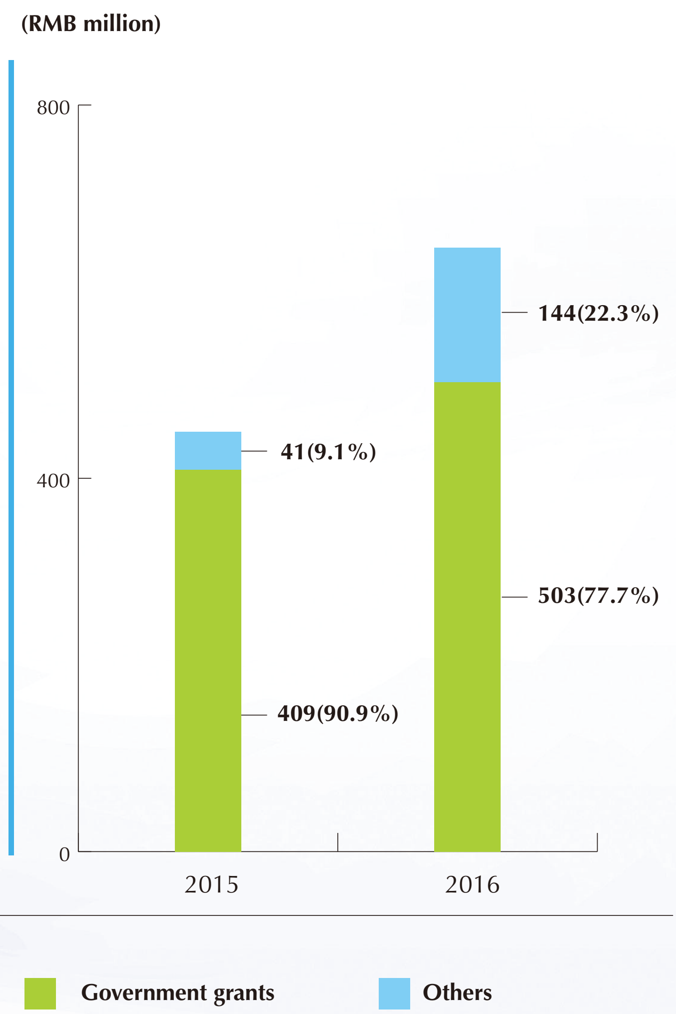
The operating revenue of each segment and their respective proportions are set out in the diagram below:



Other net income

Other net income of the Group amounted to RMB647 million in 2016, representing an increase of 43.8% as compared to RMB450 million in 2015 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 RMB503 million in 2016, representing an increase of RMB94 million as compared to that in 2015; and 2) the gain from the penalty income from wind turbine suppliers in 2016 amounted to RMB115 million, representing an increase of RMB111 million as compared to the similar gain of RMB4 million in 2015.

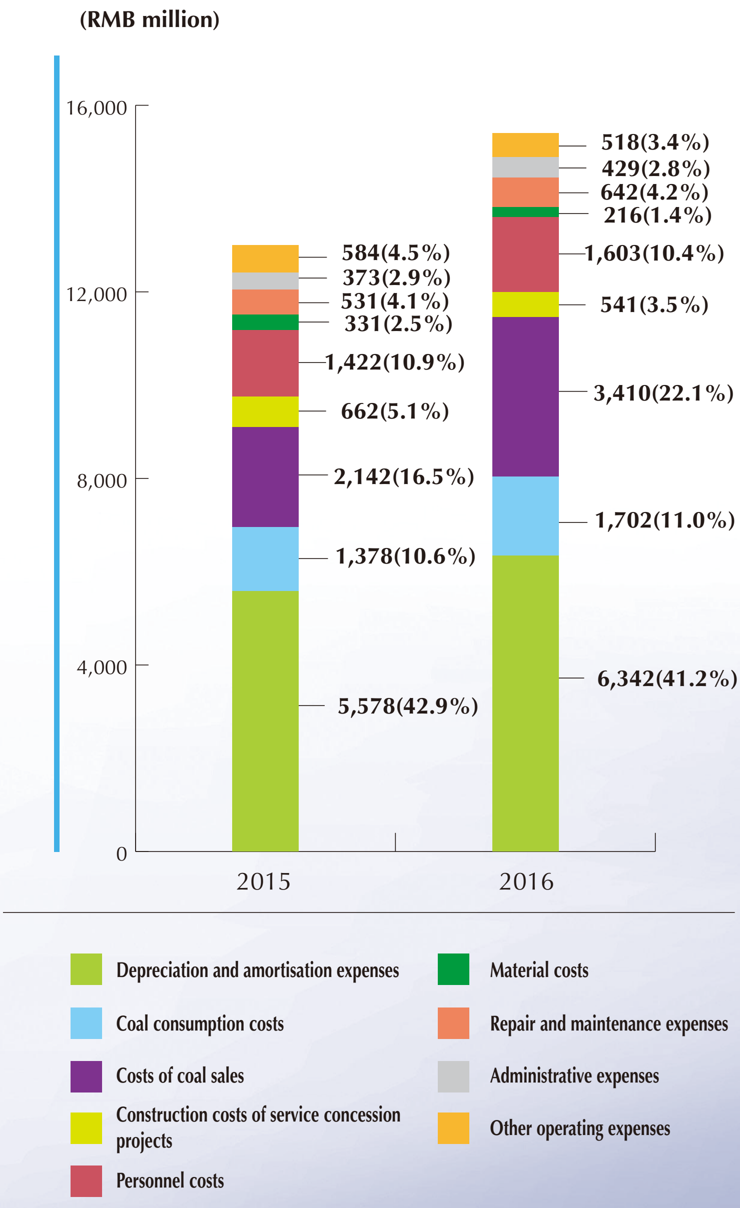
The breakdown of other net income items and their respective proportions are set out in the diagram below:



Operating expenses

Operating expenses of the Group amounted to RMB15,403 million in 2016, representing an increase of 18.5% as compared to RMB13,001 million in 2015, primarily due to the increase in the depreciation and amortisation expenses of the wind power business and the increase in the coal consumption costs and coal sales costs in the coal power business.

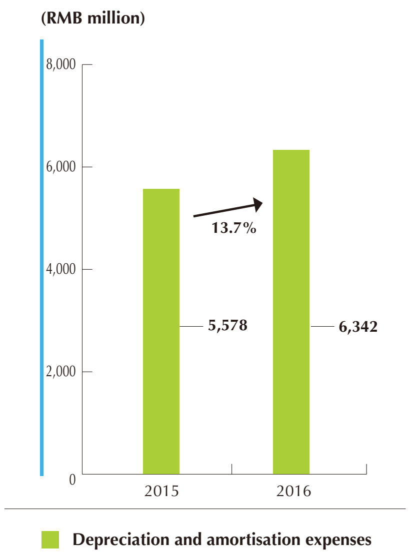
Operating expenses items and their respective proportions are set out in the diagram below:



Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB6,342 million in 2016, representing an increase of 13.7% as compared to RMB5,578 million in 2015, primarily due to an increase of RMB780 million, or 15.5%, in depreciation and amortisation expenses of wind power business over 2015 as a result of expansion in the installed capacity of wind power projects.

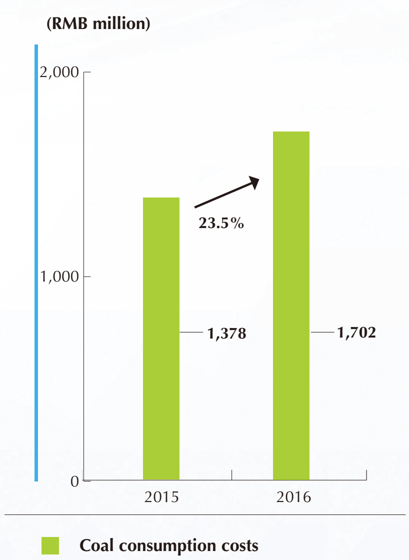
The depreciation and amortisation expenses are set out in the diagram below:



Coal consumption costs

The coal consumption costs of the Group amounted to RMB1,702 million in 2016, representing an increase of 23.5% as compared to RMB1,378 million in 2015. The main reasons are as follows: 1) an increase of approximately 10.2% in the average unit price of standard coal for power and steam generation in line with the increase in the price of coal in 2016; and 2) an increase of approximately 12.1% in the coal consumption as a result of the increase in power and steam generation.

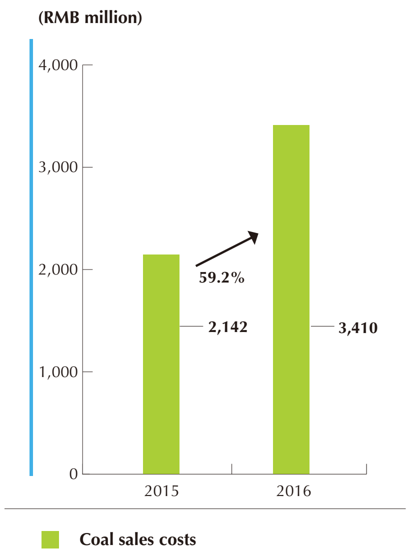
The coal consumption costs are set out in the diagram below:



Coal sales costs

The coal sales costs of the Group in 2016 amounted to RMB3,410 million, representing an increase of 59.2% as compared to RMB2,142 million in 2015. The main reasons are as follows: 1) an increase of approximately 15.5% in the average procurement price of coal for the year of 2016; and 2) an increase of approximately 37.7% in the sales volume of coal as compared with that of 2015.

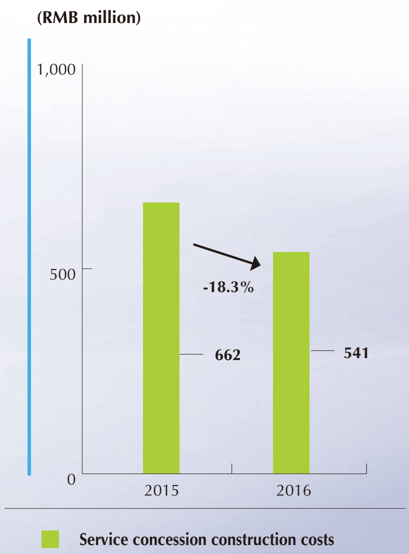
The coal sales costs are set out in the diagram below:



Service concession construction costs

The Group's service concession construction costs in 2016 amounted to RMB541 million, representing a decrease of 18.3% as compared to RMB662 million in 2015, primarily due to a decrease in the construction volume of service concession projects under construction in 2016 as compared with that of 2015.

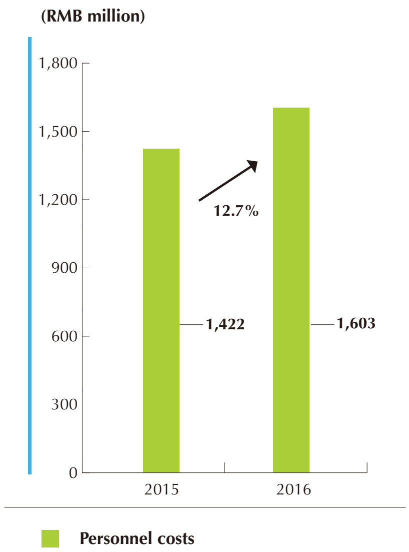
The service concession construction costs are set out in the diagram below:



Personnel costs

Personnel costs of the Group amounted to RMB1,603 million in 2016, representing an increase of 12.7% as compared to RMB1,422 million in 2015. The main reasons are as follows: 1) an increase in headcounts as a result of the Group's expansion; 2) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation; and 3) the fact that remuneration distribution laid 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.

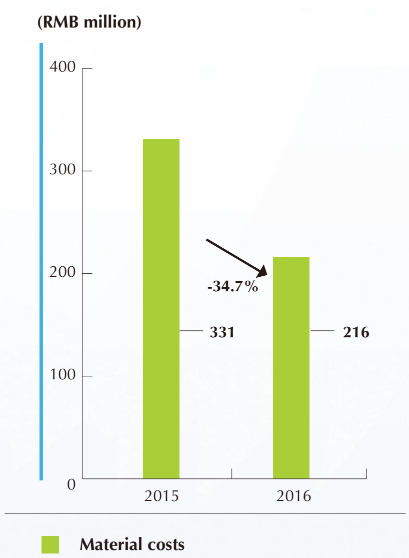
The personnel costs are set out in the diagram below:



Material costs

Material costs of the Group amounted to RMB216 million in 2016, representing a decrease of 34.7% as compared to RMB331 million in 2015, which was primarily due to the decrease in material costs as a result of the decrease in external sales volume of products of the Group's subsidiary Longyuan (Beijing) Wind Power Projects Technology Co., Ltd. (龍源(北京)風電工程技術有限公司).

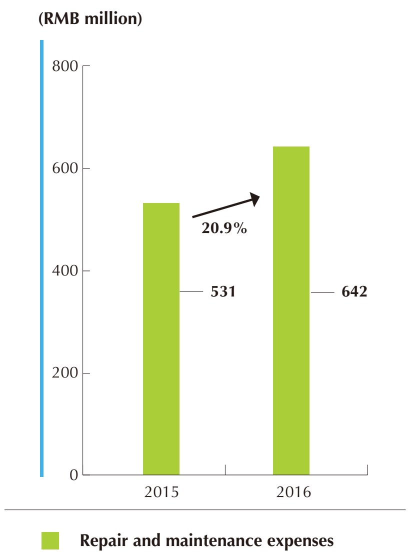
The material costs are set out in the diagram below:



Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB642 million in 2016, representing an increase of 20.9% as compared to RMB531 million in 2015, mainly due to: 1) the increase in repair and maintenance expenses incurred by the wind power business as a result of the increase in wind power turbines; and 2) the increase in repair and maintenance expenses incurred by the coal power business due to overhaul of certain generating units and normative governance of on-site safety and civilized production of coal power plants in 2016.

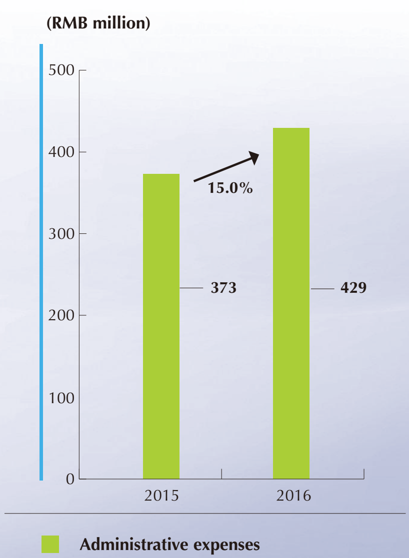
The repair and maintenance expenses are set out in the diagram below:



Administrative expenses

Administrative expenses of the Group amounted to RMB429 million in 2016, representing an increase of 15.0% as compared to RMB373 million in 2015. Such increase was primarily due to the increase in the lease and property fees, office allowances, transportation fees, etc. incurred by the establishment of more subsidiaries resulting from the business growth of the Group.

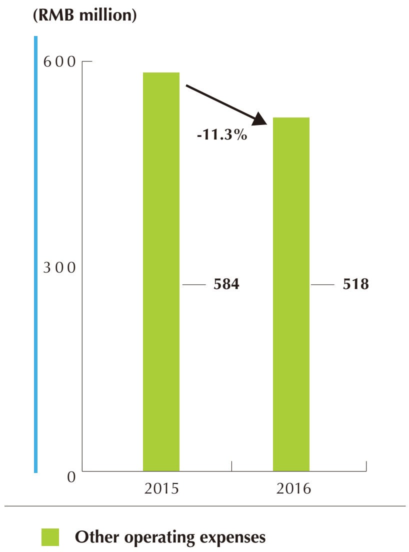
The administrative expenses are set out in the diagram below:



Other operating expenses

Other operating expenses of the Group amounted to RMB518 million in 2016, representing a decrease of 11.3% as compared to RMB584 million in 2015. The main reasons are as follows: 1) the reversal of provision for impairment of assets of RMB94 million incurred by disposal of Guodian Jiansanjiang and Guodian Tangyuan in 2016; and 2) 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.

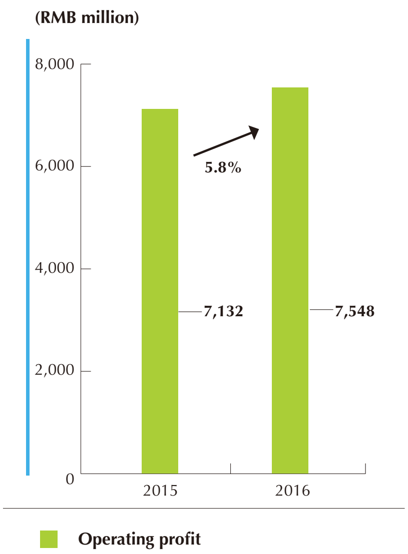
The other operating expenses are set out in the diagram below:



Operating profit

In 2016, the operating profit of the Group amounted to RMB7,548 million, representing an increase of 5.8% as compared to RMB7,132 million in 2015. The main reasons are as follows: 1) the operating profit of the wind power business amounted to RMB6,609 million in 2016, representing an increase of RMB617 million, or 10.3%, from RMB5,992 million in 2015. 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 RMB896 million in 2016, representing a decrease of RMB237 million, or 20.9%, as compared to RMB1,133 million in 2015, which was primarily attributable to the decreased gross profit margin of electricity sales business resulting from the decrease in unit price of electricity sales and the increase in coal consumption costs of coal power business as compared to 2015; 3) the reversal of provision for impairment of assets of RMB94 million incurred by disposal of Guodian Jiansanjiang and Guodian Tangyuan in 2016; and 4) the decreased gross profit margin of the external sales of electricity equipment, design consultancy and engineering procurement construction ("EPC") of other business in 2016.

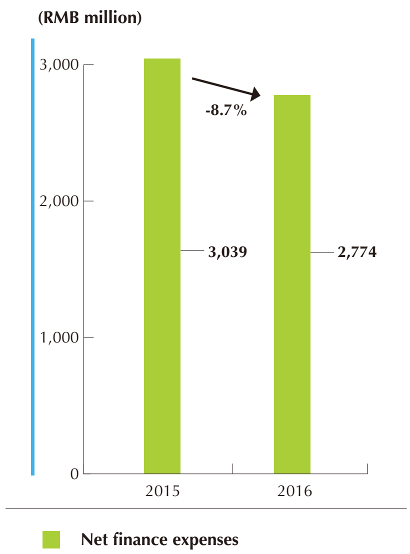
Operating profit is set out in the diagram below:



Net finance expenses

The net finance expenses of the Group amounted to RMB2,774 million in 2016, representing a decrease of 8.7% as compared to RMB3,039 million in 2015. The main reasons are as follows: 1) the interest expenses amounted to RMB2,738 million in 2016, representing a decrease of RMB70 million as compared to that of RMB2,808 million in 2015 as the People's Bank of China lowered the benchmark loan rate; 2) the Group's net foreign exchange losses amounted to RMB54 million in 2016, representing a decrease of RMB345 million as compared to the net foreign exchange losses of RMB399 million in 2015; 3) the losses on changes in fair value amounting to RMB63 million from the trading securities and derivative financial instruments held by the Group in 2016 increased by RMB83 million as compared with the gain on changes in fair value amounting to RMB20 million in 2015; and 4) the interest income from bank deposits and from loans provided to related parties decreased and bank charges and others increased in 2016.

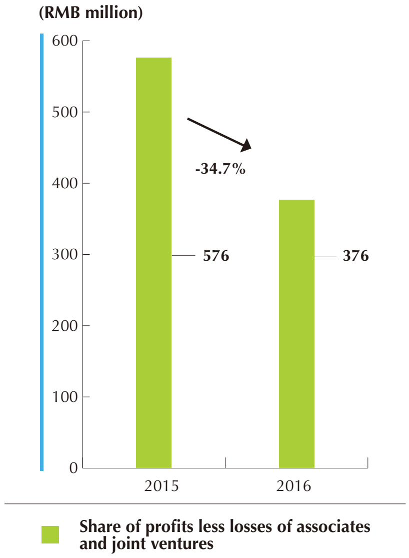
The net finance expenses are set out in the diagram below:



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 RMB376 million in 2016, representing a decrease of 34.7% as compared to RMB576 million in 2015, which was mainly due to the declining operating results of Jiangsu Nantong Power Generation Co., Ltd. (江蘇南通發電有限公司), a joint venture, in 2016 as compared to that in 2015.

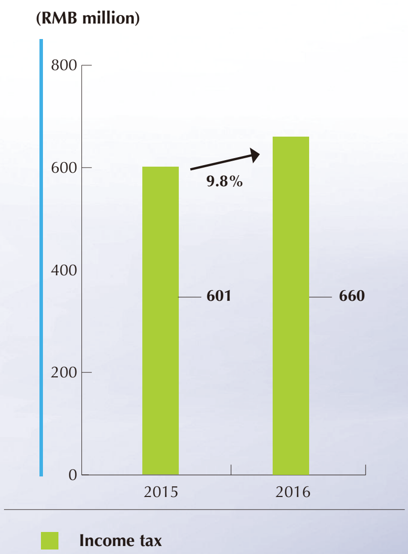
The share of profits less losses of associates and joint ventures is set out in the diagram below:



Income tax

Income tax of the Group amounted to RMB660 million in 2016, representing an increase of 9.8% as compared to RMB601 million in 2015, which was mainly due to the increase in profit before tax in 2016.

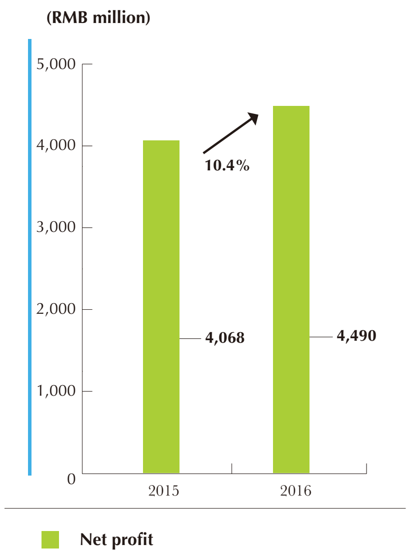
The income tax is set out in the diagram below:



Net profit

In 2016, the net profit of the Group amounted to RMB4,490 million, representing an increase of 10.4% as compared to RMB4,068 million in 2015, mainly attributable to: the increase of RMB617 million in operating profit of wind power business as compared to that in 2015; the decrease of RMB237 million in operating profit of coal power business as compared to that in 2015; and the reversal of provision for impairment of assets of RMB94 million incurred by disposal of Guodian Jiansanjiang and Guodian Tangyuan in 2016.

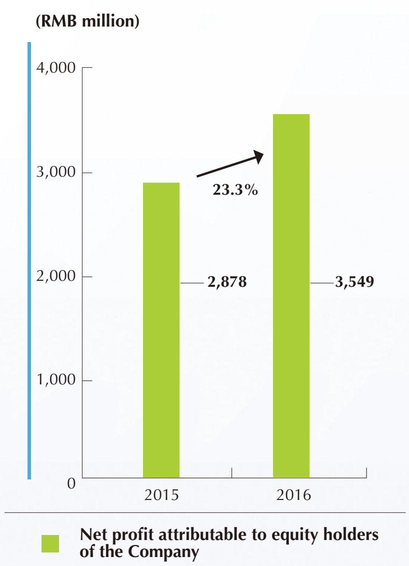
The net profit is set out in the diagram below:



Net profit attributable to equity holders of the Company

In 2016, net profit attributable to equity holders of the Company amounted to RMB3,549 million, representing an increase of 23.3% as compared to RMB2,878 million in 2015, mainly attributable to the increase in net profit from wind power business and other segments, 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:



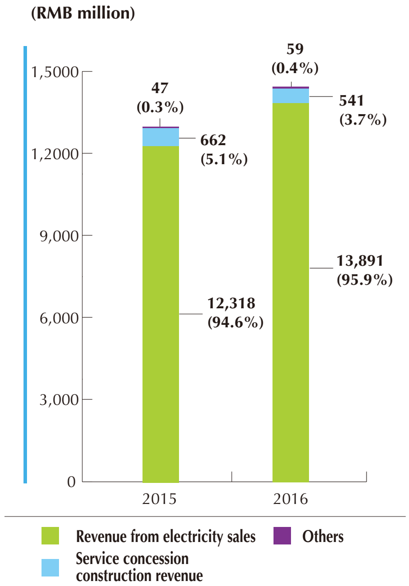
Segment results of operations

Wind power business

Operating revenue

In 2016, the operating revenue of the wind power business of the Group amounted to RMB14,491 million, representing an increase of 11.2% from RMB13,027 million in 2015, 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.

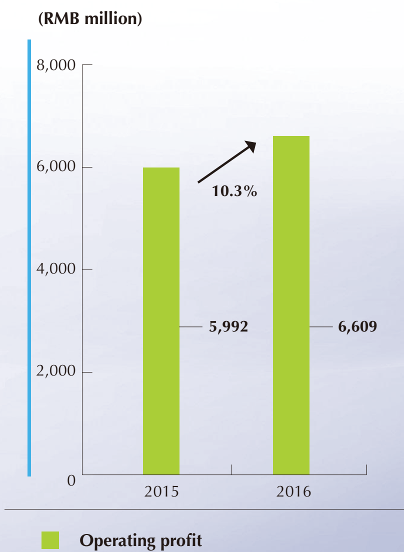
Operating revenue of the wind power business and proportions are set out in the diagram below:



Operating profit

In 2016, the operating profit of the wind power business of the Group amounted to RMB6,609 million, representing an increase of 10.3% as compared to RMB5,992 million in 2015, which was mainly due to the increase in the wind power installed capacity of the Group.

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

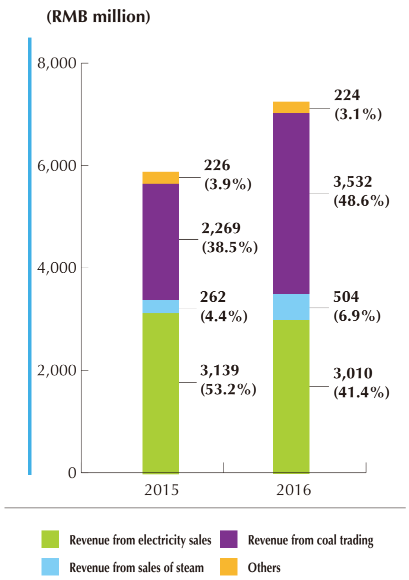


Coal power business

Operating revenue

In 2016, operating revenue of our coal power business of the Group amounted to RMB7,270 million, representing an increase of 23.3% as compared to RMB5,896 million in 2015, primarily attributable to: 1) the revenue from sales of electricity and steam of coal power business increased by RMB113 million in 2016 as compared to 2015; and 2) the increase of RMB1,263 million in the revenue from sales of coal trading as a result of the increase of sales volume and unit selling price of coal.

