GOLDWIND

新疆金风科技股份有限公司
XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*
(A joint stock limited liability company incorporated in the People's Republic of China)
Stock Code: 2208

ANNUAL REPORT 2016

Innovating for a Brighter Tomorrow

* For identification purpose only

COMPANY PROFILE

Goldwind was established in Urumqi, Xinjiang, the PRC in 1998, became a joint stock limited liability company in 2001, and its ordinary shares were listed on the Small and Medium-sized Enterprise Board of SZSE in December 2007 (SZSE: 002202) and the main board of the Stock Exchange in October 2010 (HK: 2208).

Goldwind is one of China's earliest manufacturers in the wind power industry. Our core technical and management personnel have more than 20 years of experience in this industry. We have established ourselves as a global leader in manufacturing WTGs and providing comprehensive wind power solutions. We have three primary business segments of WTG Manufacturing, Wind Power Services, and Wind Farm Investment and Development that provide us with diversified sources of profitability. Drawing from our extensive experience in R&D and manufacture of WTGs and wind farm development, we are able to provide our customers with high quality WTGs as

well as comprehensive solutions which include wind power services and wind farm development, allowing us to meet our customers' demands in multiple segments of the wind power industry's value chain.

Adopting the permanent magnet direct-drive technology, the Company constantly improves and refines its product roadmap to keep pace with the rapid market growth and meet customers' varied demands. Our 1.5MW, 2.0MW, 2.5MW, 3.0MW and 6.0MW wind turbine generators are capable of sustained operation in many different environments; from high to low temperatures, high altitude, low wind speed, and coastal environments. In 2016, the Company's domestic newly installed capacity was more than 6.34GW, ranking first in China for the sixth consecutive year, and ranking third in the world's newly installed capacity by Bloomberg New Energy Finance during the same period.

CONTENTS

Definitions

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

"A Shares"	ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the SZSE and traded in RMB;
" A Shareholders"	the holders of the A Shares;
"AGM"	annual general meeting of the Company;
"Articles"	the Articles of Association of the Company, as amended, modified or otherwise supplemented from time to time;
"associate"	has the meaning as ascribed in the Listing Rules;
"attributable capacity"	represents the capacity attributed to the Group calculated by multiplying the Group's percentage ownership in a power project by the total capacity of such power project;
"availability rate"	a percentage calculated by dividing the amount of time for that a WTG is not experiencing technical defaults over a certain period by the amount of time in such period;
"Beijing Tianrun"	Beijing Tianrun New Energy Investment Co., Ltd.（北京天潤新能投資有限公司）, a company incorporated under the laws of the PRC on 11 April 2007 and a wholly owned subsidiary of the Company;
"Beijing Tianyuan"	Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd.（北京天源科創風電技術有限責任公司）, a company incorporated under the laws of the PRC on 29 September 2005 and a wholly owned subsidiary of the Company;
"Board"	the board of directors of the Company;
"Board Committees"	specialized committees of the Board established by the Board and include members of the Board, namely the Audit Committee, Nomination Committee, Remuneration and Assessment Committee, and Strategic Committee;
"CASBE"	China Accounting Standards for Business Enterprises;
"CEO"	the chief executive officer of the Company;
"Chairman"	the chairman of the Board;
"chief executive"	has the meaning as ascribed in the Listing Rules;
"China" or "PRC"	the People's Republic of China. References in this annual report to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"China Three Gorges"	China Three Gorges Corporation（中國長江三峽集團公司）, a company incorporated under the laws of the PRC and the parent company of China Three Gorges New Energy;
"China Three Gorges New Energy"	China Three Gorges New Energy Co., Ltd.（中國三峽新能源有限公司）, a company incorporated under the laws of the PRC, a wholly-owned subsidiary of China Three Gorges, and a substantial shareholder of the Company;

"Company"	Xinjiang Goldwind Science & Technology Co., Ltd.(新疆金風科技股份有限公司), a joint stock limited liability company incorporated in the PRC on 26 March 2001;
"connected person"	has the meaning as ascribed in the Listing Rules;
"Connected Persons Group"	a group of connected persons of the Company comprising Anbang Insurance Group Co., Ltd., China Three Gorges New Energy, Xinjiang Wind Power, and their respective associates;
"Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Listing Rules;
"CWEA"	China Wind Energy Association(中國可再生能源學會風能專業委員會);
"DDPM"	direct-drive permanent magnet, a technology that combines a) a drive-train concept in which the need for a gearbox is eliminated and the turbine rotor directly drives the generator rotor; and b) a synchronous generator in which permanent magnet is used on the generator;
"Directors"	the directors of the Company;
"EGM"	extraordinary general meeting of the Company;
"EPC"	Engineering, Procurement and Construction, a construction arrangement where a company that is contracted to construct the project will be responsible for the design, procurement and construction of such project, and will deliver such project to the owner after completion of the project construction and passing of the final acceptance inspection;
"Financial Statements"	the audited consolidated financial statements of the Group for the financial year ended 31 December 2016, prepared in accordance with IFRSs;
"gearing ratio"	net debt divided by the sum of capital and net debt;
"Group", "Goldwind", "us" or "we"	the Company and its subsidiaries;
"Goldwind International"	Goldwind International Holdings (Hong Kong) Limited(金風國際控股(香港)有限公司) is a wholly owned subsidiary of the Company incorporated under the laws of Hong Kong on 6 October 2010;
"GW"	gigawatt, a unit of power, 1GW equals 1,000MW;
"Haitong Asset Management"	上海海通證券資產管理有限公司 (Shanghai Haitong Securities Asset Management Co., Ltd.)
"Haitong-Goldwind Asset Management Plan I"	a plan established and managed by Haitong Asset Management pursuant to the agreements between Haitong Asset Management and certain members of senior management and employees of the Group in connection with subscription of 17,140,000 new A Shares;

Definitions

"Haitong-Goldwind Asset Management Plan II"	a plan established and managed by Haitong Asset Management pursuant to the agreements between Haitong Asset Management and certain members of senior management and employees of the Group in connection with subscription of 19,563,000 new A Shares;
"H Shares"	ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the Stock Exchange and traded in HKD;
"H Shareholders"	the holders of the H Shares;
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"IFRSs"	International Financial Reporting Standards;
"independent shareholders"	has the meaning as ascribed in the Listing Rules;
"kV"	kilovolt, a unit of potential difference between two terminals, 1kV equals 1,000 volts;
"kW"	kilowatt, a unit of power, 1kW equals 1,000 watts;
"kWh"	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity;
"Latest Practicable Date"	18 April 2017, being the latest practicable date prior to printing this annual report for ascertaining certain information contained in this report;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules;
"MW"	megawatt, a unit of power, 1MW equals 1,000kW;
"NEA"	National Energy Administration of the PRC（中國國家能源局）;
"NDRC"	National Development and Reform Commission of the PRC（中國國家發展和改革委員會）;
"President"	the president of the Company;
"R&D"	research and development;
"Reporting Period"	the financial year ended 31 December 2016;
"RMB"	Renminbi, the lawful currency of the PRC;

"Senior Management"	the members of the senior management of the Company, their profiles as at 31 December 2016 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 44 of this annual report;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"Shareholders"	shareholders of the Company;
"State Council"	the State Council of the PRC（中國國務院）;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning as ascribed in the Listing Rules;
"Supervisors"	the supervisors of the Company;
"Supervisory Committee"	the supervisory committee of the Company;
"SZSE"	Shenzhen Stock Exchange;
"Three-North region"	China's Three-North region, which includes northeast, northwest and northern China;
"Vice Chairman"	the vice chairman of the Board;
"Wind Farm Investment and Development"	the Group's Wind Farm Investment and Development segment, one of the three primary business segments of the Group;
"Wind Power Services"	the Group's Wind Power Services business segment, one of the three primary business segments of the Group;
"WTG"	wind turbine generator;
"WTG Manufacturing"	the Group's WTG R&D, Manufacturing and Sales business segment, the core business of the Group and one of the three primary business segments of the Group;
"Xinjiang"	the Xinjiang Uyghur Autonomous Region of the PRC;
"Xinjiang Wind Power"	Xinjiang Wind Power Co., Ltd.（新疆風能有限責任公司）, a state-owned enterprise incorporated under the laws of the PRC and a substantial shareholder of the Company;
"XJ New Wind"	Xinjiang New Wind Kegongmao Co., Ltd.（新疆新風科工貿有限責任公司）, a company incorporated under the laws of the PRC on 17 February 1998 and the predecessor of the Company;
"YoY"	year-over-year, a method of evaluating two or more measured events to compare the results at one time period with those from another time period on an annualized basis; and
"%"	percent, in this annual report, calculations of percentage shall be based on the financial data contained in the Financial Statements including the relevant notes (where applicable).

Corporate Information

As at the Latest Practical Date, relevant details are as follows:

BOARD OF DIRECTORS

Executive Directors
Mr. Wu Gang *(Chairman)*
Mr. Wang Haibo
Mr. Cao Zhigang

Non-executive Directors
Mr. Zhao Guoqing
Mr. Feng Wei
Mr. Gao Jianjun

Independent Non-executive Directors
Mr. Yang Xiaosheng
Mr. Luo Zhenbang
Dr. Tin Yau Kelvin Wong

SUPERVISORS

Mr. Wang Mengqiu *(President of Supervisory Committee)*
Mr. Luo Jun
Mr. Lu Min
Ms. Ji Tian

COMPANY SECRETARY

Ms. Ma Jinru

AUTHORISED REPRESENTATIVES

Mr. Wu Gang
Ms. Ma Jinru

AUDIT COMMITTEE

Mr. Luo Zhenbang
Mr. Zhao Guoqing
Dr. Tin Yau Kelvin Wong

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Yang Xiaosheng
Mr. Wang Haibo
Mr. Luo Zhenbang

NOMINATION COMMITTEE

Mr. Yang Xiaosheng
Mr. Luo Zhenbang
Mr. Cao Zhigang

STRATEGIC COMMITTEE

Mr. Wu Gang
Mr. Wang Haibo
Mr. Feng Wei
Mr. Gao Jianjun
Mr. Yang Xiaosheng

PLACE OF BUSINESS

In the PRC
No. 107
Shanghai Road
Economic & Technological Development District
Urumqi
Xinjiang

In Hong Kong
Edinburgh Tower, 33/F
The Landmark
15 Queen's Road Central
Hong Kong

LEGAL COUNSEL

Morrison & Foerster

AUDITORS

International Auditor
Ernst & Young

PRC Auditor
Ernst & Young Hua Ming LLP

LISTING PLACES

H Shares:
The Stock Exchange of Hong Kong Limited
Stock name: Goldwind
Stock code: 2208

A Shares:
Shenzhen Stock Exchange
Stock name: Goldwind
Stock code: 002202

SHARE REGISTRARS

H Shares:
Computershare Hong Kong Investor Services Limited

A Shares:
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch

PRINCIPAL BANKERS

China Development Bank
Bank of China Limited, Xinjiang Branch
Bank Construction Bank Corporation, Xinjiang Branch
Agricultural Bank of China Limited, Xinjiang Branch
Industrial and Commercial Bank of China Limited, Xinjiang Branch
Export-import Bank of China, Xinjiang Branch
Bank of Communications Co., Ltd., Xinjiang Branch
Industrial Bank Co., Ltd., Urumqi Branch
China Merchants Bank Co., Ltd., Urumqi Branch, Jiefang North Road Sub-Branch
HSBC Bank (China) Co., Ltd., Beijing Branch
Deutsche Bank (China) Co., Ltd., Beijing Branch
China CITIC Bank Corporation Limited, Urumqi Branch
Shanghai Pudong Development Bank Co., Ltd., Urumqi Branch

COMPANY WEBSITE

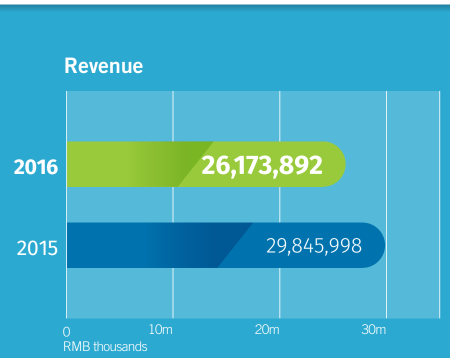
www.goldwindglobal.com

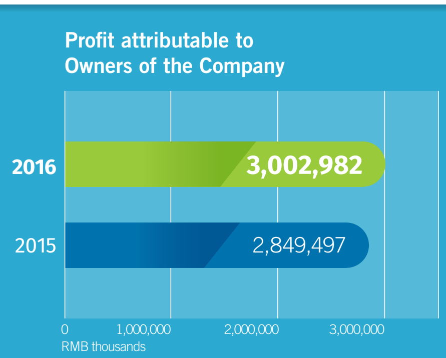
Financial Highlights

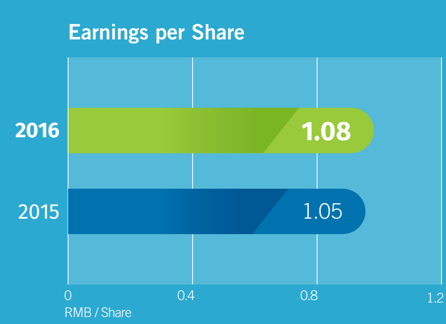
SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Except share data, all amounts in RMB thousands)

	Year ended 31 December 2016	2015	Percentage Change
REVENUE	**26,173,892**	29,845,998	–12.30%
PROFIT BEFORE TAX	**3,551,956**	3,246,830	9.40%
Income tax expense	**(446,224)**	(371,439)	20.13%
PROFIT FOR THE YEAR	**3,105,732**	2,875,391	8.01%
Profit attributable to:			
Owners of the Company	**3,002,982**	2,849,497	5.39%
Non-controlling interests	**102,750**	25,894	296.81%
OTHER COMPREHENSIVE INCOME, NET OF TAX	**89,174**	(71,650)	–224.46%
TOTAL COMPREHENSIVE INCOME	**3,194,906**	2,803,741	13.95%
EARNINGS PER SHARE:			
Basic and diluted (RMB/share)	**1.08**	1.05	2.86%







SUMMARY OF SEGMENT REVENUE

(All amounts in RMB thousands)

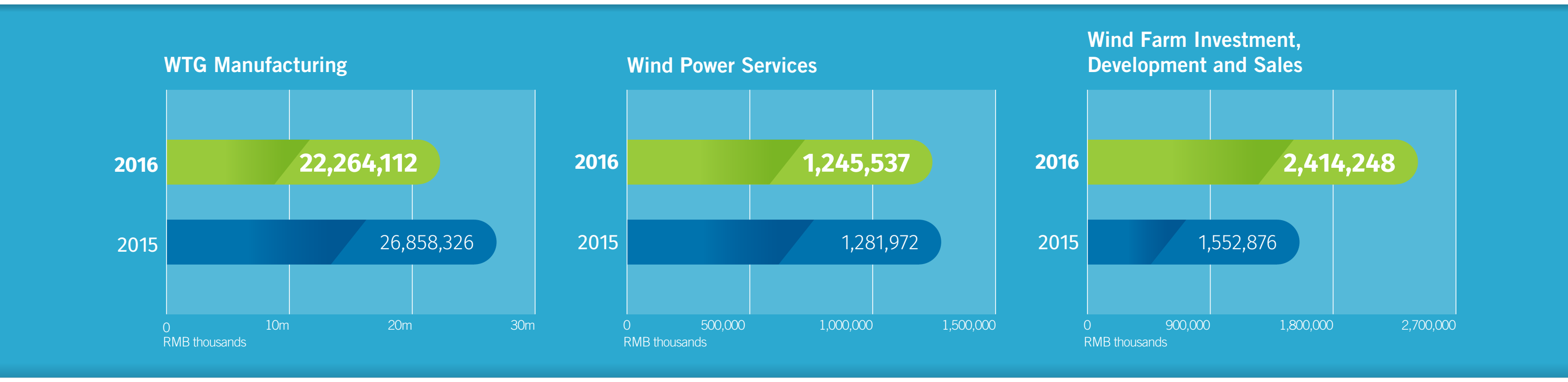
	Year ended 31 December 2016	2015	Percentage Change
WTG Manufacturing	**22,264,112**	26,858,326	–17.11%
Wind Power Services	**1,245,537**	1,281,972	–2.84%
Wind Farm Investment, Development and Sales	**2,414,248**	1,552,876	55.47%
Other	**249,995**	152,824	63.58%
Total	**26,173,892**	29,845,998	–12.30%

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB thousands)

	As at 31 December 2016	2015	Percentage Change
Total assets	**64,437,167**	52,572,401	22.57%
Total liabilities	**43,738,373**	35,181,797	24.32%
NET ASSETS	**20,698,794**	17,390,604	19.02%
Equity attributable to owners of the Company	**19,976,152**	16,761,446	19.18%
Non-controlling interests	**722,642**	629,158	14.86%

SUMMARY OF SEGMENT REVENUE



SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands)

	Year ended 31 December 2016	2015
Net cash flows from operating activities	**3,102,543**	4,776,128
Net cash flows from investment activities	**(7,011,128)**	(7,245,171)
Net cash flows from/(used in) financing activities	**5,246,540**	(969,812)
Net increase/(decrease) in cash and cash equivalents	**1,337,955**	(3,438,855)

Chairman's Letter

Wu Gang | Chairman

Dear Shareholders,

On behalf of the Board, I present to you Goldwind's *2016 Annual Report.*

In order to realize China's target of the primary energy use of non-fossil fuels representing 15% of its total energy consumption by 2020 and 20% by 2030, the PRC has introduced policies that support renewable energy consumption, installation planning, trading mechanisms and other policies which support the development of renewable energy. China's wind power industry maintained stable development in 2016. According to the latest information from the Global Wind Energy Council, China ranked number one in the world for newly installed capacity, accounting for 42.7%. This is the seventh consecutive year that China has been the world's largest wind power market.

Goldwind, as a total solutions provider for international clean energy and energy saving environmental protection, has incorporated an "artisan spirit" into our corporate culture for the past 18 years. Goldwind views technological innovation as our core competitive advantage, devoting ourselves to product value and overall wind power solutions to gain customer and market reputation. In 2016, the Group continued to improve profitability, as net profit attributable to Shareholders of the Company increased by 5.39% YoY, reaching a record high for the Company. Goldwind's domestic market share has ranked first in the industry for the past six years and is constantly expanding, increasing by 1.9 percentage points YoY to 27.1%. Goldwind's backlog of orders under contract has steadily improved, totaling 7,840.90 MW as of 31 December 2016. The Group has laid a solid foundation for its future market development.

Goldwind has always operated with the goal of creating value for our customers through high-quality and serialized products. During the Reporting Period, the Group continued to advance its research in the 2.0 MW and 2.5 MW serialized WTGs; it began marketing its 2.0 MW super low wind speed WTG, 2.0 MW high-altitude WTG, 2.5 MW high-altitude WTG, and its 2.5 MW high temperature WTG. On the basis of the R&D of our 2.5 MW and 3.0 MW WTGs, the Group has successfully developed the new GW 3.0 MW (S) product platform for both international and domestic low wind speed markets. During the Reporting Period the first GW 3.0 MW (S) prototype was connected to the grid. Moreover, Goldwind actively developed its ValuePlus products and solutions platform, successfully releasing its 2.0 MW VP and 2.5 MW VP WTGs into the market this year. In order to meet the accelerated future development of the offshore wind power market, the Group actively gathered relevant technology and products for its future implementation. During the Reporting Period, Goldwind successfully installed our first offshore WTG project, utilizing the 121/3.0MW DDPM unit. Furthermore, we also successfully connected the 6.0 MW Alpha prototype to the grid. The Group has laid a solid foundation for the effective development and optimization of offshore wind power. During the Reporting Period, Goldwind's WTGs received more than 30 domestic and international certifications; the 1.5 MW, 2.0 MW, and 2.5 MW WTGs all received plateau type certification. Certification enhances the market competitiveness of our products.

Goldwind actively followed the pace of national energy transformation, providing customers with smart energy system solutions. In February 2016, the Group successfully connected its first commercialized megawatt class complementary wind and solar smart grid project in Ningxia. The micro grid in Yizhuang, Beijing was selected as a "Capital Blue Sky Mobile Technology Demonstration Project". During the Reporting Period, the Group built 10 micro grid projects; every project has been connected and has had stable operations in isolated mode, providing convenient green solutions and sufficient energy for their respective regional enterprises.

Chairman's Letter

In the after-sales wind power service market, the Group's maintenance and operation team has provided construction, maintenance and operation services, and technical support for more than 25,000 WTGs in more than 700 wind farms globally, and connected over 17,000 WTGs to Goldwind's Technology Global Monitoring Center. In 2016, Goldwind actively promoted digital transformation by releasing its digital maintenance and operation solution, the GW SES A Series, which provides customers with flexible, professional, efficient customized service.

Despite a background of wind curtailment and falling wind power tariffs, the wind farm investment and development business segment achieved great success, contributing RMB2,414.25 million in revenue to the Group, representing an increase of 55.47% YoY. Leveraging good industry reputation and excellent construction, Beijing Tianrun's 99 MW Naomaohu project received the 2016 China Power Quality Engineering Award, and its Hubei Taohuashan project was awarded the China Installation Quality Engineering Award.

In the overseas market, Goldwind continued to fulfill the "one belt one road"(一帶一路) national development strategy. International project promotion, market development, and other international aspects all received good results this year. During 2016, the Group successfully acquired the Rattlesnake wind power project in Texas, USA. This project, after completion, will become Goldwind's largest wind farm in America. The Group also completed installing its first batch of flexible towers in Thailand. After the completion of its first phase project in Pakistan, the Group received the second phase sales order. According to data from the CWEA, Goldwind accounted for more than 70% of China's accumulated WTG exports.

With increasing global attention on energy security, ecological environments and climate change, accelerating the development of wind power and other renewable energies has become the international community's universal consensus and concerted action. During the Thirteenth Five-Year Plan, China will continue to increase the proportion of wind power in primary energy consumption, transforming wind power from a complementary energy source to an alternative energy source. Facing the steady development of its industry as well as opportunities and challenges brought by its competition, Goldwind will continue to consolidate its wind power equipment manufacturing and sales, wind power service, and wind farm investment businesses to provide customers with wind power total solutions. At the same time, the intelligent energy internet and energy saving environmental protection businesses will all aid in accelerating the sustainable development of the Group, further strengthening Goldwind as a global leader in its industry.

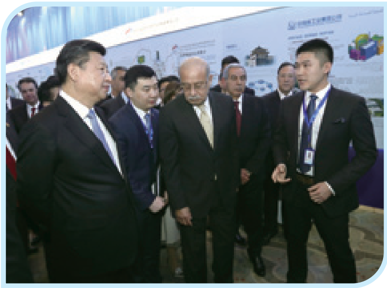
On behalf of the Board, I would like to express my gratitude to our Shareholders and business partners for your continued support in 2016, and to each of Goldwind's employees for your efforts and outstanding achievements.

Wu Gang
Chairman

Beijing, 29 March 2017

Milestones of 2016

January



Chairman Xi Jinping, at Egypt's high-tech conference, recommended Goldwind to Egypt's Prime Minister.

Goldwind supplied clean energy to the 13th annual national winter games.

April

The Australian vice premier visited Goldwind's White Rock wind farm to witness its opening.

February

Goldwind received four prizes in the top 100 companies listed on the Hong Kong Stock Exchange.

Goldwind finished building and connecting Ningxia's first MW smart micro grid.

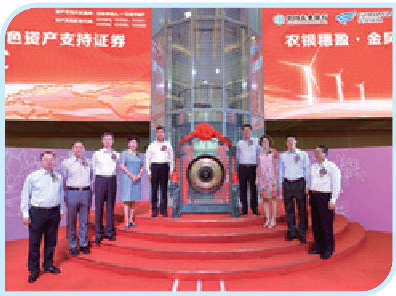
May

Goldwind Pakistan received orders for 99MW of WTGs.

July

Goldwind won the "Best Institutional Investor" investor relations award for Asia.

August



Goldwind's green asset backed securities were successfully listed on the Shanghai Stock Exchange.

September

Goldwind's first offshore WTG project was successfully installed.

October

Goldwind's 1.5 MW, 2.0 MW, and 2.5MW models have all completed type certification, making Goldwind the only company in China to have certification for every high altitude WTG.

Goldwind successfully developed the 3.0MW (S) product platform first prototype and successfully connected it in Zhangbei grasslands.

Goldwind Thailand started selling their 120 meter flexible tower.

December

Goldwind's micro grid project was selected as a demonstration project for Beijing.

During 2016, the world economy was in a state of recovery: steady growth rates for developed economies, globalization, and geopolitics all faced difficult challenges. Emerging markets and developing economies as a whole grew steadily, becoming the impetus of the world's growth. According to statistics from the International Monetary Fund (IMF), the world's economic growth rate in 2016 was 3.1%; whereas China's economic growth rate was 6.7%, ranking first in the world.

China's Thirteenth Five-Year Plan was off to a good start in 2016. The government insisted on maintaining a stable tone while making progress in work, implementing supply-side structural reforms as its main line, moderately expanding aggregate demand, firmly pushing forward reforms, and carefully dealing with challenges. The national economy was stable whilst improving; according to statistics released by the National Bureau of Statistics, China's 2016 GDP growth rate was 6.7%, remaining within a reasonable range.

According to the latest statistics from the Global Wind Energy Council, worldwide newly installed wind power capacity was 54.6 GW in 2016, and worldwide accumulated capacity was 486.7 GW, of which China ranked first, accounting for 42.7% of newly installed capacity. USA and Germany rank second and third respectively, accounting for 15% and 10% of worldwide newly installed capacity, respectively.

According to statistics from the China Electric Power Association and the NEA, nationwide electricity consumption for 2016 was 5.92 trillion kWh, representing an increase of 5% YoY; national total energy capacity was 1650 GW, representing an increase of 8.2% YoY; nationwide connected wind power capacity was 150 GW, representing an increase of 13.2% YoY; on-grid wind power transmission hours was 241 billion kWh, representing an increase of 30.1% YoY.

I. INDUSTRY REVIEW

In order to realize China's medium-term target of having primary energy consumption of non-fossil fuels representing 15% of its total energy consumption by 2020 and 20% by 2030, the PRC has steadily promoted the development of renewable energy in its Thirteenth Five-Year Plan. It has introduced policies that support consumption, installation planning, and trading mechanisms amongst other aspects of focus.

i. Policy Review

1. Encourage Renewable Energy Consumption

On 29 February 2016, the NEA published the "Guidelines for Establishment of the Institution of Development and Utilization of 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》). This document articulates that non-hydro renewable electricity for every province (including regional and municipal districts) should account for 9% of the total electricity consumption by 2020. Non-hydro renewable electricity generation, apart from specialized non-fossil fuel production enterprises, should reach 9% of total energy generation by 2020. The NEA also established its first official renewable electricity green certificates trading scheme, providing flexibility for those trying to complete the requirements for this 9% objective.

On 22 April 2016, the NEA published the "Notice and Suggestion Regarding the Relevant Requirements of Institution of Portfolio Standard between Coal Burning Thermal Power Units and Non-hydro Renewable Energy" (《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》). This document covers the establishment of a mechanism for coal burning enterprises to undertake non-hydro renewable energy generation. By 2020, it is expected that the proportion of non-hydro renewable energy from coal burning enterprises should reach at least 15%. Coal burning enterprises can meet the aforementioned target by purchasing renewable electricity green certificates or through the construction of their own projects.

On 24 March 2016, the NDRC issued the "Management Measures for the Full Purchase of Renewable Energy" (《可再生能源發電全額保障性收購管理辦法》) which proposed to set a quota for annual minimum power utilization hours in wind curtailment regions. For any wind power output above the minimum hours, wind farm operators are encouraged to trade that power in the market. In the areas without wind curtailment, renewable energy will be available for purchase. If renewable energy does not reach the minimum utilization hours due to thermal power's excessive utilization, such thermal power companies shall compensate renewable energy companies for the unutilized part of the minimum utilization hours.

On 27 May 2016, the NDRC and the NEA jointly published the "Notice Related to Full Purchase of Wind 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》). The document sets the minimum utilization hours of wind power, which varied from 1,800 to 2,000 hours in various local provinces of the Three-North region. The minimum utilization hours is the lowest purchasing goal. Higher objectives are encouraged to be set and carried out in various relevant provinces (including regional and municipal districts).