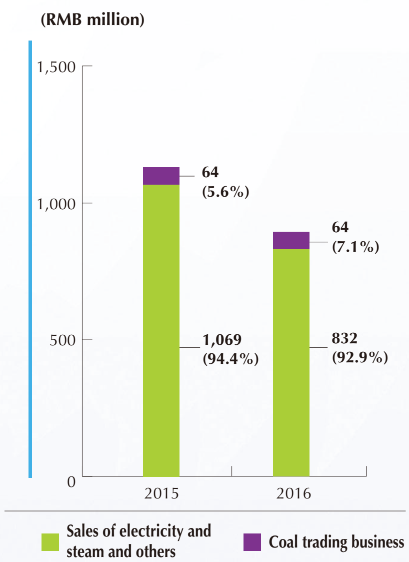
Operating revenue of the coal power business and proportions are set out in the diagram below:



Operating profit

In 2016, operating profit of our coal power business amounted to RMB896 million, representing a decrease of 20.9% as compared to RMB1,133 million in 2015, which was mainly attributable to the decrease of the gross profit margin of sales of electricity as compared with 2015, as a result of decreasing average sales price of electricity and rising unit price of coal; and the increase in gross profit of steam sales business due to the increase in sales volume and price of steam.

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

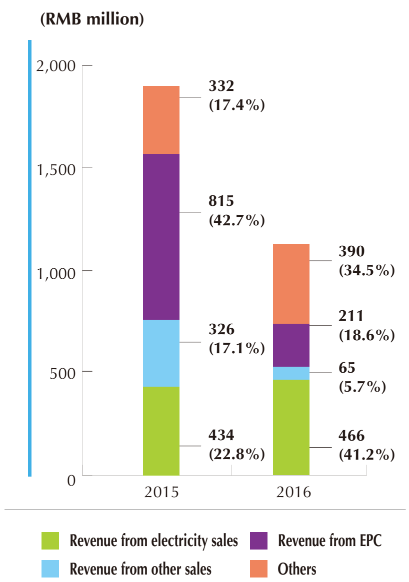


Other segments

Operating revenue

In 2016, the operating revenue of other segments amounted to RMB1,132 million, representing a decrease of 40.6% as compared to RMB1,907 million in 2015. The main reasons are as follows: 1) revenue from EPC under other segments amounted to RMB211 million in 2016, among which the intergroup revenue decreased by RMB561 million, representing a decrease of RMB604 million as compared to that in 2015; and 2) revenue from sales of electricity equipment and bidding services under other segments decreased in 2016.

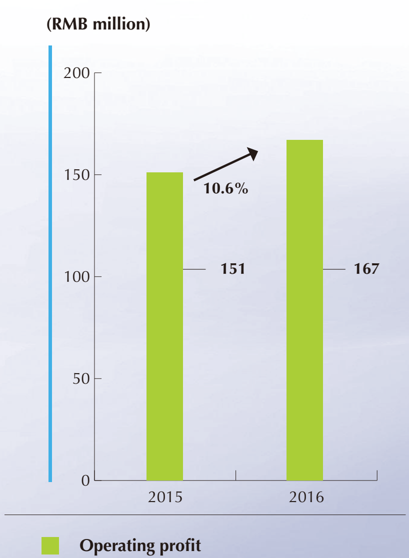
Operating revenue of other segments and proportions are set out in the diagram below:



Operating profit

In 2016, the operating profit of other segments of the Group amounted to RMB167 million, representing an increase of 10.6% as compared to RMB151 million in 2015, which was primarily attributable to: 1) the reversal of provision for impairment of assets of RMB94 million incurred by disposal of Guodian Jiansanjiang and Guodian Tangyuan in 2016, while there was no similar income in 2015; and 2) the decreasing gross profit margin of design consultancy services and EPC services under other segments.

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



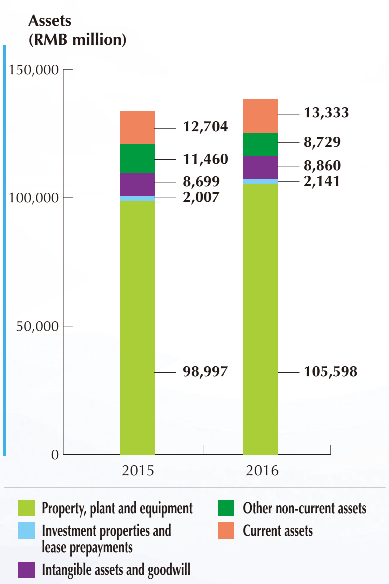
Assets and liabilities

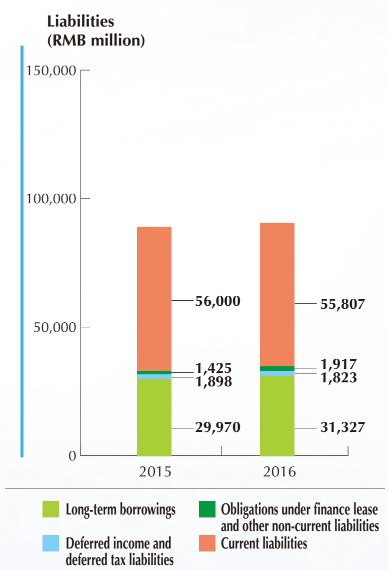
As at 31 December 2016, total assets of the Group amounted to RMB138,661 million, representing an increase of RMB4,794 million as compared with total assets of RMB133,867 million as at 31 December 2015. This was primarily due to: 1) an increase of RMB4,165 million in non-current assets including property, plant and equipment; and 2) an increase of RMB629 million in current assets including receivables.

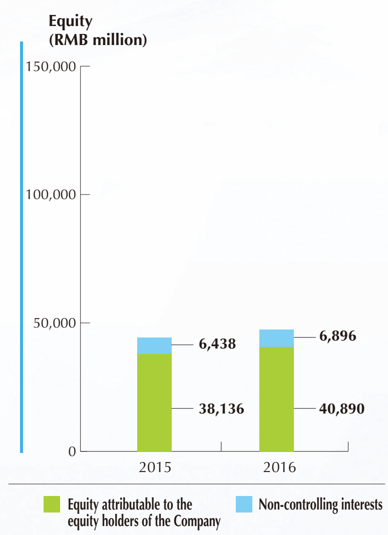
As at 31 December 2016, total liabilities of the Group amounted to RMB90,874 million, representing an increase of RMB1,581 million as compared to total liabilities of RMB89,293 million as at 31 December 2015. This was primarily due to an increase of RMB1,774 million in non-current liabilities including long-term borrowings and a decrease of RMB193 million in current liabilities including short-term borrowings.

As at 31 December 2016, equity attributable to equity holders of the Company amounted to RMB40,890 million, representing an increase of RMB2,754 million as compared with RMB38,136 million as at 31 December 2015.

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



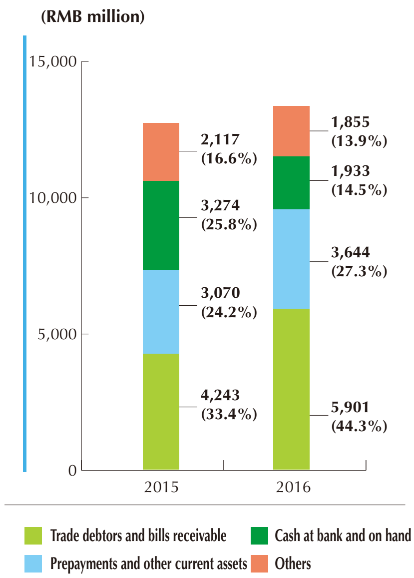




Capital liquidity

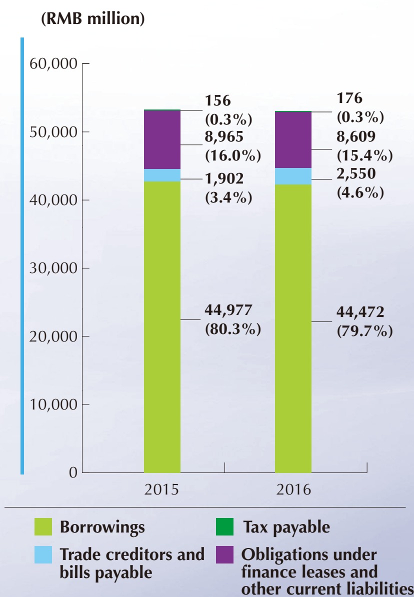
As at 31 December 2016, current assets of the Group amounted to RMB13,333 million, among which, RMB1,933 million was cash at bank and on hand; RMB5,901 million was trade debtors and bills receivable primarily consisted of receivables from sales of electricity; RMB3,644 million was prepayments and other current assets primarily consisted of deductible VAT and advances.

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



As at 31 December 2016, current liabilities of the Group amounted to RMB55,807 million, including RMB2,550 million of trade creditors and bills payable (primarily consisting of payables for purchase of coal fuels and spare parts), RMB8,609 million of obligations under finance leases and other current liabilities (primarily consisting of payables for construction of wind power projects and related retention payables), and RMB44,472 million of short-term borrowings.

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



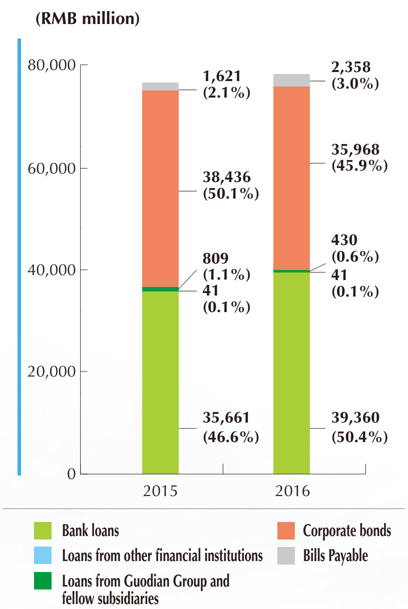
As at 31 December 2016, net current liabilities of the Group amounted to RMB42,474 million, representing a decrease of RMB822 million as compared with RMB43,296 million as at 31 December 2015. The liquidity ratio was 0.24 as at 31 December 2016, representing an increase of 0.01 as compared with the liquidity ratio of 0.23 as at 31 December 2015.

Restricted deposits amounted to RMB28 million, mainly including deposits for bills.

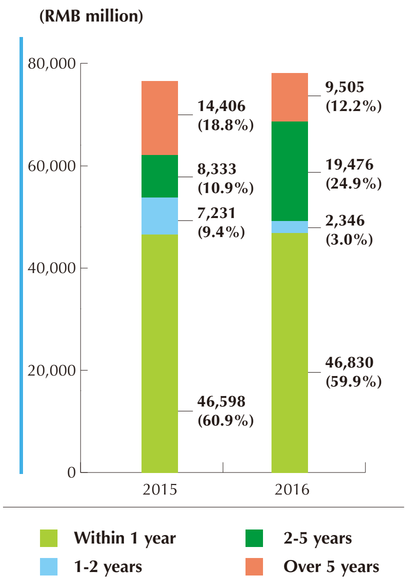
Borrowings and bills payable

As at 31 December 2016, the Group's balance of the borrowings and bills payable amounted to RMB78,157 million, representing an increase of RMB1,589 million as compared with the balance of the borrowings and bills payable of RMB76,568 million as at 31 December 2015. As at 31 December 2016, the Group's outstanding borrowings and bills included short-term borrowings and bills payable of RMB46,830 million (including long-term borrowings due within one year of RMB7,390 million and bills payable of RMB2,358 million) and long-term borrowings amounting to RMB31,327 million (including debentures payable of RMB14,109 million). The abovementioned borrowings included borrowings denominated in Renminbi of RMB67,489 million, borrowings denominated in U.S. dollars of RMB6,550 million and borrowings denominated in other foreign currencies of RMB1,760 million. As at 31 December 2016, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB276 million and corporate bonds with fixed interest rates of RMB14,109 million. As at 31 December 2016, the balance of bills payable issued by the Group amounted to RMB2,358 million.

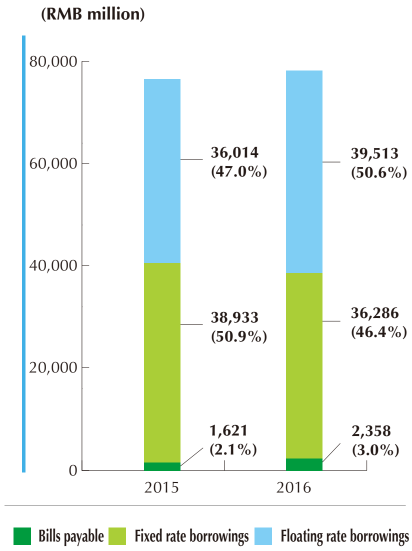
Borrowings and bills payable by category and proportions are set out in the diagram below:



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



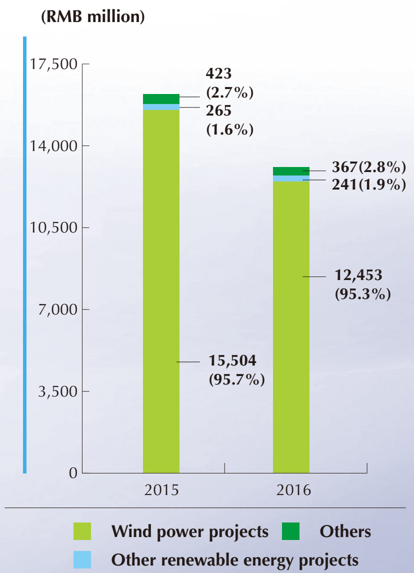
The types of interest rate structure of borrowings and bills payable and their respective proportions are set out in the diagram below:



Capital expenditures

The capital expenditures of the Group amounted to RMB13,061 million in 2016, representing a decrease of 19.3% as compared with RMB16,193 million in 2015, among which, the expenditures for the construction of wind power projects amounted to RMB12,453 million, and the expenditures for the construction of other renewable energy projects amounted to RMB241 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 2016, the net gearing ratio of the Group, which is calculated by dividing net debt (total borrowings and obligations under finance leases less cash and cash equivalents) by the sum of net debt and total equity, was 60.89%, representing a decrease of 0.89 percentage points from 61.78% as at 31 December 2015. This was primarily because the increase in debt scale was less than the increase in total equity of the Group in 2016 as a result of increase in the Group's retained earnings this year.

Major investments

The Group made no major investment in 2016.

Material acquisitions and disposals

In 2016, the Group completed acquisitions of 52% equity interests in Shanxi Jinke and 100% assets of Shenchi Liugou Wind Power Construction Project from Guodian Shanxi Jieneng; transfers of 100% equity interests in Guodian Tangyuan and 100% equity interests in Guodian Jiansanjiang.

Pledged assets

As at 31 December 2016, the Group had no pledged equipment to secure bank loans.

Contingent liabilities/Guarantees

As at 31 December 2016, the Group provided a guarantee of RMB24 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 2016, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB9 million.

Cash flow analysis

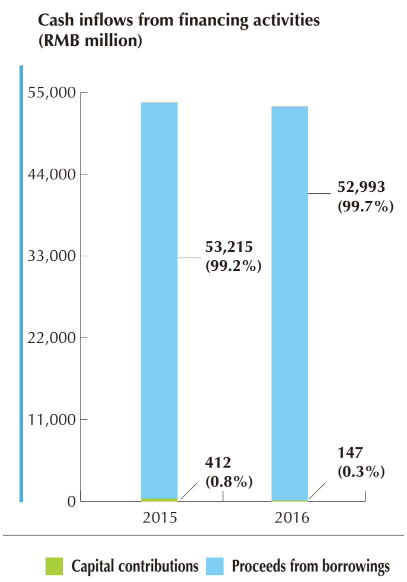
As at 31 December 2016, cash at bank and on hand held by the Group amounted to RMB1,901 million, representing a decrease of RMB986 million as compared with RMB2,887 million as at 31 December 2015. The principal sources of funds of the Group mainly include cash inflow generated from operating activities, the issuance of corporate bonds and bank loans. The Group mainly used the funds for the construction of projects, repayment of borrowings and dividends distribution.

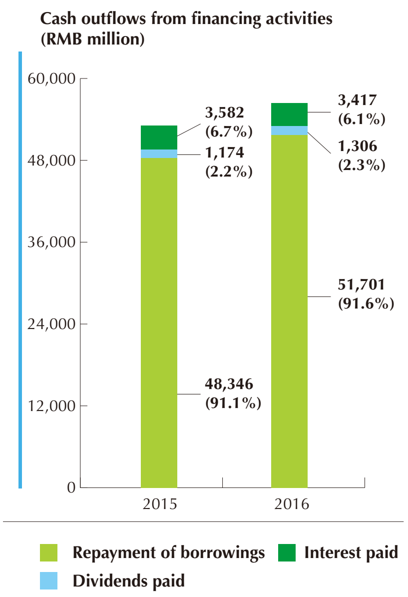
The net cash inflow of the Group's operating activities amounted to RMB13,533 million in 2016, among which the cash inflow was primarily attributable to revenue from sales of electricity. The cash outflow was mainly attributable to purchase of fuels and spare parts, various taxation payments and operating expenses. The net cash inflow of the Group's operating activities in 2016 decreased by 17.0% as compared with that of RMB16,307 million in 2015, mainly due to 1) the increase in receivables in the year; and 2) the increase in the purchase of coal arising from the rise in coal price.

The net cash outflow from investing activities of the Group for 2016 was RMB11,209 million. The cash outflow for investment activities were mainly used for the construction of wind power projects.

The net cash outflow from financing activities of the Group for 2016 was RMB3,284 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 in the diagrams 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 2016, in most provinces (including municipalities and autonomous regions), the annual average wind speed at a height of 70 meter over land was around the average for previous years, in which 4 provinces (including municipalities), namely Shanghai, Jiangsu, Shandong and Hainan had a lower wind speed and 7 provinces (including municipalities and autonomous regions), namely Chongqing, Guangxi, Shanxi, Hubei, Heilongjiang, Sichuan and Shaanxi witnessed a higher wind speed. The Group has put wind power projects into operation in 26 provinces (including municipalities). In response to the risks brought about by the inter-annual variation of wind speed, the Group will continue to optimize 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. Due to the low power load in the society and unreasonable grid connection structure in certain districts, the situation of grid curtailment is not optimistic. The Group will continue to 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 to capture market share of power generation. Internally, it will strengthen production and operation management, optimize 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 remains 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 attaches great importance to monitoring and analysis of the risk in the foreign exchange rate, keeps close contact with domestic and international financial institutions in terms of businesses relating to exchange rate and effectively takes exchange rate protection measures. For example, in 2016, through locking the US dollar-denominated bonds by virtue of cross-currency swap (CCS) of the bonds, the Group hedged against foreign exchange losses. 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 Group 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. Under the new policy of the state including de-capacity and de-stocking, some coal companies limited their output or suspended production, thus leading to a tighter coal supply, which may lead to the coal price lingering at a high level. The Group enhances its analysis and judgment of the coal market in a continuous manner, makes in-depth analysis and research on the trends of coal and transportation as well as the changes in prices, adjusts its purchasing strategy accordingly, and maintains reasonable inventory leveraging on the domestic and foreign markets, thus minimizing the risk in fuel prices.

V. OUTLOOK IN 2017

Outlook for Domestic and Overseas Environment for Operation

Domestically, President Xi Jinping officially submitted the ratification instruments for the Paris Agreement to the United Nations at the Hangzhou G20 Summit in September 2016. According to China's commitments to the international community, there are great development potentials for wind power. Moreover, the NDRC published the Thirteenth Five-year Plan for the Development of Wind Power Sector in November 2016, which specifies the development goals of China for the wind power industry during the Thirteenth Five-year period. According to the plan, by the end of 2020, the cumulative grid-connected installed capacity of wind power across the country will exceed 210 GW, in which the grid-connected installed capacity of offshore wind power projects will reach at least 5,000 MW; and the annual power generation of wind power should reach 420 billion kWh, representing approximately 6% of the total power generation in the PRC. Thanks to the strong support from the government, the favorable policies to the wind power industry have been launched successively. The Thirteenth Five-year period has brought about not only the development opportunities for the renewable energy sector, but also the unprecedented severe challenges. As the new strategic layout of the PRC has been in full swing, its economic growth is gearing down and its energy structure is being adjusted at a faster speed, the guiding role of the power market has been strengthened and the control over investments in power projects has been tightened, the competitions in the wind power sector is becoming fiercer. In addition, the development situations of wind power have become more complicated due to a series of unfavorable factors such as inevitable decrease in tariffs, continued deterioration in wind power curtailment, insufficient coordination among different development conditions of wind power, and various complex interests and contradictions involved, which severely impacted the sustainable development of the wind power sector.

As a global wind power developer and operator, the Group is embracing three major opportunities when operating its overseas business: 1) 195 countries in the world reached an agreement on the Paris Agreement at the Paris Climate Change Conference in 2015, and had established a consensus on green growth, which promoted the development of new energy sector in these countries, and provided new room for the "Going-out" strategy of the Group; 2) the "One Belt One Road" initiative and the "Going-out" strategy proposed by the PRC government have become the important measures in China's foreign relations, which provided great support for the Group to expand into the overseas markets; and 3) the continuing innovation in new energy technologies helped to sharpen the new energy's competitiveness against the traditional energy, and enlarged the development scope of the new energy resources. Overall, the new energy enterprises in China are facing a scarce window period and opportunity period for them to "Going-out".

The Operation Targets of the Company in 2017

In 2017, the general business guidelines of the Company are that: while firmly upholding the overall work focus of "progress and improvement in stabilisation", we, under the guidance of "One, Five and Five" strategy of Guodian Group, will adhere to the idea of "quality, beneficial and sustainable development by virtue of advantages" in implementation of the "To build a long-lasting Longyuan" strategy ("百年龍源戰略") in an innovative manner. We will vigorously carry out the "year for corporate governance" in strict accordance with the law and concentrate on quality and efficiency enhancement to accomplish the objectives and tasks for the year.

To be specific, in 2017, the Company will endeavor to achieve the following objectives:

1. On the basis of quality and efficiency enhancement, we will consolidate the base for production safety and exert more effort in "Capturing Every Single kWh of Electricity (度電必爭)". We will reinforce assets operation and management and prevent and control operational risks in an all-rounded way to improve and upgrade stock assets on a continued basis.

2. With the construction of first-class wind farms as the focus, we will maximise the input effort in preliminary work, and steadily develop onshore and offshore high quality resources and implement the "Going-out" strategy; We will vigorously build upgraded new wind farms in accordance with the "four-high and four-excellent" standards to build first-rated assets.

3. With an aim to build a modern enterprise system, we will innovate the management system and mechanism and strengthen the construction of first-rated teams while implementing the innovation-driven strategy, so as to comprehensively propel the construction of an international first-rated new energy company.

4. Under the guidance of corporate governance in strict accordance with the law, we will adopt rules of law in governance and keep on improving the Company's capacities in terms of systematic and compliant operation and corporate governance in accordance with the law. We will change our ideology and give priority to disciplines to practically enhance the awareness of integrity in work. To guarantee corporate sustainability and sound development, we have to improve the Company's overall management and control level by strictly following the procedures and systems.

5. It is fundamental to give full play to the role of staff. We will intensify the construction of corporate culture and brand, vigorously implement people-benefiting projects and enrich group activities to continuously enhance staff's satisfaction and happiness, striving to build a harmonious and happy Longyuan.

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 2016 (the "Financial Statements").

BOARD MEETINGS

During the reporting period, 7 Board meetings were held and 30 resolutions of the Board were approved by the Company:

1) The 2016 first meeting of the third session of the Board was held on 22 March 2016, during which 20 resolutions were considered and approved.

2) The 2016 second meeting of the third session of the Board was held on 28 April 2016, during which 2 resolutions were considered and approved.

3) The 2016 third meeting of the third session of the Board was held on 17 June 2016, during which 2 resolutions were considered and approved.

4) The 2016 fourth meeting of the third session of the Board was held on 9 August 2016, during which 2 resolutions were considered and approved.

5) The 2016 fifth meeting of the third session of the Board was held on 12 October 2016, during which 2 resolutions were considered and approved.

6) The 2016 sixth meeting of the third session of the Board was held on 25 October 2016, during which 1 resolution was considered and approved.

7) The 2016 seventh meeting of the third session of the Board was held on 11 November 2016, during which 1 resolution was 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 *(Note 1)*	Chairman of the Board and Non-executive Director	7/7	100%
Wang Baole *(Note 2)*	Non-executive Director	7/7	100%
Luan Baoxing *(Note 3)*	Non-executive Director	3/3	100%
Yang Xiangbin *(Note 4)*	Non-executive Director	3/3	100%
Shao Guoyong *(Note 5)*	Former Non-executive Director	0/4	0%
Chen Jingdong *(Note 6)*	Former Non-executive Director	4/4	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%

Notes:

1. During the year ended 31 December 2016, the Company held a total of seven Board meetings, in respect of three of which, Mr. Qiao Baoping was a connected Director and therefore abstained from voting on relevant resolutions in such three meetings.

2. During the year ended 31 December 2016, the Company held a total of seven Board meetings, in respect of three of which, Mr. Wang Baole was a connected Director and therefore abstained from voting on relevant resolutions in such three meetings.

3. Mr. Luan Baoxing was appointed as a non-executive Director on 12 August 2016. Subsequent to his appointment, three Board meetings of the Company were held for the year ended 31 December 2016, in respect of two of which, he was a connected Director and therefore abstained from voting on relevant resolutions in such two meetings.

4. Mr. Yang Xiangbin was appointed as a non-executive Director on 12 August 2016. Subsequent to his appointment, three Board meetings of the Company were held for the year ended 31 December 2016, in respect of two of which, he was a connected Director and therefore abstained from voting on relevant resolutions in such two meetings.

5. Mr. Shao Guoyong resigned as a non-executive Director on 12 August 2016. Prior to his resignation, four Board meetings of the Company were held for the year ended 31 December 2016. Mr. Shao Guoyong did not attend such four meetings due to some reasons, and had signed the proxy forms to authorize Mr. Qiao Baoping, the Chairman, to vote on his behalf.

6. Mr. Chen Jingdong resigned as a non-executive Director on 12 August 2016. Prior to his resignation, four Board meetings of the Company were held for the year ended 31 December 2016.

Save as disclosed above, during the year of 2016, 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 at 31 December 2016, 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 35(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 2016.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association 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 2016, the Group earnestly followed and implemented relevant laws and regulations, including 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 CPC Central Committee and the State Council, the Comprehensive Division of the NEA and the NDRC, respectively. The Group strictly abided by relevant laws and regulations and was not subject to any punishment in 2016.

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 Environmental, Social and Governance Report. For the relations between the Company and its employees, customers and suppliers, please refer to the sections headed Environmental, Social and Governance Report and Corporate Governance Report.

PERFORMANCE

The audited results of the Company and its subsidiaries for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 190 to 191. The financial position of the Company and its subsidiaries as of 31 December 2016 is set out in the consolidated balance sheet on pages 192 to 194. The cash flow of the Company and its subsidiaries for the year ended 31 December 2016 is set out in the consolidated statement of cash flows on pages 197 to 199.

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 Discussion and Analysis on pages 26 to 71 of this annual report.

PROFIT DISTRIBUTION

The Board recommends to distribute a final dividend of RMB0.0850 per share (tax inclusive) in cash to the Shareholders for the year ended 31 December 2016. The abovementioned dividend will be subject to Shareholders' approval at the Annual General Meeting of the Company to be held on Tuesday, 20 June 2017, and is expected to be paid on Monday, 21 August 2017. 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 2016 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 (香港中央結算(代理人)有限公司), 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.

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 depositary and clearing system.

The cash dividends for the investors of H Shares of Southbound Trading will be paid in Renminbi whilst that paid to holders of Domestic Shares and holders of H shares will be in Renminbi and in Hong Kong dollar 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 35(a) to the Financial Statements, among which, details of reserves distributable to the Shareholders are set out in Note 35(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 2016 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 2016.

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
Luan Baoxing	Non-executive Director	Appointed on 12 August 2016
Yang Xiangbin	Non-executive Director	Appointed on 12 August 2016
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

Name	Position in the Company	Date of appointment/ re-election
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 Binquan	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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on pages 99 to 116 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 relating to the Group's business and still valid during the year or at the end of the year, in which the Company or its subsidiaries were a party, directly or indirectly involved in its formulation process, and in which a Director, supervisor or an entity connected with a Director or supervisor had a material interest subsisted.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year of 2016, 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
Li Enyi (Note 1)	Executive Director and President	Assistant to General Manager of Guodian Group
Luan Baoxing	Non-executive Director	Head of Finance Administration Department of Guodian Group
Yang Xiangbin	Non-executive Director	Head of Capital Operation and Assets Management Department of Guodian Group

Note 1: For Mr. Li Enyi, as the assistant to General Manager of Guodian Group, only his qualifications are presented, which is in line with the human resources policy of the Company. Mr. Li Enyi is not directly engaged in the affairs of Guodian Group, and has never received any remuneration from Guodian Group.

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

As at 31 December 2016, 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 2016, so far as known to the Directors, 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%
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	308,464,380 *(Note 3)* (Long position)	9.24%	3.84%
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	4,892,000 *(Note 4)* (Short position)	0.15%	0.06%
Wellington Management Group LLP	H shares	Interest of corporation controlled by substantial Shareholders	267,067,806 *(Note 5)* (Long position)	8.00%	3.32%
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	200,359,259 *(Note 6) (Long position)*	6.00%	2.49%
JPMorgan Chase & Co.	H shares	Beneficial owner	1,745,000 *(Note 7)* (Short position)	0.05%	0.02%
JPMorgan Chase & Co.	H shares	Custodian	150,903,653 *(Note 8)* (Shares in a lending pool)	4.52%	1.88%

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 2016.

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 308,464,380 H shares, 1,118,100 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 836,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 41,320,693 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 50,323,000 H shares were held by BlackRock Fund Advisors, an indirect wholly-owned subsidiary of BlackRock, Inc., 1,546,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 4,066,000 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 382,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 4,480,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 19,022,978 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 465,000 H shares were held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 43,196,311 H shares were held by BlackRock Advisors (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,656,200 H shares were held by BlackRock International Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 25,872,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 95,101,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 15,128,098 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 2,631,000 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 524,000 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 782,000 H shares were held by BlackRock (Singapore) 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.

4. Among these 4,892,000 H shares, 3,939,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 850,000 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.

5. Among these 267,067,806 H shares, 233,074,787 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 33,993,019 H shares were held by Wellington Management Hong Kong Ltd, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, thus Wellington Management Group LLP was deemed as the owner of the H shares equity interests held by its aforesaid subsidiaries.

6. Among these 200,359,259 H shares, 11,079 H shares were held by J.P. Morgan Clearing Corp, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 401,000 H shares were held by JF International Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 3,599,000 H shares were held by JF Asset Management Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 43,000 H shares were held by J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 45,400,030 H shares were held by J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 1,497 H shares were held by J.P. Morgan Securities plc, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 150,903,653 H shares 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 share equity interests held by its aforesaid subsidiaries.

7. These 1,745,000 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 150,903,653 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.

ISSUE OF DEBENTURES

The debentures issued by the Company in 2016 are set out as below:

Issue date	Type of debentures	Financing amount *(RMB million)*	Reasons for the issue
22 January 2016	Corporate bonds	3,700	Replenishment of working capital
17 March 2016	Private debt financing instruments	1,000	Replenishment of working capital and replacement of matured bank loans of the Company (including subsidiaries) so as to adjust the debt structure of the Company, reduce financing cost and enhance competitiveness
25 August 2016	Private debt financing instruments	2,000	
13 January 2016	Ultra short-term debentures	2,000	
20 January 2016	Ultra short-term debentures	2,000	
26 January 2016	Ultra short-term debentures	2,000	
9 March 2016	Ultra short-term debentures	3,000	
1 April 2016	Ultra short-term debentures	2,000	
28 April 2016	Ultra short-term debentures	2,500	
27 May 2016	Ultra short-term debentures	2,500	
8 June 2016	Ultra short-term debentures	2,500	
16 June 2016	Ultra short-term debentures	2,000	
15 July 2016	Ultra short-term debentures	2,500	
12 September 2016	Ultra short-term debentures	2,500	
26 September 2016	Ultra short-term debentures	3,500	
21 October 2016	Ultra short-term debentures	3,500	
27 October 2016	Ultra short-term debentures	2,000	
16 November 2016	Ultra short-term debentures	4,000	Replacement of matured bank loans of the Company so as to adjust the debt structure of the Company, reduce financing cost and enhance competitiveness
8 December 2016	Ultra short-term debentures	3,000	
16 December 2016	Ultra short-term debentures	4,000	
22 December 2016	Ultra short-term debentures	4,000	
29 December 2016	Ultra short-term debentures	3,000	

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 2016.

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 2016, the total amount of donations made by the Company and its subsidiaries was RMB3,094,151, including the donation of RMB3,004,000 by the Company to the fixed-point poverty alleviation projects of Youyu County, Shanxi; the donation of RMB10,151 by Longyuan Power Group (Shanghai) Wind Power Co., Ltd. (龍源電力集團(上海)風力發電有限公司) of the Group to Pudong Special Education School for conducting the "Activity for creating a green and caring environment"; and the donation of RMB80,000 by Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司) of the Group as the love care fund.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the purchase from the Group's five largest fuel suppliers in aggregate contributed 75.4% of the Group's total purchase of fuel for the year, among which, the total purchase from the largest fuel supplier contributed 37.2% of the Group's total purchase of fuel for the year.

For the year ended 31 December 2016, the sales to the Group's five largest customers in aggregate contributed 41.2% of the Group's total sales for the year, among which, the sales to the largest customer contributed 22.2% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors, associates of 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 32 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 152 to 175 of this annual report for details.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued share capital of the Company was held by the public as at the latest practicable date prior to the issue of this annual report, which was in compliance with the requirements under the Listing Rules.

MATERIAL LITIGATION

As at 31 December 2016, 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.

AUDIT COMMITTEE

The 2016 annual results of the Group and the Financial Statements for the year ended 31 December 2016 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 2016. 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, 14 March 2017

* *For identification purpose only*

The following disclosed connected transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing rules of the Hong Kong Stock Exchange, 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. Establishment of two joint ventures named Longyuan Anhua and Longyuan Songtao with Guodian Group

On 28 April 2016, the Company entered into two respective contribution agreements with Guodian Group in relation to the establishment of two joint ventures, i.e. Longyuan Anhua and Longyuan Songtao. According to the two contribution agreements, the Company will hold 50% equity interests of Longyuan Anhua and Longyuan Songtao, respectively, while Guodian Group will hold 50% equity interests of each of Longyuan Anhua and Longyuan Songtao. 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 Guodian Group is the controlling Shareholder of the Company. Guodian Group is a connected person of the Company and the establishment of the two joint ventures constitutes a connected transaction of the Company under Rule 14A.07 of the Listing Rules.

According to the two contribution agreements, the Company will make cash contributions to the two joint ventures, representing 50% of total registered capital of Longyuan Anhua, equivalent to RMB45,030,000; and representing 50% of total registered capital of Longyuan Songtao, equivalent to RMB45,645,000. The Company and the related parties of the two joint ventures will contribute 20% of the total registered capital of each of the two joint ventures in cash, equivalent to RMB18,012,000 and RMB18,258,000, respectively, as its initial contributions upon the establishment of the two joint ventures. The Company will fully contribute the remaining 80% amount of the total registered capitals in proportion within a designated period of time according to the applicable regulations in the PRC as well as the schedule of the projects and the progress of construction. Longyuan Anhua and Longyuan Songtao will mainly engage in (i) investment, construction and operation of wind farms; (ii) survey, design and construction of wind farms; (iii) installation, test and maintenance of complete-set of wind power generation units; and (iv) related technological consultation and trainings. The above businesses shall be subject to approval of applicable authorities. For details of the contribution agreements for the establishment of the two joint ventures, please refer to the announcement of the Company dated 28 April 2016. The establishment of the two joint ventures will strengthen cooperation between the Company and Guodian Group, and benefit from the Company's prominent industry expertise and excellent technologies as well as regional resource advantages and management superiority of Guodian Group.

2. Establishment of a joint venture named Longyuan Luoping with Guodian Group

On 12 October 2016, the Company entered into a contribution agreement with Guodian Group in relation to the establishment of a joint venture named Longyuan Luoping. 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 Group is a connected person of the Company and the establishment of the joint venture constitutes a connected transaction of the Company under Rule 14A.07 of the Listing Rules.

According to the contribution agreement, the Company will hold 51% equity interests of Longyuan Luoping, while Guodian Group will hold 49% equity interests of Longyuan Luoping. The Company will make cash contributions to Longyuan Luoping, representing 51% of total registered capital of Longyuan Luoping, equivalent to RMB48,960,000. The Company and the related parties of the joint venture will contribute 20% of the total registered capital of the joint venture, equivalent to RMB19,200,000, as its initial contributions upon the establishment of the joint venture. The Company will fully contribute the remaining 80% amount of the total registered capitals in proportion within a designated period of time according to the applicable regulations in the PRC as well as the schedule of the projects and the progress of construction. Longyuan Luoping will mainly engage in (i) investment, construction and operation of wind farms; (ii) survey, design and construction of wind farms; (iii) installation, test and maintenance of complete-set of wind power generation units; and (iv) related technological consultation and trainings. The above businesses shall be subject to approval of applicable authorities. For details of the contribution agreement for the establishment of the joint venture, please refer to the announcement of the Company dated 12 October 2016. The establishment of the joint venture will strengthen cooperation between the Company and Guodian Group, and benefit from the Company's prominent industry expertise and excellent technologies as well as regional resource advantages and management superiority of Guodian Group.

3. Acquisition of equity interests in Shanxi Jinke Wind Power and acquisition of assets of Shenchi Liugou Wind Power Construction Project

On 12 October 2016, Longyuan Shenchi, a non-wholly-owned subsidiary of the Company, entered into the equity transfer and assets transfer agreements with Guodian Shanxi Jieneng, to acquire 52% of equity interests in Shanxi Jinke Wind Power from Guodian Shanxi Jieneng, and acquire 100% of assets of Shenchi Liugou Wind Power Construction Project from Guodian Shanxi Jieneng. As at the date of this transaction, Guodian Group is the controlling Shareholder of the Company, directly and indirectly holding approximately 58.44% equity interests in the total issued share capital of the Company, and Guodian Group is therefore a connected person of the Company. Guodian Shanxi Jieneng is a wholly-owned subsidiary of Guodian Group and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Longyuan Shenchi is a non-wholly-owned subsidiary of the Company and held as to 51% equity interests by the Company. Guodian Shanxi Jieneng holds 52% equity interests in Shanxi Jinke Wind Power and 100% assets of Shenchi Liugou Wind Power Construction Project. According to Chapter 14A of the Listing Rules, the transactions in respect of Guodian Shanxi Jieneng's transfer of 52% equity interests in Shanxi Jinke Wind Power and 100% assets of Shenchi Liugou Wind Power Construction Project held by itself to Longyuan Shenchi constitute connected transactions of the Company.

Pursuant to the equity transfer and assets transfer agreements, Longyuan Shenchi will pay a sum of RMB17,953,500 as consideration for acquiring 52% of equity interests in Shanxi Jinke Wind Power to Guodian Shanxi Jieneng, and will pay a sum of RMB36,157,500 as consideration for acquiring 100% of assets of Shenchi Liugou Wind Power Construction Project to Guodian Shanxi Jieneng. For details of the agreements, please refer to the announcement of the Company dated 12 October 2016. The principal businesses of Shanxi Jinke Wind Power and Shenchi Liugou Wind Power Construction Project are in line with the principal businesses of the Company. In addition to the increase in the total installed capacity of wind power business of the Company, the equity transfer and assets transfer also bring about new opportunities for the wind power business of the Company. Meanwhile, the competitions and potential competitions between Guodian Group (other than the Group) and the Company in terms of the wind power segment and relevant industries will be reduced.

4. Acquisition of Guodian Changchun

On 11 November 2016, the Company entered into a sale and purchase agreement with Guodian United Power, pursuant to which the Company conditionally agreed to purchase all the issued share capital of Guodian Changchun, at a consideration of RMB291,266,400. As at the date of this transaction, Guodian Group is the controlling Shareholder of the Company, directly and indirectly holding approximately 58.44% equity interests in the total issued share capital of the Company, and Guodian Group is therefore a connected person of the Company. Guodian United Power is a subsidiary of Guodian Group and is therefore an associate of Guodian Group and a connected person of the Company under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the transaction constitutes a connected transaction of the Company.

Pursuant to the sale and purchase agreement, the Company will pay a sum of RMB291,266,400 in cash as consideration, 30% of which shall be paid within 10 business days of the effective date of the sale and purchase agreement, 60% shall be paid within 10 business days after the effective share transfer of the said shares, and the remaining 10% shall be paid and settled upon both of the parties completing extension audits and determining the profits or losses during the period and the effective amount of asset compensation and Guodian United Power having made payment to the Company. For details of the sale and purchase agreement, please refer to the announcement of the Company dated 11 November 2016. After the completion of the acquisition, Guodian Changchun will be reformed to a wind power training base for the Company's cultivating of high-skilled wind power talents. Also, a technology research and development base of wind power will be established to provide renewal and upgrading services for the Company's wind power technology, thus enhancing the operating level and efficiency of the Company's wind power projects.

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 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 2016 and the actual transaction amounts of such connected transactions:

Connected Transactions	**Connected Person**	**Annual Cap for 2016** *(RMB'000)*	**Actual Transaction Amount for 2016** *(RMB'000)*
1. Provision of products and services by the Group	Guodian Group	2,645,100	78,868
2. Provision of products and services to the Group	Guodian Group	5,170,800	2,084,094
3. Provision of financial services to the Group	Guodian Finance	Deposit Services: 2,700,000	Maximum outstanding balance: 2,552,264

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, wind power 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, wind power 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 2016 was RMB2,645,100,000 and the actual transaction amount was RMB78,868,000.

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 2016 was RMB5,170,800,000 and the actual transaction amount was RMB2,084,094,000.

3. Provision of financial services to the Group

3.1 The Company entered into the New Financial Services Agreement with Guodian Finance on 26 October 2015, 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 New Financial Services Agreement, Guodian Finance will grant integrated credit facilities of RMB3 billion to the Group. The credit facilities shall be free of any security and utilised as fixed assets loans, project financing loans, working capital loans, letter of guarantee and accounts receivable factoring, etc.;
- In respect of the provision of the deposit services under the New Financial Services Agreement, the 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;
- The term of the New Financial Services Agreement shall be three years, beginning from 1 January 2016 to 31 December 2018; and

- Guodian Finance provides 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.

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 annual cap of the maximum daily deposit balance for deposit services under this continuing connected transaction for year 2016 was RMB2,700,000,000 (including any interest accrued thereon) and the actual maximum amount of daily deposit balance was RMB2,552,264,000.

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 transaction 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.

NON-EXECUTIVE DIRECTORS

Mr. Qiao Baoping, aged 61, is a non-executive Director and the chairman of the Company. He 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 GD Power Development Co., Ltd. ("GDPD") (國電電力發展股份有限公司) (SSE: 600795) and the chairman of the supervisory board of the Company. Mr. Qiao currently acts as the chairman and secretary of the Party Group in Guodian Group and the chairman of GDPD (SSE: 600795).

Mr. Wang Baole, aged 60, 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 a 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.

Mr. Luan Baoxing, aged 50, is a non-executive Director of the Company. He holds an MBA degree from Harbin Institute of Technology and is a senior accountant and a certified public accountant. Mr. Luan acted as a non-executive Director of the Company from July 2009 to May 2014 and has been a non-executive Director of the third session of the Board of the Company since 12 August 2016. He served as deputy head of Property and Fund Division, head of Accounting Cost Division of Finance Department of Heilongjiang Power Company ("黑龍江省電力公司"), deputy head and head of Accounting Cost Division of Finance Department and deputy head of Finance Department of China Northeast Power Group Company ("東北電力集團公司"), deputy chief accountant and head of Finance Department of Chongqing Power Company ("重慶電力公司"), deputy head of Finance and Ownership Department and deputy head and head of Capital Operation and Ownership Management Department of Guodian Group, general manager of China Guodian Capital Holdings Ltd., and chairman and general manager of Guodian Finance. Mr. Luan is currently the head of the Financial Management Department of Guodian Group, a supervisor of Guodian Technology & Environment Group Corporation Limited (國電科技環保集團有限公司) (HKSE: 01296).

Mr. Yang Xiangbin, aged 51, is a non-executive Director of the Company. He holds an MBA degree from the Open University of Hong Kong and is a senior accountant and a certified public accountant. He has been a non-executive Director of the third session of the Board of the Company since 12 August 2016. He served as head of the Budget Office of the Finance Department of Heilongjiang Power Company Limited; deputy head and head of the Budget Office of the Finance and Ownership Department, deputy head of the Finance and Ownership Department and deputy head of the Financial Management Department of Guodian Group; director and deputy general manager of Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. ("內蒙古平莊煤業(集團)有限責任公司"), and vice chairman of Inner Mongolia Pingzhuang Resources Co., Ltd. (內蒙古平莊能源股份有限公司) (SZSE: 000780). Mr. Yang currently serves as the head of the Capital and Asset Management Department of Guodian Group and a supervisor of Guodian Technology & Environment Group Corporation Limited.

EXECUTIVE DIRECTORS

Mr. Li Enyi, aged 53, 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 (山東菏澤發電廠廠長), 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 55, 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 (龍源電力集團公司) (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 61, 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. He was a vice president, executive director, managing director, and joint head of department of Morgan Stanley Asia Limited. Mr. Zhang Songyi acted as an independent non-executive director of China Renewable Energy Investment Limited (中國再生能源投資有限公司) (formerly known as Hong Kong Energy (Holdings) Limited (香港新能源(控股)有限公司), which changed its name on 1 June 2011) (HKSE: 0987) from April 2008 to April 2013 and has been re-appointed as an independent non-executive director since January 2016. Mr. Zhang is currently a director of Sina Corporation (NASDAQ: SINA), and the chairman of Mandra Capital.

Mr. Meng Yan, aged 61, 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 used to act as the dean of the School of Accountancy of Central University of Finance and Economics, an expert consultant for accounting standards, an expert consultant for management accounting and an expert for enterprise performance evaluation to the Ministry of Finance, and an independent director of HeNan Splendor Science & Technology Co.,Ltd. (河南輝煌科技股份有限公司) (SZSE: 002296), China Merchants Property Development Co., Ltd. (招商局地產控股股份有限公司) (SZSE: 000024: 200024) (SGX: C03) and Wanhua Chemical Group Co.,Ltd. (萬華化學集團股份有限公司) (SSE: 600309). At present, Mr. Meng Yan serves as a professor and a tutor of doctorate candidates in the School of Accountancy of Central University of Finance and Economics, an independent non-executive director of Jolimark Holdings Limited (映美控股有限公司) (HKSE: 2028), an independent director of COFCO Property (Group) Co.,Ltd. (中糧地產(集團)股份有限公司) (SZSE: 000031) and an independent director of Beijing Bashi Media Co., Ltd. (北京巴士傳媒股份有限公司) (SSE: 600386).

Mr. Han Dechang, aged 61, is an independent non-executive Director of the Company. He is a tutor of doctoral candidates 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 59, 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 (中能電力科技開發有限公司), 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*

Mr. Yu Yongping, aged 56, 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, vice president and chief accountant of Guodian Northeast Electric Power Co., Ltd. (國電東北電力股份有限公司), 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 42, is an employee representative supervisor of the Company. He graduated from Shenyang University of Technology with a bachelor's degree and 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 (中國電工設備總公司), 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 (in charge) of leading personnel management office of human resource department of Guodian Group, deputy director (in charge) and director of human resource department of GD Power 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 secretary of Discipline Inspection Commission of the Company.

* *For identification purpose only*

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 103 of this annual report.

Mr. Huang Qun is an executive Director and vice president of the Company. Biographical details of Mr. Huang Qun as at the date hereof are set out on page 104 of this annual report.

Mr. Jia Nansong, aged 54, 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 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*.

* *For identification purpose only*

Mr. Zhang Baoquan, aged 56, 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 (北京中能聯創風電技術有限公司), 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 Binquan, aged 53, is a 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, 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, 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.

Mr. Chang Shihong, aged 42, 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 47, 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 used to work in Tianshenggang Power Plant and Nantong Tianshenggang Power Generating Co., Ltd. (南通天生港發電有限公司), and he had successively served as the vice general manager, general manager and secretary of the Party committee of Jiangsu Longyuan Wind Power Generation Co., Ltd. He is currently the Party committee member, deputy general manager and chairman of the labour union of China Longyuan Power Group Corporation Limited*.

* *For identification purpose only*

JOINT COMPANY SECRETARIES

Mr. Jia Nansong, is the board secretary of our Company and one of the joint company secretaries. He 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 112 of this annual report.

Ms. Soon Yuk Tai, aged 50, 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 (卓佳專業商務有限公司) ("Tricor"). 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. *(Note: The Company has engaged Tricor Services Limited as external service provider and appointed Ms. Soon Yuk Tai as the Company's joint company secretary.)*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

By integrating the concept of environmental, social and governance responsibility into our corporate strategy and operating practices and continually implementing the national policies on energy-saving and emission-reduction, the Group has practically fulfilled its social responsibility as an international first-class green energy enterprise. With the management philosophy "people as the center, safety as the priority, regulations as the routine, execution as the essential and innovation as the resource", we adhere to the environmental protection policy of "environment protection, pollution prevention, ruling by law and green power sustainably generating". In the process of creation of renewable energy, we exert great efforts in establishing a clean development mechanism and shall continue to strengthen environmental protection and fulfil environmental responsibilities, striving to shape the Company's image with green and low-carbon characters. We offer clean power to contribute a beautiful environment hence to build the eco-civilization, create shared value for the society and achieve sustainable development jointly with the society.

CONTENTS

REPORT INTRODUCTION

This report is the first Environmental, Social and Governance (ESG) report of the Group. It emphasizes on the disclosure of information in relation to environment and social responsibility of the Company, and ensures compliance with the requirements under the ESG Reporting Guidelines in Appendix 27 of the Listing Rules (《上市規則》附錄二十七《環境社會及管治報告指引》). We raveled out different ESG topics during the preparation of this ESG report, and would gradually conduct specific analysis and improvements so as to meet the expectations of each related party. The report will be published in Chinese and English that covers the period from 1 January to 31 December 2016.

This report is a document incorporated into the annual report of Longyuan Power which is available for inspection at www.clypg.com.cn. For details of corporate governance practices of the Company, please refer to the section headed Corporate Governance Report of this annual report..

Scope of the Report

Unless otherwise specified, all cases and data in the report are originated from the Group.

Assurance on Reliability of the Report

The Company assures that this report does not contain any false or misleading information. In case of any opinions or suggestions on the report, you are welcome to email at ir@clypg.com.cn to help us make continuous improvements.

INTERNATIONAL FIRST-CLASS GREEN ENERGY COMPANY

Given top priority to development, the Group makes overall plans for and coordinates resources and environmental protection development, and regulates and controls the relationship between development speed and engineering quality as well as scale expansion and economic benefits with the help of compliance control. Over the years, we have set up a new energy enterprise image featured by integrity, improvement and harmony and exerted unremitting efforts to build an international first-class green energy power generating enterprise.

As a leader in the new energy field of the PRC, the Group has always attached great importance to shouldering corporate social responsibility and deemed it as an important component for its fulfilment of the mission of "developing green energy and building a harmonious environment" and realisation of the strategic goal of "building an international first-class new energy listed company". Furthermore, we have also proactively explored the concept of corporate social responsibility and the practice thereof, and are committed to the mutual promotion of enterprise's discharge of responsibility and operation. Aiming at sustainable development and maximizing comprehensive value, we adopted the way of all staff participation and all-rounded integration, and implemented the concept of corporate social responsibility in terms of enterprise decisions, systems and procedures, business operation, daily administration and enterprise culture through the transparent and ethical enterprise behaviors. We continuously promoted the fulfilment of corporate social responsibility and enhanced the comprehensive value creativity, operation transparency and brand influence in an all-rounded way, thus establishing a new energy enterprise image featured with integrity, improvement and harmony.

Wind Power – Green and Clean Energy

With wind power generation as the principal business, the Group is an integrated power generating group mainly engaged in new energy. The new energy power generation business of the Group is an environment-friendly business that protects the environment without consumption of resources including fossil fuels and water or discharge of waste or greenhouse gases, pollutants or hazardous wastes. It has no material adverse impact on the environment and natural resources.

Energy Conservation and Emission Reduction

We strictly complies with the national uniform environmental protection laws, regulations and policies and proactively undertakes the environmental protection responsibilities of energy conservation and emission reduction. In 2016, there was no violation of national environmental laws and regulations. While developing new projects according to the development and changes in market conditions, the Group also paid attention to energy conservation and emission reduction, striving to maximize green benefits. In the meantime, it also promoted technological innovation and carried out technical transformation in respect of energy conservation for its only 2 coal power plants. In 2016, both coal power plants strictly complied with the national standards on emission of air pollutants and realised up-to-standard emission.