On 3 February 2017, the NDRC, the Ministry of Finance, and the NEA jointly issued the "Notice on Trial Implementation of Renewable Energy Green Power Certificate Issuance and Voluntary Subscription Trading System (《關於試行可再生能源綠色電力證書核發及自願認購交易制度的通知》). The trial of the voluntary subscription system of renewable energy green power certificates trial will be conducted nationwide, including certificates for onshore wind power and solar power (excluding distributed solar power). According to the notice, the voluntary subscription system will begin on 1 July 2017 and quota assessments of green energy and mandatory license transactions will begin in 2018.

2. Wind Power in the Thirteenth Five-Year Plan

On 29 November 2016, the NEA issued the "Wind Power Development in the Thirteenth Five-Year Plan" (《風電發展"十三五"規劃》). The document clearly states that it will accelerate the development of wind power in mid-eastern and southern regions, order the construction of large wind power bases in the Three-North region, actively and steadily promote offshore wind power development, and effectively improve the consumption capacity of wind power. By the end of 2020, the cumulative installed capacity of wind power connected to the grid should reach at least 210 GW, of which offshore wind power installed capacity connected to the grid should be at least 5 GW and offshore wind power capacity under construction should be at least 10 GW. In 2020, wind power annual generating capacity should reach 420 billion kWh, representing about 6% of China's total generating capacity. The document also proposes that during the Thirteenth Five-Year Plan, China's facility manufacturing abilities and R&D capabilities will be constantly improving, that three to five equipment manufacturing companies will reach international standards, and that the international market share will improve significantly.

On 11 January 2017, the NDRC issued the "Development in the Western Region in the Thirteenth Five-Year Plan" (《西部大開發"十三五"規劃》) which focused on development of wind power equipment production bases in Urumqi, Hami, Jiuquan, Chengdu, and etc. The document also promotes Liangshan, Jinsha River, and Yalong River as complementary wind, solar, and hydro power demonstration bases. Lastly, it promotes the development of 2.5 MW class and above wind turbines, the expansion of the wind power base in higher wind speed areas (focusing construction mainly in the four following areas: Xinjiang, Jiuquan, as well as eastern and western Inner Mongolia), and the construction of a delivery passageway.

On 15 April 2016, the NEA issued the "Reply Letter on the Third-Phase Construction Plan for the wind power base in Zhangjiakou" (《關於張家口風電基地三期規劃建設有關事項的復函》). The document focuses on increasing the supply of clean energy in the Beijing, Tianjin and Hebei region and decreasing air pollution by approving the planned construction of a wind power project base with total capacity of 6.83 GW, requiring two batches of project approval: the first batch guaranteed on-grid wind power generation before end of 2018 will total 4.23 GW, and the second batch guaranteed on-grid wind power generation after end of 2018 will total 2.6 GW.

On 29 December 2016, the NEA and the State Oceanic Administration issued the "Offshore Wind Power Development and Construction Management Measures" (《海上風電開發建設管理辦法》) which states that the NEA and the State Oceanic Administration will work together on offshore wind power development planning and management. Energy officials at the provincial level and below will follow relevant laws and regulations when approving offshore wind power projects. This policy further improves the management system of offshore wind power, the regulation of offshore wind power development and its construction order.

3. **Encourage Rational Investment in Construction**

On 28 December 2016, the NDRC issued the "Notice on Adjusting the Tariff Price of On-grid Wind Power Benchmarking for Photovoltaic Power Generation" (《關於調整光伏發電陸上風電標杆上網電價的通知》) which reduces the newly installed onshore wind power feed-in tariff after 1 January 2018; first class to fourth class zones were adjusted to 0.40 RMB/kWh, 0.45 RMB/kWh, 0.49 RMB/kWh and 0.57 RMB/kWh respectively, representing a decrease of seven cents, five cents, five cents and three cents respectively, from the last tariff. After 2018, there is no change to offshore wind power feed-in tariffs, offshore wind power was 0.85 RMB/kWh and intertidal was 0.75 RMB/kWh; at the same time, the NDRC is encouraging the adoption of market-oriented bidding and other ways to determine the price of new energy. This policy will guide the rational investment in wind power and promote the healthy development of the wind power industry.

On 18 July 2016, the NEA published the "Notice Related to the Establishment of a Wind Power Construction Monitoring and Warning Mechanism" (《國家能源局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》). This document established a wind power investment early warning mechanism to guide regional investment towards wind power development. A red warning indicates that there is an investment risk, urges the cautious construction of relevant wind farm projects in affected areas, and disallows grid enterprises from dealing with connection procedures. An orange warning, in principle, generally results in the relevant regions not being able to authorize newly approved capacity. A green warning is normal and allows the regions to continue reasonable development, investment and construction.

On 17 February 2017, the NEA published the "Notice on the Results of Monitoring and Early Warning Mechanism of Wind Power Investment in 2017" (《關於發佈2017年度風電投資檢測預警結果的通知》). Its monitoring results show that: Inner Mongolia, Heilongjiang, Jilin, Ningxia, Gansu, and Xinjiang (including Xinjiang Production and Construction Corps) have all received red warnings for 2017.

4. **Ways to Explore Market-Oriented Consumption**

On 13 July 2016, the NDRC and NEA published the "Notice on the Plan of Orderly Liberalization of Power Generation and Utilization (Draft for Comments)" (《關於有序放開發用電計劃工作的通知（徵求意見稿）》) which encouraged those that surpass the minimum utilization hours to participate in the renewable electricity green certificates trading scheme. This act will promote renewable energy services by lowering the marginal cost of renewable energy through market competition.

On 13 October 2016, the NEA published the "Inter-regional Renewable Energy Incremental Spot Trading Rules (Draft for Comments)" (《跨區域省間可再生能源增量現貨交易規則（徵求意見稿）》), which defines incremental spot trading as cross-regional transmission channels, where a buyer can find a seller (renewable energy power generation enterprises) through an inter-regional provincial spot trading system. This policy provides a practical market approach to increase the proportion of new energy consumption.

On 8 October 2016, the NEA and NDRC published the "Administrative Measures for the Entry and Exit of Electricity Sales Companies" (《售電公司准入與退出管理辦法》) and the "Orderly Release of Distribution Network Service Management Approaches"(《有序放開配電網業務管理辦法》). The documents detail conditions for the entrance and exit of distribution companies and distribution services, promote the reformation of the electricity market, and benefit more renewable energy power generation enterprises through the development of market-oriented electricity sales business to achieve more renewable energy power generation and consumption.

ii. Industry Developments

1. **Steady Development of the Wind Power Industry**

In 2016, China's wind power industry maintained stable development. According to preliminary statistics from the CWEA, newly installed domestic wind power totaled 23.37 GW. The NEA's data shows that as of the end of 2016, total domestic connected wind power generating capacity was 149 million GW, accounting for 9% of total electricity generating capacity in China. China generated 241 billion kWh in 2016, accounting for 4% of total electricity. The national average wind utilization hours totaled 1,742 hours, representing an increase of 14 hours YoY.

2. **Promoting Installation in Low Wind Speed Regions**

In 2016, the area of China's newly installed wind power continued to shift towards low wind speed regions. According to data from the CWEA, newly installed capacity continued to improve in eastern China, south-central China, and other low wind speed regions. Compared with 2015, the proportion of newly installed capacity in eastern China rose from 13% to 20%, the proportion of newly installed capacity in south-central China rose from 9% to 13%, and the proportion of newly installed capacity south-western China remained unchanged. Both the proportion of newly installed capacity in the northwest and northeast regions were reduced with the proportion of newly installed capacity in northwestern China falling from 38% to 26% and the proportion of newly installed capacity in northeastern China falling from 6% to 3%.

3. **Accelerating the Development of Offshore Wind Power**

According to data from the CWEA, China installed 154 offshore wind power units in 2016, with an installed capacity of 590 MW, surpassing any year in the Twelfth Five-Year Plan period, representing an increase of 64% YoY, all of which are a testament to China's accelerated development in offshore wind power. As at the end of 2016, China's offshore wind total installed capacity reached 1.63 GW. According to statistics from the Global Wind Energy Council, global offshore wind power installed capacity in 2016 was 2.22 GW and total capacity was 14.38 GW. China's newly installed capacity in 2016 surpassed Denmark and was amongst the world's top three installers of offshore wind power.

4. **Wind Curtailment Seasonal Improvement**

In 2016, China's wind curtailment situation saw seasonal improvement and regional concentration. Due to a significant increase in newly connected grid capacity in the Three-North region by the end of 2015, there was relatively serious wind curtailment in the first quarter of 2016 with the nationwide wind curtailment rate reaching 26%. After strengthening the grid's dispatching ability and the implementation of relevant compensatory purchasing policies, wind curtailment continued to improve in Gansu, Xinjiang, Ningxia and Jilin amongst other places; the nationwide wind curtailment rate fell to 12% in the fourth quarter of 2016. The 2016 annual utilization hours of wind power was 1,742 hours, representing an increase of 14 hours YoY. According to statistics from 33 provinces, 19 provinces had an increase in the annual utilization hours of wind power. In 2016, 91% of wind curtailment was in the Three-North region, with the northwest region accounting for 52%, Inner Mongolia accounting for 25%, and the northeast region accounting for 14%; the aforementioned areas account for 56% of total domestic connected wind power capacity.

II. BUSINESS REVIEW

After the rush orders of 2015, the wind power industry's growth rate as a whole was like the calm after a storm: stable yet reduced in volume. Although the Group's sales revenue and installed capacity decreased in 2016, due to the Group's forward-looking strategy, its diversified profit model, continuous improvement of R&D capabilities and product performance, lean management and a continuous optimization of capital structure ensured that the Group's profitability continued to improve and market share continued to expand during the Reporting Period. The Group's WTG performance, products and services were further recognized by the market; market share increased 1.9 percentage points YoY to 27.1% and the backlog had steady growth.

For the financial year ended 31 December 2016, the Group's operating revenue was RMB26,173.89 million, representing a decrease of 12.30% YoY. Net profit attributable to the parent company was RMB3,002.98 million, representing an increase of 5.39% YoY.

i. WTG R&D, Manufacturing and Sales

According to statistics from the CWEA, Goldwind installed more than 6.34 GW of newly installed capacity in China, capturing a market share of 27.1% and making the Company the largest WTG manufacturer in China for the sixth consecutive year. According to Bloomberg New Energy Finance's 2016 Global Wind Turbine Manufacturers Market Share Report, Goldwind ranked number three in the world for wind power market share.

As of the end of the Reporting Period, the Group's accumulated installed capacity exceeded 38 GW worldwide, comprising of over 37 GW and 25,258 units in China and over 1 GW and 604 units overseas.

1. Product Manufacturing and Sales

During the Reporting Period, the Group's revenue from the sales of WTGs and components was RMB22,264.11 million, representing a decrease of 17.11% YoY. The gross profit rate was 25.49%, representing an increase of 1.19 percentage points YoY. The Group realized external sales of 5,883 MW, a decrease of 16.57% YoY, among which sales volume of 2.0 MW WTG markedly increased to 37.63% of the total sales from 17.50% in 2015. In addition, benefitting from a cost reduction by a variety of measures, the gross profit rate of the 1.5MW, 2.0MW, and 2.5MW WTG increased by 0.84 percentage point, 4.44 percentage points, and 1.65 percentage points respectively.

The following table provides the details of our WTG sales volumes in 2016 and 2015:

	2016		2015		Change in
Model	**Unit Sold**	**Capacity Sold (MW)**	Unit Sold	Capacity Sold (MW)	Capacity Sold
3.0MW	**27**	**81.00**	11	33.00	145.45%
2.5MW	**498**	**1,245.00**	645	1,612.50	– 22.79%
2.0MW	**1,107**	**2,214.00**	617	1,234.00	79.42%
1.5MW	**1,562**	**2,343.00**	2,774	4,161.00	– 43.69%
750KW	**0**	**0**	14	10.50	– 100%
Total	**3,194**	**5,883.00**	4,061	7,051.00	–16.57%

During the Reporting Period, Goldwind had a steady increase in orders of WTGs. At the end of the Reporting Period, Goldwind's backlog of orders under contract totaled 7,840.9 MW, including 6 MW of 750KW units, 1,762.5 MW of 1.5MW units, 3,362 MW of 2.0MW units, 198 MW of 2.2MW units, 2,460 MW of 2.5MW units, 39 MW of 3.0MW units, and 13.4 MW of 6.7 MW. Furthermore, there were 6,335.2 MW of additional orders awaiting contract, including 493.5 MW of 1.5MW units, 4,262 MW of 2.0MW units, 24.2 MW of 2.2 MW units, 1,357.5 MW of 2.5MW units, and 198 MW of 3.0 MW units. In total, Goldwind had 14,176.1 MW of combined backlog orders, including 917 MW of overseas orders.

2. R&D and Certification

The Group has set up seven R&D centers across the world, employing over 2000 foreign and domestic technical personnel and providing a solid foundation for customer value maximization through the continual improvement of R&D capabilities. Goldwind emphasized the importance of meeting market and customer demands and strengthened its product competitiveness by continually enriching its product lines through new product development, product optimization, consolidating and strengthening the Company's technical advantages, key technology applications in various fields and hardware and software optimization.

(1) Product R&D

In order to achieve the Group's "sales generation, development generation, reserve generation" product development mentality, and enhance its overall competitiveness to further meet the needs of its industry development and market expansion, the Group actively developed the application and popularization of its ValuePlus and total solutions providing platforms in 2016, having already finished developing and bringing its 2.0MW VP and 2.5MW VP WTGs in the market. ValuePlus customized solution plans will expand the scope of Goldwind's products from standalone WTGs to entire consolidated wind farms, which will in turn increase the value of the wind farm (Value Plus) and help improve wind power generation revenue (IRR), field energy availability and product competitiveness.

In 2016, the Group continued the investment in R&D for its 2.0 MW and 2.5MW units; it finished the R&D of the 2.0 MW ultra-low wind speed WTG, the 2.0 MW high altitude WTG, the 2.5 MW high altitude WTG and 2.5 MW high temperature WTG. All of the aforementioned WTGs have all been listed on the market as ready to sell.

The Group successfully installed its first 121/3.0MW DDPM offshore project, installing 18 121/3.0MW WTGs 6 nautical miles from the coast. As of the end of the Reporting Period, the project has been completed and connected to the grid.

On the basis of its R&D for the 2.5 MW and 3.0 MW units, the Group finished their brand new medium to low wind speed 3.0MW (S) product platform for international and domestic markets, with its first prototype being installed in the Zhangbei region. The prototype uses DDPM technology, has a capacity of 3.4 MW, and a rotor diameter of 140 meters.

During the Reporting Period, the Group successfully installed and connected its 6MW Alpha prototype at Dafeng on 16 May and finished designing and assembling its 6MW Beta prototype in November. The Group now has a high-speed customizable total-solution plan for offshore wind farms, complete with an integrated support structure design, integrated tower layout, integrated transport and installation, as well as a smart operation and maintenance plan.

In February 2016, the Group successfully connected its first commercialized megawatt class complementary wind and solar smart grid project in Ningxia. The smart grid project has integrated wind power, solar power, stored power, micro thermal generators, charging piles and other energy sources to form an intelligent micro grid system. The micro grid in Beijing was selected as a "Capital Blue Sky Mobile Technology Demonstration Project". As of the end of the Reporting Period, the Group has built 10 micro grid projects; every project has been connected and has had stable operations in isolated mode, providing convenient green solutions and enough energy for their respective regional enterprises.

During the Reporting Period, the Group meticulously researched the high temperature operating conditions for wind turbines. The development of a high temperature technological platform set up key technology modules for the application to other models, such as: a high temperature converter, variable pitch system, control system, cabinet heat exchanger, and condensation heat transfer technology. Considering that high temperature models have excellent generating capacity, the Group is expecting a breakthrough in Pakistan's wind power market, having already acquired a series of high temperature wind power projects in Pakistan including: the Sachal project, UEP project, and the Karachi phase two and three projects.

(2) Certification Work

As a part of its R&D program, the Group pursues certification of its WTGs and related technologies. During 2016, two key models (GW109/2500 & GW121/2500) of the 2.5 MW platform were certified by DNV-GL, an international certification agency. At the same time, 25 models have passed the design assessment of China General Certification Center and 11 models have obtained type certificates from China General Certification Center. Goldwind's 3.0 MW (S) platform has received design assessment which lays a good foundation for the future deployment of the model. Following certification for GW87/1500 and GW93/1500, both the GW115/2000 and GW121/2500 have received high altitude type certification from China General Certification Center. At this point, the Group's 1.5 MW, 2 MW, and 2.5 MW platforms have all received high altitude type certification, proving that Goldwind's unit has adaptability for different environments and safety verified by third parties, all of which greatly enhance its market competitiveness.

(3) Intellectual Property Protection

Goldwind, over the past few years, has continually attached importance to the development of R&D, with its number of domestic and international patents steadily growing, and its patent application structure constantly being optimized. As at the end of the Reporting Period, Goldwind held 936 authorized patents in China, including 122 authorized inventions. Goldwind owns 293 software copyrights, 68 registered trademarks have been approved in China, and 87 registered trademarks have been approved overseas.

As a wind power industry leader, the Group is engaged in formulating international, national, and industrial standards for wind power. As at 31 December 2016, the Group had contributed to establish 127 new standards (including 68 national standards, 48 industrial standards, 6 local standards, and 5 association standards). In 2016, China adopted 64 new national and industrial standards. The Group is an editing member of the only three IEC standards that support micro grid technology, including the IEC/TS 62898-3-1 "Microgrid Protection Requirements" which was proposed and set up by the Company. Goldwind is leading the way in the development of advanced technology through certification.

Goldwind, Xinjiang University and Xinjiang State Grid Electric Power Company's joint project "Independent Innovation and Industrialization of Key Control Technologies of Wind Turbines" was awarded the "2016 National Second Prize in Scientific and Technological Improvement".

3. Quality Control

In 2016, the Group proposed and launched initiatives to improve the industrial supply chain through close collaboration with its suppliers. The Group actively pursued quality management in three priorities: the entire process of quality, in all of its personnel, and in its enterprise. The Group's quality management center aids in the effective transfer from product quality management to wind farm quality management. At the same time, it carries out quality management transformations, prevents errors at their source, adjusts both the management and organization's model, and utilizes red line index management in conjunction with its quality management system to continuously improve the quality management capabilities. In order to improve its industrial supply chain, Goldwind works with key suppliers to build a collaborative quality improvement platform. The Group's lean management philosophy envelops the source of product manufacturing, driving the industry to improve quality and enhancing overall market competitiveness.

During the Reporting Period, the Group was awarded the "National Quality and Cultural Construction Demonstration" by China Quality Association.

ii. Wind Power Services

With the development of an after-sales wind power service market, wind power service businesses have had innovation within their business models, on the whole becoming more centralized, sharing more, and seeing a digital development trend. During the Reporting Period, the Group launched wind power total life-cycle solutions and related innovative products, including EPC overall solution planning, a new hybrid wind power tower product, and digital operation and maintenance solutions.

Goldwind's EPC construction arrangement has become the first choice for many customers due to specialized management, innovative products, technology, and financing plans that minimize investment and maximize quality. The Group has put forth a new type of hybrid tower that is not only waterproof, noise reducing, and has transportation advantages, but also helps lower costs and in turn create a more economic product for our customers.

Goldwind's smart maintenance and operation solution GW SES A Series, officially released in August 2016, provides customers with flexible, professional, efficient customized service. It includes six component parts of SES A100-600: customizable service composition, intelligent background, joint operation, intelligent operation, hassle free protection, and customized flexible, professional and efficient power generation services.

The Group recently launched the wind farm mobile operation platform GO PLUS to facilitate convenient operation management; operation engineers in the field will have access to real time statistics, meteorological statistics, early warnings and KPI index feedback. GO PLUS will be helpful for Goldwind's background specialists, operation managers, and on site operation and maintenance engineers, providing real time analytics on various resources and enhancing overall operation capabilities.

As at the end of the Reporting Period, the Group's maintenance and operation team had provided construction, maintenance and operation services and technical support for more than 25,000 WTGs in more than 700 wind farms globally. Over 17,000 WTGs are connected to Goldwind's Technology Global Monitoring Center, including a total of 502 WTGs from the United States, Australia, Thailand, Romania, Ecuador and Pakistan. During the Reporting Period, revenue from the Wind Power Services business segment was RMB1,245.54 million.

Beijing Tianyuan reported that its "Industrialization Project of Intelligent Wind Farm Operation Monitoring System" was included in the 2015 National Torch Program and identified as an industrialization demonstration project. This project was the only project shortlisted from the wind power operation and maintenance industry, proving once again that Goldwind holds the leading position in the field of wind power technology.

iii. Wind Farm Investment and Development

Considering that the domestic wind power market has been moving southwards and that total capacity is experiencing a fall after rising, the Group actively invested in wind farms and developed business segments that accelerate the reserves of resources and achieved better results. The Group's development of domestic wind farm projects covered 25 provinces, with 96 project subsidiaries, and a total asset size of over RMB26 billion. Goldwind reported that during the Reporting Period, its total newly installed domestic generating capacity increased by 1,107.40 MW and its newly attributable installed generating capacity increased by 1,032.75 MW. The newly added capacity resulted in domestic accumulated installed generating capacity of 4,151.80 MW and accumulated installed attributable capacity of 3,558.18 MW. Goldwind reported 392.50 MW of domestic capacity under construction at the end of the Reporting Period, of which 377.50 MW was attributable capacity; WTG utilization hours was 1,881 hours.

According to statistics from the CWEA and the wind energy advisory body MAKE, Beijing Tianrun ranked ninth amongst domestic wind power developers, and was among the world's top 25 wind power developers (it was ranked 21).

While the national power system continued to advance reforms, the Group kept up with the pace of development of its industry and actively formulated a power sales market that promoted wind power consumption to ensure a strong return on the Group's assets. During the Reporting Period, the Group's first power sales company completed business registration. Meanwhile, the Group was also actively involved in the electricity market within Xinjiang, Ningxia, and Gansu for power sales companies. A number of enterprises, power grids, and others have signed a number of bilateral agreements and interregional delivery agreements with the Group.

During the Reporting Period, the Group's revenue from power generation was RMB2,414.25 million, representing an increase of 55.47% YoY. The gain on investment from sale of wind farms was RMB51.53 million, an increase of 51.74% YoY.

During the Reporting Period, Beijing Tianrun's 99 MW Naomaohu project received the 2016 China Power Quality Engineering Award, and the Hubei Taohuashan project was awarded the China Installation Quality Engineering Award.

iv. International Business Expansion

After years of practice and market development, the Group's corporate image and products are gaining international market recognition. Goldwind's strategy of internationalization has steadily advanced due to the Group promoting international projects; in turn, international market development and other aspects have achieved good results. During 2016, the Group had newly installed capacity of 440 MW, representing an increase of 151.40% YoY. The Group's international wind power projects installed capacity was 246 MW, and accumulated attributable capacity was 121.74 MW. Goldwind reported 175 MW of capacity under construction internationally at the end of the Reporting Period, of which 43.75 MW was attributable capacity. During the Reporting Period, the Group achieved international sales revenue of RMB2,209.24 million.

During 2016, the Group successfully acquired the Rattlesnake wind power project in Texas, USA. The project will utilize 64 units of Goldwind's 2.5 MW DDPM WTGs for a planned capacity of 160 MW; after completion it will become Goldwind's largest wind farm in America. The Group completed installing its first batch of flexible towers in Thailand, with a capacity of 99 MW. After the completion of its first phase project in Pakistan, the Group received the second phase sales order for a capacity of 99 MW. While further strengthening its leading position in its domestic wind power industry, the Group has actively expanded to the overseas market.

According to data from the CWEA, Goldwind accounted for more than 70% of China's accumulated WTG exports.

v. Water Treatment Business Expansion

During the Reporting Period, while consolidating its core business, Goldwind actively carried out strategic investment in the renewable energy industry, serving as the new driving force for the sustainable development of the Group.

Presently, the Group's new energy projects include: new energy, new materials, and energy saving environmental protection. During the Reporting Period, there was rapid development of the Group's water business, with six newly built water treatment plants and eleven water treatment plants under operation in total, for a total processing capacity of 723 thousand tons/day and annual water recovery rate of 99.7%. The Group uses an intelligent water management model, having developed an application to realize the organic combination of the internet-of-things + basic applications + intelligent applications. Moreover, the Group looks to introduce the world's leading 3D printing technology into the water industry which can effectively reduce the cost of water treatment and increase efficiency.

With excellent investment performance and management capabilities in the field of green technology and new energy, the Group's wholly-owned subsidiary Goldwind Investment Holding Co., Ltd. was awarded the following two awards at the 2015 annual meeting of China Investment, the "Top 10 Best Green Technology Investment Institutions in 2016" and the "Top 10 Best Investment in New Energy Sector in 2016"

vi. Major Subsidiaries

As at 31 December 2016, the Group had 200 subsidiaries, which included 23 directly owned subsidiaries and 177 indirectly owned subsidiaries. In addition, we had 11 joint ventures, 15 associated companies and held 17 equity investments categorised as available-for-sale investments. The Group's subsidiaries included R&D and manufacturing companies for WTG components, wind farm investment and development companies, wind power service companies, and water treatment plants, finance lease service companies and etc. The following table sets out the key financial information of principal subsidiaries of the Group (reported in accordance with CASBE):

As at 31 December 2016
Unit: RMB

No.	Company Name	Registered Capital (RMB ten thousand, unless otherwise stated)	Total Assets	Net Assets	Revenue of Principal Businesses	Net Profits Attributable to the Company
1	Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd.	99,000.00	5,805,600,082.47	1,399,554,349.44	5,814,197,419.25	272,635,836.98
2	Vensys Energy AG	€5 million	1,201,437,920.37	619,856,453.84	719,192,615.68	56,798,191.18
3	Jiangsu Goldwind Technology Co., Ltd.	75,961.00	3,525,350,772.53	1,129,249,332.42	3,213,014,350.87	325,942,511.00
4	Beijing Techwin Electric Co., Ltd.	10,000.00	2,427,165,800.56	1,450,873,251.20	3,617,488,462.85	531,093,961.33
5	Beijing Tianrun New Energy Investment Co., Ltd.	555,000.00	25,198,659,299.76	7,222,925,384.65	2,285,513,344.69	636,101,257.31
6	Goldwind Investment Holding Co., Ltd.	100,000.00	1,630,741,068.08	1,531,593,310.13	–	292,554,107.98
7	Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd.	20,000.00	3,135,691,026.01	226,624,297.75	2,150,056,150.71	7,296,093.04
8	Goldwind Environmental Protection Co., Ltd.	100,000.00	1,852,594,055.94	1,012,672,273.20	96,469,285.87	23,534,786.70
9	Tianxin International Lease Co., Ltd.	USD 30 million	2,198,189,881.93	408,037,195.14	161,338,634.30	85,178,762.89

vii. Use of Proceeds

Use of H Shares Proceeds

The Company conducted the initial public offering of its H Shares and had its H Shares listed on the main board of the Stock Exchange in October 2010. According to the *Capital Verification Report* issued by Ernst & Young Hua Ming, the net proceeds of the H Shares offering were the equivalent of RMB6.754 billion in HKD. According to the proposed use of the H Shares offering proceeds, approximately 64.8% of the proceeds shall be used in the domestic market, and approximately 35.20% shall be used in the international market. As at 31 December 2016, the accumulated used proceeds were the equivalent of RMB6.391 billion in HKD and the unused proceeds were the equivalent of RMB0.363 billion in HKD. The use of the Company's H Share proceeds is as follows:

As at 31 December 2016
Unit: RMB million

Proceed Projects	Planned Investment	Actual Investment	Unused Amount
Construction of production base and optimisation of business operations	2,715	2,653	62
R&D of WTGs and components	986	685	301
International business	1,972	1,972	–
Bank loan repayment	411	411	–
General working capital	670	670	–
Total	6,754	6,391	363

III. OPERATIONS PERFORMANCE AND ANALYSIS

The contents of this section should be read in conjunction with the Financial Statements, including the relevant notes, set out in this announcement.