The emission reduction of new energy of the Group and emission of two coal power plants under the Group are as follows:

2016		**Consumption or decrease in consumption**				
	Power generation	**Standard coal**	**Carbon dioxide (CO_2)**	**Sulfur dioxide (SO_2)**	**Oxynitride**	**Dust**
	MWh	***Tonne***	***Tonne***	***Tonne***	***Tonne***	***Tonne***
Wind power and other renewable energy sources	**30,592,703.00**	**-10,524,890.06**	**-30,679,880.94**	**-2,035.39**	**-5,812.83**	**-277.52**
Coal power	**9,980,938.00**	**3,433,769.00**	**10,009,380.00**	**664.05**	**1,896.45**	**90.54**
Total	**40,573,641.00**	**-7,091,121.06**	**-20,670,500.94**	**-1,371.34**	**-3,916.38**	**-186.98**

2015		Consumption or decrease in consumption				
	Power generation	Standard coal	Carbon dioxide (CO_2)	Sulfur dioxide (SO_2)	Oxynitride	Dust
	MWh	*Tonne*	*Tonne*	*Tonne*	*Tonne*	*Tonne*
Wind power and other renewable energy sources	26,280,969.00	-8,506,749.29	-24,986,619.29	-3,061.83	-7,273.44	-934.65
Coal power	9,450,349.00	3,058,934.00	8,984,915.00	1,101.00	2,615.45	336.09
Total	35,731,318.00	-5,447,815.29	-16,001,704.29	-1,960.83	-4,657.99	-598.56

In 2016, we proactively conducted transformation in terms of desulphurization, denitration and dust removal for the coal power generating units and completed ultra-low emission transformation for one 330 MW coal power generating unit (the ultra-low emission transformation for other coal power generating units has been completed before 2016). As at the end of 2016, the transformation for an aggregate of 8 coal power generating units was completed. In 2016, the emission of sulfur dioxide, oxynitride and dust by coal power plants decreased by 437 tonnes, 719 tonnes and 245.6 tonnes, respectively, as compared to 2015 due to the effective operation of environmental protection facilities, strengthened management, control of the quality of coal into the furnace, optimised operation of units, and other measures.

In 2016, the comprehensive utilisation ratio of ash in the coal power plants of the Group was 100% and the ash was used for road construction and cement concrete manufacturing, etc.

Harmonious Environment

The Group deeply implemented the concept of environmental protection, clarified the environmental management system and intensified environmental control. The management of environmental protection was consolidated for engineering construction and operation by various measures. More efforts were exerted on the control of pollutants generated in production and the comprehensive utilisation of solid emissions.

Noise control. In the construction of wind farms, the Group strengthened its equipment maintenance to lubricate machinery, reduce the noise of excavators, concrete mixers and bulldozers, and minimize the noise caused by the maintenance of construction equipment. After the completion of wind farms, attention was paid to the reduction of mechanical noise in units caused by wind turbines in operation. Our noise control in these two aspects meet the Class I standards on noise in daytime and at night under the Environmental Quality Standard for Noise (《聲環境質量標準》) (GB3096-2008), causing no influence on surrounding residents.

Increase in green areas. In addition to effective control of noise, sulfur dioxide emission, etc., the Group built a clean development mechanism and proceeded with greening operation to maximize the green area in the head office, subsidiaries and their surrounding areas, striving to offer green power to the society and protect and beautify the environment in a proactive manner.

Protection of creatures. During the development and construction of wind farms, the Group emphasized the control over the influence of wind turbine on the migration of birds and ensured sufficient space between wind turbines to allow safe passage of birds. In addition, warning colors were used to minimize the probability of hit of birds against blades at night. Furthermore, we protected the normal growth of other wild animals. In the construction and operation of offshore wind farms, the Group attached great importance to the protection of marine and fishery resources and promoted the breeding and growth of fish resources by way of freeing fries regularly. Meanwhile, we kept a close eye on the changes in biological resources in the reservoir areas in which tidal power plants are located to ensure normal growth of relevant creatures.

Low-Carbon Action

The Group has been actively promoting low carbon living and its philosophy by nurturing and propelling voluntary reduction in domestic society, giving support to enterprises which are willing to cut back on carbon emission voluntarily or refraining from personal emission of carbon, so as to expedite the development of low-carbon living. Meanwhile, the Group promoted a low-carbon work and life style at corporate level, encouraging the staff to take real action to save resources and protect the environment. 35 entities of the Group have set up volunteer organisations of juvenile employees to launch 120 service activities on regular basis, to implement the low-carbon concept by activities including green travel fitness and walking and saving paper.

PEOPLE AS THE CENTER

Introduction

Human resources is the core of all resources for an enterprise. Excellent talents are precious wealth of the Group and the fundamental power for our continued high-speed development. The Group gives priority to professional ethics and occupational skills when hiring employees. The sense of enterprise culture identity and dedication are basic conditions.

The Group constantly deepened the Green Care Action by improving the working conditions of the production lines and distributing 2,825 thermal dinner boxes to the employees at the production lines. It also expanded the inclusion of employees at the production lines in harsh areas to the advanced learning and relaxation system for model workers. Furthermore, it carried through the mutual funding system among the employees. The above conducts resulted in the improvement of sense of commitment of the employees and enhancement of the corporate cohesiveness.

Enterprise Staff

As at 31 December 2016, the Group had a total of 7,219 staff, of which 5,924, or 82%, were male, while 1,295, or 18%, were female. The staff structure is as follows:

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

		2016		2015	
No.	**Business segments**	**Number of staff**	**Percentage**	Number of staff	Percentage
1	Overall management	**154**	**2.13%**	127	1.83%
2	Wind power business	**4,358**	**60.37%**	4,104	59.02%
3	Coal power business	**2,038**	**28.23%**	2,023	29.09%
4	Technical and related services business	**359**	**4.98%**	362	5.20%
5	Other renewable energy	**310**	**4.29%**	338	4.86%
	Total	**7,219**		6,954	

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

		2016		2015	
No.	**Academic qualifications**	**Number of staff**	**Percentage**	Number of staff	Percentage
1	Postgraduate or above	**86**	**55.84%**	73	57.48%
2	Undergraduate	**58**	**37.66%**	49	38.58%
3	College diploma	**7**	**4.55%**	5	3.94%
4	Technical secondary school and below	**3**	**1.95%**	0	0
	Total	**154**		127	

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

		2016		2015	
No.	**Age**	**Number of staff**	**Percentage**	Number of staff	Percentage
1	56 years old and above	**9**	**5.84%**	7	5.51%
2	46–55 years old	**37**	**24.03%**	32	25.20%
3	36–45 years old	**52**	**33.77%**	46	36.22%
4	35 years old and below	**56**	**36.36%**	42	33.07%
	Total	**154**		127	

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

No.	Academic qualifications	2016 Number of staff	2016 Percentage	2015 Number of staff	2015 Percentage
1	Postgraduate or above	**451**	**6.25%**	394	5.67%
2	Undergraduate	**3,582**	**49.62%**	3,276	47.11%
3	College diploma	**1,713**	**23.73%**	1,806	25.97%
4	Technical secondary school and below	**1,473**	**20.40%**	1,478	21.25%
	Total	**7,219**		6,954	

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

No.	Age	2016 Number of staff	2016 Percentage	2015 Number of staff	2015 Percentage
1	56 years old and above	**567**	**7.85%**	352	5.06%
2	46–55 years old	**1,027**	**14.23%**	1,121	16.12%
3	36–45 years old	**1,206**	**16.71%**	1,296	18.64%
4	35 years old and below	**4,419**	**61.21%**	4,185	60.18%
	Total	**7,219**		6,954	

Staff Motivation

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 critical illness insurance set up by the Group for its staff is an important component of the medical insurance system of the PRC and an important measure for the Group to implement the scientific outlook on development and thoroughly execute the "people-benefit project". To reduce the cost of medical services of staff suffering from outbreak of critical illness and eliminate their worries, we have referred to the Guidelines on Establishment of "Sunshine Huimin Welfare Plan (陽光惠民福利保障計劃)" of Guodian Group, and set up the "Sunshine Huimin Welfare Plan" (i.e. Employee Critical Disease Insurance), which provided protection with insurance covering 40 kinds of critical diseases, complete disability due to illness, traffic accidental injuries and so forth.

Pursuant to the Labour Contract Law (《勞動合同法》), Provisions on Prohibition of Using Child Labour (《禁止使用童工規定》) and other employment-related regulations of the PRC, the Group issued "the Administrative Measures for Employment", "the Administrative Measures for Paid Annual Leave", "the Administrative Measures for Remuneration" and other comprehensive rules and regulations, covering remuneration and dismissal, recruitment and promotion, working hours, vacation, equal opportunity, diversification, anti-discrimination and other policies on staff incentives, remuneration and welfare, which avoided the occurrence of child labour exploitation and forced labour and thus laid a solid foundation for the Company's sustainable development. In 2016, the Group had no labour disputes.

Particulars of the Group's staff turnover and its proportion in 2016 are as follows:

Table 6: Information of the Group's staff turnover

				Post				Academic qualification			Age			
No.	Business segments	Staff turnover	Number of staff at the end of 2016	Production staff	Skilled staff	General managerial staff	Departmental managerial staff	Postgraduate or above	Undergraduate	College diploma and below	21–30 years old	31–40 years old	41–50 years old	51–60 years old
1	Organizations at the Head Office	7	154			3	4	7			1	4	2	
2	Wind power	74	4,461	59	0	13	2	3	47	24	56	13	4	1
3	Coal power	6	2,038	6						6	2	3	1	
4	Technology company	1	256			1		1				1		
5	Other renewable energy	8	310	4	0	4	0	0	5	3	6	1	0	1
	Total	96	7,219	69	0	21	6	11	52	33	65	22	7	2

Staff Development

The Group paid special attention to personnel training and development, put more efforts to train young cadres through constant innovation of selection and appointment mechanism, continuously optimized 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. In order to meet the requirements of talent transformation and due to the business development needs of production post or management post, a staff post transformation and development channel has been established. Before job transfer to management posts, production personnel must pass the exams in terms of analysis and decision capability, communication and coordination capability, emergency response capability, etc.; should management personnel be transferred to production posts, they must pass professional technical exams to obtain the certificate for production posts. Meanwhile, a leadership development channel has also been built, and training measures such as enriching curriculum system, innovating teaching methods, etc. were taken to serve the construction of corporate leadership to improve managers’ corporate culture and judgment on work value, communication and management skills and other leadership skills.

In 2016, the Group further intensified the construction of talents teams in technique sequences of wind power enterprises, including chief operation inspectors at provincial-level companies, head operation inspectors, deputy head operation inspectors and senior operation inspectors and operation inspectors. The Group conducted accreditation of junior, intermediate and senior technicians. 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 room for development of 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.

The Group adheres to the employment standard of "stress on integrity and ability, integrity first" and lays emphasis on actual performance and benefits. It endeavours to improve and perfect the scientific talent selection and employment mechanism and reinforce communication and practice of cadres to "provide opportunities to those who want to work and stages to those who have the capacity to work". At the same time, the Company profoundly realised the importance and urgency of enhancing and improving the cultivation and selection of outstanding young cadres, and attached great importance to, performed careful deployment for, and stepped up efforts for the selection of outstanding young cadres, striving to build a reserve young cadre team with extensive sources, sufficient quantity, reasonable structure and good quality.

Staff Training

The Group has established a tailored staff training program to meet the development needs of the Group, and continued to regulate and strengthen its systematic training works. The Group has established training centers and training bases, built a team of internal trainers, 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 operational 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 2016, the Group printed and distributed the "Thirteenth Five-year" Plan for Education and Training (《教育培訓「十三五」規劃》) and Measures for Management of Safety Production Training (《安全生產培訓管理辦法》) to advance the construction of "Big training" system with all its strength. I. It built a "3+1" training organisation system composed of "three levels and one center" which clarifies the training responsibilities and main measures at all levels. II. Double career development channels were set up. The production personnel development channel is divided into administrative sequence and skill sequence. The Group insists on "separation of appraisal and employment" to promote study with exam, advance application with study and boost development with application. III. A training assessment and incentive mechanism has been built. The Group has prepared detailed measures for quantitative rating, assessment and award allocation, pursuant to which advanced employees will be elected and awarded on an annual basis. All staff of the production system are required to obtain a certificate before going to work. The post qualification system was continuously improved in accordance with the concept of "separation of appraisal and employment, accreditation before employment, all staff training, and life-long education" and based on the operation and maintenance model for wind power. 1). The personnel for operation and maintenance of wind power are required to obtain the certificate for high-place special operations and the certificate for special electrician operations; 2). Exams are organised for new staff holding certificate for work; 3). A production post qualification system covering all staff has been shaped.

Table 7: Training of the Group's staff

Item	Number of staff as at the end of the period	Number of staff trained	Accumulative number of days for attending training	Number of training person-times	Training method: Organization of training	Online training	Overseas training	Other training
1. Managerial and skilled staff	1,690	1,370	9,349	1,872	251	31	4	1,586
Middle-level managerial staff	275	275	275	275	60	6	4	205
General managerial staff	1,176	897	7,443	1,149	148	24	0	977
Skilled staff	239	198	1,631	448	43	1	0	404
2. Production staff	5,510	4,677	41,495	5,158	0	122	2	5,034
Including: Production operating staff	3,064	2,690	19,634	2,905	0	59	2	2,844
Production inspecting and repairing staff	2,308	1,887	20,176	2,078	0	63	0	2,015
Production supporting staff	138	100	1,685	175	0	0	0	175
3. Service staff	17	0	0	0	0	0	0	0
4. Other staff	2	0	0	0	0	0	0	0
Total	7,219	6,047	50,844	7,030	251	153	6	6,620

Table 8: Training of the Group's staff (percentage)

Item	Number of training course	Staff's attendance of training: Total number of staff	Total number of training person-times	Total number of staff attending training	Total number of days for attending training	Training rate (%)	Training of skilled staff: Number of skilled staff	Number of staff attending training	Training rate (%)	Number of staff attending skill appraisal
Total	292	7,219	7,030	6,047	50,844	83.76%	5,097	4,677	91.76%	506

Staff Remuneration

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 2016, in order to further strengthen the Group's management of total salary budget and standardize the remuneration distribution of subsidiaries, the Group assigned the annual total salary budget according to the Company's annual operation goal and subsidiaries' operation results, development scale, labour quota, etc. The Group implemented monthly performance assessment management for the total salary of subsidiaries to reinforce the connection between remuneration and performance assessment, intensify process dynamic incentive and restraining effects of remuneration management and improve the total salary management system based on performance assessment to fully exert the guiding effects of remuneration incentives. The subsidiaries strictly implemented the Appraisal Method of Total Salary Oriented by Economic Benefit and Development Scale of China Longyuan Power Group Corporation Limited (《龍源電力集團股份有限公司工資總額與經濟效益和發展

規模掛鈎考核管理辦法》) and the Opinions of China Longyuan Power Group Corporation Limited on Further Strengthening Salary Management (《龍源電力集團股份有限公司關於進一步加強工資管理的意見》) to optimise the internal remuneration distribution structure, sort out the internal remuneration distribution relationship and standardize remuneration distribution. Increase in salary matches with the increase in corporate economic benefits and development scale, total salary is practically linked with the targets of economic benefits and development scale, and the release of total salary is based on profit completion and development scale as well as progress, which fully reflects the principle of "changes in economic benefits affect remuneration accordingly". The assessment mechanism of total salary changing with economic benefits has been practically formed. Therefore, the advanced staff will be really awarded and an income distribution pattern with effective incentives, powerful constraints, reasonable gap and harmonious relationship will be further built to fully arouse the enthusiasm of enterprises and staff.

SAFETY AS THE PRIORITY

Systematic and Standardized Management

In view of the characteristics and existing problems of wind power, the Group has formulated 10 rules and regulations, including the Conduct Code for Operation on Tower of Wind Power Generating Units (《風電機組登塔作業行為規範》), Rules on Regular Meeting of Wind Farms (《風電場例會制度》), and Provisions on Punishments Against Material Violation of Regulations (《嚴重違章處罰規定》), which further specify safety responsibilities assigned to all levels of positions, standardize the operation procedures for critical sections, and strengthen safety protection measures at projects sites. The Company has also established the working mechanism for grass-roots leaders to work on site and incorporated it into special assessment, so as to guarantee safety by relying on rules, procedures and systems.

For the purpose of providing a safe working environment and protecting employees from occupational hazard, the Group stringently complied with the Regulations on Supervision and Management of Electric Power Safety Incidents of the National Energy Administration (《電力安全事件監督管理規定》), Guiding Opinions on Three Oppositions and Four Guarantees in Safety Production (《關於開展安全生產田「三反四保」工作指導意見》) and 25 Key Anti-accident Measures (《二十五項重點反事故措施》), etc. of Guodian Group. In addition, the Company studied and formulated more than 60 systems including General Rules on Safety Management (《安全管理通則》), Management of Technical Measures for Labour Safety Protection and Anti-accident Measures (《安全技術勞動保護措施和反事故措施管理辦法》) and Prohibitions in Safety Production of Wind Power (《風電安全生產紅線》). Safety production has been taken as an indicator for assessment of target-oriented responsibility system of all units.

Health and Safety Management

The Group has fostered the concept of “Comprehensive Safety” and firmly regards safety as its primary responsibility. It has consolidated the base for safe production and sought for vulnerable sections in safety production thoroughly so as to continuously strengthen the management of safety production. In 2016, 1 staff of the Group died in an accident, representing 0.0001% of the total number of staff.

In an effort to ensure safety and health of employees in the process of production, reduce the occurrence of occupational diseases and achieve effective management of occupational health, the Group arranges pre-employment physical examinations, including normal physical examination and occupational disease examination, and subsequent unified annual physical examination for staff. Furthermore, the Group regularly distributes labour protection appliances to ensure protection measures for employees before they start to work. A safety supervision department has been established in each company to strengthen on-site supervision, guidance and regulation of operations. In addition, the Group holds safety knowledge contests involving all employees, and provides training in rotation for safety officers with a view to enhance safety awareness and safety technical levels of staff.

REGULATIONS AS THE ROUTINE

Supply Chain Management

Pursuant to the requirements under the Bidding Law of the PRC, tender is compulsory for any domestic projects which are completely or partly invested by state-owned funds. For the domestic projects subject to tender according to the law, the Group, as a state-owned company, shall determine the suppliers by way of public tender. For projects of which no tender is required by laws, the suppliers shall be determined in a competitive manner on the "Procurement Platform for Electronic Price Enquiry and Comparison" according to the procurement management system established by the Company. For overseas projects, invitation tender, price enquiry and other methods shall be adopted in accordance with the practices in the country where the projects are located and the actual situation of the projects.

Currently, in the procurement of major equipment, the Group requires suppliers to have an environmental management system, and is not aware that any key suppliers had any significant actual and potential negative impact on environment protection, human rights and labour practices or non-compliance.

The Group selects its suppliers in a completely competitive manner without a fixed list of suppliers. As such, there is no statistical data of suppliers by region. The Group gives an annual comprehensive evaluation for suppliers and set up a warning and no-access mechanism for dishonest suppliers. Besides, the Group implements a manufacturing supervision and management system for main units, turbine towers and key electrical equipment to guarantee product quality.

Compliance Management

In strict compliance with the national laws and regulations and its internal policies, the Company requires its employees to abstain from misconducts such as offering or accepting bribery and corruption in any circumstance. Any suspected criminal offence will be promptly whistle-blown and reported to relevant authorities.

With a view to comprehensively and effectively carry forward the Party's integrity campaign, the Group developed and improved its internal supervision system and rules to achieve strengthened internal supervision, risk control and anti-corruption management. We have a Supervision Department in place to take full responsibility for internal supervision, prevention of corruption, acceptance of whistle-blowing, investigation and handling of rule-breaking or law-breaking cases and enhancing internal control system and rules. The Company has supervised the production and operation activities and the internal investments in infrastructure projects and major technological transformations, mitigating operation risks. During the reporting period, all rules and systems played a sound control and prevention role in terms of risk control and anti-corruption management and no material defect was identified. As at 31 December 2016, there was no record of corruption-related litigation with the Company.

HARMONIOUS COMMUNITIES

Adhering to the guideline of "corporate development concurrent with repaying the society", the Group proactively discharged its obligations in respect of serving the local economy, participating in public welfare and charitable undertakings, engaging in volunteer service activities, etc. It also fulfilled its responsibility as a corporate citizen and participated in public welfare businesses, striving to make more contributions to social harmony and development.

Serving the Local Economy

We do everything for people's livelihood and conduct small good deeds frequently. The Group implements localized operation. In the process of project development, construction and operation, the Group has established a mechanism for regular communication and exchange with local representatives and endeavours to consolidate the close connection with relevant local governments to maintain effective communication channels with local competent departments. In addition, The Group proactively adopts reasonable suggestions from local governments, enterprises and residents, improves local infrastructures, and shares corporate welfare facilities with community members. All these measures have promoted local new energy construction and sound development of the local economy.

Paticipating in Public Welfare and Charitable Undertakings

Proactively participate in public welfare and charitable undertakings. The Group advances the "Longyuan's Green Care Action" plan with efforts. It earned trust and respect with its integrity, offerings and mutual development and strived to have a harmonious development between corporate and social development, creating a positive image of a responsible corporation. This year, the Group repays the society in various channels such as proactive launch of disaster relief, subsidies for education and to the handicapped, and assistance to the poor.

Anhui Longyuan of the Group launched an education subsidising activity titled "Point to Point Subsidies of Education – Caring for Children in Distressed Areas". The volunteer service team and sanitation workers of Yangying Township jointly carried out the voluntary sanitation service activities in the forests of Yangying Township and the civilized traffic persuasion action; additionally, Henglong wind farm in Anhui was granted the title of Education Base for Science Popularisation by Hanshan County for its achievements in respect of education on popularisation of new energy.

Jilin Longyuan of the Group cooperated with Helong Xindong Primary School in subsidising the poverty-stricken students of Korean ethnic minority. Cadres of middle level and above launched an education subsidising initiative titled “All nationalities unite as a family, education subsidising warms people’s heart”. They offered their love and pygmy efforts to the “flowers of our motherland”, building a bridge of friendship connecting people of all nationalities. Their efforts in targeted poverty alleviation for 30 distressed farmers in Tongyu County and 8 in Nong’an County, proactive provision of help to distressed families of the region and active participation in the poverty alleviation movement of “1+X” received unanimous recognition of local governments. They promoted cultural and ideological progress and fulfilled the social responsibilities as a state-owned enterprise with their practical actions.

The Youth League Committee of Xinjiang Longyuan of the Group, together with the youth league branch of design consulting firm, proactively participated in a series of voluntary activities themed by "acting in line with Lei Feng's Spirit, hundreds and thousands of 'Lei Feng' warm the Capital of Xinjiang" to uphold Lei Feng's Spirit and guide the younger employees of the company to inherit the Chinese virtues and carry forward Lei Feng's Spirit. In these activities, young volunteers of Xinjiang Longyuan formed a "Lei Feng Motorcade" composed of 12 vehicles to offer free ride to the disabled, senior, children and other citizens in need of assistance. The motorcade drove for over 90Km in 165 times and served 121 persons for free.

The Party committees of Jiangsu Longyuan and Jiangsu Offshore Longyuan of the Group organised a blood donation activity of "blood donation out of great love". Over 60 qualified blood donors including cadres and employees of the Company donated 23,900 milliliters of blood on a voluntary basis. They showed their care and the great love of Longyuan Power.

The Big Pinwheel volunteer service team of Mengdong Longyuan of the Group visited Chifeng National Special-Education School to show their love to the children. They brought the children with basketballs, footballs, volleyballs, schoolbags and stationery, and also communicated and played with them. While entertaining the children, the volunteers learned a lot. The staff of the wind farm has always adhered to the principle of "aiding people in difficulties, mutual care and common construction", and helped nearby villagers with repairing of obsolete and old electric appliances and domestic water facilities in the long-term. In addition, they popularized power utilisation knowledge and exerted efforts proactively to promote harmonious development of pasture and enterprise, laying a harmonious mass foundation for Mengdong Longyuan.

Shandong Longyuan of the Group contacted with the government of Linmu County and expressed that it would cooperate with local governments in targeted poverty alleviation and subsidizing poverty-stricken students before the Spring Festival. They communicated with the responsible personnel of local pension house in advance, figured out the most needed daily supplies of the elderly for the present, such as pillows, cotton shoes and hats, etc., arranged relevant factories to manufacture these goods on an overtime basis according to the dressing preferences of the elderly and delivered their sincere festive blessings and abundant daily supplies to these lonely elderly.

Shanxi Longyuan of the Group sent festival blessings to the villagers in the villages surrounding the wind farm during the Spring Festival and helped them to cultivate barren lands.

Shaanxi Longyuan of the Group and the local government visited the distressed households in Hekou Town. (picture: staff of Guanritai wind farm and local villagers)

Shanghai Longyuan of the Group cooperated with the National Development and Reform Commission of Chongming District, Shanghai in holding the activity themed by "Green Island, Green Energy, Green Care". Their care to the students in Shanghai Pudong New Area Special Education School for Children with Intellectual Disabilities was widely acclaimed by all walks of life.

Zhongneng Company of the Group carried out the public welfare activity by donation of books to show care for youths' soul and assist their healthy growth.

Launching of Recreational and Sports Activities

The Group proactively implemented the outline of "Health China 2030 (健康中國2030)" Plan to promote national fitness and further carried out the Green Care Action to build the first-rate corporate culture of "Centurial Longyuan (百年龍源)". In the long term, the Company has been committed to enriching staff's spare-time cultural life, and creating a happy work environment and harmonious and positive atmosphere, setting up an internal communication platform and stimulating staff's sense of group honour by way of proactively arousing staff's spirit for unity and progress, strengthening physical exercise and forming a good attitude.

The third session of staff basketball game "Longteng Cup" was held in Shaanxi. 31 teams consisting of 347 players of the Group participated in the game, which was held in three stages, i.e. group matches, cross knock-out matches and qualifying matches, in an intensive and wonderful way.

By making use of the favourable geographical environment, Hebei Longyuan of the Group arranged the 5-month fitness walking activity of "happy work and healthy life" in the nearby walking area of the Company for its staff. 102 employees participated in this activity and an online awarding ceremony was held at the end of the year.

In an effort to encourage employees to participate in fitness activities for better physical constitution and health, and advocate a healthy, scientific and civilized lifestyle, the labour union of the Company cooperated with Jiangsu Longyuan of the Group in organising work-break exercise scheduled at 15:00 every working day, to create a congenial atmosphere of "Happy Work and Healthy Life".

Ningxia Longyuan of the Group carried out environmental protection activities by encouraging employees of the wind farm to clean up man-made garbage and waste from grasslands on their routes of inspection, and also proactively promoting employees to build small gardens.