Summary

For the financial year ended 31 December 2016, revenue from operations for the Group was RMB26,173.89 million, representing a decrease of 12.30% compared with RMB29,846.00 million for the financial year ended 31 December 2015. Net profit attributable to owners of the Company was RMB3,002.98 million, representing an increase of 5.39% compared with RMB2,849.50 million for the financial year ended 31 December 2015. The Group reported basic earnings per share of RMB1.08.

The following table provides Group's major financial indicators:

	Year ended 31 December		Change
	2016	2015	**(percentage points)**
Profitability Index			
Sales margin	**11.47%**	9.55%	1.92
Return on investment index			
Weighted average return on net assets*	**16.87%**	18.13%	–1.26

* Calculated according to Announcement No. [2010]2, which is *Information Disclosure Compiling Rule No. 9 of Public Offering Company about the Calculation and Disclosure of Net Asset Income Rate and Earnings Per Share.*

Revenue

The Group's revenue was generated primarily from business segments including, (i) the WTG Manufacturing; (ii) Wind Power Services; (iii) Wind Farm Investment and Development; and (iv) other. Revenue from WTG Manufacturing was mainly generated through sales of WTGs and components. Revenue from Wind Power Services was mainly generated through wind farm EPC, maintenance, and other services. Revenue from Wind Farm Investment and Development was mainly generated from the sale of power produced by our operating wind farms. Revenue from other business segment of Goldwind included revenue from lease financing and water treatment.

For the financial year ended 31 December 2016, revenue from operations for the Group was RMB26,173.89 million, representing a decrease of 12.30% compared with RMB29,846.00 million for the financial year ended 31 December 2015. Details are set out below:

Unit: RMB thousand

	Year ended 31 December 2016	2015	Amount Change	Percentage Change
WTG Manufacturing	**22,264,112**	26,858,326	(4,594,214)	–17.11%
Wind Power Services	**1,245,537**	1,281,972	(36,435)	–2.84%
Wind Farm Investment and Development	**2,414,248**	1,552,876	861,372	55.47%
Other	**249,995**	152,824	97,171	63.58%
Total	**26,173,892**	29,845,998	(3,672,106)	–12.30%

Revenue decreased due to: (i) the wind power industry in 2016 as a whole had a calmer year, thus, the Group's sales revenue from WTGs slightly declined; (ii) following the Group's formal entry into the operational phase of adding capacity to wind farms, this year's revenue from wind farm investment and development substantially increased; and (iii) the Group greatly enhanced its ability to withstand risk and actively developed a diversified profit model, as a result, lease financing business and water treatment business sales revenue significantly increased in 2016.

Cost of Sales

The Group's cost of sales consisted primarily of raw materials and components, labour, depreciation and amortisation, other production costs, and changes in inventories and transferred fixed assets. The cost of raw materials and components mainly included blades, generators, structural parts, and electric control systems. Labour costs primarily consisted of salaries and wages for employees directly involved in production and wind power services. Depreciation and amortisation expenses were calculated for the usage of fixed assets and intangible assets, respectively, during the Group's operations. Changes in inventories and transferred assets represented the changes in unfinished and finished goods and the use of our WTGs as fixed assets in wind farms developed by the Group, respectively.

The following table provides a breakdown of the Group's cost of sales:

Unit: RMB thousand

	Year ended 31 December 2016	2015	Amount Change	Percentage Change
Raw materials and components	**20,564,943**	24,718,942	(4,153,999)	–16.80%
Labour	**152,099**	186,812	(34,713)	–18.58%
Depreciation and amortisation	**829,581**	465,273	364,308	78.30%
Other production costs	**843,760**	1,169,534	(325,774)	–27.86%
Changes in inventories and transferred assets	**(3,774,559)**	(4,471,520)	696,961	–15.59%
Total	**18,615,824**	22,069,041	(3,453,217)	–15.65%

The following table provides a breakdown of the Group's cost of sales by business segments:

Unit: RMB thousand

	Year ended 31 December 2016	2015	Amount Change	Percentage Change
WTG Manufacturing	**16,588,513**	20,332,006	(3,743,493)	–18.41%
Wind Power Services	**1,044,511**	1,136,552	(92,041)	–8.10%
Wind Farm Investment and Development	**911,388**	583,089	328,299	56.30%
Other	**71,412**	17,394	54,018	310.56%
Total	**18,615,824**	22,069,041	(3,453,217)	–15.65%

The Group's cost of sales decreased mainly due to decreased operating income in 2016.

Gross Profit

Unit: RMB thousand

	Year ended 31 December 2016	2015	Amount Change	Percentage Change
WTG Manufacturing	**5,675,599**	6,526,320	(850,721)	–13.04%
Wind Power Services	**201,026**	145,420	55,606	38.24%
Wind Farm Investment and Development	**1,502,860**	969,787	533,073	54.97%
Other	**178,583**	135,430	43,153	31.86%
Total	**7,558,068**	7,776,957	(218,889)	–2.81%

Gross profit primarily contributed by the WTG Manufacturing and Wind Farm Investment and Development business segments, but also to a lesser extent by the Wind Power Services and other business segments.

For the financial years ended 31 December 2015 and 2016, the Group's comprehensive gross profit margins were 26.06% and 28.88%, respectively, and the gross profit margins for the WTG Manufacturing segment were 24.30% and 25.49%, respectively. The following table sets out the gross profit margins for our WTGs (prepared in accordance with CASBE):

Gross Profit Margin	Year ended 31 December 2016	2015	Change (percentage points)
3.0MW	**30.61%**	25.54%	5.07
2.5MW	**24.93%**	23.28%	1.65
2.0MW	**24.77%**	20.33%	4.44
1.5MW	**27.78%**	26.94%	0.84
750KW	**–**	29.65%	–

In 2016, the Group continued to promote lean management, value management, eliminate efficiencies, and strive to achieve the best overall costs. As of 31 December 2016, gross profit margin for the 1.5MW WTG had a certain degree of improvement, increasing from 26.94% last year to 27.78% during the Reporting Period. The 2.0 MW WTG began mass production and delivery, elevating its gross profit margin from 20.33% last year to 24.77% during the Reporting Period. The gross profit margin for the 2.5 MW WTG also had a certain degree of improvement, increasing from 23.28% last year to 24.93% during the Reporting Period.

Other Income and Gains

The Group's other income and gains primarily consisted of gains from the sale of wind farms (including gains from the sale of WTGs installed at our wind farms), bank interest income, insurance compensation on product warranty expenditures, gross rental income, and government grants received for R&D projects and upgrades of our production facilities and etc.

Other income and gains of the Group for the financial year ended 31 December 2016 was RMB1,085.10 million, representing a 40.41% increase from RMB772.83 million for the financial year ended 31 December 2015. This was mainly attributed to an increase in the Group's gain on disposal of investments in an associate, an increase in insurance compensation on product warranty expenditures, an increase in dividend income from available-for-sale investments, an increase in the proceeds from disposal of available for sale investments, and an increase in government grants, all of which were offset by a decrease in bank interest income.

Selling and Distribution Costs

The Group's selling and distribution costs primarily consisted of product warranty provisions, transportation costs, insurance expenses, bidding service fees, labour costs, loading and unloading fees, travel expenses and etc.

The Group incurred selling and distribution costs of RMB2,210.76 million during the financial year ended 31 December 2016, representing a 22.91% decrease from RMB2,867.87 million for the financial year ended 31 December 2015. This was mainly attributed to a decrease in the sales of WTGs which led to decreased product warranty provisions, transportation costs and etc.

Administrative Expenses

The Group's administrative expenses primarily consisted of R&D expenses, labour costs, taxes, depreciation, consultation fees, travel expenses and etc.

The Group incurred RMB1,940.48 million of administrative expenses during the financial year ended 31 December 2016, representing a 18.63% increase from RMB1,635.76 million for the financial year ended 31 December 2015. This was mainly attributed to higher employee costs associated with our expanded R&D spending to enhance the Group's core competitiveness as well as an increase in the total number of employees causing an increase in employee costs.

Other Expenses

The Group's other expenses primarily consisted of bank charges, foreign exchange losses, and impairment provisions accrued in connection with our trade and bills receivables and etc.

The Group incurred RMB445.07 million of other expenses during the financial year ended 31 December 2016, representing a 9.84% increase from RMB405.19 million for the financial year ended 31 December 2015. This was mainly attributed to an increase in foreign exchange losses, bank charges and etc.

Finance Costs

The Group incurred RMB686.65 million of finance costs during the financial year ended 31 December 2016, representing a 23.57% increase from RMB555.68 million for the financial year ended 31 December 2015. This was mainly attributed to an increase in interest expenses resulting from increased average loan balance, and increased operational wind farms which led to interest payments for associated project bank loans re-categorised as interest expense rather than capital expenditure.

Income Tax Expense

Income tax expense of the Group for the financial year ended 31 December 2016 was RMB446.22 million, representing a 20.13% increase from RMB371.44 million for the financial year ended 31 December 2015. This was mainly attributed to increased pre-tax profit.

Capital Expenditures

The Group reported capital expenditures of RMB5,560.42 million for the financial year ended 31 December 2016, representing a 23.42% decrease from RMB7,260.81 million for the financial year ended 31 December 2015. Our primary source of funds to finance capital expenditures included bank loans and cash flows from operations of the Group.

Details of the Group's financial resources and liquidity are as follows:

Financial Resources and Liquidity

Unit: RMB thousand

Cash Flow Statement	Year ended 31 December 2016	2015
Net cash flows from operating activities	**3,102,543**	4,776,128
Net cash flows used in investing activities	**(7,011,128)**	(7,245,171)
Net cash flows from/(used in) financing activities	**5,246,540**	(969,812)
Net increase/(decrease) in cash and cash equivalents	**1,337,955**	(3,438,855)
Cash and cash equivalents at beginning of year	**6,141,430**	9,523,826
Effect of foreign exchange rate changes, net	**47,078**	56,459
Cash and cash equivalents at end of year	**7,526,463**	6,141,430

1. Cash flows from operating activities

The Group's net cash flows from operating activities primarily consisted of profit before tax, adjusted for non-cash items, movements in working capital, and other income and gains.

Net cash flows from operating activities of the Group for the financial year ended 31 December 2016 was RMB3,102.54 million. Cash inflows were principally comprised of profit before tax of RMB3,551.96 million, paid income tax of RMB802.29 million, adjusted for a RMB1,012.14 million increase in other payables, advance from customers, a RMB861.37 million increase in depreciation, and an increase of RMB686.65 million in finance costs and etc. These cash inflows were offset by a RMB1,820.13 million increase in trade and bills receivables and etc.

Net cash flows from operating activities of the Group for the financial year ended 31 December 2015 was RMB4,776.13 million. Cash inflows were principally comprised of profit before tax of RMB3,246.83 million, paid income tax of RMB648.72 million, adjusted for a RMB555.68 million increase in finance costs, a RMB2,836.59 million increase in trade and bills payables and other payables, and a RMB1,394.80 million increase in provision. These cash inflows were offset by a RMB4,048.22 million increase in trade and bills receivables.

2. Cash flows used in investing activities

The Group's net cash flows used in investing activities primarily consisted of purchases of items of property, plant and equipment, acquisition of subsidiaries, pledged deposits, non-pledged time deposits with original maturity of three months or more when acquired, and purchases of available-for-sale investments.

Net cash flows used in investing activities of the Group for the financial year ended 31 December 2016 was RMB7,011.13 million. Cash outflows were principally comprised of purchases of items of property, plant and equipment of RMB5,500.98 million, purchases of available-for-sale investments of RMB1,461.75 million and etc.

Net cash flows used in investing activities of the Group for the financial year ended 31 December 2015 was RMB7,245.17 million. Cash outflows were principally comprised of purchases of items of property, plant and equipment of RMB6,766.88 million and purchases of other intangible assets of RMB668.34 million. These cash outflows were offset by RMB241.81 million of cash received from the disposal of subsidiaries and RMB150.04 million of dividends received from the Group's joint ventures and associates.

3. Cash flows from/(used in) financing activities

The Group's net cash flows used in financing activities primarily consisted of repayment of bank loans and dividend paid to owners of the Company. Our net cash flows from financing activities primarily consisted of new bank loans.

Net cash flows used in financing activities of the Group for the financial year ended 31 December 2016 was RMB5,246.54 million. Cash inflows were principally comprised of new bank and other borrowings of RMB8,709.94 million and etc. These cash outflows were offset by repayment of bank and other borrowings of RMB2,946.82 million, and interest paid of RMB667.40 million and etc.

Net cash flows used in financing activities of the Group for the financial year ended 31 December 2015 was RMB969.81 million. Cash outflows were principally comprised of repayment of bank loans and other borrowings of RMB7,169.56 million, interest payments of RMB731.27 million, and a dividend payment of RMB1,053.38 million. These cash outflows were offset by RMB7,576.25 million of new bank loans and other borrowings.

Financial Position

As at 31 December 2016 and 2015, the Group's total assets were RMB64,437.17 million and RMB52,572.40 million, respectively, current assets were RMB33,096.62 million and RMB25,286.64 million, respectively, and the percentage of current assets to total assets was 51.36% and 48.10%, respectively. Current assets increased mainly due to an increase in the Group's trade and bills receivables, an increase in assets of disposal groups classified as held for sale resulting from disposal of wind farms and an increase in cash and cash equivalents.

As at 31 December 2016 and 2015, the Group's non-current assets were RMB31,340.55 million and RMB27,285.76 million, respectively. The non-current assets increased mainly due to increased property, plant and equipment resulting from increased operating and under-construction wind farms, increased financial receivables resulting from increased finance lease receivables and water concession rights, increased interests in joint venture entities and available-for-sale investments resulting from increased investments, and increased intangible assets such as land, software and franchise rights.

As at 31 December 2016 and 2015, the Group's total liabilities were RMB43,738.37 million and RMB35,181.80 million, respectively, and current liabilities were RMB24,662.98 million and RMB20,958.89 million, respectively. Current liabilities increased mainly due to an increase in advance from customers, interest-bearing bank loans repayable within a year, and liabilities directly associated with the assets classified as held for sale resulting from disposal of wind farms.

As at 31 December 2016 and 2015, the Group's non-current liabilities were RMB19,075.39 million and RMB14,222.91 million, respectively. Non-current liabilities increased mainly due to an increase in bank loans and provisions resulting from increased accumulated installed capacity of wind farms.

As at 31 December 2016 and 2015, the Group's net current assets were RMB8,433.64 million and RMB4,327.75 million, respectively, and the net assets were RMB20,698.79 million and RMB17,390.60 million, respectively.

As at 31 December 2016 and 2015, the Group's cash and cash equivalents were RMB7,534.17 million and RMB6,147.38 million, respectively, and interest-bearing bank loans and other borrowing were RMB18,091.11 million and RMB12,494.73 million, respectively.

Interest-bearing Bank Loans and Other Borrowing

As at 31 December 2016, the amount of the Group's interest-bearing bank loans was RMB14,355.38 million, including bank loans repayable within one year of RMB2,488.83 million, in the second year of RMB1,737.12 million, in the third to fifth year of RMB3,330.55 million, and above five years of RMB6,798.88 million. In addition, as at 31 December 2016, the Group's outstanding amount of corporate bonds was RMB3,735.73 million, including corporate bonds repayable within one year of RMB183.24 million, in the second year of RMB2,742.49 million, in the third to fifth year of RMB810.00 million. During the Reporting Period, the Group does not have any interest rate hedging.

Details of the Group's bank loans and other borrowings are set out in note 31 to the Financial Statements.

Capitalization of Interest

During 2016, the Group's capitalised RMB23.31 million of interest expense to property, plant and equipment; the Group's capitalised RMB7.76 million of interest expense to property, plant and equipment classified to assets of disposal groups classified to held for sale in accordance with IFRS.

Reserves

As at 31 December 2016, the Company's reserves distributable to shareholders was RMB1,447.70 million. This was the lower of two figures calculated in accordance with CASBE and IFRS.

Restricted Assets

As at 31 December 2016, certain assets of the Group with a total carrying value of RMB15,084.19 million were pledged as security for certain bank loans and other banking facilities. Such assets included bank deposits of RMB1,016.81 million, trade and bills receivables of RMB1,324.52 million, financial receivables of RMB487.43 million, property, plant and equipment of RMB12,100.28 million, and prepaid land lease payments of RMB155.15 million.

As at 31 December 2015, certain assets of the Group with a total carrying value of RMB11,237.38 million were pledged as security for certain bank loans and other banking facilities. Such assets included bank deposits of RMB444.54 million, trade and bills receivables of RMB1,548.67 million, property, plant and equipment of RMB9,161.55 million, and prepaid land lease payments of RMB82.62 million.

Gearing Ratio

As at 31 December 2016, the Group's gearing ratio, defined as net debt divided by sum of capital and net debt, was 56.48%, representing a decrease of 0.09% compared with 56.57% as at 31 December 2015.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group primarily operated its businesses in China. Over 80% of the Group's revenue, expenditure, and financial assets and liabilities were denominated in RMB. The exchange rate of the RMB against foreign currencies did not have a significant impact on the Group's businesses. During the Reporting Period, the Group signed a few forward foreign exchange agreements with ANZ Bank, Citibank, and Societe Generale to avoid foreign currency exchange risks. The Group's foreign exchange exposure associated with such transactions (except for the functional currency of the relevant operating entities) maintained at a relatively low level. The currency exchange difference incurred by the Group in respect of the long-term equity investment by our subsidiaries incorporated outside China was recorded under the exchange reserve.

Contingent Liabilities

The Group's contingent liabilities primarily consisted of letters of credit issued, letters of guarantee issued, guarantees and compensation arrangements given to a bank in connection with a bank loan granted to a joint venture, an associate or a third party.

As at 31 December 2016, the Group's contingent liabilities were RMB12,181.46 million, representing an increase of RMB1,855.91 million compared with RMB10,325.55 million as at 31 December 2015.

Human Resources and Remuneration Policies

Remuneration reflects the employees' return to take the responsibilities and create values. We use level of responsibility, capability and results as the key performance indicators and have built a competitive incentive system. We encourage the employees to create value. Based on the results of a comprehensive evaluation of the incentive system within the whole group, the Group has designed and optimized the incentive system. In the meantime, the Group also provides employees with a better working environment, diversified welfare and a reasonable annual leave system to stimulate employee's work potentials.

As 31 December 2016, the Group had a total of 7,220 employees and the total remuneration of employees amounted to RMB1,504.45 million for the year ended 31 December 2016.

Details of the employee training are set out in the Company's *2016 Sustainable Development Report* published on the Company's official website and the website of the Stock Exchange.

IV. OUTLOOK FOR 2017

2017 is an important year for the implementation of the Thirteenth Five-Year Plan, the NEA proposes to establish and implement "innovation, coordination, green, open, and sharing" as its new development concepts. The NEA will promote energy supply side structural reforms as its main line by improving supply quality and efficiency; efforts to promote clean energy development and utilization will focus supplementing the shortcomings of energy development. The NEA believes that economic and social development will provide stronger energy security.

i. Industry Outlook

1. Industry Development Trends

According to the NEA's "Wind Power Development Planning in the Thirteenth Five-Year Plan" (《風電發展"十三五"規劃》), during the five-year period the wind-power industry will: adjust and optimize the layout of wind power development, gradually move from the Three-North region towards the middle eastern region, and increase resource exploration and development in the middle eastern and southern regions. Moreover, there will be rapid development of distributed wind power, realizing nearest consumption on the low voltage side, steadily building a wind power base, and active development of offshore wind power. Furthermore, the wind power industry service system will accelerate improvements, enhance the quality of industrial development and increase market competitiveness. By 2020, total installed wind power capacity should reach at least 210 GW and coal power and wind power prices should be equivalent. The Thirteenth Five-Year Plan will research and establish financial subsidies and electricity pricing mechanisms that will be beneficial in lowering the cost of electricity, gradually realizing the marketability of wind and solar power feed in tariffs.

According to the “Notice on Trial Implementation of Renewable Energy Green Power Certificate Issuance and Voluntary Subscription Trading System” (《關於試行可再生能源綠色電力證書核發及自願認購交易制度的通知》) jointly issued by the NDRC, the Ministry of Finance, and the NEA, the voluntary subscription system of renewable energy green power certificates and voluntary subscription system will begin on 1 July 2017. The introduction of this system will help promote the development of renewable energy into the market, and lay the foundation for future renewable energy quota trading. It will also help boost demand for renewable energy electricity, stimulate investment and promote renewable energy consumption, guide China’s societal green consumption, and promote the sustainable and healthy development of the renewable energy industry.

2. Market Trends

After the rush orders of 2015, wind power installed capacity growth remained steady and there was further clarification on the guiding ideology of national policy for the development of renewable energy. With the continuous improvement of industry technology, products and market segmentation, industry investment will gradually shift to the central-eastern and southern markets. Customer demands will largely be for adaptability, large capacity, good quality and reliable performance of the WTGs.

Furthermore, the advantages of complete service enterprises with leading technology in industry competition will be more prominent, wind power equipment manufacturing enterprises’ market share will become more and more concentrated as the industry itself becomes further concentrated. According to statistics from the CWEA, the market share of the top five wind turbine manufacturing enterprises has increased from 54.1% in 2013 to 60.1% in 2016.

The continuous improvement of customer demand has had a definite impact on the model of industry competition. Customer demand has transformed from quality, price and other single unit requirements towards project resources and wind resources forecasting, life-cycle asset management services, and overall wind farm solutions. Essentially, the way of competition in the industry is changing from single product competition to integrated capacity competition.

During the Thirteenth Five-Year Plan, China will bring in a period of rapid development of offshore wind power. According to the NEA’s “Wind Power Development in the Thirteenth Five-Year Plan” (《風電發展“十三五”規劃》), China has proposed to actively and steadily push forward the construction of offshore wind power, focusing on promoting offshore wind power construction in Jiangsu, Zhejiang, Fujian, Guangdong and other maritime provinces. By 2020, these four provinces’ offshore wind power construction scale shall have reached more than 1 GW, national offshore wind power construction scale shall have reached 10 GW, and China will strive to accumulate a connected national offshore wind power capacity of 5 GW.

ii. Corporate Strategy

Goldwind has devoted itself to becoming a total solution provider for international clean energy supply, energy saving systems, and environmental protection. The development trend and competitive pattern of the wind power industry will bring opportunities and challenges to the future development of the Group, and will promote the direction of its business structure transformation, collaborative transformation, and management transformation. Goldwind will continue to consolidate the development, manufacturing, sales, and service business advantages of its WTGs. Simultaneously, the Company will accelerate the development of the implementation of a mature wind power value chain which has more value added opportunities, provide customers with wind power equipment manufacturing, intelligent energy services, and clean power amongst other wind power total solution plans. Furthermore, Goldwind will continue to follow its direction of internationalization to become a global leader in its industry by further implementing technology, market, talented personnel, and internationalized capital. Goldwind will focus on the combined development of other renewable energy sources and the environmental protection industry, actively expand its smart micro grid product, and expand its business areas to environmental protection and energy saving technology. The Company wishes to rely on existing resources and advantages, to cultivate power electronics, integrate energy and other new business models, guide the future development trend of renewable energy, and most importantly, promote the long-term sustainable development of its enterprises.

iii. Operations Plan and Major Targets

In 2017, Goldwind will be guided by the ideology of restructuring, innovation, consolidation and value-adding, continue to adhere to the principle of having customers as the center, maintain its renewable energy system solutions provider service position, focus on products, and continually transform and upgrade its management.

1. Product Digitalization and Management Transformation

Goldwind will accelerate the project development of its integrated wind farm total-solutions, enter early into the market, and have rapid iteration based on market reaction. For the advancement of product digitalization, the Group will keep up with industry policy, capture market information, and develop implementation plans for energy internet solutions. Goldwind has realized its goal of product digitalization by the formation of its manufacturing service oriented digital platform.

The Group's management transformation is driven by its strategic performance, new business incubator, support platform transformations, complete organization of new business layout, machine automation, and ensured by a talented team.

2. Innovation

In 2017, Goldwind's innovation will be marked by: wind resource optimization technology, personalized customizable units, lightweight products, engineering management and digitalization of operations. Goldwind aims to be the leader in accelerating the progress of the entire wind farm product innovation; from organization guarantees, to establishing mechanisms for the development of an offshore platform, to leading the development of the offshore market.

3. Accelerating the Flow of Information

Goldwind aims to accelerate the flow of information by sending complete business information that is built and run online to all of its business units; complete functional departments will have most of their management information on shareable platforms. The overall framework design and scheme of statistical management will be standardized.

4. Value Addition

In order to realize higher value products and services, the Group aims to further increase market share by increasing investment into the development of the layout of emerging markets, optimize the income structure, and help clear up diversified industries' development direction, objectives, plans, resources, organization and implementation.

iv. Capital Needs

According to the Group's 2017 operations plan and major targets, the Group's working capital requirements will be met with a combination of existing funds, operating cash flow, and bank loans in 2017. The Group has a strong capacity to service its debts, a sound reputation in the financial community, ample capital resources and ease of access to additional capital.

v. Potential Risk Factors

1. Wind Curtailment

During the Reporting Period, China's wind curtailment situation had a trend of seasonal improvement, although wind curtailment still has a definite impact on the development of the industry. In 2016, China's total wind curtailment was 49.7 billion kWh and its wind curtailment rate was 17%, representing an increase of 2 percentage points YoY; wind curtailment will be an important factor restricting the development of wind power in the short run.

2. Market Conditions and Exchange Rate Fluctuations

There was growth pattern differentiation for the world's major economies, with globalization and geopolitics bringing uncertainty to the world economy's development. Within this context, there will be the threat of international trade protectionism and RMB exchange rate fluctuation, both of which will affect the Company's internationalization strategy and international business expansion.

3. Electricity Demand Decline

In 2016, the Company's top five customers accounted for more than 40% of the total annual sales volume. Within the context of China's macro-economy slowing down, a decline in demand from our major customers will have a definite impact on the production and operation of the Company.

4. **Policy Risk**

The development of the wind power industry is affected by national policy and industry development policy; changes in relevant policies will affect the production and sales of the Company's main products.

In spite of the aforementioned possible risks, the Company will actively respond to the constant reformation of China's electric power system, it will optimize resource allocation and project layout, actively promote the development of its electricity sales business, promote renewable electricity consumption, and increase the Company's return on electricity generating assets. The Company will maintain its internationalization strategy through hedging and other measures that reduce interest rate risk. Lastly, the Company will continue to tap into the value of its industry supply chain, expand the market and sales channels, and safeguard the Company and its shareholders through the diversification of its profit model.

V. CORE COMPETITIVE ADVANTAGES

i. Market Position

Goldwind is one of the longest-established WTG manufacturers in China. During more than ten years of development, we have matured into a leading domestic manufacturer and global comprehensive wind power solutions provider. Our 1.5MW, 2.5MW, 3.0MW and 6.0MW DDPM WTG series represent the most promising technology in the global wind power industry. Goldwind has consistently ranked first in China's wind power manufacturing industry for six years. We have sustained our market leadership for many years.

ii. Products and Technology

Goldwind's DDPM WTGs are known for their superior performance, including high efficiency, low operations and maintenance costs, grid-friendly features and high availability. Our products are widely recognised by our customers and represent a leading global wind power technology. We have seven R&D centres in the world and more than two thousand seasoned R&D personnel with extensive industry experience, contributing to the advancement of our new products and technology. We have developed a diversified and serialized product portfolio, including specialised WTGs for different terrains and climate conditions to satisfy the diverse demands of our customers. Furthermore, we have reserved the 6MW offshore DDPM WTG for the development of the offshore wind power market. Our diversified products have improved our market position. We currently have a substantial backlog of WTG orders, providing enhanced revenue visibility and demonstrating that our customers value the superior quality of our products and services.

iii. Brand Awareness

Goldwind has successfully established its brand and continues to improve awareness of its products' advanced technology, superior quality, high efficiency, and excellent after-sales services. We have received excellent praise from the public and gained substantial recognition from government agencies, our customers, our business partners, and investors.

iv. Comprehensive Wind Power Solutions

Goldwind continued to consolidate its position as a leading comprehensive wind power solutions provider, thanks to its advanced technology, products, and extensive experience in wind farm development, operations and maintenance. In addition to sales of WTGs, we continued to expand alternative sources of profit such as wind farm development and sales and wind power services. Over the past years, these businesses have become highly profitable and an important complement to our core business. We have successfully overcome the challenges posed by the market, strengthened our overall competitiveness, and improved our diversified competitive advantages.

v. Internationalisation

Goldwind was one of China's first wind power manufacturers to expand overseas and we have continued to promote a strategy of internationalisation. By following a principle of "internationalisation through localisation", we achieved breakthroughs in key target markets in the Americas, Australia and Europe. We continued to make progress in emerging markets in Africa and Asia. Our overseas projects are distributed across six continents.