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		A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	122
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		A1.5	Description of measures to mitigate emissions and results achieved.	121-123
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Subject Areas and Aspects	Disclosure	Key Performance Indicators		Page
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials. (Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.)	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	121
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Subject Areas and Aspects	Disclosure	Key Performance Indicators	Page
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		B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	135-136
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	132-133
		B3.2 The average training hours completed per employee by gender and employee category.	133

Subject Areas and Aspects	Disclosure	Key Performance Indicators	Page
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	B4.1 Description of measures to review employment practices to avoid child and forced labour.	129
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B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	B5.1 Number of suppliers by geographical region.	137
		B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	137

Subject Areas and Aspects	Disclosure	Key Performance Indicators		Page
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		B6.2	Number of products and service related complaints received and how they are dealt with.	–
		B6.3	Description of practices relating to observing and protecting intellectual property rights.	–
		B6.4	Description of quality assurance process and recall procedures.	–
		B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	–
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	137-138
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Subject Areas and Aspects	Disclosure	Key Performance Indicators		Page
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B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	124, 138-144
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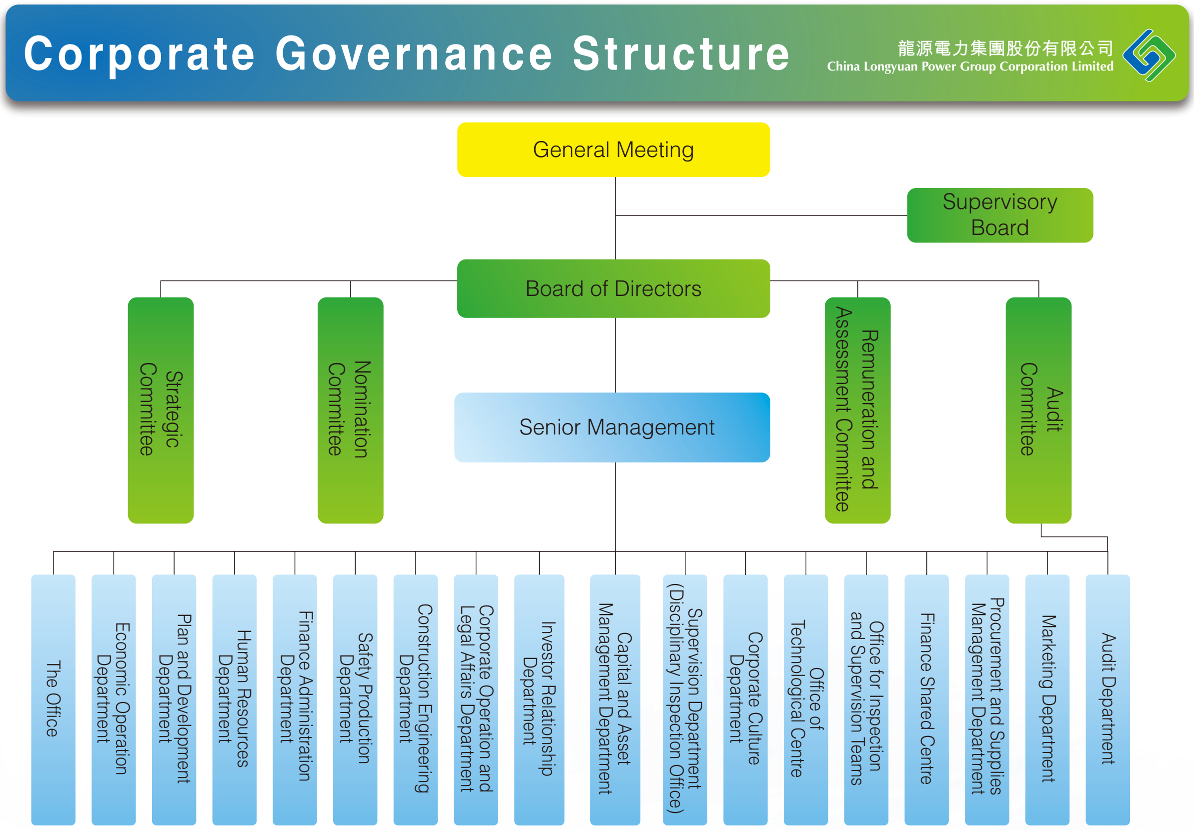
CORPORATE GOVERNANCE REPORT

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2016.

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 the 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.

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 2016, save as the deviation from the code provision E.1.2 disclosed in paragraph 9 below, the Company has complied with all the code provisions as set out in the "Corporate Governance Code" contained in Appendix 14 of 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 2016, 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 99 to 107 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 the essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company formulated the 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 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.

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
Luan Baoxing	Non-executive Director	12 August 2016
Yang Xiangbin	Non-executive Director	12 August 2016
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. Luan Baoxing (non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Meng Yan (independent non-executive Director). Mr. Meng Yan is the chairman of the audit committee. Mr. Luan Baoxing was appointed as a member of the audit committee on 12 August 2016 and Mr. Shao Guoyong, a former non-executive Director, resigned as a member of the audit committee on the same day.

The audit of risk management system of the Company is included in the Terms of Reference of the audit committee.

The primary responsibilities of the audit committee are to review the annual internal audit plan, material risks and the ability of the Company to cope with risks; 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; review and oversee the financial reporting system, internal control procedures of the Company and the effectiveness of the procedures in complying with relevant regulations under the Listing Rules; review material faults or defects (if any) and the impact that has and may incur thereby; 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 2016, 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 22 March 2016, the 2016 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 audit of the Company's 2015 annual financial statements was heard; (2) the Company's 2015 annual report and results announcement were considered and approved; (3) the Company's 2015 annual audited financial statements was considered and approved; (4) the re-appointment of auditors for 2016 and their remuneration were considered and approved and (5) the amendments to the Terms of Reference for the audit committee of the Board was considered and approved.

- On 28 April 2016, the 2016 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 in respect of the review of the Company's 2016 first quarterly results announcement was heard; and (2) the Company's 2016 first quarterly results announcement was considered and approved.

- On 9 August 2016, the 2016 third 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 2016 interim financial statements was heard; (2) the Company's 2016 interim report and interim results announcement were considered and approved; (3) the Company's 2016 interim financial statements were considered and approved; and (4) the fees payable to KPMG for 2016 interim review were considered and approved.

- On 25 October 2016, the 2016 fourth 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 Company's 2016 third quarterly results announcement was heard; and (2) the results announcement of the Company for the third quarter of 2016 was considered and approved.

Incumbent members of the audit committee at the time of the meetings, being Mr. Meng Yan and Mr. Zhang Songyi, attended the above four meetings, and Mr. Luan Baoxing attended the meeting held on 25 October 2016. Their attendance rate was 100%. Mr. Shao Guoyong (a former member of the audit committee) did not attend the meetings held on 22 March 2016, 28 April 2016 and 9 August 2016 due to some reasons, but proxy forms were signed to authorise Mr. Meng Yan to cast the votes on his behalf.

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 22 March 2016, the 2016 first meeting of the remuneration and assessment committee of the third 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 2016 was heard; (2) the remuneration of Directors, supervisors and senior management for 2016 was considered and approved; (3) the briefing on the Company's withdrawal plan of the Board's fund for 2015 was heard; and (4) the withdrawal plan of the Board's fund for 2015 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 17 June 2016, the 2016 first meeting of the nomination committee of the third session of the Board was held, at which the following works were performed: (1) the report concerning the change of the Directors was heard; and (2) the proposal for change of the Directors was 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. Yang Xiangbin (non-executive Director) and Mr. Huang Qun (executive Director). Mr. Li Enyi is the chairman of the strategic committee. Mr. Yang Xiangbin was appointed as a member of the strategic committee on 12 August 2016 and Mr. Chen Jingdong, a former non-executive Director, resigned as a member of the strategic committee on the same day.

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 22 March 2016, the 2016 first meeting of the strategic committee of the third 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 2016 was heard; (2) the comprehensive scheme, target and arrangement of the Company for 2016 was considered and approved; (3) the report on the safety production scheme and arrangement of the Company for 2016 was heard; and (4) the safety production scheme and arrangement of the Company for 2016 was considered and approved.

Incumbent members of the strategic committee at the time of the meeting, being Mr. Wang Baole, Mr. Li Enyi, Mr. Chen Jingdong (a former member of the strategic committee) 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 2016.

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 of 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 incumbent Directors participated in continuous professional development training in 2016 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 incumbent Directors' training are set out as below:

Name	Position	Time of Training Received in 2016 *(hours)*	Areas covered in the Training
Qiao Baoping	Chairman of the Board and non-executive Director	360	Corporate governance and relevant regulations, macro-policies, management innovation, industry research, enterprise reform, etc.
Wang Baole	Non-executive Director	308	Corporate governance and relevant regulations, energy research, corporate management, strategic planning, market analysis, etc.
Luan Baoxing	Non-executive Director	325	Corporate governance and relevant regulations, accounting policies, financial research, financial management, market analysis, etc.
Yang Xiangbin	Non-executive Director	282	Corporate governance and relevant regulations, capital operating, assets reorganization, enterprise reform and financial strategy, etc.
Li Enyi	Executive Director and president	298	Corporate governance and relevant regulations, corporate management, policy research, strategic management, human resources, etc.
Huang Qun	Executive Director	256	Corporate governance and relevant regulations, strategic planning, capital operation, technology research and development in energy business, etc.

Name	Position	Time of Training Received in 2016 *(hours)*	Areas covered in the Training
Zhang Songyi	Independent non-executive Director	387	Corporate governance and relevant regulations, laws, finance, economics, management, energy, audit, etc.
Meng Yan	Independent non-executive Director	384	Corporate governance and relevant regulations, accounting, financial management, audit and internal control, finance, etc.
Han Dechang	Independent non-executive Director	385	Corporate governance and relevant regulations, industrial and commercial management, marketing, strategic management, etc.

In addition, Mr. Jia Nansong and Ms. Soon Yuk Tai, joint company secretaries of the Company, took part in relevant training respectively in 2016 and, therefore, have complied with the requirement under Rule 3.29 of the Listing Rules.

6. Risk Management and Internal Controls

The Company highly recognises the importance of risk management and 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" (《公司高管職責説明書》), "Interim Measures on Anti-Corruption, Complaints and Reports" (《反舞弊及接收投訴、舉報的暫行辦法》) and "Management System of Internal Audit" (《內部審計管理制度》), etc.

In terms of organisational structure, the Company establishes sound governance and organizational structure. The Board, management and internal audit department fulfill their own duties and have clear division of work in risk management and internal supervision. The Board acts as the highest decision-making body with respect to overall risk management. The Board is responsible for assessing and determining the risk appetite for its operating strategy and supervising the management's design and implementation of the risk management and internal monitoring system to ensure the system is effective. The management of the Company is in charge of the daily work of the overall risk management of the Company, organizing the formulation, ongoing amendments and improvement of the risk management measures and other relevant management systems of the Company, establishment and improvement of the risk classification framework of the Company, and preparation of risk management operation guidelines, annual work plan on risk management and risk assessment standards of the Company. They should carry out risk assessment, fix risk management strategies, and prepare annual work report on overall risk management. Moreover, they take charge of publication and maintenance of basic information on risk management in the risk management information system of the Company and completion of other issues in relation to the overall risk management of the Company. The Company establishes Finance Administration Department, Audit Department, Supervision Department, Office for Inspection and Supervision Teams to take charge of specific works such as financial operation and supervision, risk management, internal audit and anti-cheating. The relevant internal supervising department institutes an annual auditing plan based on the risk investigation results which is determined through discussion with the Audit Committee and coordinates work arrangement with external auditors. The relevant internal supervising department is relatively independent in performing duties and relevant personnel are allowed to access all the business and asset records and contact with relevant personnel of the Company's subsidiaries without restrictions. In addition, the internal audit department is responsible for putting forward suggestions on the rectification of problems spotted in audit and following up with the implementation thereof on a regular basis to ensure execution of relevant improvement plans of the Company.

In respect of specific execution, the Company effectively ensures the implementation of risk management measures in all business sections by establishing a complete set of risk control implementation mechanisms including risk indicator monitoring mechanism, risk information report system, risk management culture system and incentive system.

The Company has established a top-down risk indicator early warning mechanism at different levels. The risk indicators cover five risk categories, i.e. company strategy, market, finance, operation and law, consisting of 161 indicators, each of which is set with an early warning interval. The Company calculates all the indicators on a monthly basis, and analyses and gives prompt early warning for the indicators within the early warning interval and issues a risk report on a regular basis. The Company makes use of the abovementioned systematic and normalized procedures to identify, assess and manage risks, so as to identify major risks through overall strategic level, business risks through competitive strategic level and operational risks through business strategic level, and makes scientific and reasonable decisions according to duly acquired risk information.

The Company has a sound risk information report system. The internal audit department conducts annual risk investigation, results of which will be reported to the audit committee directly by the person in charge of internal control, and then to the Board by the audit committee on a regular basis. Furthermore, each department of the Company is able to submit relevant risk 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 operational 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 risk factor (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.

Besides, through the establishment of risk management culture system and incentive system, promotion of staff's participation, enhancement of training and propaganda, and introduction of performance assessment, the Company has consolidated its risk awareness from bottom up and further improved its supervision.

Based on the risk investigation results, regular risk report and annual risk management report, the Board continuously assessed the effectiveness of internal control systems of the Company and subsidiaries, covering financial, operational and compliance controls and risk management, etc. during the reporting period, and conducted a comprehensive review on the whole system in November 2016. It 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. The Board's discharge of its duties in respect of leading risk management and internal control system aims at management of the risk of failure of achievement of business objectives. The Board can only provide reasonable and not absolute assurance against material misrepresentation in or material loss caused by the disclosures made by the Company in the ordinary course of business.

7. 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.

8. 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 2016, respectively.

For the year ended 31 December 2016, 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 180 to 189 of this annual report.

9. Shareholders' Meetings

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

On 31 May 2016, the Company held the annual general meeting for 2015. Mr. Meng Yan and Mr. Han Dechang, the independent non-executive Directors, were present at such annual general meeting. Mr. Qiao Baoping, Mr. Wang Baole, Mr. Shao Guoyong (resigned) and Mr. Chen Jingdong (resigned), the non-executive Directors; Mr. Li Enyi and Mr. Huang Qun, the executive Directors; and Mr. Zhang Songyi, the independent non-executive Director, were absent from the abovementioned annual general meeting due to work reasons.

On 12 August 2016, the Company held the first extraordinary general meeting for 2016. Mr. Meng Yan, the independent non-executive Director, was present at such extraordinary general meeting. Mr. Qiao Baoping, Mr. Wang Baole, Mr. Shao Guoyong (resigned) and Mr. Chen Jingdong (resigned), the non-executive Directors; Mr. Li Enyi and Mr. Huang Qun, the executive Directors; and Mr. Zhang Songyi 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 2016.

A circular to Shareholders, containing resolutions to be put forward at the annual general meeting for 2016 and relevant information, has been dispatched to the Shareholders together with this annual report.

10. 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.

10.1 Shareholders' Rights

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

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

If the Board fails to issue a notice to convene such a meeting within 30 days from the date of receipt of the above 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.

10.2 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 334 to 336 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.

11. Investor Relations

11.1 Investor Relations Activities

Results Roadshows

In 2016, the Company published 2015 annual results and 2016 interim results in March and August, respectively, and organised results roadshows. During the period of annual results conference, 14 financial media, and 180 analysts and investors attended the meeting. During the period of annual report roadshow, the management of the Company communicated with 66 new and existing Shareholders in a face-to-face manner through 16 investor meetings. A total of 20 media and 230 analysts and investors attended the interim results conference. 12 investor meetings were organised for the interim report roadshow and in-depth communications were conducted with 65 representatives from investment institutions.

Since the announcement of the first quarterly results and the third quarterly results for 2016, the Company has organised and convened teleconferences with global investors. 80 and 110 large institutional investors and investment bank analysts from Hong Kong, Singapore, Europe, the US and so forth attended the two quarterly report teleconferences.

Investors' Routine Calls and Visits

In 2016, the Company arranged 70 routine investor meetings by way of one-to-one/group/teleconference meetings and fully and effectively communicated and exchanged opinions with 293 institutional investors and analysts.

Investment Summits

In 2016, the Company participated in the summit held by 6 well-known investment banks, and held face-to-face conversations with 125 investors through 20 one-to-one and group meetings.

11.2 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 fairly 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 2016, the Company published 98 pieces of information on the Stock Exchange.

The Company did not make any material changes to the Articles of Association of the Company in 2016.

12. Contact Person of Joint Company Secretary

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

SUPERVISORY BOARD'S WORK 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 2016, the Supervisory Board of the Company acted in strict compliance with relevant laws, 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 2016 first meeting of the third session of the Supervisory Board was held on 22 March 2016, at which the Resolution Regarding the 2015 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2015年度報告及業績公告的議案》) and the Resolution Regarding the 2015 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2015 年度監事會工作報告的議案》) were considered and approved.

The 2016 second meeting of the third session of the Supervisory Board was held on 9 August 2016, at which the Resolution Regarding the 2016 Interim Results Announcement and Interim Report of China Longyuan Power Group Corporation Limited (《關於龍源電力集團股份有限公司2016年度中期業績公告及中期報告的議案》) 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 2016 annual financial report and relevant information to be submitted by the Board to the general meeting, and as audited by the independent auditors with an unqualified opinion, the Supervisory Board is of the opinion that the annual report reflects the financial condition and operating results of the Company on a consistent basis and in an accurate, true and fair manner.

3. Inspection of the Company's 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, following the "One, Five and Five" ("一五五") strategy as its guidance, insisted on the operation philosophy of sustainable and advantageous development generating high quality and benefits ("有質量、有效益、可持續的優勢發展"), forged ahead of the ever changing operation and development condition, carried out the activity of "year for management innovation" ("管理創新年") in a deep-going way and achieved new achievements in all works. The Supervisory Board is satisfied with the achievement of the Company during the reporting period and is confident in the development prospects of the Company.

Chairman of the Supervisory Board
Xie Changjun

Beijing, 14 March 2017

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)

OPINION

We have audited the consolidated financial statements of China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 190 to 328, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing potential impairment of certain property, plant and equipment	
Refer to note 14 to the consolidated financial statements and the accounting policies on pages 211–215.	
The Key Audit Matter	**How the matter was addressed in our audit**
Certain of the Group's wind power plants, which are located in areas which are experiencing a decrease in power consumption or in areas where the grid companies have imposed restrictions on the purchase of wind generated power, recorded operating losses for the year ended 31 December 2016. In addition, certain projects under construction in these areas have been delayed. Management considered that the above factors represented indicators of potential impairment of the related property, plant and equipment. Where indicators of potential impairment of property, plant and equipment were identified, management performed impairment assessments of these assets or the cash generating units to which they had been allocated using value-in-use calculations for each smallest identifiable group of assets that generate independent cash flows ("CGU") by preparing discounted cash flow forecasts for each CGU.	Our audit procedures to assess the potential impairment of certain property, plant and equipment included the following: • assessing management's identification of CGUs and the allocation of assets to each CGU and assessing the methodology adopted by management in its preparation of the discounted cash flow forecasts with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;

Assessing potential impairment of certain property, plant and equipment	
Refer to note 14 to the consolidated financial statements and the accounting policies on pages 211–215.	
The Key Audit Matter	**How the matter was addressed in our audit**
Preparing discounted cash flow forecasts requires management to exercise significant judgement, particularly in relation to estimating future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied in estimating the recoverable amount of each CGU.	• evaluating management's discounted cash flow forecasts for each CGU by comparing the key assumptions adopted by management, which included future sales volumes, future on-grid tariffs, future capital expenditure and future operating costs, with the feasibility report for each project approved by senior management, with prior years' actual results for projects located in same region and with historical provincial statistics; • challenging management's rationale for adopting cash flow projections over a period greater than five years; • engaging our internal valuation specialists to assist us in evaluating the valuation methodology adopted by management and to assess whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry;

Assessing potential impairment of certain property, plant and equipment	
Refer to note 14 to the consolidated financial statements and the accounting policies on pages 211–215.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified assessing potential impairment of certain property, plant and equipment as a key audit matter because the carrying value of property, plant and equipment is material to the consolidated financial statements and because of the significant management judgement and estimation required in assessing potential impairment which could be subject to error or potential management bias.	• comparing the actual results for the current year with management's estimates in their discounted cash flow forecasts for the previous year in order to assess the historical accuracy of the management's forecasting process; • performing sensitivity analyses of the discount rates applied and the assumptions for forecast revenue adopted by management in the discounted cash flow forecasts to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions.

Assessing the recoverability of prepayment and other current assets	
Refer to note 23 to the consolidated financial statements and the accounting policies on pages 211–215.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2016, the Group's prepayments and other current assets totalled RMB3,644,222,000. The principal components of the balance of prepayments and other current assets are loans and advances to related parties and third parties of RMB1,076,533,000. Management's assessment of the provision for prepayments and other current assets includes a specific element based on individual debtors and a collective element based on groups of debtors with similar credit risk characteristics. Provisions are determined based on management's estimate of the expected credit losses to be incurred, which is estimated by taking into account a number of factors including the ageing of the balances, the credit-worthiness of the debtors, historical write-off experience and relevant current factors relating to the collectively assessed debtors. All of these factors involve a significant degree of management judgement.	Our audit procedures to assess the recoverability of prepayments and other current assets included the following: • assessing the categorisation of prepayments and other current assets in the ageing report by reconciling the total amount in the ageing report to the balances of prepayments and other current assets in the general ledger and by comparing a sample of individual items with relevant underlying documentation; • obtaining an understanding of the basis of management's judgements about the recoverability of individual material balances and evaluating these judgements with reference to the debtors' financial condition, the ageing of overdue balances, historical settlement experience and correspondence files for long-aged or overdue items;

Assessing the recoverability of prepayment and other current assets	
Refer to note 23 to the consolidated financial statements and the accounting policies on pages 211–215.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified assessing the recoverability of prepayments and other current assets as a key audit matter because of the significant management judgement and estimation required in assessing recoverability and in determining the level of provisions for doubtful debts which could be subject to error or potential management bias.	• assessing the assumptions and estimates made by management for the provisions for doubtful debts calculated based on a collective assessment by performing a retrospective review of the historical accuracy of these estimates and recalculating the Group's provisions for doubtful debts with reference to the Group's policy for collective assessment; • assessing the credit risk of material debtors by inspecting the most recent available financial statements of those debtors and evaluating the debtors' ability to pay the amounts due to the Group; • comparing cash receipts from debtors subsequent to the financial year end relating to receivable balances at 31 December 2016 with bank statements and other relevant underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fung Ting Ho, Edwin.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016 (Expressed in Renminbi unless otherwise stated)

	Note	**2016** ***RMB'000***	2015 *RMB'000* *(restated–note 41)*
Revenue	4	**22,304,055**	19,683,064
Other net income	5	**646,562**	449,603
Operating expenses			
Depreciation and amortisation		**(6,342,234)**	(5,578,169)
Coal consumption		**(1,702,125)**	(1,377,869)
Coal sales costs		**(3,409,614)**	(2,142,213)
Service concession construction costs		**(541,208)**	(661,804)
Personnel costs		**(1,602,679)**	(1,422,434)
Material costs		**(216,318)**	(331,055)
Repairs and maintenance		**(641,905)**	(531,225)
Administration expenses		**(429,290)**	(372,587)
Other operating expenses		**(517,725)**	(583,727)
		(15,403,098)	(13,001,083)
Operating profit		**7,547,519**	7,131,584
Finance income		**211,449**	203,703
Finance expenses		**(2,985,228)**	(3,242,226)
Net finance expenses	6	**(2,773,779)**	(3,038,523)
Share of profits less losses of associates and joint ventures		**376,163**	575,506
Profit before taxation	7	**5,149,903**	4,668,567
Income tax	8	**(660,182)**	(600,952)
Profit for the year		**4,489,721**	4,067,615

	Note	**2016 RMB'000**	2015 RMB'000 (restated–note 41)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Exchange difference on translation of senior perpetual securities	42	**–**	107,857
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: net movement in the fair value reserve		**18,403**	447
Exchange difference on translation of financial statements of overseas subsidiaries		**(40,562)**	(99,697)
Exchange difference on net investment		**(7,521)**	(241,358)
Other comprehensive income for the year, net of tax	11	**(29,680)**	(232,751)
Total comprehensive income for the year		**4,460,041**	3,834,864
Profit attributable to:			
Equity holders of the Company			
– Shareholders		**3,415,378**	2,878,277
– Perpetual medium-term note holders	43	**133,200**	–
Non-controlling interests		**941,143**	1,189,338
Profit for the year		**4,489,721**	4,067,615
Total comprehensive income attributable to:			
Equity holders of the Company			
– Shareholders		**3,348,142**	2,537,669
– Perpetual medium-term note holders	43	**133,200**	–
Non-controlling interests		**978,699**	1,297,195
Total comprehensive income for the year		**4,460,041**	3,834,864
Basic and diluted earnings per share *(RMB cents)*	12	**42.50**	35.82

The notes on pages 200 to 328 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016 (Expressed in Renminbi unless otherwise stated)

	Note	2016 RMB'000	2015 RMB'000 (restated–note 41)
Non-current assets			
Property, plant and equipment	14	**105,598,261**	98,996,736
Investment properties		**4,244**	4,561
Lease prepayments	15	**2,136,798**	2,002,826
Intangible assets	16	**8,798,494**	8,687,766
Goodwill	17	**61,490**	11,541
Investments in associates and joint ventures	19	**4,482,852**	4,822,038
Other assets	20	**4,095,386**	6,483,121
Deferred tax assets	31(b)	**150,592**	155,085
Total non-current assets		**125,328,117**	121,163,674
Current assets			
Inventories	21	**1,039,850**	1,080,676
Trade debtors and bills receivable	22	**5,901,031**	4,242,642
Prepayments and other current assets	23	**3,644,222**	3,070,315
Tax recoverable	31(a)	**179,310**	169,716
Other financial assets	24	**634,887**	865,836
Restricted deposits	25	**28,054**	387,133
Cash at bank and on hand	26	**1,905,222**	2,887,285
Total current assets		**13,332,576**	12,703,603

	Note	2016 RMB'000	2015 RMB'000 (restated–note 41)
Current liabilities			
Borrowings	27(b)	**44,472,149**	44,976,909
Trade creditors and bills payable	28	**2,549,737**	1,902,386
Other current liabilities	29	**8,570,547**	8,965,076
Obligations under finance leases	30	**39,000**	–
Tax payable	31(a)	**175,975**	155,746
Total current liabilities		**55,807,408**	56,000,117
Net current liabilities		**(42,474,832)**	(43,296,514)
Total assets less current liabilities		**82,853,285**	77,867,160
Non-current liabilities			
Borrowings	27(a)	**31,326,998**	29,969,856
Obligations under finance leases	30	**461,000**	–
Deferred income	33	**1,684,507**	1,791,775
Deferred tax liabilities	31(b)	**138,085**	106,073
Other non-current liabilities	34	**1,456,444**	1,425,141
Total non-current liabilities		**35,067,034**	33,292,845
NET ASSETS		**47,786,251**	44,574,315

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016 (Expressed in Renminbi unless otherwise stated)

	Note	2016 RMB'000	2015 RMB'000 (restated–note 41)
CAPITAL AND RESERVES			
Share capital	35(c)	**8,036,389**	8,036,389
Perpetual medium-term note	43	**2,991,000**	2,991,000
Reserves	35(d)	**29,862,388**	27,108,409
Total equity attributable to equity holders of the Company		**40,889,777**	38,135,798
Non-controlling interests		**6,896,474**	6,438,517
TOTAL EQUITY		**47,786,251**	44,574,315

Approved and authorised for issue by the board of directors on 14 March 2017.

Qiao Baoping
Chairman

Li Enyi
Executive Director

The notes on pages 200 to 328 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016 (Expressed in Renminbi unless otherwise stated)

		Attributable to the equity holders of the Company								Non-controlling interests			
		Share capital	Perpetual medium-term note	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve	Retained earnings	Subtotal	Senior perpetual securities	Others	Subtotal	Total equity
	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 43)	*(Note 35 (d)(i))*	*(Note 35 (d)(ii))*	*(Note 35 (d)(iii))*	*(Note 35 (d)(iv))*			*(Note 42)*			
At 1 January 2015 (as previously reported)		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
Effect on business combination under common control	41	–	–	42,900	–	–	–	(4,549)	38,351	–	12,144	12,144	50,495
At 1 January 2015 (as restated)		8,036,389	–	14,767,000	574,422	(92,828)	6,298	9,854,513	33,145,794	2,416,330	5,392,456	7,808,786	40,954,580
Changes in equity:													
Profit for the year		–	–	–	–	–	–	2,878,277	2,878,277	124,497	1,064,841	1,189,338	4,067,615
Other comprehensive income		–	–	–	–	(341,055)	447	–	(340,608)	107,857	–	107,857	(232,751)
Total comprehensive income		–	–	–	–	(341,055)	447	2,878,277	2,537,669	232,354	1,064,841	1,297,195	3,834,864
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	35(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 issue expenses	43	–	2,991,000	–	–	–	–	–	2,991,000	–	–	–	2,991,000
Effect on business combination under common control		–	–	(16,743)	–	–	–	–	(16,743)	–	–	–	(16,743)
At 31 December 2015		8,036,389	2,991,000	14,708,107	778,062	(433,883)	6,745	12,049,378	38,135,798	–	6,438,517	6,438,517	44,574,315

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016 (Expressed in Renminbi unless otherwise stated)

	Note	Attributable to the equity holders of the Company									
		Share capital	**Perpetual medium-term note**	**Capital reserve**	**Statutory surplus reserve**	**Exchange reserve**	**Fair value reserve**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note 43)	*(Note 35 (d)(i))*	*(Note 35 (d)(ii))*	*(Note 35 (d)(iii))*	*(Note 35 (d)(iv))*				
At 1 January 2016 (as previously reported)		**8,036,389**	**2,991,000**	**14,665,207**	**778,062**	**(433,883)**	**6,745**	**12,056,265**	**38,099,785**	**6,432,850**	**44,532,635**
Effect on business combination under common control	41	–	–	42,900	–	–	–	(6,887)	36,013	5,667	41,680
At 1 January 2016 (as restated)		**8,036,389**	**2,991,000**	**14,708,107**	**778,062**	**(433,883)**	**6,745**	**12,049,378**	**38,135,798**	**6,438,517**	**44,574,315**
Changes in equity:											
Profit for the year		–	133,200	–	–	–	–	3,415,378	3,548,578	941,143	4,489,721
Other comprehensive income		–	–	–	–	(73,273)	6,037	–	(67,236)	37,556	(29,680)
Total comprehensive income		–	133,200	–	–	(73,273)	6,037	3,415,378	3,481,342	978,699	4,460,041
Capital contributions		–	–	–	–	–	–	–	–	146,514	146,514
Appropriation		–	–	–	206,732	–	–	(206,732)	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	63,867	63,867
Dividends by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	–	(706,237)	(706,237)
Dividends to shareholders of the Company	35(b)(ii)	–	–	–	–	–	–	(576,209)	(576,209)	–	(576,209)
Distribution for perpetual medium-term notes	43	–	(133,200)	–	–	–	–	–	(133,200)	–	(133,200)
Effect on business combination under common control	41	–	–	(17,954)	–	–	–	–	(17,954)	–	(17,954)
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(24,886)	(24,886)
At 31 December 2016		**8,036,389**	**2,991,000**	**14,690,153**	**984,794**	**(507,156)**	**12,782**	**14,681,815**	**40,889,777**	**6,896,474**	**47,786,251**

The notes on pages 200 to 328 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016 (Expressed in Renminbi unless otherwise stated)

	2016	2015
	RMB'000	*RMB'000*
		(restated–note 41)
Cash flows from operating activities		
Profit before taxation	**5,149,903**	4,668,567
Adjustments for:		
Depreciation	**5,805,643**	5,064,767
Amortisation	**536,591**	513,402
(Reversal)/provision of impairment losses on property, plant and equipment and lease prepayment	**(92,092)**	324
Loss on disposal of property, plant and equipment and lease prepayments	**1,314**	1,505
Interest expenses on financial liabilities	**2,714,810**	2,808,307
Interest expenses on finance leases	**23,207**	–
Net foreign exchange differences	**53,956**	399,096
Losses on interest rate swap contracts	**40,763**	–
Interest income on financial assets	**(136,440)**	(123,548)
Dividend income	**(38,391)**	(52,305)
Share of profits less losses of associates and joint ventures	**(376,163)**	(575,506)
Changes in working capital:		
Decrease/(increase) in inventories	**46,622**	(52,200)
Decrease in trading securities	**17,771**	141,298
(Increse)/decrease in trade debtors and bills receivable	**(1,628,685)**	2,178,617
Decrease in prepayments and other current assets	**942,974**	457,735
Increase in other current liabilities	**1,236,703**	1,440,306
Decrease in deferred income	**(132,438)**	(37,591)
Cash generated from operations	**14,166,048**	16,832,774
Income tax paid	**(633,516)**	(526,160)
Net cash generated from operating activities	**13,532,532**	16,306,614

	2016 *RMB'000*	2015 *RMB'000* *(restated–note 41)*
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	**(13,990,457)**	(15,263,583)
Payments for loans and advances	**(3,911)**	(7,141)
Payments for acquisition of investments in associates and joint ventures, and unquoted equity investments	**(6,000)**	(745,000)
Payment for businesses acquisition, net of cash acquired	**(62,034)**	(131,600)
Government grant received	**25,170**	39,310
Proceeds from disposal of property, plant, equipment, and lease prepayment	**49,723**	2,869
Proceeds from disposal of subsidiaries, net of cash disposed	**169,861**	–
Proceeds from repayment of loans and advances	**2,017,000**	11,000
Dividends received	**95,849**	141,179
Interest received	**141,676**	131,919
Redeem of/(payment for) short-term investments	**358,000**	(498,000)
Time deposits	**(3,936)**	–
Net cash used in investing activities	**(11,209,059)**	(16,319,047)

	2016	2015
	RMB'000	*RMB'000*
		(restated–note 41)
Cash flows from financing activities		
Capital contributions	**146,514**	412,233
Proceeds from borrowings	**52,463,275**	50,224,465
Repayment of borrowings	**(51,671,195)**	(45,786,273)
Proceeds from finance leases	**530,000**	–
Dividends paid by subsidiaries to non-controlling equity owners	**(730,236)**	(694,626)
Proceeds from issuance of perpetual medium-term note	**–**	2,991,000
Dividends paid to shareholders of the Company	**(576,209)**	(479,772)
Interest paid for borrowings	**(3,149,221)**	(3,382,643)
Interest paid for senior perpetual securities	**–**	(131,434)
Repayment of senior perpetual securities	**–**	(2,559,400)
Payment for cross-currency exchange contracts	**(110,725)**	(68,315)
Payment for interest rate swap contracts	**(218)**	–
Interest paid for perpetual medium-term note	**(133,200)**	–
Finance lease payments	**(53,207)**	–
Net cash (used in)/generated from financing activities	**(3,284,422)**	525,235
Net (decrease)/increase in cash and cash equivalents	**(960,949)**	512,802
Cash and cash equivalents at the beginning of year	**2,887,285**	2,396,382
Effect of foreign exchange rate changes	**(25,050)**	(21,899)
Cash and cash equivalents at the end of year *(note 26)*	**1,901,286**	2,887,285

The notes on pages 200 to 328 form part of these financial statements.

1 PRINCIPAL ACTIVITIES

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements set out in this report have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the 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").

Significant accounting policies adopted by the Group are disclosed 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. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and its interest in associates and joint ventures.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2016 amounting to RMB42,474,832,000. 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 36(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 a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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.

(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) and 2(s) depending on the nature of the liability.

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

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

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.

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 ventures 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.

(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)).

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).

(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.

(l) Intangible assets

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (see note 2(n)).

Other intangible assets that are acquired by the Group are stated in the 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.

(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.

(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.

(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).

– 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.

– 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.

(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).

– 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.

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.

(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.

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.

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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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.

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.

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.

(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.

(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.

(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. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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.

(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.

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.

(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 assessment includes a specific element based on individual debtors and a collective element based on groups of debtors with similar credit risk characteristics. The Group bases the estimates on the ageing of the receivable balance, debtors' credit-worthiness, historical write-off experience and relevant current factors relating to the collectively assessed debtors. 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 for each smallest identifiable group of assets that generate independent cash flows ("CGU"), expected cash flow generated by each CGU are discounted to their present value, which requires significant judgement relating to items such as future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied. 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 future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied.

(c) Recognition of deferred tax assets

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

(d) Depreciation

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

(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.

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4 REVENUE

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

	2016 **RMB'000**	2015 RMB'000 (restated– note 41)
Sales of electricity	**17,367,133**	15,890,828
Sales of steam	**503,825**	261,621
Service concession construction revenue *(note 46)*	**541,208**	661,804
Sales of electricity equipment	**25,218**	167,525
Sales of coal	**3,532,313**	2,269,368
Others	**334,358**	431,918
	22,304,055	19,683,064

5 OTHER NET INCOME

	2016 **RMB'000**	2015 RMB'000 (restated– note 41)
Government grants	**502,812**	409,141
Rental income from investment properties	**5,697**	5,679
Net loss on disposal of plant, property and equipment and lease prepayments	**(1,314)**	(1,505)
Penalty income from wind turbine suppliers *(note (i))*	**114,811**	4,220
Others	**24,556**	32,068
	646,562	449,603

Note:

(i) Penalty income from wind turbine suppliers mainly represented compensations from a third party wind turbine supplier, Sinovel Wind Group Co., Ltd., for revenue losses incurred due to certain parts of the wind turbines not running stably in operation and losses of electricity generation caused by turbines disorder outage.

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6 FINANCE INCOME AND EXPENSES

	2016 RMB'000	2015 RMB'000 (restated– note 41)
Interest income on financial assets	**136,440**	123,548
Foreign exchange gains	**36,618**	2,942
Net realised and unrealised gains on other financial assets	**–**	24,908
Dividend income from other investments	**38,391**	52,305
Finance income	**211,449**	203,703
Interest on bank and other borrowings wholly repayable within five years	**2,290,664**	2,692,159
Interest on bank and other borrowings repayable more than five years	**745,349**	754,591
Finance charges on obligations under finance leases	**23,207**	–
Less: interest expenses capitalised into property, plant and equipment and intangible assets	**(321,203)**	(638,443)
	2,738,017	2,808,307
Foreign exchange losses	**197,766**	553,442
Net realised and unrealised gains on derivative financial instruments *(note 24)*	**(107,192)**	(151,404)
Net foreign exchange losses	**90,574**	402,038
Net realised and unrealised losses on trading securities	**22,560**	4,885
Net unrealised losses on derivative financial instruments *(note 29(iii))*	**40,763**	–
Bank charges and others	**93,314**	26,996
Finance expenses	**2,985,228**	3,242,226
Net finance expenses recognised in profit or loss	**(2,773,779)**	(3,038,523)

The borrowing costs have been capitalised at rates of 2.85% to 6.55% per annum for the year ended 31 December 2016 (2015: 2.90% to 7.15%).

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7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2016	2015
	RMB'000	*RMB'000*
		(restated– note 41)
Salaries, wages and other benefits	**1,408,270**	1,252,617
Contributions to defined contribution retirement plan	**194,409**	169,817
	1,602,679	1,422,434

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(b) Other items

	2016	2015
	RMB'000	*RMB'000*
		(restated–note 41)
Amortisation		
– lease prepayment	**78,373**	76,063
– intangible assets	**458,218**	437,339
Depreciation		
– investment properties	**317**	317
– property, plant and equipment	**5,805,326**	5,064,450
(Reversal)/provision of impairment losses		
– property, plant and equipment	**(87,931)**	324
– lease prepayments	**(4,161)**	–
– trade and other receivables	**(11,534)**	(2,152)
Auditors' remuneration-audit services		
– annual audit service	**20,100**	20,100
– interim review service	**6,500**	6,500
Operating lease charges		
– hire of plant and equipment	**1,932**	2,425
– hire of properties	**27,219**	21,629
Cost of inventories	**5,497,533**	4,013,584

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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:

	2016 *RMB'000*	2015 *RMB'000* *(restated– note 41)*
Current tax		
Provision for the year	630,848	592,915
Under provision in respect of prior years	13,303	9,137
	644,151	602,052
Deferred tax		
Origination and reversal of temporary differences *(note 31(b))*	16,031	(1,100)
	660,182	600,952

Notes:

(i) The provision for income tax of the PRC subsidiaries 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 2015 and 2016, 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.

FOR THE YEAR ENDED 31 DECEMBER 2016 (Expressed in thousands of Renminbi unless otherwise stated)

(ii) 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.

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

	2016	2015
	RMB'000	*RMB'000*
		(restated– note 41)
Profit before taxation	**5,149,903**	4,668,567
Notional tax on profit before taxation	**1,286,961**	1,169,068
Tax effect of non-deductible expenses	**4,881**	7,582
Tax effect of share of profits less losses of associates and joint ventures	**(94,041)**	(143,877)
Tax effect of non-taxable income	**(9,598)**	(13,076)
Effect of differential tax rate of certain subsidiaries of the Group	**(630,106)**	(637,627)
Use of unrecognised tax losses in prior years	**(22,134)**	(1,014)
Tax effect of unused tax losses and timing differences not recognised	**111,659**	209,457
Under provision in respect of prior years	**13,303**	9,137
Others	**(743)**	1,302
Income tax	**660,182**	600,952

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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*	2016 Total *RMB'000*
Directors					
Mr. Qiao Baoping *(Chairman)*	–	–	–	–	–
Mr. Li Enyi	–	245	734	95	1,074
Mr. Wang Baole	–	–	–	–	–
Mr. Huang Qun	–	245	712	94	1,051
Mr. Shao Guoyong (resigned in August 2016)	–	–	–	–	–
Mr. Chen Jingdong (resigned in August 2016)	–	–	–	–	–
Mr. Luan Baoxing (appointed in August 2016)	–	–	–	–	–
Mr. Yang Xiangbin (appointed in August 2016)	–	–	–	–	–
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	–	202	600	86	888
	429	692	2,046	275	3,442

FOR THE YEAR ENDED 31 DECEMBER 2016 (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*	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
	429	680	2,017	266	3,392

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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:

	2016	2015
Directors	2	2
Non-directors	3	3
	5	5

The emoluments of the directors are disclosed in note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2016 *RMB'000*	2015 *RMB'000*
Salaries and other emoluments	606	637
Discretionary bonuses	1,785	1,760
Retirement scheme contributions	260	255
	2,651	2,652

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

	2016	2015
HKD500,001 to HKD1,000,000	3	–
HKD1,000,001 to HKD1,500,000	–	3

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11 OTHER COMPREHENSIVE INCOME

	2016 RMB'000	2015 RMB'000
Items that will not be reclassified to profit or loss:		
Exchange difference on translation of senior perpetual securities	**–**	107,857
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	**24,538**	596
– Tax expense	**(6,135)**	(149)
Net of tax amount	**18,403**	447
Exchange differences on translation of financial statement of overseas subsidiaries	**(40,562)**	(99,697)
Exchange difference on net investment		
– Before and net of tax amount	**(7,521)**	(241,358)
Other comprehensive income	**(29,680)**	(232,751)

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the year ended 31 December 2016 of RMB3,415,378,000 (2015 (restated–note 41): RMB2,878,277,000) and the number of shares in issue during the year ended 31 December 2016 of 8,036,389,000 (2015: 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, provision of consulting services, maintenance and training services to wind power plants, and other renewable power generation.

(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 2016 and 2015 is set out below:

FOR THE YEAR ENDED 31 DECEMBER 2016 (Expressed in thousands of Renminbi unless otherwise stated)

For the year ended 31 December 2016

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers				
– Sales of electricity	13,891,059	3,009,803	466,271	17,367,133
– Others	58,936	4,259,699	77,079	4,395,714
Subtotal	13,949,995	7,269,502	543,350	21,762,847
Inter-segment revenue	–	–	588,301	588,301
Reportable segment revenue	13,949,995	7,269,502	1,131,651	22,351,148
Reportable segment profit (operating profit)	6,609,340	896,265	167,335	7,672,940
Depreciation and amortisation before inter-segment elimination	(5,815,393)	(371,257)	(189,121)	(6,375,771)
Reversal of impairment losses of trade and other receivables	2,214	–	9,320	11,534
Reversal/(provision) of impairment losses of property, plant and equipment and lease prepayments	(1,977)	–	94,069	92,092
Interest income	38,816	14,994	82,630	136,440
Interest expense	(2,521,971)	(67,050)	(148,996)	(2,738,017)
Reportable segment assets	123,099,458	6,845,431	15,725,834	145,670,723
Expenditures for reportable segment non-current assets during the year	12,452,707	367,426	241,264	13,061,397
Reportable segment liabilities	84,292,760	3,761,889	18,970,306	107,024,955

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For the year ended 31 December 2015 (restated–note 41)

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
– Sales of electricity	12,317,792	3,139,048	433,988	15,890,828
– Others	47,338	2,756,628	326,466	3,130,432
Subtotal	12,365,130	5,895,676	760,454	19,021,260
Inter-segment revenue	–	–	1,146,128	1,146,128
Reportable segment revenue	12,365,130	5,895,676	1,906,582	20,167,388
Reportable segment profit (operating profit)	5,992,290	1,133,464	150,878	7,276,632
Depreciation and amortisation before inter-segment elimination	(5,035,564)	(400,264)	(174,580)	(5,610,408)
Reversal of impairment losses of trade and other receivables	–	–	2,152	2,152
Impairment losses of property, plant and equipment	(324)	–	–	(324)
Interest income	21,888	19,320	82,340	123,548
Interest expense	(2,419,357)	(59,667)	(329,283)	(2,808,307)
Reportable segment assets	116,270,117	6,025,322	18,532,330	140,827,769
Expenditures for reportable segment non-current assets during the year	15,504,483	423,402	264,957	16,192,842
Reportable segment liabilities	81,212,821	3,907,830	21,534,680	106,655,331

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

	2016 *RMB'000*	2015 *RMB'000* *(restated–note 41)*
Revenue		
Reportable segment revenue	**22,351,148**	20,167,388
Service concession construction revenue	**541,208**	661,804
Elimination of inter-segment revenue	**(588,301)**	(1,146,128)
Consolidated revenue	**22,304,055**	19,683,064
Profit		
Reportable segment profit	**7,672,940**	7,276,632
Elimination of inter-segment profits	**14,096**	6,279
	7,687,036	7,282,911
Share of profits less losses of associates and joint ventures	**376,163**	575,506
Net finance expenses	**(2,773,779)**	(3,038,523)
Unallocated head office and corporate expenses	**(139,517)**	(151,327)
Consolidated profit before taxation	**5,149,903**	4,668,567

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	2016	2015
	RMB'000	*RMB'000*
		(restated– note 41)
Assets		
Reportable segment assets	**145,670,723**	140,827,769
Inter-segment elimination	**(8,522,130)**	(8,457,297)
	137,148,593	132,370,472
Investments in associates and joint ventures	**4,482,852**	4,822,038
Available-for-sale investments	**47,382**	22,093
Unquoted equity investments	**726,273**	721,024
Other financial assets	**634,887**	792,741
Tax recoverable	**179,310**	169,716
Deferred tax assets	**150,592**	155,085
Unallocated head office and corporate assets	**55,865,742**	51,378,497
Elimination	**(60,574,938)**	(56,564,389)
Consolidated total assets	**138,660,693**	133,867,277

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	2016	2015
	RMB'000	*RMB'000*
		(restated–note 41)
Liabilities		
Reportable segment liabilities	**107,024,955**	106,655,331
Inter-segment elimination	**(8,213,110)**	(8,133,641)
	98,811,845	98,521,690
Tax payable	**175,975**	155,746
Deferred tax liabilities	**138,085**	106,073
Unallocated head office and corporate liabilities	**52,323,475**	47,073,842
Elimination	**(60,574,938)**	(56,564,389)
Consolidated total liabilities	**90,874,442**	89,292,962

(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 RMB17,170,077,000 for the year ended 31 December 2016 (2015 (restated–note 41): RMB15,876,247,000). Service concession construction revenue is all from the PRC government.

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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 2015 (as previously reported)	8,051,765	86,267,377	512,027	556,754	15,203,261	110,591,184
Effect of business combination under common control	86,345	358,901	263	219	–	445,728
At 1 January 2015 (as restated)	8,138,110	86,626,278	512,290	556,973	15,203,261	111,036,912
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 (as restated)	8,707,721	102,368,702	511,867	608,116	13,730,737	125,927,143
At 1 January 2016 (as restated)	**8,707,721**	**102,368,702**	**511,867**	**608,116**	**13,730,737**	**125,927,143**
Additions	**594**	**9,899**	**5,388**	**52,557**	**12,280,847**	**12,349,285**
Acquisition of subsidiaries *(note 41)*	**99,661**	**85,105**	**408**	**7,337**	**10,189**	**202,700**
Transfer from construction in progress	**1,470,145**	**14,045,064**	**–**	**22,948**	**(15,538,157)**	**–**
Transfer to construction in progress	**–**	**(11,417)**	**–**	**–**	**1,141**	**(10,276)**
Effect on disposal of subsidiaries	**(112,515)**	**(475,809)**	**(3,498)**	**(2,035)**	**(194,449)**	**(788,306)**
Disposals	**–**	**(165,484)**	**(1,952)**	**(15)**	**–**	**(167,451)**
Reclassification	**107,702**	**(114,521)**	**338**	**6,481**	**–**	**–**
Exchange adjustments	**356**	**148,279**	**30**	**97**	**–**	**148,762**
At 31 December 2016	**10,273,664**	**115,889,818**	**512,581**	**695,486**	**10,290,308**	**137,661,857**

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	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 2015 (as previously reported)	2,145,907	19,229,217	246,921	312,250	101,726	22,036,021
Effects of business combination under common control	6,678	27,759	20	17	–	34,474
At 1 January 2015 (as restated)	2,152,585	19,256,976	246,941	312,267	101,726	22,070,495
Depreciation charge for the year	378,566	4,591,944	38,971	69,273	–	5,078,754
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 (as restated)	2,529,761	23,651,058	281,489	366,049	102,050	26,930,407
At 1 January 2016 (as restated)	**2,529,761**	**23,651,058**	**281,489**	**366,049**	**102,050**	**26,930,407**
Depreciation charge for the year	**427,627**	**5,290,060**	**27,980**	**68,239**	**–**	**5,813,906**
(Reversal)/provision of impairment losses	**–**	**(89,569)**	**(270)**	**(68)**	**1,976**	**(87,931)**
Written off of impairment losses	**–**	**–**	**–**	**–**	**(362)**	**(362)**
Written back on disposal	**–**	**(161,373)**	**(1,758)**	**(15)**	**–**	**(163,146)**
Transfer to construction in progress	**–**	**(10,276)**	**–**	**–**	**–**	**(10,276)**
Effect on disposal of subsidiaries	**(17,363)**	**(407,216)**	**(3,481)**	**(1,905)**	**–**	**(429,965)**
Reclassification	**8,839**	**(9,430)**	**255**	**336**	**–**	**–**
Exchange adjustments	**172**	**10,782**	**6**	**3**	**–**	**10,963**
At 31 December 2016	**2,949,036**	**28,274,036**	**304,221**	**432,639**	**103,664**	**32,063,596**
Net book value:						
At 31 December 2015 (as restated)	6,177,960	78,717,644	230,378	242,067	13,628,687	98,996,736
At 31 December 2016	**7,324,628**	**87,615,782**	**208,360**	**262,847**	**10,186,644**	**105,598,261**

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Notes:

(i) The Group's property, plants and buildings are mainly located in the PRC.

(ii) None of the Group's buildings and machinery were pleged for interest-bearing bank and other borrowings in 2016, while in 2015 the net book value of collateral was RMB212,824,000.

(iii) The Group leases machinery and equipment under finance leases expiring in 8 to 10 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a fixed price. None of the leases includes contingent rentals.

As at 31 December 2016, the net book value of machinery and equipment held under finance leases of the Group was RMB504,186,000 (2015: nil).

(iv) As at 31 December 2016, the Group is in the process of applying for registration of the ownership certificates for certain properties. The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

15 LEASE PREPAYMENTS

	2016	2015
	RMB'000	*RMB'000*
Cost:		
At 1 January	**2,450,296**	2,250,473
Additions	**155,766**	204,523
Acquisition of subsidiaries *(note 41)*	**59,734**	–
Disposals	**–**	(4,700)
Effect on disposal of subsidiaries	**(17,007)**	–
At 31 December	**2,648,789**	2,450,296
Accumulated amortisation:		
At 1 January	**447,470**	375,399
Amortisation charge for the year	**79,000**	76,771
Written back on disposal	**–**	(4,700)
Reversal of impairment losses	**(4,161)**	–
Effect on disposal of subsidiaries	**(10,318)**	–
At 31 December	**511,991**	447,470
Net book value:	**2,136,798**	2,002,826

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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 2016, the Group is in the process of applying for registration of the ownership certificates for certain land use rights. The directors are of the opinion that the Group is entitled to lawfully occupy or use these land.

16 INTANGIBLE ASSETS

	Concession assets	Software and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2015	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
At 1 January 2016	**11,109,731**	**198,853**	**11,308,584**
Additions	**541,208**	**15,138**	**556,346**
Exchange adjustments	**–**	**13,777**	**13,777**
Effect on disposal of subsidiaries	**–**	**(412)**	**(412)**
At 31 December 2016	**11,650,939**	**227,356**	**11,878,295**

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	Concession assets	**Software and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Accumulated amortisation:			
At 1 January 2015	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
At 1 January 2016	**2,590,466**	**30,352**	**2,620,818**
Charge for the year	**443,773**	**14,809**	**458,582**
Exchange adjustments	**–**	**743**	**743**
Effect on disposal of subsidiaries	**–**	**(342)**	**(342)**
At 31 December 2016	**3,034,239**	**45,562**	**3,079,801**
Net book value:			
At 31 December 2015	8,519,265	168,501	8,687,766
At 31 December 2016	**8,616,700**	**181,794**	**8,798,494**

17 GOODWILL

	2016	2015
	RMB'000	*RMB'000*
Cost and carrying amount as at 31 December	**61,490**	11,541

Impairment tests for CGUs containing goodwill

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Goodwill is allocated to the Group's CGUs identified according to operating segment as follows:

	2016	2015
	RMB'000	*RMB'000*
Wind power	**11,541**	11,541
Coal power	**49,949**	–
Cost and carrying amount as at 31 December	**61,490**	11,541

Goodwill of the wind power segment in the Group arises from the acquisition of Buerjin Tianrun Wind Power Co., Ltd. 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%.