Profiles of Directors, Supervisors and Senior Management

Below are the profiles of Directors, Supervisors and Senior Management that were in office as at 31 December 2016:

EXECUTIVE DIRECTORS

Mr. Wu Gang (武鋼先生)

Mr. Wu Gang ("**Mr. Wu**"), aged 59, is currently the Chairman. Mr. Wu graduated from Dalian University of Technology with a master's degree. He is a professor-level senior engineer and an expert entitled to a special allowance granted by the State Council. He is one of the founders of the Company and has been with the Company for over 15 years. He was appointed as the Chairman in May 2002 and previously served as the Company's general manager between 2002 and 2006, CEO between 2006 and 2013 and President between March 2012 and January 2013.

Mr. Wu currently also serves as the chairman of the board and Party Committee secretary of Xinjiang New Energy (Group) Co., Ltd. The aforementioned company is a private company.

Mr. Wang Haibo (王海波先生)

Mr. Wang Haibo ("**Mr. Wang**"), aged 43, is currently an executive Director and the President. Mr. Wang graduated from Xinjiang Finance and Economics University with a bachelor's degree. He joined the Company in 2000 and has been with the Company for over 15 years. He has served as the Company's director of Sales and Marketing and director of Investment and Development; Beijing Tianrun's deputy general manager, general manager and subsequently chairman of the board of Beijing Tianrun; general manager of Goldwind International; and vice president of the Company. He was appointed as an executive Director in June 2012 and the President in January 2013.

Mr. Wang currently serves as a director of Goldwind International (a wholly owned subsidiary of the Company) and as the president of Beijing Tianrun (a wholly owned subsidiary of the Company). Both of the aforementioned companies are private companies.

Mr. Cao Zhigang (曹志剛先生)

Mr. Cao Zhigang ("**Mr. Cao**"), aged 42, is currently an executive Director, executive vice president of the Company, and general manager of the WTG Business Unit of the Group. Mr. Cao graduated from Xinjiang University with a bachelor's degree. He is a senior engineer. He joined the Company in 2001 and has been with the Company for over 15 years. He previously served as the Company's director of electronic control, deputy chief engineer and vice president. He was appointed as an executive vice president of the Company in March 2010, as an executive Director in June 2013, and as general manager of the WTG Business Unit of the Group in September 2014.

NON-EXECUTIVE DIRECTORS

Mr. Feng Wei (馮偉先生)

Mr. Feng Wei ("**Mr. Feng**"), aged 47, is currently a non-executive Director. Mr. Feng graduated from Nankai University with a doctor's degree. He served as a director of Market Planning Team and general manager of Funds Application Department of Bohai Property Insurance Co., Ltd from April 2004 to July 2011. Mr. Feng served as investment director of Anbang Asset Management Co., Ltd. from July 2011 to March 2012. From March 2012 to August 2016, Mr. Feng also served as a vice general manager of Anbang Asset Management Co., Ltd. Since August 2016, Mr. Feng has served as the general manager of Anbang Asset Management Co., Ltd. Anbang Asset Management Co., Ltd. is a subsidiary of Anbang Insurance Group Co., Ltd., which is a substantial shareholder of the Company. Mr. Feng was appointed as a non-executive Director of the Company in June 2016.

Mr. Zhao Guoqing (趙國慶先生)

Mr. Zhao Guoqing ("**Mr. Zhao**"), aged 48, is currently a non-executive Director. Mr. Zhao holds a bachelor degree. Mr. Zhao worked for China Ministry of Water Resources from November 1995 to February 2010 and held various positions including Officer of Finance Division, Deputy Director of Finance Department of Service Center and Director of Finance Department and Audit Department of Service Bureau. Mr. Zhao held the position of Deputy Chief Accountant of China Water Investment Group Corporation from February 2010 to June 2010. Mr. Zhao also held the position of Deputy Chief Accountant of China Three Gorges New Energy Co., Ltd. from June 2010 to October 2011. Since October 2011, Mr. Zhao has been the Chief Accountant and general counsel of China Three Gorges New Energy Co., Ltd. Mr. Zhao was appointed as a non-executive Director of the Company in January 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tin Yau Kelvin Wong (黃天祐博士)

Dr. Tin Yau Kelvin Wong ("**Dr. Wong**"), aged 56, is currently an independent non-executive Director. He obtained his Master of Business Administration from Andrews University in Michigan, the USA and his Doctorate of Business Administration from The Hong Kong Polytechnic University. He currently serves as executive director and deputy managing director of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited), the securities of which are listed on the Stock Exchange. Dr. Wong previously served as an independent non-executive Director from June 2011 to June 2016 and was appointed as an independent non-executive Director again in October 2016.

Dr. Wong is the immediate past chairman of The Hong Kong Institute of Directors, non-executive director of the Securities and Futures Commission, chairman of the Investor Education Centre, member of the Financial Reporting Council, and member of the Operations Review Committee of Independent Commission Against Corruption. Dr. Wong was appointed as Justice of the Peace by The Government of the Hong Kong Special Administrative Region in 2013.

Dr. Wong currently also serves as independent non-executive director of Asia Investment Finance Group Limited, China Zhengtong Auto Services Holdings Limited, I.T Limited, Huarong International Financial Holdings Limited, Bank of Qingdao Co., Ltd. and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. The securities of each of the aforementioned companies are listed on the Stock Exchange. Dr. Wong has served as independent non-executive director of AAG Energy Holdings Limited from June 2015 to April 2016, the securities of which are listed on the Stock Exchange.

Profiles of Directors, Supervisors and Senior Management

Mr. Yang Xiaosheng（楊校生先生）

Mr. Yang Xiaosheng ("**Mr. Yang**"), aged 65, is currently an independent non-executive Director. Mr. Yang graduated from Beijing University of Agricultural Engineering with a master's degree in agricultural electrification. He is a senior engineer. He previously served as deputy chief engineer and chief engineer of China Longyuan Power Group Limited between 2000 and 2009, and chief engineer of China Longyuan Power Group Corporation Limited between 2009 and 2012. Mr. Yang was appointed as an independent non-executive Director in June 2013.

Mr. Yang is the secretary general of the National Energy Industries Wind Power Standardization Committee, deputy head of the Experts Group for Renewable Energy Development Planning under the Twelfth Five-Year Plan of the Ministry of Science and Technology of China, and director general of the Wind Power Equipment Sub-committee of China Association of Agricultural Machinery Manufacturers.

Mr. Luo Zhenbang（羅振邦先生）

Mr. Luo Zhenbang ("**Mr. Luo**"), aged 51, is currently an independent non-executive Director. Mr. Luo graduated from Tsinghua University with a master's degree in corporate governance and innovation. He is a China Certified Public Accountant, Certified Tax Agent, and Certified Public Valuer. He previously served as a deputy director accountant of Tianhua Certified Public Accountants between 2002 and 2008. He currently serves as a director and senior partner of BDO China Shu Lun Pan Certified Public Accountants. Mr. Luo was appointed as an independent non-executive Director in June 2013.

Mr. Luo currently also serves as an independent non-executive director of China Aerospace International Holdings Limited, China City Railway Transportation Technology Holdings Company Limited, Guorui Properties Limited and Digital China Information Service Company Limited, and member of the internal audit committee of Northeast Securities Co., Ltd. The securities of China Aerospace International Holdings Limited, China City Railway Transportation Technology Holdings Company Limited, and Glory Properties Limited are listed on the Stock Exchange. The securities of Digital China Information Service Company Limited and Northeast Securities Co., Ltd. are listed on the SZSE.

SUPERVISORS

Mr. Wang Mengqiu（王孟秋先生）

Mr. Wang Mengqiu ("**Mr. Wang**"), aged 53, is currently the chairman of the Supervisory Committee. Mr. Wang holds a university degree. He previously served as a deputy director and director of finance center of China Water Investment Group Corp. between 1998 and 2006. He currently serves as an assistant general manager and as director of the internal audit committee for China Three Gorges New Energy, a substantial shareholder of the Company. Mr. Wang was appointed as a Supervisor in August 2008 and the chairman of the Supervisory Committee in March 2010.

Mr. Wang currently also serves as the chairman of the supervisory committee of Sinomatech Wind Power Blade Co., Ltd. and Inner Mongolia of Gimhae New Energy Technology Co., Ltd., and a supervisor of Shangdu Tianrun Co., Ltd. all of which are a private company.

Mr. Wang Shiwei（王世偉先生）

Mr. Wang Shiwei ("**Mr. Wang**"), aged 60, was a Supervisor as at 31 December 2016. Mr. Wang holds a college degree and is an engineer. He previously served as the director of materials management of Dabancheng wind farm, plant manager of the WTG assembly plant of XJ New Wind, and deputy general manager of Xinjiang Wind Power, a substantial shareholder of the Company, between 1998 and 2013. He currently serves as a senior consultant of Xinjiang Wind Power. Mr. Wang served as a Supervisor since September 2009 and resigned on 24 March 2017.

Mr. Wang currently also serves as a supervisor of Urumqi Huachun Small Loans Co., Ltd., which is a private company.

Mr. Luo Jun（洛軍先生）

Mr. Luo Jun ("**Mr. Luo**"), aged 50, is currently a Supervisor. Mr. Luo holds a bachelor's degree and is an accountant. He previous served as an employee of finance department and reform office and the head of equity management office of Xinjiang Wind Power, a substantial shareholder of the Company, between 2002 and 2013. He currently serves as a director, the secretary of the board, and director of asset management for Xinjiang Wind Power. He has served as a Supervisor since May 2004.

Mr. Luo currently also serves as a director of Xinjiang Xinfengqi Energy Services Co., Ltd., Xi'an Wind Power Co., Ltd. of China Water Investment Group and Xinjiang New Energy Research Centre Co., Ltd., and an executive director of Xinjiang Yutian New Wind Power Co., Ltd., Urumqi Tianpeng Wind Power Co., Ltd., Xinjiang Tianxiang Wind Power Co., Ltd. and Xinjiang Aodexin New Energy Co., Ltd.. Mr. Luo was appointed as an executive director and legal representative of Buerjin Tianpeng New Energy Limited Company and Urumqi Xinfeng Tianxiang New Energy Limited Company, respectively. All of the aforementioned companies are private companies.

EMPLOYEE REPRESENTATIVE SUPERVISORS

Mr. Lu Min（魯敏先生）

Mr. Lu Min ("**Mr. Lu**"), aged 42, is the head of internal audit and legal department of the Company since October 2014. Mr. Lu graduated from Liaoning Shihua University with a bachelor's degree. Mr. Lu previously served from 2002 to 2011 as project manager for ShineWing Certified Public Accountants. He joined the Company in February 2012 and previously served as the internal audit manager of the Company until October 2014. Mr. Lu has served as an Employee Representative Supervisor since April 2015.

Ms. Ji Tian（冀田女士）

Ms. Ji Tian ("**Ms. Ji**"), aged 46, with a master's degree, served as vice director and director of the office of board secretary of the Company since 2012. Ms. Ji joined the Company in July 2004 and served in the Investment and Development Department. Since March 2008, Ms. Ji has served as the Security Affairs Representative of the Company. Ms. Ji has served as an Employee Representative Supervisor since June 2016.

SENIOR MANAGEMENT

Mr. Wu Kai（吳凱先生）

Mr. Wu Kai ("**Mr. Wu**"), aged 48, is currently an executive vice president and general manager of the research and development center of the Company. Mr. Wu graduated from Harbin Institute of Technology with a bachelor's degree. He served as an engineer of China Academy of Launch Vehicle Technology between 1993 and 1998, and held various positions, including sales manager, component and product manager and senior regional sales manager, in SKF China between 1998 and 2008. He joined the Company in 2008 and previously served as the deputy general manager and general manager of Supply Chain Management Centre and R&D Centre. He was appointed as a vice president of the Company in January 2011 and executive vice president of the Company in June 2013.

Mr. Huo Changbao（霍常寶先生）

Mr. Huo Changbao ("**Mr. Huo**"), aged 42, is currently the Chief Financial Officer of the Company. Mr. Huo holds a master's degree and is a certified public accountant, certified tax agent, certified public valuer, an internationally recognized certified internal auditor, a member of the Association of International Accountants and a senior fellow of the Chartered Institute of Management Accountants. He served as an employee of audit of Deloitte between 2003 and 2007, and served as the manager of audit of Ernst & Young Hua Ming between 2007 and 2010. He joined the Company in 2010 and previously served as the deputy director and director of Corporate Finance of the Company. He was appointed as the Chief Financial Officer of the Company in January 2012.

Ms. Ma Jinru（馬金儒女士）

Ms. Ma Jinru ("**Ms. Ma**"), aged 51, is currently a vice president of the Company, the Secretary of the Board and the Company Secretary. Ms. Ma graduated from Jilin University. Ms. Ma holds a master's degree of engineering and law. She is a senior economist and an affiliated person of The Hong Kong Institute of Chartered Secretaries. She served as an economist with the Dalian Port Design Institute, head of the foreign trade and economic cooperation of Dalian Port Authority, manager of financial management of Dalian Port Container Integrated Development Company, and secretary of the board of Dalian Port Container Co., Ltd. between August 1990 and November 2005. She then served as the secretary of the board and company secretary of Dalian Port (PDA) Co., Ltd. between November 2005 and March 2010. She joined the Company and was appointed as a vice president of the Company, the Secretary of the Board and the Company Secretary in March 2010.

Mr. Zhou Yunzhi（周雲志先生）

Mr. Zhou Yunzhi ("**Mr. Zhou**"), aged 57, is currently a vice president of the Company and the general manager of Beijing Tianyuan and the administrative deputy general of WTG Business Unit of the Group. Mr. Zhou graduated from Xi'an Jiao Tong University School of Management with an MBA. He is a researcher-level senior engineer and an expert entitled to a special allowance granted by the State Council. He served as, among others, a deputy director of Xi'an Modern Chemistry Research Institute between 2000 and 2005, a deputy general manager and general manager of Zhejiang GEMSY Group Co., Ltd. between 2005 and 2007, the general manager of Jiangsu Global Shipbuilding (Yangzhou) Co., Ltd. between 2008 and 2010 and served as a deputy general manager of Zhejiang GEMSY Mechanical and Electrical Co., Ltd. between 2011 and 2012. He joined the Company in 2012 and successively served as the director of the Chief Engineer Office and the general manager of Beijing Techwin. Mr. Zhou was appointed as a vice president of the Company in March 2014.

Mr. Liu He (劉河先生)

Mr. Liu He ("**Mr. Liu**"), aged 52, is currently the Chief Engineer of the Company and general manager of the Engineering Technology Center. Mr. Liu graduated from Northwest A&F University with a bachelor's degree. He is a senior engineer. He joined the Company in 2001 and previously served as the head of Technology, director of Technical Quality Control, deputy chief engineer, director of Quality Control, and director of Product Development Centre of the Company. Mr. Liu was appointed Chief Engineer of the Company in March 2012. Mr. Liu was appointed as general manager of the Engineering Technology Center in January 2016.

After 31 December 2016 and before the Latest Practicable Date, Mr. Gao Jianjun was appointed as a non-executive Director of the Company, and Mr. Liu Rixin was appointed as vice president of the Company. Their resumes are as follows:

Mr. Gao Jianjun (高建軍先生)

Mr. Gao Jianjun ("**Mr. Gao**"), aged 49, is currently a non-executive Director. Mr. Gao graduated from Xinjiang Coal Academy with a major in mining engineering and attained his postgraduate degree from Graduate School of China Academy of Social Sciences with a major in economic management. From April 2001 to August 2008, Mr. Gao served in the Xinjiang Uygur Autonomous Region (the "Autonomous Region") Economic and Trade Commission ("SETC") as Director of Investment and Planning, Director of Industrial Park Management and Deputy Secretary General of the SETC. From August 2008 to August 2012, Mr. Gao served as Secretary and Director of the Autonomous Region Machinery Electronics Industry Management Office. Since August 2012, Mr. Gao has served as Deputy Party Secretary, General Manager and Director of Xinjiang New Energy (Group) Co., Ltd., which is a private company. Since December 2016, Mr. Gao has served as Party Secretary and Chairman of Xinjiang Wind Energy, a substantial shareholder of the Company. Mr. Gao was appointed as a non-executive Director of the Company with effect from March 2017.

Mr. Liu Rixin (劉日新先生)

Mr. Liu Rixin ("**Mr. Liu**"), aged 44, is currently a vice president of the Company, and in charge of Beijing Tianrun and Beijing Tiancheng. Mr. Liu holds a bachelor's degree. From November 2006 to July 2010, Mr. Liu served as deputy general manager of China Resources Power (Wind Energy) Development Co., Ltd. and as deputy general manager of wind power of China Resources Power Holdings Co., Ltd. From July 2010 to May 2012, Mr. Liu served as deputy general manager for China Resources New Energy Holdings Co., Ltd. From May 2012 to April 2016, Mr. Liu served as the first deputy general manager of the new energy division of China Resources Power Holdings Co., Ltd. From April 2016 to February 2017, Mr. Liu served as the vice president for China Resources Power Holdings Co., Ltd. Mr. Liu was appointed as a vice president of the Company in March 2017.

Mr. Liu also currently serves as a Director for Beijing Tianrun (a wholly owned subsidiary of the Company). The aforementioned company is a private company.

Profiles of Directors, Supervisors and Senior Management

The following are Directors, Supervisors and senior management who have resigned or retired between 1 January 2016 and the Latest Practicable Date. The Board expressed its gratitude to the following persons for their contribution during their terms of office:

Mr. Li Ying, who retired as a non-executive Director due to expiration of the term of office with effect from 29 June 2016.

Mr. Yu Shengjun, who resigned as a non-executive Director with effect from 16 December 2016.

Mr. Christopher F. Lee, who resigned as independent non-executive Director with effect from 22 October 2016.

Ms. Zhang Xiaotao, who retired as a Supervisor due to expiration of the term of office with effect from 29 June 2016.

Mr. Wang Shiwei, who resigned as a Supervisor with effect from 24 March 2017.

Mr. Yang Hua, who retired as senior management due to expiration of the term of office with effect from 5 July 2016.

Mr. Liu Wei, who retired as senior management due to expiration of the term of office with effect from 5 July 2016.

The Board of Directors' Report

The Board hereby presents to our shareholders its report for the financial year ended 31 December 2016 and the Financial Statements.

PRIMARY BUSINESS

The Group, as an international clean energy provider and energy saving environmental protection total solutions provider, is one of the largest WTG manufacturers in the world and a leading provider of comprehensive wind power solutions. The Group is principally engaged in three business segments: (1) WTG Manufacturing; (2) Wind Power Services; and (3) Wind Farm Investment and Development. WTG Manufacturing is our core business and its revenue represents a majority of the Group's total revenue from operations. Fair review of the principal activities of the Group for the financial year ended 31 December 2016 and its likely future development are set out in the section headed "Management Discussion and Analysis" on page 16 of this annual report.

RESULTS AND PROFIT DISTRIBUTION

The annual results of the Group for the financial year ended 31 December 2016 are set out in the Financial Statements.

The Board recommends the distribution of 3 bonus shares per every ten shares (including tax) held by the Company's Shareholders and the payment of a final dividend of RMB2 per every ten shares (including tax) from the Company's retained undistributed profit for the financial year ended 31 December 2016. The bonus shares will be issued by way of conversion of undistributed profit. This recommendation is subject to approval by the Shareholders at the forthcoming AGM for the year of 2016 in accordance with the provisions of the Articles, and will be implemented thereafter. The final dividend is expected to be paid to the Shareholders on or before 30 August 2017.

TAX RELIEF

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to their H-share shareholders who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan [2008] No. 897), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa [1993] No. 045 Document issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China. Pursuant to the aforesaid Notices, the Company will withhold 10% of the dividend as income tax unless otherwise specified by the relevant tax regulations, tax agreements or the notices. Shareholders may apply for tax refund in accordance with relevant provisions including taxation agreements/arrangement after receiving the dividends.

FINANCIAL HIGHLIGHTS FOR THE PAST FIVE FINANCIAL YEARS

Financial highlights of the Group's results and balance sheets prepared in accordance with IFRSs for the past five financial years are set out in the section headed "Financial Highlights for the Past Five Financial Years" on page 216 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended 31 December 2016, 43.44% and 10.68% of the Group's revenue from operations was attributed to our five largest customers and our largest customer, respectively. During the same period, 46.12% and 28.36% of the Group's total procurement expenditure was attributed to our five largest suppliers and our largest supplier, respectively.

None of the Directors, their close associates, or any Shareholders (that, as far as is known to the Directors, own more than 5% of the issued shares of the Company) held any interest in the Group's five largest customers or suppliers.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

Details are set out in the section headed "Management Discussion and Analysis" on page 16 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of adjustments made to property, plant and equipment of the Group during the financial year ended 31 December 2016 are set out in note 12 to the Financial Statements.

RESERVES

The amounts of the Group's reserves and the movements therein as at 31 December 2016 are set out in note 35 to the Financial Statements.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group acquired and disposed certain subsidiaries and interests in certain associates during the financial year ended 31 December 2016 in accordance with the development strategies of the Company and based on changes of the industry and market environments. Details are set out in notes 37 and 38 to the Financial Statements.

MANAGEMENT CONTRACTS

The Group did not enter into any contract in respect of the management and administration of the entire or any significant part of the business of the Group, nor did any such contract subsist at any time during the financial year ended 31 December 2016.

TOP FIVE HIGHEST PAID INDIVIDUALS

Details regarding the five highest paid individuals, including the chief executive of the Company, for the financial year ended 31 December 2016 are set out in note 8 to the Financial Statements.

SHARE CAPITAL

The particulars of the issued share capital of the Company as at 31 December 2016 are set out as follows:

Share Category	Number of Shares	As a Percentage of Total Shares
A Shares	2,235,494,200	81.72%
H Shares	500,046,800	18.28%
Total	2,735,541,000	100.00%

NUMBER OF SHAREHOLDERS

As at 31 December 2016, the total number of Shareholders was 142,564, among which the number of A Share Shareholders and H Share Shareholders were 141,134 and 1,430, respectively.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, as far as known to the Directors, the following persons had an interest or short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in H Shares:

Name of Shareholder	Capacity	Number of Shares	As a Percentage of H Shares	As a Percentage of Total Shares
Anbang Insurance Group Co., Ltd.[1]	Interest of controlled corporation	41,224,000	8.24%	1.51%
Anbang Life Insurance Co., Ltd.[1]	Interest of controlled corporation	41,224,000	8.24%	1.51%
Anbang Wealth Insurance Co., Ltd.[1]	Interest of controlled corporation	41,224,000	8.24%	1.51%
Anbang Assets Management (Hong Kong) Co., Ltd. [1]	Beneficial owner	41,224,000	8.24%	1.51%
International Finance Corporation	Beneficial owner	32,044,600	6.41%	1.17%
Value Partners Group Limited [2]	Interest of controlled corporation	25,459,800	5.09%	0.93%

Notes:

1. Anbang Insurance Group Co., Ltd. ("Anbang Group") holds 99.98% of the equity interests of Anbang Life Insurance Co., Ltd. ("Anbang Life"). Anbang Group and Anbang Life hold 48.92% and 48.65%, respectively, of the equity interests of Anbang Wealth Insurance Co., Ltd. ("Anbang Wealth"). Anbang Wealth holds 100% of the equity interests of Anbang Assets Management (Hong Kong) Co., Ltd. Under the SFO, each of Anbang Group, Anbang Life and Anbang Wealth is deemed to be interested in the 41,224,000 H Shares held by Anbang Assets Management (Hong Kong) Co., Ltd.

2. Value Partners Group Limited holds 100% of the equity interests of Value Partners Hong Kong Limited, which holds 100% of the equity interests of Value Partners Limited. Under the SFO, each of Value Partners Group Limited and Value Partners Hong Kong Limited is deemed to be interested in the 25,459,800 H Shares held by Value Partners Limited.

Long position in A Shares:

Name of Shareholder	Capacity	Number of Shares	Total	As a Percentage of A Shares	As a Percentage of Total Shares
Xinjiang Wind Power	Beneficial owner	375,920,386	375,920,386	16.82%	13.74%
China Three Gorges New Energy[1]	Beneficial owner	287,659,287	663,579,673	29.68%	24.26%
	Interest in controlled corporation	375,920,386			
China Three Gorges[2]	Interest in controlled corporation	663,579,673	663,579,673	29.68%	24.26%
Anbang Insurance Group Co., Ltd. [3,4]	Beneficial owner	17,113,600	368,833,576	16.50%	13.48%
	Interest in controlled corporation	351,719,976			
Anbang Life Insurance Co., Ltd.[3,4]	Beneficial owner	214,541,738	351,719,976	15.73%	12.86%
	Interest in controlled corporation	137,178,238			
Anbang Wealth Insurance Co., Ltd.[4]	Interest in controlled corporation	113,248,111	113,248,111	5.07%	4.14%
Hexie Health Insurance Co., Ltd.	Beneficial owner	113,248,111	113,248,111	5.07%	4.14%
Anbang Annuity Insurance Co., Ltd.	Beneficial owner	23,930,127	23,930,127	1.07%	0.87%

Notes:

1. China Three Gorges New Energy directly holds 287,659,287 A Shares. China Three Gorges New Energy and China Three Gorges, taken together, hold 43.33% of the issued share capital of Xinjiang Wind Power. Under the SFO, other than directly holding interests in the Company, China Three Gorges New Energy is deemed to be interested in the 375,920,386 A Shares held by Xinjiang Wind Power.

2. China Three Gorges is the holding company of China Three Gorges New Energy. Under the SFO, the 375,920,386 A Shares held by Xinjiang Wind Power, in which China Three Gorges New Energy is deemed to be interested, and the 287,659,287 A Shares directly held by China Three Gorges New Energy, were deemed to be the interests of China Three Gorges in the Company.

3 Anbang Group holds 99.98% of the equity interests of Anbang Life. Under the SFO, Anbang Group is deemed to be interested in the 214,541,738 A Shares held by Anbang Life.

Anbang Life also holds 86.36% of the equity interests of Anbang Annuity Insurance Co., Ltd ("Anbang Annuity"). Under the SFO, Anbang Group is deemed to be interested in the 23,930,127 A Shares held by Anbang Annuity.

Anbang Group and Anbang Wealth hold 34.73% and 65.17%, respectively, of the equity interests of Hexie Health Insurance Co., Ltd. ("Hexie Health"). Under the SFO, Anbang Group is deemed to be interested in the 113,248,111 A Shares held by Hexie Health.

Accordingly, aside from directly holding interests in the Company, Anbang Group is deemed to be interested in the 214,541,738 A Shares, the 23,930,127 A Shares and the 113,248,111 A Shares held by Anbang Life, Anbang Annuity and Hexie Health, respectively.

4. Under the SFO, aside from directly holding interests in the Company, Anbang Life is deemed to be interested in the 113,248,111 A Shares and the 23,930,127 A Shares held by Hexie Health and Anbang Annuity, respectively. Anbang Wealth is also deemed to be interested in the 113,248,111 A Shares held by Hexie Health.

Other than as disclosed above, as at 31 December 2016, as far as is known to the Directors, no other persons (excluding the Directors, Supervisors and chief executive of the Company) had an interest or short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PRE-EMPTIVE RIGHTS

The Articles and the laws of the PRC do not have any mandatory provision regarding pre-emptive rights.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Pursuant to an approval by the National Association of Financial Market Institutional Investors, the Company issued the first tranche of the medium-term notes in 2016 on 25 May 2016, with a total principal amount of RMB1 billion at an interest rate of 5% per annum. The notes have a term of five + N years. The Company issued the second tranche of the medium-term notes in 2016 on 2 September 2016, with a total principal amount of RMB500 million at an interest rate of 4.20% per annum. The notes have a term of 5+N years. The issue price of the medium-turn notes is RMB100. For details, please refer to the announcements of the Company dated 27 May 2016 and 5 September 2016.