Goodwill of the coal power segment in the Group arises from the acquisition of Jiangyin Binjiang Heat and Power Generating Co., Ltd., ("Jiangyin Binjiang") Jiangyin Chengdong Heat and Power Generating Co., Ltd. ("Jiangyin Chengdong") and Nantong Xinxing Heat and Power Generating Co., Ltd. ("Nantong Xinxing") in 2016 (note 41(ii)). 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 7.77% to 7.99%.

Cash flows beyond the five-year period are maintained constant. Management believes any reasonably possible change in the key assumptions on which 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 and heat sales. Management determined the revenue from electricity and heat sales based on its expectation of electricity and heat volume and the tariffs approved by related government authorities.

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18 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2016 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%	25.00%	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	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
5	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	50.00%	25.00%	Wind power generation
6	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	85.00%	5.00%	Wind power generation
7	Longyuan Canada Renewables Ltd. 龍源加拿大可再生能源有限公司	the CAN	CAD 90,000,101	–	100.00%	Wind power generation
8	Guodian Chongqing Wind Power Generation Co., Ltd. 國電重慶風電開發有限公司	the PRC	RMB 85,000,000	51.00%	–	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	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	15.01%	24.95%	Wind power generation
10	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	75.00%	25.00%	Wind power generation
11	Longyuan Ningxia Wind Power Generation Co., Ltd. 龍源寧夏風力發電有限公司	the PRC	RMB 406,440,000	100.00%	–	Wind power generation
12	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	30.00%	70.00%	Wind power generation
13	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	50.00%	–	Wind power generation
14	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	75.00%	25.00%	Wind power generation
15	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	75.00%	25.00%	Wind power generation
16	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 449,520,000	75.00%	25.00%	Wind power generation
17	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	50.00%	50.00%	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 Direct	Indirect	Principal activities
18 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	72.00%	25.00%	Wind power generation
19 Longyuan Wuzhong Wind Power Generation Co., Ltd. 龍源吳忠風力發電有限公司	the PRC	RMB 192,000,000	100.00%	–	Wind power generation
20 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	100.00%	–	Wind power generation
21 Longyuan Dafeng Wind Power Generation Co., Ltd. 龍源大豐風力發電有限公司	the PRC	RMB 600,000,000	100.00%	–	Wind power generation
22 Longyuan Zhangye New Energy Co., Ltd. 龍源張掖新能源有限公司	the PRC	RMB 520,614,000	100.00%	–	Wind power generation
23 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	100.00%	–	Wind power generation
24 Yunnan Longyuan Wind Power Generation Co., Ltd. 雲南龍源風力發電有限公司	the PRC	RMB 641,550,000	100.00%	–	Wind power generation
25 Gansu Longyuan Wind Power Generation Co., Ltd. 甘肅龍源風力發電有限公司	the PRC	RMB 624,530,000	75.00%	25.00%	Wind power generation
26 Longyuan Kangping Wind Power Generation Co., Ltd. 龍源康平風力發電有限公司	the PRC	RMB 409,793,000	100.00%	–	Wind power generation
27 Tianjing Longyuan Wind Power Generation Co., Ltd. 天津龍源風力發電有限公司	the PRC	RMB 221,656,000	100.00%	–	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 (Putian) Wind Power Generation Co., Ltd. 龍源(莆田)風力發電有限公司	the PRC	RMB 339,130,000	100.00%	–	Wind power generation
29 Fujian Longyuan Wind Power Generation Co., Ltd. 福建龍源風力發電有限公司	the PRC	RMB 268,665,200	100.00%	–	Wind power generation
30 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	100.00%	–	Wind power generation
31 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	50.00%	50.00%	Wind power generation
32 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	100.00%	–	Wind power generation
33 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	100.00%	–	Wind power generation
34 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	100.00%	–	Wind power generation
35 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	100.00%	–	Wind power generation
36 Hebei Longyuan Wind Power Generation Co., Ltd. 河北龍源風力發電有限公司	the PRC	RMB 541,427,000	100.00%	–	Wind power generation
37 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	70.00%	30.00%	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 Direct	Indirect	Principal activities
38 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	100.00%	–	Wind power generation
39 Longyuan (Wengniute) New Energy Co., Ltd. 龍源(翁牛特)新能源有限公司	the PRC	RMB 323,430,000	100.00%	–	Wind power generation
40 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	80.00%	–	Wind power generation
41 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	5.00%	65.00%	Wind power generation
42 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	2.00%	25.00%	Coal power generation
43 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
44 Zhongneng Power-Tech Development Co., Ltd. 中能電力科技開發有限公司	the PRC	RMB 70,000,000	100.00%	–	Manufacturing and sales of power equipment
45 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	100.00%	–	Manufacturing and sales of power equipment
46 Longyuan Golmud New Energy Development Co., Ltd. 龍源格爾木新能源開發有限公司	the PRC	RMB 265,372,638	100.00%	–	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	
47 Longyuan Hami New Energy Co., Ltd. 龍源哈密新能源有限公司	the PRC	RMB 259,630,000	100.00%	–	Solar power generation
48 Longyuan Balikun Wind Power Generation Co., Ltd. 龍源巴里坤風力發電有限公司	the PRC	RMB 530,748,000	100.00%	–	Wind power generation
49 Shandong Longyuan Wind Power Generation Co., Ltd. 山東龍源風力發電有限公司	the PRC	RMB 234,430,000	100.00%	–	Wind power generation
50 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	100.00%	–	Wind power generation
51 Longyuan Xuyi Wind Power Generation Co., Ltd. 龍源盱眙風力發電有限公司	the PRC	RMB 336,813,000	100.00%	–	Wind power generation
52 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	100.00%	–	Wind power generation
53 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
54 Longyuan Power Group (Shanghai) Investment Co., Ltd. 龍源電力集團(上海)投資有限公司	the PRC	RMB 100,000,000	25.00%	75.00%	Investment
55 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	100.00%	–	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 Damao Wind Power Generation Co., Ltd. 龍源達茂風力發電有限公司	the PRC	RMB 3,763,808,000	100.00%	–	Wind power generation
57 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	5.00%	95.00%	Wind power generation
58 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	100.00%	–	Wind power generation
59 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	100.00%	–	Wind power generation
60 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	100.00%	–	Wind power generation
61 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	100.00%	–	Wind power generation
62 Longyuan Quanjiao Wind Power Generation Co., Ltd. 龍源全椒風力發電有限公司	the PRC	RMB 99,550,000	100.00%	–	Wind power generation
63 Longyuan (Shangyi) Wind Power. Generation Co., Ltd. 龍源(尚義)風力發電有限公司	the PRC	RMB 125,160,000	100.00%	–	Wind power generation
64 Longyuan Dingyuan Wind Power Generation Co., Ltd. 龍源定遠風力發電有限公司	the PRC	RMB 156,345,355	100.00%	–	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 Xinsheng Wind Power Generation Co., Ltd. 赤峰新勝風力發電有限公司 *(note (ii))*	the PRC	RMB 273,426,200	34.00%	–	Wind power generation
66 Longyuan Mulilo De Aar 2 North (Pty) Ltd. 龍源穆利洛德阿二期北區風電公司	the ZA	ZAR 545,397,679	–	60.00%	Wind power generation
67 Longyuan Donghai Wind Power Generation Co., Ltd. 龍源東海風力發電有限公司	the PRC	RMB 125,830,000	100.00%	–	Wind power generation
68 Guangxi Longyuan Wind Power Generation Co., Ltd. 廣西龍源風力發電有限公司	the PRC	RMB 99,360,000	100.00%	–	Wind power generation
69 Hainan Longyuan Wind Power Generation Co., Ltd. 海南龍源風力發電有限公司	the PRC	RMB 299,088,800	75.00%	25.00%	Wind power generation
70 Haian Longyuan Offshore Wind Power Generation Co., Ltd. 海安龍源海上風力發電有限公司	the PRC	RMB 100,000,000	70.00%	30.00%	Wind power generation
71 Fujian Longyuan Offshore Wind Power Generation Co., Ltd. 福建龍源海上風力發電有限公司	the PRC	RMB 10,000,000	70.00%	30.00%	Wind power generation
72 Longyuan Yancheng Dafeng Offshore Wind Power Generation Co., Ltd. 龍源鹽城大豐海上風力發電有限公司	the PRC	RMB 600,000,000	100.00%	–	Wind power generation

Notes:

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) The Company directly or indirectly owns less than half of equity interests in these companies. The Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate had the power to control these companies according to the articles of association. The Company or the Company's subsidiaries had signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company existed since the establishment of these entities. The PRC lawyer of the Company confirmed that the concert party agreements are valid under relevant PRC laws. In addition to the concert party agreements arrangement, the Company controlled the operation of these entities by appointing senior management, approving annual budget and determining the remuneration of employees, etc. Considering above mentioned factors, the directors are of the opinion that the Company controlled these entities during the years presented. Therefore the financial statements of these companies are consolidated by the Company during the years presented.

(iii) In 2016, the Company disposed its 100% equity interests in Guodian Jiansanjiang Qianjin Biomass Power Co., Ltd. and Guodian Tangyuan Biomass Power Co., Ltd. at total consideration of RMB170,000,000.

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(iv) 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. (note 18(ii))		Nantong Tianshenggang Power Generation Co., Ltd. (note 18(ii))		Huanan Longyuan Wind Power Generation Co., Ltd (note 18(ii))		Xinjiang Tianfeng Power Generation Joint Stock Company	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
NCI percentage	**73.00%**	73.00%	**68.06%**	68.06%	**60.00%**	60.00%	**40.48%**	40.48%
Current assets	**1,531,726**	1,981,103	**1,058,325**	309,220	**78,730**	67,244	**149,166**	193,972
Non-curent assets	**2,668,460**	2,572,647	**3,764,330**	4,075,643	**812,551**	875,886	**878,229**	956,308
Current liabilities	**(1,638,814)**	(2,046,866)	**(1,407,442)**	(1,222,253)	**(145,019)**	(262,759)	**(190,220)**	(460,816)
Non-current liabilities	**(75,818)**	(77,825)	**(657,559)**	(631,537)	**(302,559)**	(247,290)	**(100,126)**	(306)
Net assets	**2,485,554**	2,429,059	**2,757,654**	2,531,073	**443,703**	433,081	**737,049**	689,158
Carrying amount of NCI	**1,814,454**	1,773,213	**1,876,859**	1,722,648	**266,222**	259,849	**298,357**	278,971
Revenue	**4,669,076**	3,862,984	**2,602,866**	2,035,615	**99,270**	87,190	**165,588**	226,334
Profit/(loss) and total comprehensive income for the year	**662,888**	770,089	**343,010**	583,968	**10,622**	(18,054)	**47,891**	93,948
Profit/(loss) allocated to NCI	**483,908**	562,165	**233,453**	397,449	**6,373**	(10,832)	**19,386**	38,030
Dividend paid to NCI	**476,025**	384,361	**171,141**	91,523	**–**	2,411	**40,891**	56,230
Cash flows from operating activities	**964,373**	1,467,581	**466,022**	680,963	**78,594**	142,158	**184,570**	248,011
Cash flows (used in)/from investing activities	**(529,302)**	337,627	**(214,863)**	(42,233)	**(669)**	(1,512)	**(1,365)**	(5,048)
Cash flows used in financing activities	**(1,129,204)**	(1,356,776)	**(83,264)**	(612,893)	**(78,004)**	(140,811)	**(183,219)**	(243,171)

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19 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2016	2015
	RMB'000	*RMB'000*
Share of net assets	**4,482,852**	4,822,038

The following list contains only the particulars of material associates and material joint ventures at 31 December 2016, all of which are limited liability companies established in the PRC, which principally affected the results or assets of the Group:

	Name of the company	Place of establishment	Particulars of registered capital *RMB'000*	Percentage of attributable equity interest Direct	Percentage of attributable equity interest Indirect	Principal activities
1	Guodian United Power Technology Co., Ltd. 國電聯合動力技術有限公司	the PRC	2,137,527	30.00%	–	Manufacturing and sales of power equipment
2	China Guodian Financial Leasing Co., Ltd. 國電融資租賃有限公司	the PRC	3,000,000	–	49.00%	Financial Leasing
3	Yantai Longyuan Power Technology Co., Ltd. 煙台龍源電力技術股份有限公司	the PRC	513,216	–	18.75%	Manufacturing and sales of power equipment
4	Jiangsu Nantong Power Generation Co., Ltd. 江蘇南通發電有限公司	the PRC	1,596,000	–	50.00%	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:

	Guodian United Power Technology Co., Ltd.		China Guodian Financial Leasing Co., Ltd.		Yantai Longyuan Power Technology Co., Ltd.		Jiangsu Nantong Power Generation Co., Ltd.	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Gross amounts of:								
Current assets	**9,789,509**	9,879,114	**177,287**	53,373	**2,274,044**	2,475,857	**815,322**	629,933
Non-current assets	**3,920,530**	4,544,745	**11,414,073**	8,607,060	**273,886**	317,414	**5,857,271**	6,376,280
Current liabilities	**(9,341,717)**	(10,248,367)	**(2,990,166)**	(506,339)	**(615,808)**	(676,333)	**(2,600,221)**	(1,583,902)
Non-current liabilities	**(1,258,942)**	(979,146)	**(5,414,100)**	(5,053,000)	**(10,668)**	(17,304)	**(1,931,219)**	(2,494,000)
Equity	**3,109,380**	3,196,346	**3,187,094**	3,101,094	**1,921,454**	2,099,634	**2,141,153**	2,928,311
– Attribute to non-controlling interest	**53,098**	73,886	**–**	–	**3,840**	17,461	**–**	–
– Attributable to investee's shareholders	**3,056,282**	3,122,460	**3,187,094**	3,101,094	**1,917,614**	2,082,173	**2,141,153**	2,928,311
Revenue	**7,742,531**	8,140,996	**455,577**	517,903	**444,534**	837,775	**3,354,545**	3,583,167
Profit/(loss) and total comprehensive income for the year	**(33,143)**	174,293	**143,707**	72,859	**(173,912)**	(50,299)	**601,748**	897,066
– Attribute to non-controlling interest	**(1,965)**	(43,911)	**–**	–	**(9,353)**	(3,921)	**–**	–
– Attributable to investee's shareholders	**(31,178)**	218,204	**143,707**	72,859	**(164,559)**	(46,378)	**601,748**	897,066
Dividends declared during the year	**35,000**	35,000	**57,707**	115,840	**–**	20,529	**1,388,906**	–

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	Guodian United Power Technology Co., Ltd.		China Guodian Financial Leasing Co., Ltd.		Yantai Longyuan Power Technology Co., Ltd.		Jiangsu Nantong Power Generation Co., Ltd.	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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	**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	**936,738**	881,777	**1,532,769**	805,597	**390,407**	402,952	**1,464,156**	1,015,623
Profit/(loss) and total comprehensive income attributable to the Group	**(9,353)**	65,461	**63,715**	59,228	**(30,855)**	(8,696)	**300,874**	448,533
Dividends declared during the year	**(10,500)**	(10,500)	**(31,948)**	(67,056)	**–**	(3,849)	**(694,453)**	–
Capital contributions	**–**	–	**–**	735,000	**–**	–	**–**	–
Group's interest in net assets of investee at end of year	**916,885**	936,738	**1,564,536**	1,532,769	**359,552**	390,407	**1,070,577**	1,464,156
Elimination of unrealised profit on upstream sales	**(104,554)**	(111,617)	**–**	–	**(1,604)**	(1,604)	**14,050**	7,025
Carrying amount of interest in investee at end of year	**812,331**	825,121	**1,564,536**	1,532,769	**357,948**	388,803	**1,084,627**	1,471,181

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

	2016 **RMB'000**	2015 RMB'000
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	**663,410**	604,164
Aggregate amounts of the Group's share of those associates' and joint ventures' profit and total comprehensive income for the year	**37,694**	13,446

20 OTHER ASSETS

	2016 **RMB'000**	2015 RMB'000
Available-for-sale investments, measured at fair value	**47,382**	22,093
Unquoted equity investments in non-listed companies, at cost *(note (i))*	**726,273**	721,024
Loans and advances to		
– associates *(note (ii))*	**75,790**	2,092,790
– a fellow subsidiary	**51,000**	51,000
– non-controlling equity owner	**51,584**	42,369
Prepayments for acquisition of business	**–**	131,600
Others	**1,382**	1,176
Subtotal	**953,411**	3,062,052
Deductible VAT *(note (iii))*	**3,141,975**	3,421,069
	4,095,386	6,483,121

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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 2016, 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 4.41% to 5.08% per annum for the year ended 31 December 2016 (2015: 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

	2016 ***RMB'000***	2015 *RMB'000* *(restated–note 41)*
Coal	**304,640**	245,879
Fuel oil	**5,193**	3,663
Spare parts and others	**730,017**	831,134
	1,039,850	1,080,676

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22 TRADE DEBTORS AND BILLS RECEIVABLE

	2016	2015
	RMB'000	*RMB'000*
		(restated–
		note 41)
Amounts due from third parties	**5,870,888**	4,177,508
Amounts due from fellow subsidiaries	**22,940**	34,195
Amounts due from associates	**17,634**	36,941
	5,911,462	4,248,644
Less: allowance for doubtful debts	**(10,431)**	(6,002)
	5,901,031	4,242,642

(a) Ageing analysis

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

	2016	2015
	RMB'000	*RMB'000*
		(restated–
		note 41)
Current	**5,903,437**	4,240,428
Past due within 1 year	**2,456**	1,999
Past due between 1 to 2 years	**1,999**	1,449
Past due between 2 to 3 years	**1,015**	1,109
Past due over 3 years	**2,555**	3,659
	5,911,462	4,248,644
Less: allowance for doubtful debts	**(10,431)**	(6,002)
	5,901,031	4,242,642

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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 to 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, standardised 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 2016, 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:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**6,002**	5,444
Impairment losses recognised	**6,643**	558
Reversal of impairment losses	**(2,214)**	–
At 31 December	**10,431**	6,002

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As at 31 December 2016, the Group's trade debtors and bills receivable of RMB10,431,000 (2015: RMB6,002,000) 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.

(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:

	2016	2015
	RMB'000	*RMB'000*
		(restated– note 41)
Neither past due nor impaired	**5,893,006**	4,234,427
Past due within 1 year	**2,456**	1,999
Past due over 1 year	**5,569**	6,216
	5,901,031	4,242,642

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.

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23 PREPAYMENTS AND OTHER CURRENT ASSETS

	2016	2015
	RMB'000	*RMB'000*
		(restated– note 41)
Loans and advances to *(note (i))*:		
– associates and joint ventures	**181,352**	229,653
– China Guodian Corporation ("Guodian Group")	**9,085**	7,522
– fellow subsidiaries	**536,710**	496,674
– third parties	**349,386**	443,219
Government grant receivables	**103,867**	98,663
Dividend receivable from		
– associates	**698,111**	8,832
Deductible VAT *(note 20(iii))*	**1,652,462**	1,623,800
Prepayments and others	**146,797**	211,463
	3,677,770	3,119,826
Less: allowance for doubtful debts	**(33,548)**	(49,511)
	3,644,222	3,070,315

Note:

(i) Interest bearing loans and advances of the Group amounted to RMB112,210,000 with annum interest rates of 4.00% to 4.95% as at 31 December 2016 (2015: RMB88,210,000, 5.09% to 5.35%).

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

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

	2016	2015
	RMB'000	*RMB'000*
		(restated–
		note 41)
At 1 January	**49,511**	52,221
Impairment losses recognised	**37**	–
Reversal of impairment losses	**(16,000)**	(2,710)
At 31 December	**33,548**	49,511

The Group's prepayments and other current assets of RMB33,548,000 as at 31 December 2016 (2015 (restated–note 41): RMB49,511,000) 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. The reversal of impairment losses in 2016 represented working capitals received from an associate.

For the other balances of prepayments and other current assets, including RMB215,000,000 of overdued 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.

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24 OTHER FINANCIAL ASSETS

	2016 **RMB'000**	2015 RMB'000
Trading securities		
– Listed equity securities at HKSE	**63,570**	81,341
Derivative financial instruments		
– cross-currency exchange contracts *(note (ii))*	**431,317**	206,834
– forward exchange contracts	**–**	6,566
– interest rate swap contracts	**–**	73,095
Short-term investments *(note (i))*	**140,000**	498,000
	634,887	865,836

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, the Company's subsidiary, 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).

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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

	2016	2015
	RMB'000	*RMB'000*
		(restated–note 41)
Cash on hand	**87**	281
Cash at bank and other financial institutions	**1,905,135**	2,887,004
	1,905,222	2,887,285
Representing:		
– Cash and cash equivalents	**1,901,286**	2,887,285
– Time deposits with original maturity over three months	**3,936**	–
	1,905,222	2,887,285

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27 BORROWINGS

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

	2016	2015
	RMB'000	*RMB'000*
Bank loans		
– Secured	**7,215,086**	7,671,544
– Unsecured	**12,368,556**	12,810,470
Loans from fellow subsidiaries		
– Unsecured	**159,000**	302,000
Other borrowings *(note 27(e)(i))*		
– Secured	**3,487,642**	4,985,137
– Unsecured	**15,487,168**	10,475,461
	38,717,452	36,244,612
Less: current portion of long-term borrowings *(note 27(b))*		
– Bank loans	**(2,524,516)**	(2,830,178)
– Other borrowings	**(4,865,938)**	(3,444,578)
	31,326,998	29,969,856

As at 31 December 2016 the Group's loans and borrowings guaranteed by Guodian Group amounted to RMB3,798,732,000 (2015: RMB5,305,050,000).

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

	2016	2015
	RMB'000	*RMB'000*
		(restated– note 41)
Bank loans		
– Secured	**1,855,600**	1,574,699
– Unsecured	**17,919,996**	13,603,033
Loans from other financial institutions and others		
– Unsecured *(note (i))*	**41,000**	41,000
Loans from fellow subsidiaries		
– Unsecured	**270,976**	506,997
Other borrowings *(note 27(e)(ii))*		
– Unsecured	**16,993,214**	22,975,333
Loan from government		
– Unsecured	**909**	1,091
Current portion of long-term borrowings *(note 27(a))*		
– Bank loans	**2,524,516**	2,830,178
– Other borrowings	**4,865,938**	3,444,578
	44,472,149	44,976,909

Note:

(i) The Group had unpaid loans of RMB40,000,000 as at 31 December 2016 (2015: RMB40,000,000). These unpaid loans represent loans borrowed by a subsidiary, China Fulin Wind Power Engineering Co., Ltd. from third parties.

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

	2016	2015 *(restated– note 41)*
Long-term		
Bank loans	**2.90%–10.74%**	2.90%–6.15%
Other borrowings	**3.32%–5.15%**	3.32%–5.15%
Loans from fellow subsidiaries	**6.00%**	6.00%
Short-term		
Bank loans	**1.32%–3.92%**	1.27%–4.81%
Loans from other financial institutions	**5.70%**	5.70%
Other borrowings	**2.90%–4.30%**	2.98%–4.30%
Loans from Guodian Group	**3.86%**	3.86%
Loans from fellow subsidiaries	**3.92%–4.13%**	3.92%–6.55%
Loan from government	**2.55%**	2.55%

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

	2016 ***RMB'000***	2015 *RMB'000*
Within 1 year or on demand	**7,390,454**	6,274,756
After 1 year but within 2 years	**2,345,591**	7,230,779
After 2 years but within 5 years	**19,476,177**	8,332,609
After 5 years	**9,505,230**	14,406,468
	38,717,452	36,244,612

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(e) Significant terms of other borrowings:

	2016	2015
	RMB'000	*RMB'000*
Long-term		
Corporate bonds *(note (i))*	**18,974,810**	15,460,598
Short-term		
Corporate bonds *(note (ii))*	**16,993,214**	22,975,333

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 21 January 2016, the five-year corporate bond of RMB1,500 million was due and repaid.

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%. On 11 August 2016, the five-year corporate bond of USD300 million was due and repaid.

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%.

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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%.

On 22 January 2016, the Company issued a five-year unsecured corporate bond of RMB3,700 million at par with a coupon rate of 3.28% per annum. The effective interest rate is 3.39%.

On 17 March 2016, the Company issued a three-year unsecured corporate bond of RMB1,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.57%.

On 25 August 2016, the Company issued a three-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.57%.

(ii) Short-term corporate bonds represented a series of unsecured corporate bonds with the coupon rate from 2.50% to 3.90% issued in 2015 and 2016. The effective interest rates of these bonds are from 2.90% to 4.30%.

28 TRADE CREDITORS AND BILLS PAYABLE

	2016	2015
	RMB'000	*RMB'000*
Bills payable	**1,925,791**	1,597,602
Creditors and accrued charges	**191,225**	271,293
Amounts due to associates	**399,378**	–
Amounts due to fellow subsidiaries	**33,343**	33,491
	2,549,737	1,902,386

As at 31 December 2016 and 2015, all trade creditors and bills payable are payable and expected to be settled within one year.

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29 OTHER CURRENT LIABILITIES

	2016	2015
	RMB'000	*RMB'000*
		(restated– note 41)
Payables for acquisition of property, plant and equipment	**5,677,013**	5,687,736
Payables for staff related costs	**263,994**	335,457
Payables for other taxes	**183,388**	129,040
Dividends payable	**52,618**	51,080
Receipts in advance	**169,968**	121,967
Amounts due to associates and joint ventures *(note (i))*	**1,216,635**	1,387,945
Amounts due to fellow subsidiaries *(note (i))*	**165,623**	168,771
Amounts due to Guodian Group *(note (i))*	**27,929**	24,124
Other accruals and payables	**770,092**	1,058,956
Derivative financial instruments – interest rate swap contracts *(note (iii))*	**43,287**	–
	8,570,547	8,965,076

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.

(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).