Other than disclosed in this annual report, during the financial year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

From publicly available information and to the best knowledge of the Directors, the Company had maintained a sufficient public float as required under the Listing Rules throughout the financial year ended 31 December 2016 and up to the Latest Practical Date.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors in office during the financial year ended 31 December 2016 and up to the Latest Practical Date were:

Name	Effective Date of Appointment/ Effective Date of Reappointment	Effective Date of Resignation
Executive Directors		
Mr. Wu Gang *(Chairman)*	29 June 2016	
Mr. Wang Haibo	29 June 2016	
Mr. Cao Zhigang	29 June 2016	
Non-executive Directors		
Mr. Li Ying *(Vice Chairman)*	26 June 2013	29 June 2016
Mr. Yu Shengjun	29 June 2016	16 December 2016
Mr. Feng Wei	29 June 2016	
Mr. Zhao Guoqing	13 January 2016 29 June 2016	
Independent Non-executive Directors		
Dr. Tin Yau Kelvin Wong	26 June 2013 22 October 2016	29 June 2016
Mr. Christopher F. Lee	29 June 2016	22 October 2016
Mr. Yang Xiaosheng	29 June 2016	
Mr. Luo Zhenbang	29 June 2016	
Supervisors		
Mr. Wang Mengqiu *(Chairman of the Supervisory Committee)*	29 June 2016	
Mr. Wang Shiwei	29 June 2016	24 March 2017
Mr. Luo Jun	29 June 2016	
Ms. Zhang Xiaotao *(employee representative Supervisor)*	26 June 2013	29 June 2016
Mr. Lu Min *(employee representative Supervisor)*	29 June 2016	
Ms. Ji Tian *(employee representative Supervisor)*	29 June 2016	

Save as disclosed above, there were no changes to the Directors and Supervisors during the financial year ended 31 December 2016 and up to the Latest Practical Date.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles of the Directors, Supervisors and senior management of the Company in office as at 31 December 2016 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 44 of this annual report.

INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS BY DIRECTORS AND SUPERVISORS

Based on the information known to the Directors, as at 31 December 2016, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the securities of the Company are set out as follows:

Long position:

			As at 31 December 2016		
Name	Capacity	Share Category	Number of Shares	As a Percentage of A Shares	As a Percentage of Total Shares
Mr. Wu Gang	Beneficial owner	A Shares	40,167,040	1.80%	1.47%
Mr. Wang Haibo	Beneficial owner	A Shares	550,000	0.02%	0.02%
Mr. Cao Zhigang	Beneficial owner	A Shares	9,918,024	0.44%	0.36%

Other than as disclosed above, as at 31 December 2016, as far as known to the Company, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than as disclosed in the paragraph headed "Interests and Short Positions in Shares of the Company and its Associated Corporations by Directors and Supervisors" in this report, at no time, during the financial year ended 31 December 2016 or the period following 31 December 2016 and up to the Latest Practical Date, was the Company, or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company, a party to any arrangement to enable the Directors or Supervisors or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body, and none of the Directors and Supervisors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during such period.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors had entered into a service contract with the Company. If a Director or Supervisor is dismissed from the position of Director or Supervisor by the shareholders' general meeting of the Company, or the circumstances of the Director or Supervisor are not in accordance with the relevant regulations of the *Company Law* of the PRC or the Articles, the contract will be terminated automatically.

The Company did not enter into a service contract with any Director or Supervisor that is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' REMUNERATION

The Directors' remuneration are recommended by the Remuneration and Assessment Committee of the Company and approved by the Board. The relevant resolutions relating to Directors' remuneration and independent non-executive Directors' allowance were approved by the Shareholders. In accordance with the relevant resolutions, for the financial year ended 31 December 2016, the Chairman and executive Directors received remuneration from the Company, non-executive Directors did not receive any remuneration from the Company, and independent non-executive Director's allowance were paid to the independent non-executive Directors.

For the financial year ended 31 December 2016, employee representative Supervisors received remuneration from the Company in accordance with their offices held in the Company while the other Supervisors did not receive any remuneration from the Company.

Details of the remuneration paid to the Directors, Supervisors and chief executive of the Company are set out in note 8 to the Financial Statements and Corporate Governance Report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 31 December 2016 or at any time during the financial year ended 31 December 2016, other than the service contract, there were no transaction, arrangement or contracts of significance to the Group in which the Company or any of its subsidiaries was a party and in which a Director or Supervisor, whether directly or indirectly, had a material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors had interests in any business apart from the Company's business, which competed or is likely to compete, either directly or indirectly, with the business of the Company.

PERMITTED INDEMNITY

The Company has maintained appropriate directors' and officers' liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year ended 31 December 2016.

CONNECTED TRANSACTIONS

Non-exempt continuing connected transactions under Listing Rules

The Group had several non-exempt continuing connected transactions with the Connected Persons Group during the financial year ended 31 December 2016.

On 23 October 2015, the Company, Xinjiang Wind Power and China Three Gorges New Energy entered into certain framework agreements in connection with (1) purchase of components from, (2) product sales to, and (3) wind power services to, the Connected Persons Group for a term of three years commencing on 1 January 2016. The independent shareholders of the Company approved, at the first EGM of 2016 convened on 12 January 2016, the continuing connected transactions between the Group and the Connected Persons Group in relation to the product sales and the relevant annual caps for the three years commencing from 1 January 2016 and ending on 31 December 2018.

Below sets out the relevant annual caps of the continuing connected transactions:

	Annual Cap for 2016 (RMB million)	Annual Cap for 2017 (RMB million)	Annual Cap for 2018 (RMB million)
Purchase of Components	115.38	115.38	125.64
Product Sales	3,214.32	4,019.88	4,409.90
Wind Power Services	321.00	330.00	340.00

Each of Xinjiang Wind Power and China Three Gorges New Energy is a connected person of the Company by virtue of being a substantial shareholder of the Company. Xinjiang Wind Power also is an associate of China Three Gorges New Energy as China Three Gorges New Energy holds more than 30% of its issued share capital. Accordingly, the continuing transactions with any member of the Connected Persons Group which comprises Xinjiang Wind Power, China Three Gorges New Energy and each of their respective associates constitute a continuing connected transaction for the Company.

The following table sets out a summary of the nature, annual caps and actual amounts of such non-exempt continuing connected transactions during the year ended 31 December 2016:

	Annual Cap for 2016 (RMB million)	Actual Amount for 2016 (RMB million)
Purchase of Components	115.38	94.43
Product Sales	3,214.32	969.76
Wind Power Services	321.00	62.07

Purchase of Components

The Group purchased, and will continue to purchase, components from the Connected Persons Group for the manufacture of WTGs in the ordinary and usual course of business.

The purchase of components from the Connected Persons Group for the manufacture of WTGs has been, and will continue to be, made in accordance with the Group's purchasing procedures. The Group has put into place a purchase monitoring process in its procurement department and has also formed a dedicated team to carry out its purchasing.

Under the relevant written agreements, the consideration payable in connection with any purchase of components from the Connected Persons Group has been, and will continue to be, determined through public tenders or based on the market price in the event that public tenders were not required. Such market price is defined by reference to the price at which the Group is able to purchase identical or similar products from an independent third party in the ordinary and usual course of business.

Product Sales

The Group sold, and will continue to sell, WTGs to the Connected Persons Group in the ordinary and usual course of business.

The sale of WTGs to the Connected Persons Group is usually carried out pursuant to public tenders in accordance with the applicable laws and regulations of the PRC, i.e. the relevant companies forming part of the Connected Persons Group will invite bids for the WTGs they propose to purchase, and the Group, as the tenderer, shall submit tender documents in response to the invitation to tender. The Group has put into place a sales supervision system and has also formed a dedicated team to carry out its product sales.

Under the relevant written agreements, the consideration in connection with any sale of WTGs to the Connected Persons Group has been, and will continue to be, determined through public tenders or based on the market price in the event that public tenders were not required. Such market price is defined by reference to the price at which the Group is able to sell identical or similar products to an independent third party in the ordinary and usual course of business.

Wind Power Services

Wind power service is one of the Group's main businesses and has recorded a significant growth since 2011. Similar to the Group's product sales to the Connected Persons Group, contracts for the provision of wind power services are usually awarded pursuant to public tenders in accordance with the applicable laws and regulations of the PRC. The Group has put into place a supervision system and has also formed a dedicated team to carry out its service provisions.

Under the relevant written agreements, the consideration in connection with providing wind power services to the Connected Persons Group shall be determined through public tenders or based on the market price in the event that public tenders were not required. Such market price is defined by reference to the price at which the Group is able to provide identical or similar services to an independent third party in the ordinary and usual course of business.

The independent non-executive Directors have reviewed the Group's continuing connected transactions mentioned above, and confirmed that the transactions carried out during the financial year ended 31 December 2016:

1. were carried out in the ordinary and usual course of business of the Group;

2. were conducted on normal commercial terms or better, or if there were insufficient number of comparable transactions to determine whether or not they can be determined as on normal commercial terms or better, then as far as the Group is concerned, the conditions of such transactions were no less favourable than those received from, or offered to, an independent third party; and

3. were conducted according to the terms of agreement of the relevant transactions, where the terms of agreement were fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Company's auditors have confirmed that the respective counterparties to the aforementioned continuing connected transactions had allowed them sufficient access to their records for the purpose of reporting on the transactions as set out in this report, and the aforementioned continuing connected transactions carried out during the financial year ended 31 December 2016:

1. had been approved by the Board;

2. were, in all material respects, in accordance with the requirements of pricing policies of the Company;

3. had been entered into in accordance with the relevant agreements governing the transactions; and

4. had not exceeded the annual caps disclosed in the announcement of the Company dated 23 October 2015 and the circular of the Company dated 24 November 2015.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards during the financial year ended 31 December 2016. Save as the non-exempt continuing connected transactions as set out in the section headed "Connected Transactions" on page 59 of this annual report, these related party transactions were not regarded as connected transactions under the Listing Rules or were fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A of the Listing Rules. Details are set out in note 44 to the Financial Statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year ended 31 December 2016 was RMB588.57 million.

RELATIONSHIP WITH EMPLOYEES

The Group is committed to provide our staff with a stable working environment and continues to uphold the principles of impartiality, fairness and merit-based employment, and constantly improves the criteria for personnel selection and appointment. The Group also provides lifelong learning and career development to our employees. Details of the Group's relationship with employees are set out in the Company's *2016 Sustainable Development Report*.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group values mutually benefitting relationship with its customers and suppliers. The Group places strong emphasis on the protection of consumer's interests and pays strong attention to product quality. The Group has been committed to the development of the supply chain construction and has a number of regular suppliers. Details of the Group's relationship with customers and suppliers are set out in the Company's *2016 Sustainable Development Report*.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

Details are set out in the section headed "Management Discussion and Analysis" on page 16 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group, on the basis of realizing its own personal business development goals, strives to maximize the long-term interest of all parties by making use of their professional advantages and resources to emphasize the value of production and business activities for all of its customers, staff, suppliers, environment, villages and other influences as far as possible while protecting the interest of all the Shareholders, providing conditions for further development, and minimizing adverse impacts on Shareholders. For a comprehensive disclosure on the Company's social responsibility within 2016, the Group has published the *2016 Sustainable Development Report* pursuant to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules, covering its yearly corporate governance, products and services, environmental protection, employee development, supply chain management, social and public interests, as well as action and performance. For more information about the Group's 2016 annual environmental, social, and governance performance, please refer to the *2016 Sustainable Development Report* available online for download on the Company's official website and the website of the Stock Exchange.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays attention to the Group's policies and practices on compliance with legal and regulatory requirements. For the year ended 31 December 2016, to the best of knowledge of the Board, the Company has remained in strict compliance with the relevant laws and regulations of Hong Kong and the PRC, which included the *Company Law* of the PRC, *Securities Law* of the PRC, *Code of Corporate Governance for Listed Companies*（《上市公司治理準則》）issued by the CSRC, Corporate Governance Code, the Listing Rules, and the listing rules of the SZSE.

REVIEW OF 2016 ANNUAL REPORT

The Audit Committee of the Company has reviewed and approved the 2016 Annual Report of the Company. Information on works performed by the Audit Committee and its composition are set out in the section headed "Board Committees" on page 71 of this annual report.

Yours Sincerely,
Wu Gang
Chairman
Xinjiang Goldwind Science & Technology Co., Ltd.

Supervisory Committee Report

During the Reporting Period, the Company's Supervisory Committee acted strictly in accordance with the relevant regulations of Company Law, Goldwind Company Regulations, and Goldwind Supervisory Committee Regulations. All members of the Supervisory Committee assumed responsibility towards the Company's shareholders, acted with integrity, carried out our supervisory duties to the best of their abilities, actively participated in supervision works, carefully deliberated on major decisions, protected the interest of our shareholders and the Company, and supported the Company's management and sustainable development.

SUPERVISORY COMMITTEE MEETINGS

During the Reporting Period, a total of 5 meetings were held, and 17 proposals were considered and approved. Except for certain special circumstances, all Supervisory Committee members attended the meetings in person or by proxy.

OBJECTIVE FINDINGS OF THE SUPERVISORY COMMITTEE

The Supervisory Committee made the following observations regarding relevant aspects of the Company during 2016:

1. Compliance with Laws and Regulations in the Course of Operations

During the Reporting Period, the members of the Supervisory Committee attended all the Board meetings and general meetings. The Supervisory Committee also supervised procedures of the Board meetings and general meetings and proposal discussions, the Board's implementation of decisions made at the Company's general meetings, performance of the Senior Management, implementation of various management policies of the Company, and its operational performance. The Supervisory Committee believes that the Company operated in compliance with the required standards, made lawful and rational decisions, acted in compliance with its corporate governance procedures, and established adequate internal controls. The Supervisory Committee also believes that Directors and Senior Management discharged their duties with prudence, integrity and diligence, and strictly implemented various decisions made at the general meetings. The Supervisory Committee did not find any activities that were unlawful, or violating the applicable government regulations or the internal rules, harm the Company's or the shareholders' interests.

2. Financial Position

The Supervisory Committee carefully inspected the Company's periodic financial report and financial policies during the Reporting Period. The Committee believes that the Company's financial department's internal control system is adequate, and is continuously being improved. The Supervisory Committee believes all policies and systems were strictly implemented, and therefore effectively supported the Company's production and operation. In 2016, the Company's financial position was sound, financial management was effective, the Financial Statements were complete and fair, and truthfully reflected the Company's financial position and operational performance. The committee believes that the Annual Report with unqualified opinion issued by Ernst & Young Hua Ming LLP was true and fair.

3. Share Proceeds Information

The Company acted in strict accordance with the Regulations for the Use and Management of Share Proceeds. The Company did not use share proceeds during 2016 for pledges, entrusted loans, or other prohibited purposes. All proceeds were used in accordance with project plans. There were no cases of regulation violation with regards to the use of share proceeds during 2016. All proceeds were used in accordance with the relevant regulations and followed the appropriate approval procedures. The Supervisory Committee believes that the relevant information disclosed by the Company was on time, truthful, accurate and complete.

4. Connected Transactions

During the Reporting Period, the Company's connected transactions were in compliance with the government laws and regulations, as well as the Company's regulations with regards to their decision-making procedures. The pricing method of the connected transaction agreements were in accordance with accepted business practices and the relevant rules and regulations, demonstrating fairness and equality. When making decisions on connected transactions, all interested Directors and shareholders abstained from voting. The Supervisory Committee believes, during the year 2016 there were no internal transactions that would harm the Company's or shareholders' interests including the public shareholders' interests.

5. Self-assessment of Internal Controls

Goldwind has established an outstanding internal control system. The system integrates the Company's operations management activities at all levels and in all sectors. All the Company's operations followed the internal controls guidelines and were strictly complied with their recommended procedures. After close inspection, we believe the Company's internal control structure was effective during 2016. The committee reviewed the 2016 Annual Internal Control Self-assessment Report and believes the report is truthful and fair.

6. Other Major Issues

During the Reporting Period, the Board reviewed major proposals relating to guarantee and investment. The Supervisory Committee believes that during planning and execution of the aforementioned proposals there was no evidence of insider trading nor any other actions that might result in the loss of the Shareholders' or the Company's assets and interests.

The Company is committed to maintaining high standards of corporate governance and to continually improve its corporate governance structure, optimize its management and internal controls in order to safeguard the interests of Shareholders and enhance corporate value.

Listed on the Stock Exchange and the SZSE, the Company has remained in strict compliance with the relevant laws and regulations of Hong Kong and the PRC during the year ended 31 December 2016, which included the *Company Law* of the PRC, *Securities Law* of the PRC*, Code of Corporate Governance for Listed Companies* (上市公司治理準則) issued by the CSRC, Corporate Governance Code, the Listing Rules, and the listing rules of the SZSE.

The Directors are, and will continue to be, committed to improving the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect the interests of the Shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for implementing the Corporate Governance Code and managing the Group's corporate governance matters. The Board has reviewed the corporate governance policies and practices of the Company and its policies and practices relating to compliance with legal and regulatory requirements, as well as training and continuous professional development of the Directors and Senior Management. The Board has also reviewed the disclosure of its Corporate Governance Report for the year ended 31 December 2016.

Save as disclosed below, the Company has complied with all applicable code provisions under the Corporate Governance Code during the year ended 31 December 2016.

Code provision A.5.1 requires that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Pursuant to the Articles and the relevant laws, regulations and rules of the PRC, following the expiry of the term of office of the fifth session of the Board on 25 June 2016 and upon the Directors ceasing to be in office after election of the sixth session of the Board by the Shareholders at the AGM, the term of office of members of the various committees established under the Board (including the Audit Committee, the Remuneration and Assessment Committee and the Nomination Committee) also expired. The Board meeting for appointing members to each of the Board committees was held on 5 July 2016. Accordingly, during the short interval between 29 June 2016 and the said Board meeting, the Company deviated from code provision A.5.1. The Company has complied with code provision A.5.1 on 5 July 2016 upon the appointment of a sufficient number of members to those committees.

Code provision C.3.3 requires the audit committee's terms of reference to include certain specified scope, as expanded by Listing Rule amendments in 2014. For the year ended 31 December 2016, the Company's Audit Committee in practice covered the expanded scope in substantive compliance with the revised code provision C.3.3. The Audit Committee's terms of reference was eventually amended on 29 March 2017.

SHAREHOLDERS

The Board and Senior Management recognize their responsibilities towards all Shareholders and to represent their interests and maximize shareholder value.

As the highest authority of the Company, the shareholders' general meeting is responsible for the decision-making of all major Company issues in accordance with the relevant laws and regulations. The Company has remained in strict compliance with the Rules on Shareholders' General Meetings of Listed Companies (《上市公司股東大會規則》) issued by the CSRC, the Articles, the Company's Rules on Procedures of Shareholders' General Meetings, and other relevant laws, rules and regulations. The Company convenes shareholders' general meetings each year and standardizes the meeting procedures in accordance with the relevant laws to ensure fair treatment towards all Shareholders, especially minority Shareholders, and enable them to fully exercise their rights.

The Company regards the shareholders' general meeting as an important event and all Directors, Supervisors and Senior Management are encouraged to attend. The Company also encourages all Shareholders to attend, exercise their rights and express their opinions.

Pursuant to the Articles, Shareholders have the right to obtain information and documents from the Company. They also have the right to request, convene, and preside over shareholders' general meetings, as well as the right to vote on matters put before the meetings based on their respective voting rights and within the boundaries of the law.

Pursuant to the Articles, Shareholders that, either individually or jointly, hold over 10% of the shares of the Company have the right to propose to the Board in writing for the convening of an EGM. The Board will, in accordance with the relevant laws, administrative regulations and the Articles, provide a written reply within 10 days after receiving such proposal with respect to whether it agrees with the convening of an EGM. In the event that the Board disagrees with the convening of an EGM, or fails to provide any feedback within 10 days after receiving the proposals, such Shareholders have the right to propose to the Supervisory Committee in writing for the convening of an EGM.

Pursuant to the Articles, the Board, Supervisory Committee and Shareholders that, either individually or jointly, hold over 3% of the shares of the Company have the right to make proposals to the Company for approval at shareholders' general meetings. The Company shall include all matters in the proposals that fall within the jurisdiction of the shareholders' general meeting into the agenda of such meetings. In addition, Shareholders that, either individually or jointly, hold over 3% of the shares of the Company have the right to submit temporary proposals to the convener of the shareholders' general meeting in writing at least 10 days prior to such meetings. The convener of the meeting shall give a supplementary notice of the shareholders' general meeting within 2 days after receiving such proposals and announce the contents of the temporary proposals.

The Articles set out the rights of the Shareholders, including those mentioned above. The Company has taken all necessary steps to comply with all provisions of the relevant laws, regulations, the Listing Rules, and the listing rules of the SZSE to ensure the protection of Shareholders' rights.

Shareholders are welcome to send their written enquiries to the Company's Office of Secretary of the Board at No. 8 Bo Xing Yi Road, Economic & Technological Development District, Beijing, the PRC, PC: 100176. Alternatively, Shareholders may also contact us through our Investor Relations Hotline +86-10-6751 1996, Investor Relations facsimile +86-10-6751 1985, Investor Relations e-mail at goldwind@goldwind.com.cn, or raise their enquiries directly by questions at an AGM or EGM.

THE BOARD

The Board is charged with directing and managing the Company's affairs and continued to pursue the sustainable development of the Company in the year ended 31 December 2016. Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all Shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

The decisions and responsibilities undertaken by the Board include those relating to:

- the Group's business strategies and investment proposals;
- the Group's management process and internal controls;
- the Group's compliance matters;
- proposed amendments of the Articles;
- evaluation, appointment or dismissal of the President and Senior Management;
- determine the Company's salary, benefits and bonuses plan;
- determine the structure of Board Committees and the appointment or dismissal of committee members
- convening of shareholders' general meetings, implementation of resolutions of shareholders' general meetings; and
- other significant matters.

Board Composition

As at the Latest Practicable Date, the Board comprised of nine Directors, which included three executive Directors, three non-executive Directors, and three independent non-executive Directors. The Board is characterized by its diversity in terms of professional background and skills, age and gender, among other aspects, which promotes critical review of significant decisions and contributes to the effective direction of the Group. The Board includes members from engineering, business administration, economics, corporate governance, and financial backgrounds.

The Board composition during the year ended 31 December 2016 and up to the Latest Practicable Date is set out below:

Executive Directors

Mr. Wu Gang *(Chairman)*
Mr. Wang Haibo
Mr. Cao Zhigang

Non-executive Directors

Mr. Li Ying *(retirement effective from 29 June 2016)*
Mr. Yu Shengjun *(resignation effective from 16 December 2016)*
Mr. Zhao Guoqing
Mr. Feng Wei *(appointment effective from 29 June 2016)*
Mr. Gao Jianjun *(appointment effective from 1 March 2017)*

Independent non-executive Directors

Mr. Yang Xiaosheng
Mr. Luo Zhenbang
Mr. Christopher F. Lee *(resignation effective from 22 October 2016)*
Dr. Tin Yau Kelvin Wong *(retirement effective from 29 June 2016; reappointment effective from 22 October 2016)*

The current Board is the sixth session of the Board. Mr. Wu Gang, Mr. Wang Haibo, and Mr. Cao Zhigang were elected as executive Directors; Mr. Yu Shengjun, Mr. Zhao Guoqing, and Mr. Feng Wei were elected as non-executive Directors; Mr. Yang Xiaosheng, Mr. Luo Zhenbang, and Mr. Christopher F. Lee were elected as independent non-executive Directors at the AGM for the year of 2015 held on 28 June 2016, with their appointment effective from 29 June 2016. Due to work reasons, Mr. Christopher F. Lee resigned as independent non-executive Director, which was effective from 22 October 2016. At the EGM on 21 October 2016, Dr. Tin Yau Kelvin Wong was elected as a non-executive Director, which was effective from 22 October 2016. Due to work reasons, Mr. Yu Shengjun resigned as a non-executive Director, with effect from 16 December 2016. On 28 February 2017, Mr. Gao Jianjun was elected as a non-executive Director, which was effective from 1 March 2017. The term of office of the sixth session of the Board began on 29 June 2016, with a three-year term of office. The Company has already entered into a service contract with each of the Directors for their services to the Company, stating, among other things, their respective annual remuneration and length of service with the Company.

Pursuant to the Articles and the relevant laws, regulations and rules of the PRC, following the expiry of the term of office of the fifth session of the Board on 25 June 2016 and upon the Directors ceasing to be in office after election of the sixth session of the Board by the Shareholders at the AGM, the term of office of members of the various committees established under the Board (including the audit committee, the remuneration and assessment committee and the nomination committee) also expired. The Board meeting for appointing members to each of the Board committees was held on 5 July 2016. Accordingly, during the short interval between 29 June 2016 and the said Board meeting, the Company deviated from the relevant requirements regarding its audit committee and remuneration and assessment committee under Rule 3.21 and Rule 3.25, respectively of the Listing Rules. The Company has complied with relevant requirements under Rule 3.21 and Rule 3.25 on 5 July 2016 upon the appointment of a sufficient number of members to those committees.

The executive and non-executive Directors have extensive expertise, experience, and skills in the wind power industry and other professional areas, and thus provided a knowledgeable resource on strategic decisions of the Group. The independent non-executive Directors have extensive experience in the industry and possess professional qualifications in areas such as finance and business administration. The profiles of the Directors in office as at 31 December 2016 and as at the Latest Practicable Date are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 44 of this annual report.

During the year ended 31 December 2016, the Board complied with the requirements of the Listing Rules relating to having at least three independent non-executive directors, representation of at least one-third of the Board by independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. During the same period, there were no financial, business, family or other major or relevant relationships between members of the Board or the Chairman and the President.

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Board has received a written confirmation from each independent non-executive Director of his independence to the Company for the year ended 31 December 2016, and considers all of the independent non-executive Directors to be independent.

Changes to Information on Directors, Supervisors and President

Dr. Tin Yau Kelvin Wong resigned as a non-executive independent director of Asian American Energy Holdings Limited in April 2016. Dr. Wong was appointed as a non-executive independent director of Asia Investment Finance Group Limited in October 2016. The securities of each of the aforementioned companies are listed on the Stock Exchange.

Mr. Luo Jun was appointed as a director of Xinjiang Wind Energy, a non-listed company and a substantial shareholder of the Company, in December 2016.

Chairman and President

As at the Latest Practicable Date, the roles of Chairman and President were vested in Mr. Wu Gang and Mr. Wang Haibo, respectively.

The Chairman is responsible for establishing the Company's strategies, ensuring the proper functioning of the Board, and monitoring the Company's corporate governance practices and procedures. In addition, the Chairman is responsible for encouraging all Directors to fully contribute to the Board's affairs, to express their opinions and ensuring that decisions of the Board reflect their consensus fairly, creating a culture of openness and constructive discussions, maintaining an effective communications channel with the Shareholders, and ensuring the Board acts in the best interests of the Company. During the year ended 31 December 2016, the Chairman held a meeting with each of the non-executive Directors and independent non-executive Directors and obtained independent opinions relating to affairs of the Board and the Company without the presence of other executive Directors.

The President is responsible for the day-to-day management of the Company's operations, including implementing corporate strategies set out by the Board, making day-to-day management decisions, coordinating the Company's businesses, and submitting operational reports to the Board.

Directors' and Supervisors' Securities Transactions

The interests in the Company's securities held by Directors or Supervisors as at 31 December 2016 are set out in the section headed "The Board of Directors' Report – Interests and Short Positions in Shares of the Company and its Associated Corporations by Directors and Supervisors" on page 58 of this annual report.

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard set out in the Model Code. The Company has strictly complied with other relevant binding clauses imposed by the regulatory authorities of Hong Kong and the PRC, and we adhere to the principle of complying with the stricter regulations between the two jurisdictions. Having made specific enquiry, all Directors and Supervisors have confirmed to the Company that they have complied with the Model Code during the year ended 31 December 2016.

Board Committees

The Board established the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, and the Strategic Committee in accordance with the requirements of the Listing Rules. The written terms of reference of the Board Committees clearly set out their respective roles and authorities and are available on the websites of the Stock Exchange and the Company for review.

The composition of the Board Committees as at the Latest Practicable Date and their respective responsibilities are set out below:

1. Audit Committee

The Audit Committee consisted of two independent non-executive Directors and one non-executive Director, namely Mr. Luo Zhenbang, Mr. Zhao Guoqing, and Dr. Tin Yau Kelvin Wong. The committee chairman was Mr. Luo Zhenbang.

The primary responsibilities of the Audit Committee are to review and propose recommendations relating to the Company's external auditors and audit services provided by them, review the integrity of the Company's periodic financial statements, oversee matters relating to the Company's internal audit, risk management and internal controls, review significant transactions of the Company, and report to the Board on matters of the Corporate Governance Code.

The work performed by the Audit Committee during the year ended 31 December 2016 included reviewing the Company's annual, interim and quarterly reports, effectiveness of internal audit, risk management and internal control procedures and systems, and monitoring external audit services and providing recommendations for the appointment of external auditors.

2. Nomination Committee

The Nomination Committee consisted of two independent non-executive Directors and one executive Director, namely Mr. Yang Xiaosheng, Mr. Luo Zhenbang, and Mr. Cao Zhigang. The committee chairman was Mr. Yang Xiaosheng.

The primary responsibilities of the Nomination Committee are to review the composition of the Board in line with the Company's structure and strategy, select and recommend to the Board suitable candidates to become Directors or Senior Management, and review the qualifications, and the selection procedures of, such candidates.

The work performed by the Nomination Committee during the year ended 31 December 2016 included reviewing the structure and composition of the Board, reviewing the qualification of Directors, and assessing the independence of the independent non-executive Directors.

The Company has recognized the importance of board diversity to corporate governance and board effectiveness in terms of examination and evaluation of corporate issues from different perspectives. As such, the Company adopted a board diversity policy (the "Diversity Policy") which sets out the objectives and principle regarding board diversity in 2014. Pursuant to the Diversity Policy, the Company considers board diversity from a number of aspects, including but not limited to gender, race, language, cultural and educational background, industry and professional experience. The ultimate decision would be based on merit and contribution the selected candidates would bring to the Board as well as the Company's business needs. Having reviewed the Diversity Policy and the Board's composition, the Nomination Committee considers that the requirements set out in the Diversity Policy had been met.

3. **Remuneration and Assessment Committee**

The Remuneration and Assessment Committee consisted of two independent non-executive Directors and one executive Director, namely Mr. Yang Xiaosheng, Mr. Luo Zhenbang, and Mr. Wang Haibo. The committee chairman was Mr. Yang Xiaosheng.

The primary responsibilities of the Remuneration and Assessment Committee are to establish the Company's remuneration policy and monitor its implementation, make recommendations to the Board and review the remuneration proposals for Directors and Senior Management, review and assess their performance, and review and approve compensation payable for their termination in accordance with their contractual terms.

The work performed by the Remuneration and Assessment Committee during the year ended 31 December 2016 included reviewing the Company's human resources report, determining the remuneration and bonus of relevant Directors and Senior Management based on the performance of the Company and in accordance with the Company's Administration Rules for Remuneration.

4. **Strategic Committee**

The Strategic Committee consisted of two executive Directors, one non-executive Director, and one independent non-executive Director, namely Mr. Wu Gang, Mr. Wang Haibo, Mr. Yang Xiaosheng, and Mr. Feng Wei. The committee chairman was Mr. Wu Gang.

The primary responsibilities of the Strategic Committee are to review and propose recommendations for the Group's long-term strategies, significant decisions, investment and financing plans, and capital operations.

Board and Committee Meetings

Pursuant to the Articles, the Board is required to hold at least four board meetings each year, to be convened by the Chairman. In case of urgent matters, extraordinary board meetings may be convened upon proposal by the Chairman or more than one-third of all the Directors. A notice period of at least 14 days shall be given to every Director and Supervisor for a board meeting pursuant to the Corporate Governance Code, and the notice for such meetings shall be sent to every Director and Supervisor at least 10 days in advance pursuant to the Articles. The notice of a board meeting shall include the time and place of the meeting, matters and resolutions to be considered at the meeting, and the date of the notice.

A board meeting must have over half of all the Directors in attendance. The Directors may attend the board meeting in person or appoint another Director in writing to attend the board meeting by proxy. The Board shall keep minutes of decisions on matters discussed at the meeting and ensure that such minutes are available for inspection by any Director.

Details of Directors' attendance at board meetings, committee meetings, and shareholders' general meetings of the Company during the year ended 31 December 2016 are set out below:

Name	Board	Audit Committee	Nomination Committee	Remuneration & Assessment Committee	Shareholders' General Meeting
Executive Directors					
Mr. Wu Gang	8/8		1/1	1/1	3/3
Mr. Wang Haibo	8/8				1/3
Mr. Cao Zhigang	6(2)[1]/8		2/2		3/3
Non-executive Directors					
Mr. Li Ying[2]	3/3			1/1	
Mr. Yu Shengjun[3]	5/5	2/2			3/3
Mr. Zhao Guoqing	6(2)[1]/8	3/3			3/3
Mr. Feng Wei[4]	5/5				2/2
Mr. Gao Jianjun[5]	0/0				
Independent Non-executive Directors					
Mr. Yang Xiaosheng	7(1)[1]/8		3/3	1/1	3/3
Mr. Luo Zhenbang	8/8	5/5	3/3		2/3
Mr. Christopher F. Lee[6]	1(1)[1]/2	1/1			
Dr. Tin Yau Kelvin Wong[7]	6/6	4/4		1/1	2/2

Notes:

1. The director attended the board meetings by proxy.
2. Mr. Li Ying's term of office as a non-executive Director expired with effect from 29 June 2016.
3. Mr. Yu Shengjun resigned as a non-executive Director with effect from 16 December 2016.
4. Mr. Feng Wei was appointed as a non-executive Director with effect from 29 June 2016.
5. Mr. Gao Jianjun was appointed as a non-executive Director with effect from 1 March 2017.
6. Mr. Christopher F. Lee resigned as an independent non-executive Director on 22 August 2016, with effect from 22 October 2016.
7. Dr. Tin Yau Kelvin Wong's term of office expired with effect from 29 June 2016, and was reappointed with effect from 22 October 2016.

Appointment of Directors

The Company has a formal and transparent procedure in place for the appointment of new directors. Suitable candidates are first considered by the Nomination Committee, whereby the relevant qualifications of such candidates will be reviewed. The qualified candidate will then be put forward to the Board for consideration before such candidate's appointment as Director is proposed to the Company's shareholders' general meeting.

Pursuant to the Articles, any Director's term of office shall begin on the day after the approval of the relevant resolution of the Company's shareholders' general meeting until the expiration of the current session of the Board. Directors may serve consecutive terms if re-elected upon the expiration of the previous term of office. Independent non-executive Directors may not serve more than two consecutive terms of office.

Directors' Commitments

The Company has received confirmation from each Director that he/she has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2016. The Directors have disclosed to the Company the number and nature of offices held in listed companies or other significant commitments, including the name of and offices held in such companies or organizations. The Directors are periodically reminded to notify the Company in a timely manner with regards to any change of such information. Offices held in other listed companies or other significant commitments of the Directors in office as at 31 December 2016 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 44 of this annual report. Any changes to such information of the Directors during the year ended 31 December 2016 are set out in the section headed "Corporate Governance Report – Changes to Information on Directors, Supervisors and President" on page 70 of this annual report.

Directors' Training

The Company continuously updates all Directors on latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors. The Company also submitted Directors' Monthly Operations Report to brief Directors on the Company's monthly businesses, financial position, industry and market environment, and capital market updates. The Board is encouraged to observe the relevant regulatory requirements. All Directors are encouraged to attend external forums or training courses on relevant topics which may count toward towards Continuous Professional Development training.

Pursuant to the Corporate Governance Code A.6.5, Directors should participate in continuous professional development to refresh and develop their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, all Directors have participated in appropriate continuous development activities either by attending training courses or by reading materials relevant to the Company's business or the Director's duties and responsibilities.

THE SUPERVISORY COMMITTEE

The Supervisory Committee is the Company's permanent supervisory system. It is responsible for the supervision of the Board, the Directors, the President, and Senior Management in order to prevent such persons from exploiting their authority and violating the legal rights and interests of the Shareholders, the Company, and employees of the Company. The Supervisory Committee has remained in strict compliance with the relevant provisions in the *Company Law* of the PRC, the Articles, and the Supervisory Committee Regulations of the Company during the year ended 31 December 2016. The Supervisors are aware of their collective and individual responsibilities to all Shareholders and acted to the best of their abilities to protect the interests of the Shareholders and the Company.

The responsibilities undertaken by the Supervisory Committee include:

- review of the Company's periodic reports prepared by the Board and verification of financial reports, business reports, profit distribution proposals and other financial information to be submitted to shareholders' general meetings;
- examination of financial affairs of the Company;
- supervision of the performance of Directors and Senior Management and their compliance with laws, regulations, corporate policies, and resolutions of shareholders' general meetings;
- investigation into any identified irregularities in the Company's operations;
- institution of legal proceedings against Directors and Senior Management in accordance with Article 152 of the Company Law of the PRC; and
- any other duties stipulated by relevant laws, regulations, and the Articles.

Supervisory Committee Composition

As at the Latest Practicable Date, the Supervisory Committee comprised of five Supervisors, which included three Supervisors elected by the Shareholders and two employee representative Supervisors.

The Supervisory Committee composition during the year ended 31 December 2016 and up to the Latest Practicable Date is set out below:

Supervisors

Mr. Wang Mengqiu *(Chairman)*
Mr. Wang Shiwei *(resigned as a Supervisor with effect from 24 March 2017)*
Mr. Luo Jun

Employee Representative Supervisors

Ms. Zhang Xiaotao *(term of office as an Employee Representative Supervisor expired with effect from 29 June 2016)*
Mr. Lu Min
Ms. Ji Tian *(appointed as an Employee Representative Supervisor with effect from 29 June 2016)*

The current Supervisory Committee is the sixth session of the Supervisory Committee, Mr. Wang Mengqiu, Mr. Wang Shiwei and Mr. Luo Jun were re-elected as Supervisors at the AGM for the year of 2015 held on 28 June 2016, with effect from 29 June 2016. In accordance with the Articles and the relevant laws and regulations of the PRC, the election of Mr. Lu Min and Ms. Ji Tian as employee representative Supervisors for the sixth session of the Supervisory Committee was considered and approved by the employees representative meeting of the Company on 28 June 2016. The term of office of the sixth session of the Supervisory Committee began on 29 June 2016, with a three year term of office. The Company has already entered into a service contract with each of the Supervisors for their services to the Company, stating, among other things, their respective annual remuneration and length of service with the Company.

The profiles of the Supervisors in office as at 31 December 2016 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 44 of this annual report.

Supervisory Committee Meetings

Pursuant to the Articles, the Supervisory Committee is required to hold at least one committee meeting every six months, to be convened by the chairman of the Supervisory Committee. In case of urgent matters, extraordinary committee meetings may be convened upon proposal by any Supervisor. A notice of meeting shall be given to every Supervisor at least 10 days prior to a committee meeting. The notice of committee meeting shall include the time and place of the meeting, matters and resolutions to be considered at the meeting, and the date of the notice.

A committee meeting must have over two-thirds of all the Supervisors in attendance. The Supervisors may attend the committee meeting in person or appoint another Supervisor in writing to attend the committee meeting by proxy. The Supervisory Committee shall keep minutes of decisions on matters discussed at the meeting and ensure that such minutes are available for inspection by any Supervisor.

Details of Supervisors' attendance at committee meetings of the Company during the year ended 31 December 2016 are set out below:

Name	Attendances (by Proxy)/ Meetings Held
Supervisors	
Mr. Wang Mengqiu	2(3)/5
Mr. Wang Shiwei[1]	5/5
Mr. Luo Jun	5/5
Employee Representative Supervisors	
Ms. Zhang Xiaotao[2]	2/2
Mr. Lu Min	5/5
Ms. Ji Tian[3]	3/3

Notes:

1. Mr. Wang Shiwei resigned as a Supervisor with effect from 24 March 2017.
2. Mr. Zhang Xiatao's term of office as an Employee Representative Supervisor expired with effect from 29 June 2016.
3. Ms. Ji Tian was appointed as an employee representative Supervisor with effect from 29 June 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is committed to establishing and continually improving our risk management and internal control. As the Group developed our business over the years, we strengthened our corporate management and risk control through analysis of past performance and implementation of innovative ideas.

Risk Management

Risk Management Framework Objectives and Principles

The Group established its risk management system based on the *Central Enterprises Comprehensive Risk Management Guidelines*（中央企業全面風險管理指引）and *COSO Comprehensive Risk Management Framework*（COSO全面風險管理框架）. The Company defines risks as uncertainty towards business objectives including possible gains or losses.

The Company's overall risk management objectives are:

- Ensure that the risk is within the scope of the Company's development strategy;
- Ensure that the Company is in compliance with the relevant laws and regulatory requirements;
- Ensure the implementation of the Company's relevant regulations for major measures that achieve business objectives, ensure the validity of the Company's management, improve the efficiency and effect of business activities, and reduce uncertainty when achieving business objectives;
- Ensure that the Company has a critical risk plan, mitigates heavy losses, and safeguards its assets.

The Company's risk management program was established on the basis of its:

- Complete implementation principle: risk management should be implemented before, during and after every event; it should be implemented in every level within the Company's operations, covering all business of the Company and influencing every operating decision. From administration to supervision to feedback on information, the Company's risk management process aims to be one without gaps or loopholes;
- Importance principle: risk management should be based on overall control, focusing on important business issues and high risk areas, strengthening the risk management of the *Three Priorities*（三重一大）;
- Checks and balances principle: risk management requires the Company's departments and positions have separate rights and responsibilities with mutual dependence and full supervision of each other;
- Integrated management principle: risk management and internal control system methods should be fully integrated and standardized. Risk prevention, anti-fraud, and standardized management, when combined achieve the coordinated operation of the management system, promote each other, and constantly strengthen the ability of risk prevention and control, effectively enhancing the Company's performance;
- Cost-benefit principle: the Company must evaluate the cost and expected return to achieve effective control at the appropriate cost;
- Macro management principle: the Company develops policies while each business unit, branch office, and subsidiary company implements them in accordance with their own respective risk management and internal control program.

Risk Management Organization and Responsibilities

The Company's risk management is equipped with three lines of defense: each business unit, affiliated company, and level of management are its first line of defense; the Audit and Legal Affairs department alongside other functional departments of the group are its second line of defense; the Group's Board and its Audit Committee are its third line of defense.

The Board and its Audit Committee	• Responsible for the risk management of the Company's unified leadership and deployment, is the highest risk management decision-making body; • Examine and approve significant risks alongside coping strategies, write significant risk accident investigation reports, responsible for the significant accident disposal program, author opinions on liability for significant accidents. • Review the Company's risk management oversight report;
Audit and Legal Affairs department	• Responsible for the supervision and evaluation of risk management; • Create the risk management organization system, optimize the process and system while supervising its implementation; • Prepare the risk monitoring report, periodically report to the Board and its Audit Committee the Group's risk management situation, listen to the suggestions of committee members to carry out improvement work;
Other functional departments	• Responsible for the implementation of the business and management process, the implementation of the fundamental process of risk management, as well as identifying, evaluating, and responding to risk; • Participate in the formulation of the risk control plan and implementation; • Participate in risk assessment and the implementation of high risk business; • Responsible for supervising and inspecting the business and management for the centralized management;
Every business unit, affiliated company, and level of management	• Responsible for risk management within the business units and affiliated companies, implementing the basic process of risk management, as well as identifying, evaluating and responding to risks; • Make the risk control plan, responsible for the implementation of risk assessment and implementation of high risk business plan; • After undergoing any change, business units or affiliated companies must report the specific nature of their risk issues in a timely manner to the relevant departments for recording.

Risk Management Processes and Procedures

The Company's risk management general procedure is to first classify risk, second identify risk, third assess risk, and lastly respond to risk. The Company's risk management system requires participation in departments at every level, regardless of the level of risk management or business area, all must adhere to this universal procedure.

Risk classification – establish a risk classification framework according to the Company's business activities, sort out the classification of risk, risk categories can be expanded according to the level.

Risk identification – the process of analysis and discovery of potential factors that may affect the Company's strategic objectives and business objectives. Risk identification can be carried out by means of a questionnaire, report analysis, process analysis and expert discussion.

Risk assessment – Assess the possibility of the risk and its impact, make a comparison to other risks to determine its significance, and determine the priorities of management and response strategies.

Risk response – the Company responds to the risk according to their own conditions and external environment, combined with the actual situation of the project to determine the risk management intentions, including risk aversion, risk reduction, risk sharing and risk acceptance.

Risk Management Characteristics

The Company has practiced risk management for many years which has formed its own characteristics in its style of risk management.

Integrated – the risk management system of the Company is a comprehensive management system that is integrated within other management systems, it is a part that cannot be separated from its whole. Risk management and internal control are integrated within: standardized management, lean management in goal setting, division of labor organization, guaranteeing measures and implementation procedures, the Company's continual exploration, its integrated management system, and the process of improving the overall management efficiency.

Harmonized – the Company's risk management system requires full coverage in the management of all aspects. For instance, the annual business development plan, project investment examination and approval, bidding and purchasing, and policy-making all require a risk response plan.

Aligned – the Company's risk management style is aligned with the Company's corporate culture. The Company's corporate culture and value proposition determine the Company' appetite for risk.

Internal Control

The Group established its internal control based on the *Company Law* of the PRC, *Accounting Law* of the PRC, CASBE, and the *Basic Administration Rules on Corporate Internal Control* (企業內部控制基本規範) jointly issued by five regulatory bodies of the PRC in 2008, and other relevant rules and regulations. The basic principles of the internal control system of Group are the principle of comprehensiveness, the principle of importance, the principle of balance, the principle of adaptability and the principle of cost efficiency.

Organizational System and Responsibilities

Everyone in Group has a role to undertake within the Company's internal control system:

- The Board is responsible for the establishment and improvement of internal control. The Board has established the Audit Committee which is responsible for the review of internal control, the effective implementation of monitoring internal control and internal control self-assessment, as well as coordination of the internal control audit and other related matters.
- The Supervisory Committee shall supervise the establishment and implementation of the internal control of the Board.
- The managers are responsible for organizing and leading the daily operation of internal control.
- The Audit and Legal Affairs department supervise and check the effectiveness of the internal control of the Group in conjunction with the internal control and internal audit. Internal control deficiencies found the by the Audit and Legal Affairs department will be reported in accordance with the working procedures of the internal audit; report directly to the Board and its Audit Committee as well as the Supervisory Committee any major defects found in internal control supervision and inspection.
- Staff at all levels are responsible for the implementation of specific internal controls in accordance with the requirements of the Company's internal control manual and the control of evidence.

Internal Control Mechanism

The Group, according to *Basic Administration Rules on Corporate Internal Control* (企業內部控制基本規範), established an internal control system based on its internal environment, risk assessment, control activities, information and communication, and internal supervision. The *Internal Control Manual of Xinjiang Goldwind Science & Technology Co. Ltd.* (新疆金風科技股份有限本公司內部控制手冊) is one of the fundamental documents detailing the construction and evaluation of Group's internal control system, it is a guide for the construction and implementation of Group's internal control system, it promotes the further standardization of production and business activities, and once implemented it strengthens the ability of risk prevention.

The Company advocates integrity as the core of positive corporate culture. The Company developed the *Goldwind Science & Technology Culture Handbook* (金風科技文化手冊) which covers the Company's mission, vision and core values, business philosophy, and other content so that all employees have a clear understanding of the principles and norms of the Company. The Company's governance structure is a standardized and stable operation. Human Resources has developed a comprehensive introduction, development, use, and exit related system processes.

The Company has different levels of coping strategies for risk, either the Company's level of risk or business activity level of risk. At the Company level, it determines its overall goal and objectives for mitigation according to the business objectives of the Company's development strategy and its annual business objectives; it identifies the factors that influence the realization of its goals (collection, analysis, and arrangement of risk), it creates a preliminary risk database with examples from both its domestic and foreign industry; it uses the Company's risk assessment standards to analyze historical industry data to understand the cause of the risk, the probability and impact of risk, to identify significant risks at the Company level. At the business activity level, the Group takes account of the important accounting items and disclosures in the financial statements to sort out the business of the Company, it determines sales and receivables of project management and 16 other types of business, and basically covers all aspects of the Group's management activities. To aid in the process, the Group has created an important business process directory. After identifying important business processes, the Group evaluates risk in important business by the method of risk identification and analysis, and establishes a risk database. At the same time, the Group identifies new risks according to changes in business activities, and maintains and updates its risk database. The internal control manual's established processes are also regularly updated according to the business process evaluation.

The Group, according to the Company level or business activity level risk assessment results, uses incompatible job separation control, authorization control, accounting system control, property protection control, budgetary control, operation control and performance evaluation control, through the development and deployment of systems and process implements internal control activities. Group's functional departments and business units in their respective duties within the scope of their management, formulate their own rules and regulations; each business unit in different business sectors, such as purchasing, sales, R&D all create their own business system and process documents, as operational rules for business execution. The operation center of the group is responsible for the collection and compilation of the system processes of all levels, units and departments.

The Company gradually formed a scientific standardization, wherein different levels, through various forms of internal information transmission mechanism, protect the internal control of the transfer of information and support the internal monitoring operation. The Company attaches importance to the construction of its information system, and gives full play to the role of information technology in internal control. The Company has established a complaint reporting system and set up a hotline which is open to all of its staff to ensure the smooth flow of complaints; it has become one of the important steps in the Company's measures against fraud.

Internal Audit

The Company has established an internal audit function and formulated the *Internal Control Supervision and Inspection System*（內部控制監督檢查制度）, which clearly defines the internal audit department as accepting the guidance and supervision of the Board's Audit Committee, carrying out the functions of inspection and supervision independently, and specify the qualitative and quantitative standards for defects. The audit department is equipped with full-time staff whose daily work includes risk assessment, internal control audits, financial audits, complaint handling, and special inspection work. At least once a year, the department conducts a comprehensive inspection and supervision of the group's internal control, and carries out regular inspections of the internal control of the Group on a regular basis. The audit department reports directly to the Chairman.

The Audit and Legal Affairs department regularly reports to the Board on its work about internal control inspection and supervision. The Audit and Legal Affairs department submits an annual report on internal control supervision to the Board's Audit Committee within three months after the end of the year. The Audit Committee of the Board is responsible for the supervision and inspection of the internal control and reviewing the report of the internal control inspection and supervision submitted by the Audit and Legal Affairs department.

As of year-end, the Company has been in accordance with the requirements in the *Company Internal Control Evaluation Guideline*（企業內部控制評價指引）, which focus on the internal environment, risk assessment, control activities, information and communication, internal supervision and other factors, forming a comprehensive self-evaluation on internal control. The scope of the evaluation includes all of the Company's key business areas and business processes. The annual internal control evaluation comprises the internal control evaluation team, a clear division of labor and rate of progress schedule, an on-site inspection amongst other ways to organize the implementation of an internal control evaluation. The main person in charge of each unit is responsible for the authentication of the internal control self-assessment process and its conclusion.

Internal Control Defect Handling

The Company established defect identification standards for its internal control according to its business scale, characteristics, and risk tolerance. There are two standards: general defects and major defects, these standards were formed from two aspects of qualitative and quantitative identification according to the severity of the defects. This identification criteria was adopted by the Board.

After an audit, the internal audit department of the Company will report all internal control anomalies and improvement proposals in a work report to the chairman and the management of the Company. The management of the Company will propose corrective actions while the internal audit department will supervise its implementation, after immediately sending a report to the Board's Audit Committee. For instance, there were defects in the Company's annual internal control self-assessment that were reported to the Board, the Board identified the major defects, and then implemented remedial measures.

Due to negligence in relevant personnel resulting in significant defects or significant risks in the internal control report to the Company which caused serious damage, the Company will start the accountability process and find out who is to be held accountable.

Review of Risk Management and Internal Control Results

According to the *Fundamental Norms of Enterprise Internal Control*（企業內部控制基本規範）and its supporting guidelines, the Company's internal control system and evaluation methods, on the basis of daily supervision of internal control and special supervision as well as the Board's Audit Committee submitting an assessment determining the nature and level of risk that the Company is willing to undertake to achieve its strategic objectives and tweaking their internal control system at least once a year are sufficient for its risk management and internal control system implementation and supervision. The Board has reviewed the Company's risk management and internal control system for the year ended 31 December 2016, and has concluded that the risk management and internal control as of 31 December 2016 there are no significant deficiencies in its risk management and internal control systems and that such systems are sufficient and effective.

Risk management and internal control have inherent limitations, as these systems are designed to manage risk rather than completely eliminate any risk of failure when achieving business objectives. Nevertheless, the Board and the Company's management will continue to improve the company's risk management and internal control system.

The Board is ultimately responsible for the effectiveness of the Group's risk management and internal control system. Each year, the Board reviews the Company's financial report while simultaneously reviewing and forming resolutions for the *Internal Control Evaluation Report*（內部控制評價報告）, after which it is responsible for disclosing information to relevant departments for handling.

Inside Information

The Company was in strict compliance with the *Securities Law* of the PRC, *Securities and Futures Ordinance*, the *Listing Rules of the Shenzhen Stock Exchange* and other relevant laws and regulations. The Company established and improved internal control procedures related to handling and dissemination of insider information.

- The Company deeply understood and followed the principle of timely disclosure of inside information and safe harbor provisions.
- The Company created the *Information Disclosure Management System* (資訊披露管理制度) which states that the Board bears the ultimate responsibility for ensuring that the Company performs its disclosure obligations. This system has established an effective information disclosure management system, standardized the responsibility and procedure of information disclosure, and listed the situation of the stock price sensitive information and inside information.
- The Company established the insider registration management system which clearly states the scope of knowledge and confidentiality obligations of those with inside information.
- The Company regularly provided training on inside information to relevant personnel.
- The Company is listed on the Hong Kong and Shenzhen Stock Exchange, and has ensured that the disclosure of inside information was timely, accurate and consistent in the two markets.

SENIOR MANAGEMENT

The Senior Management is charged with implementing the strategies and directions as determined by the Board. In discharging their responsibilities, Senior Management must comply with business principles and ethics which are consistent with those expected by the Board, the Shareholders and other stakeholders.

The responsibilities undertaken by the Senior Management include:

- management of the Company's production and operations;
- establishment of corporate policies and the management framework of the Company;
- appointment, evaluation or dismissal of employees of the Company; and
- implementation of resolutions of the Board.

Senior Management Composition

As at the Latest Practicable Date, the Senior Management comprised of eight members, which included the President, two executive vice presidents, two vice presidents and the Secretary of the Board who concurrently holds the position of vice president, the Chief Financial Officer, and the Chief Engineer.

The Senior Management composition during the year ended 31 December 2016 and up to the Latest Practicable Date is set out below:

President

Mr. Wang Haibo

Executive Vice Presidents

Mr. Cao Zhigang
Mr. Wu Kai

Vice Presidents

Ms. Ma Jinru
Mr. Zhou Yunzhi
Mr. Liu Rixin

Secretary of the Board

Ms. Ma Jinru

Chief Financial Officer

Mr. Huo Changbao

Chief Engineer

Mr. Liu He

The profiles of the Senior Management in office as at 31 December 2016 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 44 of this annual report.

Shares Held by Senior Management

Based on information known to the Company, as at 31 December 2016, details of Senior Management who hold shares in the Company are set out below:

Name	Position	Date of Appointment	Share Category	Number of Shares
Mr. Wang Haibo	President	5 July 2016	A Shares	550,000
Mr. Cao Zhigang	Executive Vice President	5 July 2016	A Shares	9,918,024
Mr. Wu Kai	Executive Vice President	5 July 2016	A Shares	550,000
Mr. Huo Changbao	Chief Financial Officer	5 July 2016	A Shares	550,000
Ms. Ma Jinru	Vice President and Secretary of the Board	5 July 2016	A Shares	550,000
Mr. Zhou Yunzhi	Vice President	5 July 2016	A Shares	550,000
Mr. Liu He[1]	Chief Engineer	5 July 2016	–	500,000
Mr. Liu Rixin	Vice President	28 February 2017	H Shares	61,000

Note:

1. Haitong Asset Management, being the manager of the Haitong-Goldwind Asset Management Plan I, entered into a Subscription Agreement with the Company on 2 September 2014 pursuant to which Haitong Asset Management subscribed for a total of 17,140,000 A Shares. The agreement and the subscription contemplated thereunder have been approved by the Shareholders at an EGM. As disclosed in the Company's announcement dated 16 August 2015, the subscription has been completed. Mr. Liu He, one of the Senior Management, is a participant of the Haitong-Goldwind Asset Management Plan with regard to a total of 500,000 A Shares, under the SFO, Mr. Liu He was deemed to be interested in these 500,000 A Shares.