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30 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2016, the Group had obligations under finance leases repayable as follows:

	2016		2015	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**39,000**	**62,137**	–	–
After 1 year but within 2 years	**46,000**	**67,213**	–	–
After 2 years but within 5 years	**189,500**	**237,876**	–	–
After 5 years	**225,500**	**246,152**	–	–
	461,000	**551,241**	–	–
	500,000	**613,378**	–	–
Less: total future interest expenses		**(113,378)**		–
Present value of finance lease obligations		**500,000**		–

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31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016 *RMB'000*	2015 *RMB'000* *(restated– note 41)*
Net tax recoverable at 1 January	**(13,970)**	(89,862)
Provision for the year *(note 8(a))*	**630,848**	592,915
Under provision in respect of prior years *(note 8(a))*	**13,303**	9,137
Income tax paid	**(633,516)**	(526,160)
Net tax recoverable at 31 December	**(3,335)**	(13,970)
Representing:		
Tax payable	**175,975**	155,746
Tax recoverable	**(179,310)**	(169,716)
	(3,335)	(13,970)

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(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	Unrealised profits	Depreciation and amortisation	Tax losses	Other financial assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	14,744	47,050	42,365	2,421	1,580	46,568	154,728
(Charged)/credited to profit or loss	(765)	(577)	(2,369)	(2,421)	(1,580)	8,069	357
At 31 December 2015	13,979	46,473	39,996	–	–	54,637	155,085
At 1 January 2016	**13,979**	**46,473**	**39,996**	**–**	**–**	**54,637**	**155,085**
(Charged)/credited to profit or loss	**(4,059)**	**(2,092)**	**(2,341)**	**–**	**–**	**494**	**(7,998)**
Acquisition of subsidiaries *(note 41)*	**3,505**	**–**	**–**	**–**	**–**	**–**	**3,505**
At 31 December 2016	**13,425**	**44,381**	**37,655**	**–**	**–**	**55,131**	**150,592**

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Deferred tax liabilities arising from:	Available-for-sale investments	Revaluation of other properties	Depreciation and amortisation	Gain on deemed disposal of an associate	Other financial assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	(4,877)	(10,654)	(34,253)	(46,863)	(1,643)	(7,783)	(106,073)
At 1 January 2016	**(4,877)**	**(10,654)**	**(34,253)**	**(46,863)**	**(1,643)**	**(7,783)**	**(106,073)**
Credited/(charged) to profit or loss	**–**	**1,293**	**(11,636)**	**–**	**1,643**	**667**	**(8,033)**
Charged to reserves	**(6,135)**	**–**	**–**	**–**	**–**	**–**	**(6,135)**
Acquisition of subsidiaries *(note 41)*	**–**	**(17,844)**	**–**	**–**	**–**	**–**	**(17,844)**
At 31 December 2016	**(11,012)**	**(27,205)**	**(45,889)**	**(46,863)**	**–**	**(7,116)**	**(138,085)**

(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 RMB2,293,954,000 as at 31 December 2016 (2015 (restated–note 41): RMB2,599,008,000) 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. According to the tax law, the tax losses that will expire in the years ending 31 December 2017, 2018, 2019, 2020 and 2021 are RMB123,005,000, RMB297,533,000, RMB321,083,000, RMB830,932,000 and RMB554,453,000 respectively.

(d) Deferred tax liability not recognised

At 31 December 2016, taxable temporary differences relating to undistributed profits and surplus reserves of subsidiaries and associates and joint ventures amounted to RMB8,155,632,000 (2015: RMB6,630,633,000). 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.

32 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.

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33 DEFERRED INCOME

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**1,791,775**	1,790,056
Additions	**25,170**	136,889
Credited to profit or loss	**(132,438)**	(135,170)
At 31 December	**1,684,507**	1,791,775

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.

34 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent long-term retention payables for purchase of wind turbines, among which RMB579,766,000 (2015: RMB475,158,000) is due to an associate of the Group and a fellow subsidiary.

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35 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	**Perpetual medium-term note**	**Capital reserve**	**Statutory surplus reserve**	**Fair value reserve**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 35(c))	*(note 43)*	*(note 35 (d)(i))*	*(note 35 (d)(ii))*	*(note 35 (d)(iv))*		
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 issue expenses *(note 43)*	–	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

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	Share capital *RMB'000* *(note 35(c))*	Perpetual medium-term note *RMB'000* *(note 43)*	Capital reserve *RMB'000* *(note 35 (d)(i))*	Statutory surplus reserve *RMB'000* *(note 35 (d)(ii))*	Fair value reserve *RMB'000* *(note 35 (d)(iv))*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2016	8,036,389	2,991,000	13,956,328	778,062	2,516	5,881,044	31,645,339
Change in equity for 2016:							
Profit for the year	–	133,200	–	–	–	2,007,712	2,140,912
Other comprehensive income	–	–	–	–	218	–	218
Total comprehensive income for the year	–	133,200	–	–	218	2,007,712	2,141,130
Appropriation	–	–	–	206,732	–	(206,732)	–
Dividends to holders of the Company	–	–	–	–	–	(576,209)	(576,209)
Distribution for perpetual medium-term notes (note 43)	–	(133,200)	–	–	–	–	(133,200)
At 31 December 2016	8,036,389	2,991,000	13,956,328	984,794	2,734	7,105,815	33,077,060

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(b) Dividends

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

	2016	2015
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.0850 per share (2015: RMB0.0717)	**683,093**	576,209

The directors of the Company resolved on 14 March 2017 that a dividend of RMB0.0850 per share is to be distributed to the shareholders for 2016, 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

	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2015, approved during the year, of RMB0.0717 per share (year ended 31 December 2014: RMB0.0597 per share)	**576,209**	479,772

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(c) Share capital

	2016	2015
	RMB'000	*RMB'000*
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.

(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 equity holders. 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 (income tax exclusive) held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 2(i) and 2(v).

(e) Distributability of reserves

According to the Company's Articles of Association, the distributable profits are the lower of the net profit of the year as determined under PRC accounting rules and regulations and the amount determined under IFRSs. At 31 December 2016, the aggregate amount of reserves available for distribution to equity holders of the Company is RMB7,105,815,000 (2015: RMB5,881,044,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.0850 per share (2015: RMB0.0717), amounting to RMB683,093,000 (2015: RMB576,209,000) (note 35(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 and obligations under finance leases less cash and cash equivalents) by sum of net debt and total equity. The net gearing ratio of the Group as at 31 December 2016 is 60.9% (2015 (restated–note 41): 61.8%).

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.

36 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 91% of the Group's total trade debtor and bills receivable as at 31 December 2016 (2015 (restated–note 41): 86%). 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.

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 38, 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 38.

(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 2016, the Group has unutilised banking facilities of RMB1,297,700,000. The Group also signed several strategic cooperative framework agreements with PRC banks with unutilised credit lines of RMB178,647,054,000 as at 31 December 2016. 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.

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:

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	Carrying amount RMB'000	Contractual cash flows RMB'000	1 year or less RMB'000	1–2 years RMB'000	2–5 years RMB'000	More than 5 years RMB'000
31 December 2016						
Long-term borrowings *(note 27(a))*	**31,326,998**	**41,152,384**	**6,468,953**	**3,576,664**	**21,534,364**	**9,572,403**
Short-term borrowings *(note 27(b))*	**44,472,149**	**45,203,795**	**45,203,795**	**–**	**–**	**–**
Finance lease liabilities	**500,000**	**613,378**	**62,137**	**67,213**	**237,876**	**246,152**
Trade creditors and bills payable *(note 28)*	**2,549,737**	**2,549,737**	**2,549,737**	**–**	**–**	**–**
Other payables *(note 29)*	**8,357,292**	**8,357,292**	**8,357,292**	**–**	**–**	**–**
Other long-term liabilities *(note 34)*	**1,456,444**	**1,474,154**	**–**	**406,317**	**1,002,608**	**65,229**
	88,662,620	**99,350,740**	**62,641,914**	**4,050,194**	**22,774,848**	**9,883,784**
31 December 2015 *(restated–note 41)*						
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))*	44,976,909	45,743,206	45,743,206	–	–	–
Trade creditors and bills payable *(note 28)*	1,902,386	1,902,386	1,902,386	–	–	–
Other payables *(note 29)*	8,843,109	8,843,109	8,843,109	–	–	–
Other long-term liabilities *(note 34)*	1,425,141	1,431,770	–	314,140	1,030,492	87,138
	87,117,401	95,437,277	57,830,222	8,965,106	12,071,650	16,570,299

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(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 2016 and 2015, however, except for the interest rate swap contracts entered into as stated in note 29(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.

	2016 ***RMB'000***	2015 *RMB'000* *(restated– note 41)*
Net fixed rate borrowings/(lendings):		
Finance lease liabilities	**500,000**	–
Borrowings	**36,285,729**	38,933,169
Less: loans and advances *(note 23(i))*	**(112,210)**	(88,210)
other assets *(note 20)*	**(169,584)**	(2,160,369)
bank deposits (including restricted deposits)	**(3,936)**	(4,775)
	36,499,999	36,679,815

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	2016	2015
	RMB'000	*RMB'000*
		(restated–note 41)
Net floating rate borrowings/(lendings):		
Borrowings	**39,513,418**	36,013,596
Less: other assets *(note 20)*	**(8,790)**	(25,790)
bank deposits (including restricted deposits)	**(1,929,253)**	(3,269,362)
	37,575,375	32,718,444
Total net borrowings	**74,075,374**	69,398,259

At 31 December 2016, 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 RMB221,008,000 (2015 (restated–note 41): RMB237,415,000).

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 equity holders.

(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.

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	Exposure to foreign currencies (expressed in RMB)							
	2016				2015			
	HKD	**USD**	**EUR**	**RMB**	HKD	USD	EUR	RMB
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**23,359**	**21,108**	**–**	**44,003**	29,581	13,804	13,441	26,327
Trade debtors	**–**	**–**	**–**	**–**	–	–	–	24,856
Other current assets	**–**	**–**	**–**	**4,479,010**	–	–	–	4,782,541
Other assets	**–**	**–**	**–**	**4,125,000**	–	–	–	6,142,000
Notional amounts of cross-currency exchange contracts	**–**	**–**	**–**	**(3,075,000)**	–	–	–	(4,974,180)
Short-term borrowings	**–**	**(130,972)**	**–**	**(3,024,100)**	–	(3,656,943)	–	(4,930,000)
Long-term borrowings	**–**	**(350,486)**	**(6,420)**	**–**	–	(357,475)	(7,793)	–
Net exposure	**23,359**	**(460,350)**	**(6,420)**	**2,548,913**	29,581	(4,000,614)	5,648	1,071,544

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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	2016		2015	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB'000		*RMB'000*
HKD	**5%**	**876**	5%	1,109
	(5)%	**(876)**	(5)%	(1,109)
USD	**5%**	**(17,078)**	5%	(150,027)
	(5)%	**17,078**	(5)%	150,027
EUR	**5%**	**243**	5%	209
	(5)%	**(243)**	(5)%	(209)
RMB	**5%**	**95,584**	5%	40,183
	(5)%	**(95,584)**	(5)%	(40,183)

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 2015.

(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 2016 and 2015, 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 2016 categorised into		
	Fair value at 31 December 2016	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Assets:				
Available-for-sale equity securities				
– listed	47,382	47,382	–	–
Trading securities	63,570	63,570	–	–
Derivative financial instruments				
– cross-currency exchange contracts	431,317	–	431,317	–
Liabilities:				
– interest rate swap contracts	43,287	–	43,287	–

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

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: 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.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of cross-currency exchange contracts in Level 2 is determined by discounting the difference between contractual cash flows in RMB and that in USD using spot exchange rate. The discount rate used is derived from the risk free interest rate reference to China Interest Rate Swap at the end of the reporting period.

The fair value of interest rate swap contracts in Level 2 is determined by discounting the contractual fixed interest rate and deducting the forward Johannesburg Interbank Agreed Rate ("JIBAR"). The discount rate used is derived from the JIBAR swap yield curve as at the end of the reporting period.

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The fair value of forward exchange contract in Level 2 is determined by discounting the difference between the contractual forward price and the current spot rate. The discount rate used is derived from the risk free interest rate reference to China Interest Rate Swap at the end of the reporting period.

(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 2016 and 2015 except as follows:

	Carrying amounts at 31 December 2016 *RMB'000*	Fair value at 31 December 2016 *RMB'000*	Fair value measurements as at 31 December 2016 categorised into Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*
Corporate bonds *(note 27(a))*	14,108,872	14,567,197	14,567,197	–	–
Fixed rate long-term loans	275,796	266,420	–	266,420	–
	14,384,668	14,833,617	14,567,197	266,420	–

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	Carrying amounts at 31 December 2015	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
			Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*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	–
	12,371,166	12,910,625	12,549,226	361,399	–

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 2016.

37 COMMITMENTS

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

	2016	2015
	RMB'000	*RMB'000* *(restated– note 40)*
Contracted for	**10,093,751**	11,939,172
Authorised but not contracted for	**41,996,688**	56,739,589
	52,090,439	68,678,761

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	3,094	2,664
After 1 year but within 5 years	5,344	6,632
After 5 years	485	1,453
	8,923	10,749

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.

38 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:

	2016	2015
	RMB'000	*RMB'000*
Associates and joint ventures	24,456	36,348

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(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 2016, the balance counter-guaranteed by the Company amounted to RMB8,852,301 (2015: RMB11,407,200). 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.

39 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:

	2016	2015
	RMB'000	*RMB'000*
		(restated– note 41)
Sales of goods and provide service to		
Guodian Group	**9**	–
Fellow subsidiaries	**75,414**	219,297
Associates and joint ventures	**122,966**	121,038
Purchase of goods and receive service from		
Fellow subsidiaries	**325,483**	292,878
Associates and joint ventures	**2,043,177**	2,963,043

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	2016 RMB'000	2015 RMB'000 (restated– note 41)
Working capital (provided to)/received from		
Guodian Group	**(2,242)**	15,088
Fellow subsidiaries	**(930)**	14,585
Associates and joint ventures	**33,458**	(7,118)
Loan guarantees revoked by		
Guodian Group	**(1,506,318)**	(4,411,536)
Loan guarantees revoked to		
Associates and joint ventures	**(11,892)**	(15,942)
Loans provided to/(repayment from)		
Fellow subsidiaries	**29,000**	–
Associates	**(2,022,000)**	(41,000)
Loans repayment to		
Guodian Group	**–**	1,000,000
Fellow subsidiaries	**379,021**	822,903
Interest expenses		
Guodian Group	**–**	21,609
Fellow subsidiaries	**33,230**	69,336
Interest income		
Fellow subsidiaries	**27,022**	22,482
Associates and joint ventures	**70,083**	94,359
Deposits withdrawn from/(placed with)		
Fellow subsidiaries	**605,202**	(419,289)

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	2016	2015
	RMB'000	*RMB'000*
		(restated–note 41)
Acquisition of businesses from		
Fellow subsidiary	**17,954**	–
Investments in		
Associates	**–**	735,000

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMB1,687,104,000 as at 31 December 2016 (2015 (restated–note 41): RMB2,292,306,000). Details of the other outstanding balances with related parties are set out in notes 20, 22, 23, 27, 28, 29 and 34.

(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 followings:

– Sales of electricity;

– Depositing and borrowing money;

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– 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.

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:

	2016 ***RMB'000***	2015 *RMB'000* *(restated– note 41)*
Sales of electricity	**17,179,192**	15,619,680
Sales of other products	**217,270**	185,258
Interest income	**56,988**	63,998
Interest expenses	**2,207,649**	1,923,392
Loans (received)/repaid	**(1,882,979)**	2,697,706
Deposits (withdrawn from)/placed with	**(377,936)**	165,651
Purchase of materials and receiving construction service	**2,407,637**	3,848,214
Service concession construction revenue	**541,208**	661,804

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

	2016 ***RMB'000***	2015 *RMB'000* *(restated– note 41)*
Receivables from sales of electricity	**5,362,629**	3,631,038
Receivables from sales of other products	**72,778**	155,496
Bank deposits (including restricted deposits)	**217,004**	594,940
Borrowings	**52,741,687**	54,624,666
Payable for purchase of materials and receiving construction work service	**2,123,359**	1,483,875

(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:

	2016 ***RMB'000***	2015 *RMB'000*
Salaries and other emoluments	**1,906**	1,813
Discretionary bonus	**5,137**	4,822
Retirement scheme contributions	**789**	727
	7,832	7,362

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(e) Commitment with related parties

	2016	2015
	RMB'000	*RMB'000*
Sales commitment with		
Fellow subsidiaries	**420**	–
Associates and joint ventures	**–**	4,085
Capital commitment with		
Associates and joint ventures	**1,676,482**	1,172,813

(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 39(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 2016.

40 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2016	2015
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**338,951**	364,504
Investment properties	**89,939**	93,789
Lease prepayments	**4,435**	4,493
Intangible assets	**2,618**	2,814
Investments in subsidiaries	**27,628,824**	25,372,933
Investments in associates and joint ventures	**1,046,124**	1,046,124
Other assets	**18,432,776**	16,539,186
Total non-current assets	**47,543,667**	43,423,843

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	2016	2015
	RMB'000	*RMB'000*
Current assets		
Inventories	**2,070**	1,826
Trade debtors and bills receivable	**8,859**	8,010
Prepayments and other current assets	**36,421,340**	32,711,547
Restricted deposits	**13,951**	13,606
Cash at bank and on hand	**1,173,690**	2,262,169
Total current assets	**37,619,910**	34,997,158
Current liabilities		
Borrowings	**28,447,965**	26,917,333
Trade creditors and bills payable	**5,141**	2,480
Other payables	**7,087,002**	8,152,963
Total current liabilities	**35,540,108**	35,072,776
Net current assets/(liabilities)	**2,079,802**	(75,618)
Total assets less current liabilities	**49,623,469**	43,348,225
Non-current liabilities		
Borrowings	**16,528,483**	11,678,648
Deferred income	**12,979**	19,363
Deferred tax liabilities	**4,947**	4,875
Total non-current liabilities	**16,546,409**	11,702,886

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	2016	2015
	RMB'000	*RMB'000*
NET ASSETS	**33,077,060**	31,645,339
CAPITAL AND RESERVES		
Share capital	**8,036,389**	8,036,389
Perpetual medium-term note	**2,991,000**	2,991,000
Reserves	**22,049,671**	20,617,950
TOTAL EQUITY	**33,077,060**	31,645,339

Approved and authorised for issue by the board of directors on 14 March 2017.

Qiao Baoping	**Li Enyi**
Chairman	*Executive Director*

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41 ACQUISITION OF BUSINESS

During the year ended 31 December 2016, the Group acquired Shanxi Guodian Jinke Wind Power Generation Co., Ltd. ("Shanxi Jinke"), which engages in wind power business from a fellow subsidiary, Guodian Shanxi Jieneng Co., Ltd. and acquired three companies engaging in heat sales business from third parties. Details are as follows:

Business name	Acquisition date	Percentage of interest acquired	Cash consideration
Shanxi Jinke	October 2016	52%	RMB17,954,000
Jiangyin Binjiang	December 2015	70%	RMB85,200,000
Jiangyin Chengdong	December 2015	70%	RMB34,400,000
Nantong Xinxing	August 2016	90%	RMB200,000,000

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(i) Acquisition of Shanxi Jinke

As Shanxi Jinke was acquired from a fellow subsidiary of the Group, which is under common control of Guodian Group, the Group accounted the acquisition as a business combination under common control as described in note 2(h). Details of the restatement of the Group's consolidated financial statements are as follows:

	As previously reported	**Acquired business**	**Elimination**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Results of operations for the year ended 31 December 2015:				
Operating profit	7,125,438	6,146	–	7,131,584
Profit for the year	4,076,430	(8,815)	–	4,067,615
Profit attributable to:				
– Equity holders of the Company	2,880,615	(8,815)	6,477	2,878,277
– Non-controlling interests	1,195,815	–	(6,477)	1,189,338
Basic and diluted earnings per share *(RMB cents)*	35.84	(0.02)	–	35.82

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	As previously reported *RMB'000*	**Acquired business** *RMB'000*	**Elimination** *RMB'000*	**As restated** *RMB'000*
Statement of financial position as at 31 December 2015:				
Non-current assets	120,776,331	387,343	–	121,163,674
Current assets	12,696,622	6,981	–	12,703,603
Current liabilities	55,647,473	352,644	–	56,000,117
Non-current liabilities	33,292,845	–	–	33,292,845
Total equity attributable to the equity holders of the Company	38,099,785	41,680	(5,667)	38,135,798
Non-controlling interests	6,432,850	–	5,667	6,438,517

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

	Acquired business *RMB'000*
Net assets as at the acquisition date	
Non-current assets	367,606
Current assets	8,777
Current liabilities	(339,218)
Net assets	37,165

At the date of acquisition, the cash and cash equivalents held by the acquired business amounted to RMB1,355,000.

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(ii) Acquisition of Jiangyin Binjiang, Jiangyin Chengdong and Nantong Xinxing

The revenue and profit or loss of the acquired business since the acquisition date are as follows:

Business name	Revenue	Profit
	RMB'000	*RMB'000*
Jiangyin Binjiang	195,071	5,628
Jiangyin Chengdong	98,229	3,936
Nantong Xinxing	20,688	654

If the acquisition of above three companies had occurred on 1 January 2016, management estimates that consolidated revenue would have been RMB22,353,705,000 and consolidated profit for the year would have been RMB4,481,351,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

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

	At the acquisition date					
	Jiangyin Binjiang		Jiangyin Chengdong		Nantong Xinxing	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	24,337	24,337	80,184	80,184	38,831	38,831
Trade debtors and bills receivable	14,988	14,988	1,899	1,899	13,558	13,558
Prepayments and other current assets	3,286	3,286	2,488	2,488	20,436	20,420
Inventory	4,159	2,904	429	429	4,709	4,740
Property, plant and equipment	95,367	95,237	20,634	6,615	76,631	100,848
Lease prepayments	748	30,444	–	–	7,283	29,290
Deferred tax assets	7,890	–	400	3,505	–	–
Less: current liabilities	(54,121)	(53,998)	(53,455)	(53,455)	(15,188)	(15,188)
	96,654	117,198	52,579	41,665	146,260	192,499
Less: deferred tax liabilities	–	(6,288)	–	–	–	(11,556)
Identifiable net assets	96,654	110,910	52,579	41,665	146,260	180,943

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Goodwill arising from the business acquisition has been recognised as follows:

	Jiangyin Binjiang *RMB'000*	Jiangyin Chengdong *RMB'000*	Nantong Xinxing *RMB'000*
Consideration	85,200	34,400	200,000
Non-controlling interests, based on their proportionate in interest in the recognised amounts of the assets and liabilities of acquired business	33,273	12,500	18,094
Fair value of identifiable net assets	(110,910)	(41,665)	(180,943)
Goodwill	7,563	5,235	37,151

The goodwill is mainly attributable to the synergies expected to be achieved from integrating the three companies into the Group's existing coal power business. None of the goodwill recognised is expected to be deductible for tax purpose.

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

	Jiangyin Binjiang *RMB'000*	**Jiangyin Chengdong** *RMB'000*	**Nantong Xinxing** *RMB'000*
Consideration	85,200	34,400	200,000
Less: cash and cash equivalents acquired	(24,337)	(80,184)	(38,831)
Net outflow/(inflow) of cash and cash equivalents in respect of the acquisition	60,863	(45,784)	161,169

42 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.

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.

43 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.

In 2016, the profit attributable to holders of perpetual medium-term notes, based on the applicable interest rate, was RMB133,200,000, which has been paid in November 2016.

44 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be Guodian Group, which is a state-owned enterprise established in the PRC. Guodian Group does not produce financial statement available for public use.

FOR THE YEAR ENDED 31 DECEMBER 2016 (Expressed in thousands of Renminbi unless otherwise stated)

45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 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
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	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 and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 2(i) and 2(n). This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. Based on the preliminary assessment, the Group expects there will be no material impacts on its consolidated financial statements upon the adoption of IFRS 15.

IFRS 16, Leases

As disclosed in note 2(m), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 37(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB8,923,000 for properties, plant and equipment, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

46 SERVICE CONCESSION ARRANGEMENT

In recent years, the Group entered into several service concession agreements with local governments (the "Grantor") to construct and operate wind power plants during the concession period, which is normally for 22–25 years of operation. The Group is responsible for construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group either needs to dispose of the wind power plants or transfer the wind power plants to the Grantor at nil consideration. Service concession construction revenue (note 4) recorded during the years represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted.

The Group has recognised intangible assets (note 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"	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
"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
"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 sales"	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 18th Central Committee of the Chinese Communist Party"	The fifth plenary session of the eighteenth Central Committee of the Communist Party of China
"Guodian Changchun"	Guodian United Power Technology (Changchun) Co., Ltd.* (國電聯合動力技術(長春)有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Guodian United Power
"Guodian Finance"	Guodian Finance Co., Ltd. (國電財務有限公司)

"Guodian Group"	China Guodian Corporation (中國國電集團公司)
"Guodian Jiansanjiang"	Guodian Jiansanjiang Qianjin Biomass Power Co., Ltd. (國電建三江前進生物質發電有限公司)
"Guodian Shanxi Jieneng"	Guodian Shanxi Jieneng Co., Ltd. (國電山西潔能有限公司)
"Guodian Tangyuan"	Guodian Tangyuan Biomass Power Co., Ltd. (國電湯原生物質發電有限公司)
"Guodian United Power"	Guodian United Power Technology Co., Ltd.* (國電聯合動力技術有限公司)
"GW"	unit of energy, gigawatt.1 GW = 1,000 MW
"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
"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
"Longyuan Anhua"	Guodian Longyuan Anhua Wind Power Generation Company Limited (國電龍源安化風力發電有限公司), a joint venture established by the Company and Guodian Group

"Longyuan Luoping"	Guodian Yunnan Longyuan Luoping Wind Power Generation Company Limited (國電雲南龍源羅平風力發電有限公司), a joint venture established by the Company and Guodian Group
"Longyuan Shenchi"	Guodian Longyuan Shenchi Wind Power Generation Co., Ltd. (國電龍源神池風力發電有限公司)
"Longyuan Songtao"	Guodian Longyuan Songtao Wind Power Generation Company Limited (國電龍源松桃風力發電有限公司), a joint venture established by the Company and Guodian Group
"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
"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
"our Company", "the Company", "we", "us", "our" or "Longyuan Power"	China Longyuan Power Group Corporation Limited* (龍源電力集團股有限公司)

"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" or "renewable energy"	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 (國務院國有資產監督管理委員會)
"Shanxi Jinke Wind Power"	Shanxi Guodian Jinke Wind Power Generation Co., Ltd.* (山西國電金科風力發電有限公司)
"Shareholder(s)"	holder(s) of shares of the Company
"Shenchi Liugou Wind Power Construction Project"	the 49.5MW wind power project of Shenchi Liugou Wind Farm
"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(ies)"	has the meaning ascribed to it under the Listing Rules
"the Board"	the board of directors of the Company
"the Group"	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) and its subsidiaries
"18th CPC National Congress"	the 18th National Congress of the Communist Party of China

* *For identification purposes 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*

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BOARD

Non-executive Directors

Mr. Qiao Baoping *(Chairman of the Board)*
Mr. Wang Baole
Mr. Luan Baoxing
Mr. Yang Xiangbin

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)

* *For identification purpose only*

JOINT COMPANY SECRETARIES

Mr. Jia Nansong
Ms. Soon Yuk Tai

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