Remuneration of Directors, Supervisors and Senior Management

For the year ended 31 December 2016, the remuneration of Directors, Supervisors and Senior Management during their term of office is set out below:

Unit: RMB ten thousands

Name	Position	Total Remuneration before tax received from the Company during the Reporting Period
Mr. Wu Gang	Chairman	502.57
Mr. Li Ying[1]	Vice Chairman	–
Mr. Wang Haibo	Executive Director and President	629.06
Mr. Cao Zhigang	Executive Director and Executive Vice President	607.24
Mr. Yu Shengjun[2]	Non-executive Director	–
Mr. Zhao Guoqing	Non-executive Director	–
Mr. Feng Wei[3]	Non-executive Director	–
Mr. Gao Jianjun[4]	Non-executive Director	–
Mr. Yang Xiaosheng	Independent Non-executive Director	20
Mr. Luo Zhenbang	Independent Non-executive Director	20
Mr. Christopher F. Lee[5]	Independent Non-executive Director	8.03
Dr. Tin Yau Kelvin Wong[6]	Independent Non-executive Director	13.33
Mr. Wang Mengqiu	Chairman of the Supervisory Committee	–
Mr. Wang Shiwei[7]	Supervisor	–
Mr. Luo Jun	Supervisor	–
Ms. Zhang Xiaotao[8]	Supervisor	13.47
Mr. Lu Min	Supervisor	86.77
Ms. Ji Tian[9]	Supervisor	50.62
Mr. Wu Kai	Executive Vice President	612.4
Mr. Huo Changbao	Chief Financial Officer	474.92
Ms. Ma Jinru	Vice President and Secretary of the Board	502.15
Mr. Zhou Yunzhi	Vice President	472.98
Mr. Liu He	Chief Engineer	394.68

Notes:

1. Mr. Li Ying's term of office expired with effect from 29 June 2016.
2. Mr. Yu Shengjun resigned with effect from 16 December 2016.
3. Mr. Feng Wei was appointed with effect from 29 June 2016.
4. Mr. Gao Jianjun was appointed with effect from 1 March 2017.
5. Mr. Christopher F. Lee resigned with effect from 22 October 2016.
6. Dr. Tin Yau Kelvin Wong's term of office expired with effect from 29 June 2016, and was reappointed with effect from 22 October 2016.
7. Mr. Wang Shiwei resigned as a Supervisor with effect from 24 March 2017.
8. Ms. Zhang Xiaotao's term of office expired with effect from 29 June 2016.
9. Ms. Ji Tian was appointed as an Employee Representative Supervisor with effect from 29 June 2016.

Company Secretary

The Company Secretary as at the Latest Practicable Date is Ms. Ma Jinru. She supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policies and procedures are followed. She advises the Board on corporate governance matters and facilitates the training and professional development of the Directors. Ms. Ma Jinru is an employee of the Company and was appointed by the Board. Any Director may call upon her for advice and assistance at any time in respect of their duties and the effective operations of the Board. She also plays an essential role in managing the Company's disclosure obligations and maintaining the relationship between the Company and the Shareholders, including assisting the Board in discharging its obligations to the Shareholders pursuant to the Listing Rules.

Ms. Ma Jinru participated in approximately 40 hours of relevant professional training during the year ended 31 December 2016 relating to, among others, regulatory updates, corporate governance and business and market related topics of the Company and our industry in order to develop and refresh her knowledge and skills.

ARTICLES

At the EGM held on 12 January 2016, the Shareholders approved the amendment to the Articles in respect of Articles 3.07 and 3.10 to reflect the latest shareholding structure of the Company.

AUDITORS

Ernst & Young and Ernst & Young Hua Ming LLP were re-appointed as the Company's auditors for the financial year ended 31 December 2016. The Audit Committee reviewed and confirmed the auditors' independence and that there were no relationships between the auditors and the Company which may reasonably be thought to bear on their independence.

The services received from our auditors and the respective fees payable (excluding tax) by the Company for the financial year ended 31 December 2016 are set out below:

Unit: RMB million

Service	Year ended 31 December 2016	 2015
Audit		
Audit of annual report and other related services	**5.51**	5.42
Audit of internal control	**0.47**	0.47
Non-audit		
Review of interim report	**1.65**	1.65
Total	**7.63**	7.54

DIRECTORS' AND AUDITORS' RESPONSIBILITIES

The Directors acknowledge their responsibility for preparing the financial statements for each financial year which give a true and fair view of the state of affairs, results and cash flows of the Group. In preparing the Financial Statements, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that were prudent, fair and reasonable and prepared the Financial Statements on a going concern basis. The Directors are responsible for keeping proper accounting records and accurately disclosing the financial position, results, cash flows, and changes in equity of the Group in a timely manner.

The Directors' and auditors' responsibilities for the Financial Statements are set out in the section headed "Independent Auditors' Report" on page 90 of this annual report.

INVESTOR RELATIONS

The Company is committed to protecting the interests of its investors. The Company adheres to strict disclosure principles and strives to ensure that the information disclosed in its announcements, circulars and periodic reports are true, accurate and complete, and disclosures are made in a timely manner. In addition, the Company encourages regular communication and interaction with its investors and potential investors in order to allow them to better understand the wind power industry, the Company, and its long-term development strategies. The Company has established the Investor Relations division within its Office of Secretary of the Board which is responsible for organizing investor visits and conferences, responding to queries from the Investor Relations Hotline, attending to the Investor Relations email inbox and SZSE's investor interactive platform, analyzing information contained in the Company's disclosure documents and assisting investors with related queries, and updating the "Investor Relations" section on the Company's website in a timely manner.

Investor Communications

In 2016, the Company strictly complied with its disclosure obligations, improved its communications with investors, and strived to provide investors with a fair and transparent investment environment. During the same period, the Company's Investor Relations division organized two results announcement road shows and four results announcement telephone conferences, and accommodated 115 investor visits. The Company hosted a total of 1,394 investors through such events.

Investor Group Lunch

On 9 November 2016, the Company held a collective investor luncheon in Beijing with the Company's President Wang Haibo, the Secretary of the Board and Vice President Ma Jinru, and 28 institutional investors from Yinhua Fund, Huaxia Fund, ICBC Credit Suisse, Changjiang Securities, Pacific Securities Company. The luncheon covered long-term development prospects of the industry, the Company's recent business, and the industry's competition pattern, amongst other topics which promoted in-depth exchanges.

Investors Online Performance Briefing

On 6 April 2016, at the Company's conference room on site two in Beijing, the Company held its 2015 annual results briefing. The Directors and senior management in attendance included: Mr. Wu Gang, Mr. Wang Haibo, Mr. Cao Zhigang, Mr. Yang Xiaosheng, Ms. Ma Jinru, and Mr. Huo Changbao. Mr. Yu Weijun, a representative of the Company's sponsor Guotai Junan Securities, attended online.

Production Facility Visits

This year, in order to let its investors further understand the Company's strategy, the Company organized tours of the Company's electronic control plant for its investors.

Investor Conferences

In addition to regular one on one investor meetings, the executive team of the Company is also involved in a major investor conference held by the international investment bank, the initiative to maintain communication with global institutional investors.

Investor Meetings in 2016:

Date	Conference Name	Venue
7 January 2016	Morgan Stanley Analyst Conference	Singapore
12 January 2016	Deutsche Bank Analyst Conference	Beijing
27 May 2016	Morgan Stanley Analyst Conference	Beijing
14 June 2016	JP Morgan Analyst Conference	Beijing
1 November 2016	Citi Bank Analyst Conference	Shenzhen
2 November 2016	Credit Suisse Analyst Conference	Shenzhen
4 November 2016	Merrill Lynch Analyst Conference	Beijing
30 November 2016	CICC Analyst Conference	Shanghai

Market Recognition

In August 2016, at the annual Institutional Investor awards, the Company was honored with the award "Best Investor Relations" for industries in Asia (except Japan). By way of a vote held at the ceremony, Goldwind's talent showed itself amongst thousands of companies in Asia, ranking amongst the world's leading authorities as well as showing itself to be the sole renewable energy equipment producer to make the list, a reflection of the Company's excellent investor relations services.

In April 2016 the Company received the "Securities Times" seventh annual award – Chinese Tianma Investor Relations Award of "Best Secretary Award" and "Best New Media" award. Such awards demonstrate the tireless efforts and outstanding achievements of the Company in corporate governance and investor relations management.

Independent Auditor's Report

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To the shareholders of Xinjiang Goldwind Science & Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Xinjiang Goldwind Science & Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 215, which comprise the consolidated statement of financial position as at 31 December 2016, and 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 International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 Hong Kong Institute of Certified Public Accountants's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Provisions for product warranties	
As at 31 December 2016, the provisions for product warranties amounted to approximately RMB3,966 million. The Group grants various types of product warranties to the customers of Wind Turbine Generators ("WTGs") products under which the performance of products delivered is generally guaranteed for a period of two to five years. During the warranty period, the Group was required to provide operation and maintenance services including repairs and renewal of spare parts. Provision for product warranties given by the Group for certain products are recognised based on sales volume and historical experience of the level of repairs. The changes in the assumptions could materially affect the levels of provisions recorded in the consolidated financial statements. More details are included in note 32 to the consolidated financial statements.	We obtained an understanding of the warranty process. Our procedures included assessing the appropriateness of the Group's methodology; evaluating the assumptions used in determining the warranty provisions by comparing historical data and subsequent claims expense incurred; testing the validity of the data used in the calculations by reviewing the warranty terms as set out in the respective sales contracts; testing the arithmetic accuracy of the warranty provision; and reviewing any amounts reversed as unconsumed during the warranty periods.
Impairment of trade receivables	
As at 31 December 2016, the carrying amount of trade receivables which represented 25.5% of the Group's total assets. The Group maintains an impairment allowance arising from the failure of its customers to make payments when they fall due. The impairment assessment was performed by the management based on the ageing of trade receivable balances, and customers' creditworthiness. Making the allowance involved the use of significant management judgement and estimates including the credit risks of the customers, historical payment patterns and existence of disputes. More details are included in note 23 to the consolidated financial statements.	We assessed the adequacy and accuracy of the impairment allowance of trade receivables by obtaining an understanding of the judgements and consideration exercised by the management, considering whether any circumstances have arisen that may have an impact on the collectability of any receivables; challenging the information used to determine the bad debt provision by considering cash collection performance against historical trends; testing the accuracy of the ageing of trade receivables balances by tracing details of the customers' ledger accounts or delivery evidence; reviewing payments of the aged debtors; testing payments received subsequent to the balance sheet date; selecting samples to send trade receivables confirmation; and analysing the amounts written off as uncollectible.

Key audit matter	How our audit addressed the key audit matter
Accounting for business combination	
During 2016, the Group had several acquisitions which constituted business combinations. The management recognised identifiable assets acquired and liabilities assumed at fair value as of the respective acquisition dates. In applying the acquisition method, the management recognised the goodwill or a bargain purchase gain. The accounting for business combination involved the use of significant management judgment and estimates including identifying a business combination, recognising intangible assets and measuring identifiable assets acquired and liabilities assumed at fair value. More details are included in note 37 to the consolidated financial statements.	We examined the share purchase agreements and evaluated management's judgement on whether the transaction is a business combination. We discussed with the management about the process to identify the intangible assets in the business combination and other identifiable assets and liabilities. With regard to the purchase price allocation, we accessed the valuation method adopted in determining fair values of identifiable assets acquired and liabilities assumed; we involved our internal valuation expert to evaluate the appropriateness of valuation methodologies; we tested the assumptions used in valuation and compared the discounted rate used by the management with the industry index. We also assessed the adequacy of the related disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company 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. Our 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 ISAs 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 ISAs, 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 to 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 Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**26,173,892**	29,845,998
Cost of sales		**(18,615,824)**	(22,069,041)
Gross profit		**7,558,068**	7,776,957
Other income and gains	5	**1,085,104**	772,827
Selling and distribution expenses		**(2,210,763)**	(2,867,868)
Administrative expenses		**(1,940,483)**	(1,635,756)
Other expenses		**(445,072)**	(405,186)
Finance costs	7	**(686,650)**	(555,681)
Share of profits and losses of:			
Joint ventures	17	**149,349**	98,713
Associates	18	**42,403**	62,824
PROFIT BEFORE TAX	6	**3,551,956**	3,246,830
Income tax expense	9	**(446,224)**	(371,439)
PROFIT FOR THE YEAR		**3,105,732**	2,875,391
Profit attributable to:			
Owners of the parent		**3,002,982**	2,849,497
Non-controlling interests		**102,750**	25,894
		3,105,732	2,875,391
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax):			
Changes in fair value of available-for-sale investments, net of tax		**(40,766)**	(69,829)
Share of other comprehensive loss of associates	18	**(37,616)**	–
Exchange differences on translation of foreign operations		**167,556**	(1,821)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax		**89,174**	(71,650)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**89,174**	(71,650)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,194,906**	2,803,741
Total comprehensive income attributable to:			
Owners of the parent		**3,092,156**	2,777,847
Non-controlling interests		**102,750**	25,894
		3,194,906	2,803,741
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	11	**1.08**	1.05

Consolidated Statement of Financial Position

31 December 2016

	Notes	As at 31 December 2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**19,478,691**	17,015,112
Investment properties	13	**70,801**	73,697
Prepaid land lease payments	14	**292,332**	201,881
Goodwill	15	**474,429**	316,259
Other intangible assets	16	**775,804**	534,673
Investments in joint ventures	17	**814,130**	487,921
Investments in associates	18	**493,832**	559,279
Available-for-sale investments	19	**1,191,325**	901,121
Deferred tax assets	20	**1,517,391**	1,338,436
Held-to-maturity investments	21	**49,995**	–
Trade receivables	23	**1,857,030**	1,762,112
Financial receivables	24	**2,451,312**	1,867,047
Prepayments, deposits and other receivables	25	**1,594,871**	1,938,558
Derivative financial instruments	30	**1,986**	4,121
Pledged deposits	26	**276,618**	285,542
Total non-current assets		**31,340,547**	27,285,759
CURRENT ASSETS			
Inventories	22	**3,192,280**	3,037,200
Trade and bills receivables	23	**16,746,456**	14,526,382
Financial receivables	24	**336,382**	145,126
Prepayments, deposits and other receivables	25	**1,977,549**	1,271,563
Available-for-sale investments	19	**750,000**	–
Derivative financial instruments	30	**25,937**	–
Pledged deposits	26	**740,196**	158,993
Cash and cash equivalents	26	**7,534,171**	6,147,378
		31,302,971	25,286,642
Assets of disposal groups classified as held for sale	27	**1,793,649**	–
Total current assets		**33,096,620**	25,286,642
CURRENT LIABILITIES			
Trade and bills payables	28	**14,472,721**	14,274,618
Other payables, advance from customers and accruals	29	**5,026,219**	3,220,532
Interest-bearing bank and other borrowings	31	**2,672,069**	1,734,103
Tax payable		**242,759**	439,427
Provision	32	**1,599,111**	1,290,212
		24,012,879	20,958,892
Liabilities directly associated with the assets classified as held for sale	27	**650,100**	–
Total current liabilities		**24,662,979**	20,958,892
NET CURRENT ASSETS		**8,433,641**	4,327,750
TOTAL ASSETS LESS CURRENT LIABILITIES		**39,774,188**	31,613,509

Consolidated Statement of Financial Position

31 December 2016

	Notes	As at 31 December 2016 RMB'000	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**39,774,188**	31,613,509
NON-CURRENT LIABILITIES			
Trade payables	28	**754,661**	815,887
Other payables	29	**109,638**	97,493
Interest-bearing bank and other borrowings	31	**15,419,038**	10,760,624
Deferred tax liabilities	20	**100,866**	58,089
Provision	32	**2,366,770**	2,202,699
Government grants	33	**304,770**	270,101
Deferred revenue		**19,651**	18,012
Total non-current liabilities		**19,075,394**	14,222,905
Net assets		**20,698,794**	17,390,604
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**2,735,541**	2,735,541
Reserves	35	**17,240,611**	14,025,905
		19,976,152	16,761,446
Non-controlling interests		**722,642**	629,158
Total equity		**20,698,794**	17,390,604

Wu Gang
Director

Wang Haibo
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Attributable to owners of the parent									
		Share capital RMB'000 (note 34)	Capital Reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2015		2,694,588	*7,962,425	–	*652,350	*189,143	*(340,211)	*3,609,494	14,767,789	459,220	15,227,009
Profit for the year		–	–	–	–	–	–	2,849,497	2,849,497	25,894	2,875,391
Other comprehensive loss for the year:											
Changes in fair value of available-for-sale investments, net of tax		–	–	–	–	(69,829)	–	–	(69,829)	–	(69,829)
Exchange differences on translation of foreign operations		–	–	–	–	–	(1,821)	–	(1,821)	–	(1,821)
Total comprehensive income/(loss) for the year		–	–	–	–	(69,829)	(1,821)	2,849,497	2,777,847	25,894	2,803,741
Final 2014 dividend declared		–	–	–	–	–	–	(1,077,835)	(1,077,835)	–	(1,077,835)
Profit appropriation to reserves		–	–	–	163,827	–	–	(163,827)	–	–	–
Dividend declared to non-controlling shareholders		–	–	–	–	–	–	–	–	(25,039)	(25,039)
Acquisition of a subsidiary	37	–	–	–	–	–	–	–	–	43,578	43,578
Disposal of subsidiaries	38	–	–	–	–	–	–	–	–	(15,291)	(15,291)
Issue of shares	34	40,953	305,919	–	–	–	–	–	346,872	–	346,872
Share issue expenses		–	(10,561)	–	–	–	–	–	(10,561)	–	(10,561)
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	129,998	129,998
Acquisition of non-controlling interests		–	(1,230)	–	–	–	–	–	(1,230)	(43,869)	(45,099)
Disposal to non-controlling shareholders		–	(41,436)	–	–	–	–	–	(41,436)	54,667	13,231
Transfer to special reserve		–	–	25,252	–	–	–	(25,252)	–	–	–
Utilisation of special reserve		–	–	(25,252)	–	–	–	25,252	–	–	–
As at 31 December 2015		2,735,541	*8,215,117	–	*816,177	*119,314	*(342,032)	*5,217,329	16,761,446	629,158	17,390,604

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 (note 34)	Capital Reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016		2,735,541	*8,215,117	–	*816,177	*119,314	*(342,032)	–	*5,217,329	16,761,446	629,158	17,390,604
Profit for the year		–	–	–	–	–	–	–	3,002,982	3,002,982	102,750	3,105,732
Other comprehensive income/(loss) for the year:												
Changes in fair value of available-for-sale investments, net of tax		–	–	–	–	(40,766)	–	–	–	(40,766)	–	(40,766)
Share of other comprehensive loss of associates		–	(37,616)	–	–	–	–	–	–	(37,616)	–	(37,616)
Exchange differences on translation of foreign operations		–	–	–	–	–	167,556	–	–	167,556	–	167,556
Total comprehensive income/(loss) for the year		–	(37,616)	–	–	(40,766)	167,556	–	3,002,982	3,092,156	102,750	3,194,906
Final 2015 dividend declared		–	–	–	–	–	–	–	(1,313,060)	(1,313,060)	–	(1,313,060)
Profit appropriation to reserves		–	–	–	278,249	–	–	–	(278,249)	–	–	–
Dividend declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(73,137)	(73,137)
Acquisition of a subsidiary	37	–	–	–	–	–	–	–	–	–	12,121	12,121
Capital withdrawal of shareholders		–	(4,657)	–	–	–	–	–	–	(4,657)	–	(4,657)
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	51,876	51,876
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	(4,080)	(4,080)
Disposal to non-controlling shareholders		–	(4,851)	–	–	–	–	–	–	(4,851)	3,954	(897)
Transfer to special reserve		–	–	28,491	–	–	–	–	(28,491)	–	–	–
Utilisation of special reserve		–	–	(28,491)	–	–	–	–	28,491	–	–	–
Issuance of perpetual medium-term notes	36	–	–	–	–	–	–	1,495,118	–	1,495,118	–	1,495,118
Other equity instruments' distribution		–	–	–	–	–	–	–	(50,000)	(50,000)	–	(50,000)
As at 31 December 2016		2,735,541	*8,167,993	–	*1,094,426	*78,548	*(174,476)	*1,495,118	*6,579,002	19,976,152	722,642	20,698,794

* As at 31 December 2016, these reserve accounts comprised the consolidated other reserves of RMB17,240,611,000 (31 December 2015: RMB14,025,905,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,551,956**	3,246,830
Adjustments for:			
Finance costs	7	**686,650**	555,681
Bank interest income	5	**(77,412)**	(128,257)
Share of profits of joint ventures	17	**(149,349)**	(98,713)
Share of profits of associates	18	**(42,403)**	(62,824)
Depreciation	6	**861,366**	483,588
Amortisation of prepaid land lease payments	6	**5,580**	4,683
Amortisation of other intangible assets	6	**57,549**	56,399
Loss on disposal of items of property, plant and equipment and other intangible assets, net	6	**2,386**	1,688
Gain on disposal of subsidiaries	5	**(51,950)**	(33,958)
Gain on disposal of available-for-sale investments	5	**(106,139)**	(60,851)
Gain on disposal of equity investments at fair value through profit or loss	5	**–**	(76,802)
Dividend income from available-for-sale investments	5	**(68,094)**	(21,294)
Gain on disposal of an investment in an associate	5	**(196,997)**	–
Interests from other investments		**(6,925)**	(7,885)
Fair value (gains)/losses, net:			
Derivative financial instruments	6	**(23,624)**	930
Equity investments at fair value through profit or loss	6	**–**	21,535
Impairment of trade and other receivables	6	**202,386**	180,748
Reversal of write-down of inventories to net realisable value	6	**(6,565)**	(5,748)
Impairment of investments in a joint venture	6	**16,050**	6,362
Impairment of property, plant and equipment	6	**–**	26,585
Government grants and deferred revenue		**(12,150)**	(11,283)
		4,642,315	4,077,414
(Increase)/decrease in inventories		**(122,608)**	626,347
Increase in trade and bills receivables		**(1,820,125)**	(4,048,218)
(Increase)/decrease in financial receivables		**(303,914)**	145,548
(Increase)/decrease in prepayments, deposits and other receivables		**(116,892)**	246,461
Increase in trade and bills payables		**53,171**	2,617,957
Increase in other payables, advance from customers and accruals		**1,012,136**	218,635
Increase in provision		**472,970**	1,394,799
Increase in government grants and deferred revenue		**18,355**	24,700
Cash generated from operations		**3,835,408**	5,303,643
Income tax paid		**(802,286)**	(648,723)
Interest received		**69,421**	121,208
Net cash flows from operating activities		**3,102,543**	4,776,128

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,500,982)**	(6,766,884)
Additions of prepaid land lease payments		**(9,462)**	(28,887)
Additions of other intangible assets		**(142,163)**	(668,341)
Acquisitions of subsidiaries, net of cash acquired	37	**(263,803)**	(152,194)
Purchases of interests in joint ventures		**(301,500)**	(101,974)
Purchases of interests in associates		**(20,000)**	(48,622)
Purchases of available-for-sale investments		**(1,461,750)**	(157,690)
Proceeds from disposal of interests in joint ventures		**–**	11,250
Proceeds from disposal of available-for-sale investments		**262,195**	164,098
Receipt of government grants		**10,960**	6,030
Proceeds from disposal of items of property, plant and equipment and other intangible assets		**44,616**	14,158
Disposal of subsidiaries, net of cash disposed of		**45,262**	241,805
Increase in pledged deposits		**(31,215)**	(20,747)
Interest received		**795**	–
Dividend received from available-for-sale investments		**65,443**	20,693
Dividend received from joint ventures and associates		**131,018**	150,044
Gain on disposal of equity investments at fair value through profit or loss	5	**–**	76,802
Proceeds from disposal of interests in associates		**289,523**	–
Purchases of held-to-maturity investments		**(50,000)**	–
Increase in non-pledged time deposits with original maturity of three months or more when acquired		**(1,761)**	(1,314)
Increase in advances to a joint venture entity and an associate		**(90,542)**	(7,585)
Cash and cash equivalents included in assets held for sale	27	**(7,992)**	–
Cash from other investments		**20,230**	24,187
Net cash flows used in investing activities		**(7,011,128)**	(7,245,171)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**8,709,944**	7,576,252
Repayment of bank and other borrowings		**(2,946,815)**	(7,169,561)
Increase in amount to the non-controlling shareholders of subsidiaries		**16,278**	7,864
Interest paid		**(667,404)**	(731,265)
Acquisitions of non-controlling interests in subsidiaries		**(4,080)**	(40,990)
Proceeds from issue of shares, net of issue expenses and commission	34	**–**	336,311
Capital contributions from non-controlling shareholders		**51,876**	129,998
Dividend paid		**(1,313,060)**	(1,053,382)
Dividend paid to non-controlling shareholders		**(73,137)**	(25,039)
Proceeds from issuance of perpetual securities, net of issuance costs		**1,495,118**	–
Payments of corporate bonds issue expense		**(22,180)**	–
Net cash flows from/(used in) financing activities		**5,246,540**	(969,812)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,337,955**	(3,438,855)
Cash and cash equivalents at beginning of year		**6,141,430**	9,523,826
Effect of foreign exchange rate changes, net		**47,078**	56,459
CASH AND CASH EQUIVALENTS AT END OF YEAR		**7,526,463**	6,141,430

1. CORPORATE AND GROUP INFORMATION

Xinjiang Goldwind Science & Technology Co., Ltd. is a joint stock company with limited liability registered in Xinjiang in the People's Republic of China (the "PRC"), which was established on 26 March 2001. The Company's shares have been listed on The Shenzhen Stock Exchange from 26 December 2007 and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") from 8 October 2010. The registered office of the Company is located at 107 Shanghai Road, Economic & Technology Development District, Urumqi, Xinjiang, the PRC.

During the year, the Group was involved in the following principal activities:

- Manufacture and sale of wind turbine generators and wind power components;
- Provision of wind power related consultancy, wind farm construction and maintenance services;
- Development and operation of wind farms, consisting of wind power generation service provided by the Group's wind farms as well as the sale of wind farms, if appropriate; and
- Development and operation of water treatment plants and finance lease services.

In the opinion of the directors of the Company, the Company has no controlling shareholder.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd. (北京金風科創風電設備有限公司)	The PRC/ Mainland China	RMB990,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Goldwind Windenergy GmbH	Germany	EUR350,000	100	–	Investment holding
Vensys Energy AG	Germany	EUR5,000,000	–	70	Provision of technical services and manufacture and sale of wind power equipment and accessories
Vensys Elektrotechnik GmbH	Germany	EUR100,000	–	63	Provision of technical services and manufacture and sale of wind power equipment and accessories

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Tianrun New Energy Investment Co., Ltd. ("Beijing Tianrun") (北京天潤新能投資有限公司)	The PRC/ Mainland China	RMB5,550,000,000	100	–	Investment holding
Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd. (北京天源科創風電技術有限責任公司)	The PRC/ Mainland China	RMB200,000,000	100	–	Provision of construction and technical services for wind farms
Gansu Goldwind Wind Power Equipment Manufacture Co., Ltd. (甘肅金風風電設備製造有限公司)	The PRC/ Mainland China	RMB88,600,000	100	–	Manufacture and sale of wind power equipment and accessories
Beijing Techwin Electric Co., Ltd. (北京天誠同創電氣有限公司)	The PRC/ Mainland China	RMB100,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Urumqi Goldwind Tianyi Wind Power Co., Ltd. (烏魯木齊金風天翼風電有限公司)	The PRC/ Mainland China	RMB426,060,000	100	–	Development and operation of wind farms
Beijing Goldwind Tiantong Science and Technology Development Co., Ltd. (北京金風天通科技發展有限公司)	The PRC/ Mainland China	RMB3,000,000	100	–	Trading of wind power equipment and accessories
Jiangsu Goldwind Wind Technology Co., Ltd. (江蘇金風科技限公司)	The PRC/ Mainland China	RMB759,610,000	100	–	Manufacture and sale of wind power equipment and accessories
Goldwind Investment Holding Co., Ltd. (金風投資控股有限公司)	The PRC/ Mainland China	RMB1,000,000,000	100	–	Investment holding
Hami Goldwind Wind Power Equipment Manufacture Co., Ltd. (哈密金風風電設備有限公司)	The PRC/ Mainland China	RMB10,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Tianze Jiangsu Goldwind Wind Power Co., Ltd. (江蘇金風天澤風電有限公司)	The PRC/ Mainland China	RMB52,000,000	100	–	Development and operation of wind farms
Goldwind New Energy (HK) Investment Limited	The PRC/ Hong Kong	HK$501,000,000	100	–	Investment holding
Goldwind International Holdings (HK) Limited ("Goldwind International Holdings (HK)")	The PRC/ Hong Kong	HK$20,000,000	100	–	Investment holding
Goldwind Environmental Science & Technology Co., Ltd. (金風環保有限公司)	The PRC/ Mainland China	RMB1,000,000,000	100	–	Development and operation water treatment plants

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xilingol league Area Goldwind Science &Technology Co., Ltd. (錫林郭勒盟金風科技有限公司)	The PRC/ Mainland China	RMB50,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Tianxin International Finance Lease Co., Ltd. (天信國際租賃有限公司)	The PRC/ Mainland China	US$30,000,000	–	100	Finance lease services
Hami Tianrun New Energy Co., Ltd. (哈密天潤新能源有限公司)	The PRC/ Mainland China	RMB25,800,000	–	100	Development and operation of wind farms
Tacheng Tianrun New Energy Co., Ltd. (塔城天潤新能源有限公司)	The PRC/ Mainland China	RMB67,000,000	–	100	Development and operation of wind farms
Inner Mongolia Jieyuan Wind Energy Electricity Co., Ltd. (內蒙古潔源風能發電有限公司)	The PRC/ Mainland China	RMB145,100,000	–	53	Development and operation of wind farms
Jinzhou Quanyi New Energy Wind Power Co., Ltd. (錦州市全一新能源風電有限責任公司)	The PRC/ Mainland China	RMB55,060,000	–	51	Development and operation of wind farms
Pinglu Tianrun Wind Power Co., Ltd. (平陸天潤風電有限公司)	The PRC/ Mainland China	RMB32,000,000	–	100	Development and operation of wind farms
Shuozhou Pinglu Tianrui Wind Power Co., Ltd. (朔州市平魯區天瑞風電有限公司)	The PRC/ Mainland China	RMB56,000,000	–	75	Development and operation of wind farms
Zhongning Tianrun Wind Power Co., Ltd. (中寧天潤風電有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Keyou Zhongqi Tianyou New Energy Co., Ltd. (科右中旗天佑新能源有限公司)	The PRC/ Mainland China	RMB75,000,000	–	70	Development and operation of wind farms
Hami Yandun Tianrun Wind Power Co., Ltd. (哈密煙墩天潤風電有限公司)	The PRC/ Mainland China	RMB31,000,000	–	100	Development and operation of wind farms
Xiaxian Tianrun Wind Power Co., Ltd. (夏縣天潤風電有限公司)	The PRC/ Mainland China	RMB46,000,000	–	100	Development and operation of wind farms
Yixian Tianrun Wind Power Co., Ltd. (義縣天潤風電有限公司)	The PRC/ Mainland China	RMB10,000,000	–	100	Development and operation of wind farms
Jiangxian Tianrun Wind Power Co., Ltd. (絳縣天潤風電有限公司)	The PRC/ Mainland China	RMB20,750,000	–	100	Development and operation of wind farms
Guyuan Fengrun Wind Power Co., Ltd. (固原風潤風電有限公司)	The PRC/ Mainland China	RMB4,500,000	–	100	Development and operation of wind farms

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hami Tianrun Solar Energy Co., Ltd. (哈密天潤太陽能有限公司)	The PRC/ Mainland China	RMB44,000,000	–	100	Development and operation of solar power generation projects
Buerjin Tianrun New Energy Co., Ltd. (布爾津天潤新能源有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Fuyun Tianrun Wind Power Co., Ltd. (富蘊天潤風電有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Jingzhou Tianchu Wind Power Co., Ltd. (荊州天楚風電有限公司)	The PRC/ Mainland China	RMB42,000,000	–	100	Development and operation of wind farms
Yiwu Tianrun Wind Power Co., Ltd. (伊吾天潤風電有限公司)	The PRC/ Mainland China	RMB40,000,000	–	100	Development and operation of wind farms
UEP Penonome I, S.A.	Penonome	US$53,080,000	–	100	Development and operation of wind farms
Goldwind USA, Inc.	USA/ Delaware	US$3,600,000	–	100	Research and sale of wind power equipment and accessories
Goldwind Australia Pty Ltd.	Australia/ Victoria	AUD1,974,000	–	100	Research and sale of wind power equipment and accessories

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

** All these companies were incorporated with limited liability.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2016. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments, derivative financial instruments and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the Annual Improvements 2012-2014 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are to be applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal groups held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of IFRSs[5]

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

[4] No mandatory effective date yet determined but is available for adoption

[5] *Annual Improvements 2014-2016 Cycle* has amendments to three standards. Amendments to IFRS 12 will be effective for annual periods beginning on or after 1 January 2017. Amendments to IFRS 1 and Amendments to IAS 28 will be effective for annual periods beginning on or after 1 January 2018.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases – Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and listed equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorises within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and a disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 entity;

(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 (a);

(vii) a person identified in (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); and

(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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.4% to 3.2%
Machinery	4.8% to 19.2%
Vehicles	9.6% to 19.2%
Electronic equipment and others	9.6% to 19.2%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method over the estimated useful lives of 20 to 50 years. Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents, licences, self-developed technology know-how and office software

Purchased patents, licences, self-developed technology know-how and office software are stated at cost less any impairment losses and are amortised on the straight-line basis over the shorter of their estimated useful lives of 5 to 10 years and the relevant licence periods.

Operating concession

Operating concession represents the right to operate a water treatment plant and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 25 to 30 years. Details are given in “Service concession agreements” below.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession agreements

Consider given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for loans and receivables under "Investments and other financial assets" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" above.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" below.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the sewage and reclaimed water treatment and water distribution plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and accounts receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method, or finance income are charged directly to the profit or loss.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

The Group's financial liabilities include trade and bills payables, other payables, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing bank loans and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contract and interest rate swap, to hedge its foreign currency risk and interest rate risk, respectively. These derivative financial instruments are initially recognised at fair value on the date on which such derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress, semi-finished goods and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Perpetual securities

Perpetual securities are classified as equity if they are 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 recognized as distributions within equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of individual wind turbines based on standard solutions (supply-only projects) as well as spare parts sales, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the sale of electricity, upon the transmission of electric power to electric power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies periodically;

(c) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(d) from the rendering of wind power services, when the agreed services are performed, provided over the term of the relevant agreement;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute 5% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as expenses in profit or loss as incurred.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit– sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowings costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification as assets or a disposal group held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Judgement is made to determine whether the sale of the asset (or disposal group) is highly probable to make the asset (or disposal group) can be classified as held for sale.

Accounting for service concession arrangements

The Group engages in certain service concession arrangements in which the Group carries out construction work of the WTPs for the Grantors and receives in return a right to operate the WTPs concerned in accordance with the pre-established conditions set by the Grantors. In accordance with IFRIC Interpretation 12 Service Concession Arrangements, the WTPs under the service concession arrangements may be classified as intangible assets or financial assets. The WTPs are classified as intangible assets if the Group receives a right (a licence) to charge users of the public service or if the Grantors remunerate the Group on the basis of the extent of use of the WTPs by users, but with no guarantees as to the amounts that will be paid to the Group. Whenever only part of the investment by the Group under these service concession arrangements is covered by a payment commitment from the Grantors, it is recognised as a financial receivable up to the amount guaranteed by the Grantors, and as an intangible asset for the balance. The Group recognises a financial receivable if it has an unconditional contractual right under the service concession arrangements to receive a determinable amount of payments during the concession period irrespective of the usage of the WTPs.

Subsequent to initial recognition, the financial receivable is measured at amortised cost using the effective interest method.

When the Group receives a payment during the concession period, it will apportion such payment among (i) a repayment of the financial receivables (if any), which will be used to reduce the carrying amount of the financial receivables on the statements of financial position, (ii) interest income, which will be recognised as revenue in profit or loss and (iii) revenue from operating and maintaining the WTPs in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Accounting for service concession arrangements (continued)

Judgement is also exercised in determining the fair value of the financial receivables. Discount rates, estimates of future cash flows and other factors are used in the valuation process.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, the expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amounts will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period based on changes in circumstances.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Current income tax

The Group is subject to income taxes in numerous jurisdictions in the PRC. 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 in the periods in which the differences arise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred income tax

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future profits will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

Impairment of trade and bills receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade and bills receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

Warranty provision

Provision for product warranties given by the Group for certain products are recognised based on sales volume and historical experience of the level of repairs, discounted to their present values as appropriate.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Financial receivables

Estimation is exercised in determining the fair values of the financial receivables at initial recognition. These fair values are computed on the discounted cash flow method using a discount rate based upon the market-related rate for a similar instrument as at the date of initial recognition. The assumptions and estimates used can materially affect the fair values of the financial receivables.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the wind turbine generator manufacturing and sale segment engages in the research and development, manufacture and sale of wind turbine generators and wind power components;

(b) the wind power services segment provides wind power related consultancy, wind farm construction and maintenance services;

(c) the wind farm development segment engages in the development of wind farms, which consists of wind power generation service provided by the Group's wind farms as well as the sale of wind farms, if appropriate; and

(d) the others segment mainly engages in the operation of water treatment plants under the service concession arrangement and finance leasing services, which as comprised of direct finance leasing and sale-lease back.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	22,264,112	1,245,537	2,414,248	249,995	–	26,173,892
Intersegment sales	3,798,971	370,746	–	6,259	(4,175,976)	–
Total revenue	26,063,083	1,616,283	2,414,248	256,254	(4,175,976)	26,173,892
Segment results	2,697,206	79,287	1,198,146	540,123	(353,568)	4,161,194
Interest income	276,930	1,757	204,759	19,158	(425,192)	77,412
Finance costs	(185,498)	–	(808,141)	(11,655)	318,644	(686,650)
Profit before tax	2,788,638	81,044	594,764	547,626	(460,116)	3,551,956
Segment assets	48,080,216	2,704,230	31,715,355	5,712,495	(23,775,129)	64,437,167
Segment liabilities	27,742,645	1,366,314	22,338,464	2,683,221	(10,392,271)	43,738,373
Other segment information:						
Share of profits and losses of:						
Joint ventures	–	–	150,075	(726)	–	149,349
Associates	7,173	(239)	7,857	27,612	–	42,403
Depreciation and amortisation	169,018	6,343	820,956	14,048	(85,870)	924,495
Impairment of write-down of inventories	18,297	–	–	–	–	18,297
Reversal of write-down of inventories	(4,671)	–	–	–	(20,191)	(24,862)
Reversal of impairment of trade and other receivables	(156,459)	–	–	(169)	–	(156,628)
Impairment of trade and other receivables	330,015	5,281	23,025	693	–	359,014
Impairment of an investment in a joint venture	–	–	16,050	–	–	16,050
Product warranty provision	1,505,116	–	–	–	(156,687)	1,348,429
Investments in joint ventures	852	–	599,498	337,524	(123,744)	814,130
Investments in associates	82,480	9,428	280,874	179,804	(58,754)	493,832
Capital expenditure[1]	438,169	13,516	5,554,222	192,489	(637,977)	5,560,419

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	26,858,326	1,281,972	1,552,876	152,824	–	29,845,998
Intersegment sales	5,051,656	400,344	–	5,379	(5,457,379)	–
Total revenue	31,909,982	1,682,316	1,552,876	158,203	(5,457,379)	29,845,998
Segment results	3,337,918	2,860	731,137	245,907	(643,568)	3,674,254
Interest income	209,707	184	17,794	9,031	(108,459)	128,257
Finance costs	(105,493)	–	(459,869)	(5,946)	15,627	(555,681)
Profit before tax	3,442,132	3,044	289,062	248,992	(736,400)	3,246,830
Segment assets	43,801,389	1,982,112	27,031,906	4,733,798	(24,976,804)	52,572,401
Segment liabilities	26,417,915	755,775	19,276,557	2,159,882	(13,428,332)	35,181,797
Other segment information:						
Share of profits and losses of:						
Joint ventures	–	–	95,713	3,000	–	98,713
Associates	4,384	1,485	6,326	50,629	–	62,824
Depreciation and amortisation	141,220	6,532	441,298	7,005	(51,385)	544,670
Reversal of write-down of inventories	(5,748)	–	–	–	–	(5,748)
Impairment of trade and other receivables	277,825	12,728	25,226	169	(13,809)	302,139
Reversal of impairment of trade and other receivables	(93,902)	(23,034)	(4,455)	–	–	(121,391)
Impairment of property, plant and equipment	–	–	26,585	–	–	26,585
Impairment of an investment in a joint venture	6,362	–	–	–	–	6,362
Product warranty provision	2,109,552	–	–	–	(130,928)	1,978,624
Investments in joint ventures	827	–	513,706	36,750	(63,362)	487,921
Investments in associates	76,507	14,584	211,318	258,697	(1,827)	559,279
Capital expenditure[1]	338,108	17,612	7,614,728	279,801	(989,439)	7,260,810

[1] Capital expenditure mainly consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Mainland China	**23,964,654**	27,387,985
Overseas	**2,209,238**	2,458,013
	26,173,892	29,845,998

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December 2016 RMB'000	2015 RMB'000
Mainland China	**21,836,370**	19,404,192
United States of America	**531,583**	311,777
Germany	**451,801**	443,182
Panama	**741,942**	731,629
Australia and Others	**301,574**	104,980
	23,863,270	20,995,760

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

For the year ended 31 December 2016, revenue of approximately RMB2,796,276,000 (for the year ended 31 December 2015: RMB3,697,341,000) was derived from sales by Wind turbine generator manufacturing and sale segment to a single customer, which individually accounting for over 10% of the Group's total revenue, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; and the value of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue			
Sale of wind turbine generators and wind power components		**22,264,112**	26,858,326
Wind power services		**1,245,537**	1,281,972
Wind power generation		**2,414,248**	1,552,876
Others		**249,995**	152,824
		26,173,892	29,845,998
Other income and gains			
Bank interest income		**77,412**	128,257
Dividend income from available-for-sale investments		**68,094**	21,294
Gross rental income		**11,707**	19,235
Government grants		**154,785**	110,681
Value-added tax refund		**122,772**	109,349
Insurance compensation on product warranty expenditures		**177,977**	110,802
Provision of technical service		**4,688**	4,387
Gain on bargain purchase	37	**–**	683
Cash discounts		**1,857**	44,429
Gain on disposal of subsidiaries, including wind farm project companies	38	**51,950**	33,958
Gain on disposal of equity investment at fair value through profit or loss		**–**	76,802
Gain on disposal of available-for-sale investments		**106,139**	60,851
Gain on disposal of items of property, plant and equipment and other intangible assets		**739**	1,763
Gain on disposal of investments in associates, net		**196,997**	–
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges		**23,624**	–
Others		**86,363**	50,336
		1,085,104	772,827

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cost of inventories sold		**16,588,513**	20,332,006
Cost of services provided		**1,044,511**	1,136,552
Cost of wind power generation		**911,388**	583,089
Cost of others		**71,412**	17,394
		18,615,824	22,069,041
Depreciation (note (a)) provided for:			
Property, plant and equipment	12	**858,470**	480,692
Investment properties	13	**2,896**	2,896
		861,366	483,588
Amortisation of prepaid land lease payments (note (b))	14	**5,580**	4,683
Amortisation of other intangible assets (note (b))	16	**57,549**	56,399
		63,129	61,082
Impairment of trade receivables	23	**353,094**	271,208
Reversal of impairment of trade receivables	23	**(140,977)**	(121,391)
		212,117	149,817
Impairment of deposits and other receivables	25	**5,920**	30,931
Reversal of impairment of deposits and other receivables	25	**(15,651)**	–
		(9,731)	30,931
Impairment of property, plant and equipment	12	**–**	26,585
Impairment of an investment in a joint venture	17	**16,050**	6,362
Impairment of write-down of inventories to net realisable value		**18,297**	–
Reversal of write-down of inventories to net realisable value		**(24,862)**	(5,748)
		(6,565)	(5,748)
Loss on disposal of items of property, plant and equipment and other intangible assets, net		**2,386**	1,688
Lease expenses under operating leases of land and buildings (note (c))		**31,535**	20,700
Auditor's remuneration		**7,421**	7,399

6. PROFIT BEFORE TAX (continued)

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Employee benefit expenses (note (d))			
(including directors' and supervisors' remuneration):			
Wages and salaries		**1,200,620**	1,177,880
Pension scheme contributions			
(defined contribution scheme) (note (e))		**112,128**	69,723
Welfare and other expenses		**191,701**	197,051
		1,504,449	1,444,654
Research and development costs:			
Staff costs		**405,364**	309,596
Amortisation and depreciation		**27,765**	25,374
Materials expenditure and others		**317,834**	283,315
		750,963	618,285
Government grants (note (f))		**(154,785)**	(110,681)
Value-added tax refund		**(122,772)**	(109,349)
Product warranty provision:			
Additional provision	32	**1,556,632**	2,109,550
Reversal of unutilised provision	32	**(208,203)**	(130,926)
		1,348,429	1,978,624
Insurance compensation on product warranty expenditures		**(177,977)**	(110,802)
Foreign exchange differences, net		**113,435**	90,271
Cash discounts		**(1,857)**	(44,429)
Fair value (gains)/losses, net:			
Derivative instruments			
– transactions not qualifying as hedges		**(23,624)**	930
Equity investments at fair value through profit or loss		**–**	21,535
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**2,757**	146
Dividend income from available-for-sale investments		**(68,094)**	(21,294)
Bank interest income		**(77,412)**	(128,257)
Gain on disposal of subsidiaries, including wind farm project companies		**(51,950)**	(33,958)
Gain on disposal of available-for-sale investments		**(106,139)**	(60,851)
Gain on disposal of investments in associates		**(196,997)**	–
Gain on disposal of an equity investment at fair value through profit or loss		**–**	(76,802)
Gain on bargain purchase		**–**	(683)

6. PROFIT BEFORE TAX (continued)

Notes:

(a) Depreciation of approximately RMB787,773,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB420,111,000).

(b) Amortisation of prepaid land lease payments and other intangible assets approximately RMB41,808,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB46,582,000).

(c) Lease expenses under operating leases of land and buildings approximately RMB8,804,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB9,063,000).

(d) Employee benefit expenses approximately RMB152,099,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB186,812,000).

(e) As at 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2015: Nil).

(f) Most government grants have been received for setting up research activities. The government grants received have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in government grants as deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Interest on bank loans and other borrowings	**717,723**	645,581
Less: Interest capitalised	**(31,073)**	(89,900)
	686,650	555,681

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Fees	**613**	600
Other emoluments:		
– Salaries, allowances and benefits in kind	**6,312**	6,825
– Performance related bonuses	**12,388**	13,051
– Pension scheme contributions (defined contribution scheme)	**199**	203
	19,512	20,679

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' and supervisors' remuneration (continued)

The names of the directors of the Company (the "Directors"), and supervisors of the Company (the "Supervisors") and their remuneration for the year are as follows:

Year ended 31 December 2016

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors						
Wu Gang		–	1,709	3,290	27	5,026
Wang Haibo (the chief executive)		–	1,977	4,267	47	6,291
Cao Zhigang		–	1,866	4,159	47	6,072
		–	5,552	11,716	121	17,389
Non-executive directors						
Li Ying	(i)	–	–	–	–	–
Zhao Guoqing	(ii)	–	–	–	–	–
Feng Wei	(ii)	–	–	–	–	–
Yu Shengjun	(i)	–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Tin Yau Kelvin Wong	(v)	133	–	–	–	133
Luo Zhenbang		200	–	–	–	200
Yang Xiaosheng		200	–	–	–	200
Christopher F. Lee	(v)	80	–	–	–	80
		613	–	–	–	613
Supervisors						
Zhang Xiaotao	(iii)	–	117	–	18	135
Ji Tian	(iv)	–	252	241	14	507
Lu Min		–	391	431	46	868
Wang Mengqiu		–	–	–	–	–
Luo Jun		–	–	–	–	–
Wang Shiwei		–	–	–	–	–
		–	760	672	78	1,510
		613	6,312	12,388	199	19,512

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' and supervisors' remuneration (continued)

(i) Li Ying and Yu Shengjun resigned as non-executive directors of the Company, with effect from 29 June 2016 and 16 December 2016, respectively.

(ii) Zhao Guoqing and Feng Wei were appointed as non-executive directors of the Company, respectively, with effect from 13 January 2016 and 29 June 2016.

(iii) Zhang Xiaotao resigned as a supervisor of the Company with effect from 29 June 2016.

(iv) Ji Tian was appointed as a supervisor of the Company with effect from 29 June 2016.

(v) Tin Yau Kelvin Wong resigned as an independent non-executive director of the Company with effect from 29 June 2016, and was appointed as an independent non-executive director of the Company with effect from 22 October 2016.

Christopher F. Lee was appointed as an independent non-executive director with effect from 29 June 2016, and resigned with effect from 22 October 2016.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' and supervisors' remuneration (continued)

Year ended 31 December 2015

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors						
Wu Gang		–	1,676	2,335	30	4,041
Wang Haibo (the chief executive)		–	2,161	4,641	44	6,846
Cao Zhigang		–	1,939	4,512	44	6,495
		–	5,776	11,488	118	17,382
Non-executive directors						
Li Ying		–	–	–	–	–
Hu Yang	(i)	–	–	–	–	–
Yu Shengjun		–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Tin Yau Kelvin Wong		200	–	–	–	200
Luo Zhenbang		200	–	–	–	200
Yang Xiaosheng		200	–	–	–	200
		600	–	–	–	600
Supervisors						
Xiao Zhiping	(i)	–	504	1,325	18	1,847
Zhang Xiaotao		–	232	50	42	324
Lu Min	(ii)	–	313	188	25	526
Wang Mengqiu		–	–	–	–	–
Luo Jun		–	–	–	–	–
Wang Shiwei		–	–	–	–	–
		–	1,049	1,563	85	2,697
		600	6,825	13,051	203	20,679

(i) Hu Yang and Xiao Zhiping resigned as a non-executive director and a supervisor of the Company, respectively, with effect from 23 October 2015 and 22 April 2015.

(ii) Lu Min was appointed as a supervisor of the Company with effect from 22 April 2015.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees

An analysis of the headcount of the five highest paid employees within the Group for the year is as follows:

	2016	2015
Directors	3	2
Non-director, non-supervisor and non-chief executive employees	2	3
	5	5

Details of the remuneration of the above non-director, non-supervisor and non-chief executive highest paid employees are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	3,411	5,345
Performance related bonuses	7,640	11,055
Pension scheme contributions	94	130
	11,145	16,530

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2016	2015
HK$4,000,001 to HK$7,000,000	2	3

During the year, no directors, supervisors, or any of the non-director, non-supervisor and non-chief executive highest paid employees waived or agreed to waive any emoluments and no emoluments were paid by the Group to the directors, supervisors, or any of the non-director, non-supervisor and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX EXPENSE

The Company and four subsidiaries of the Company have been identified as "high and new technology enterprise" and are entitled to a preferential income tax at a rate of 15% for the year ended 31 December 2016 and 2015 in accordance with the PRC Corporate Income Tax Law.

The Company's certain subsidiaries in Mainland China were exempted from income tax or taxed at a preferential rate of 15% primarily due to their status as entities engaging in technology development or their involvement in important public infrastructure investment projects that were supported by the government and development projects in the western region of the PRC.

Except for certain preferential treatment available to certain subsidiaries of the Company and the Company as mentioned above, the entities within the Group in Mainland China were subject to corporate income tax at a rate of 25%.

Profits tax for Hong Kong has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current		
– Hong Kong	**15,196**	34,484
– Mainland China	**583,417**	792,268
– Elsewhere	**5,170**	22,762
	603,783	849,514
Deferred (note 20)	**(157,559)**	(478,075)
Tax charge for the year	**446,224**	371,439

9. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates applicable to the Company to the tax expense at the Group's effective tax rate is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before tax	**3,551,956**	3,246,830
Tax at the statutory tax rate of 25%	**887,989**	811,708
Effect of different income tax rates for overseas entities	**(7,477)**	(13,044)
Effect of the preferential income tax rates for domestic entities	**(328,921)**	(370,323)
Tax losses not recognised	**17,456**	40,871
Income not subject to tax	**(14,099)**	(5,792)
Expenses not deductible for tax	**26,229**	7,915
Additional tax deduction for research and development expenditure	**(96,254)**	(70,768)
Profits and losses attributable to joint ventures	**(37,337)**	(24,678)
Profits and losses attributable to associates	**(10,601)**	(15,706)
Others	**9,239**	11,256
Tax charge for the year at the effective rate of 12.6% (2015: 11.4%)	**446,224**	371,439

10. DIVIDENDS

For the year ended 31 December 2016, the Company proposed to distribute cash dividends of RMB2.00 (tax included) and stock dividends 3 shares (tax included) per each 10 shares with total amount of RMB1,367,771,000 to the shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

For the year ended 31 December 2015, the Company proposed to distribute cash dividends of RMB4.80 (tax included) with total amount of RMB1,313,060,000 to the shareholders.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,735,541,000 (2015: 2,708,239,000) in issue during the year, as adjusted to reflect the rights issue during the year.

For those financial instruments classified as equity, if the distributions are cumulative, the undeclared amount of the cumulative distributions were deducted in arriving at earnings for the purposes of the basic earnings per share calculation. On the other hand, if the distributions are non-cumulative, only the amount of dividends declared in respect of the year should be deducted in arriving at the profit attributable to ordinary shareholders.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculation of basic and diluted earnings per share is based on:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit attributable to owners of the Company	**3,002,982**	2,849,497
Less: distribution relating to the medium-term notes (i)	**(37,439)**	–
Profit used to determine basic and diluted earnings per share	**2,965,543**	2,849,497
Weighted average number of ordinary shares in issue	**2,735,541**	2,708,239
Basic and diluted earnings per shares	**1.08**	1.05

(i) The long-term option-embedded medium-term notes (the "Perpetual Medium-term Notes") issued by the Company in May 2016 and September 2016 were classified as other equity instruments with deferrable cumulative interest distribution and payment. The Perpetual Medium-term Notes interests which have been generated but not yet declared, from issue date to 31 December 2016, were deducted from earnings when calculate the earnings per share for the year ended 31 December 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2016					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2016	839,452	9,509,701	92,019	361,222	7,502,255	18,304,649
Additions	16,432	50,503	40,960	127,728	4,803,394	5,039,017
Disposals	(3,191)	(7,355)	(5,992)	(12,377)	–	(28,915)
Acquisition of subsidiaries (note 37)	–	–	–	2,677	1,230	3,907
Disposal of subsidiaries (note 38)	–	(80)	(293)	–	(164,186)	(164,559)
Transfers	40,979	8,919,397	–	18,829	(8,979,205)	–
Transfer to prepaid land lease payments (note 14)	–	–	–	–	(95,856)	(95,856)
Disposal groups classified as held for sale (note 27)	–	(878,382)	(653)	(535)	(655,915)	(1,535,485)
Exchange realignment	2,076	73,648	623	1,834	–	78,181
At 31 December 2016	895,748	17,667,432	126,664	499,378	2,411,717	21,600,939
Accumulated depreciation and impairment:						
At 1 January 2016	(119,064)	(939,192)	(34,243)	(170,453)	(26,585)	(1,289,537)
Depreciation provided during the year (note 6)	(25,804)	(764,592)	(10,455)	(57,619)	–	(858,470)
Disposals	170	6,486	2,969	6,699	–	16,324
Acquisition of subsidiaries (note 37)	–	–	–	(109)	–	(109)
Disposal of subsidiaries (note 38)	–	9	45	–	–	54
Disposal groups classified as held for sale (note 27)	–	22,331	93	69	–	22,493
Exchange realignment	(393)	(11,527)	(363)	(720)	–	(13,003)
At 31 December 2016	(145,091)	(1,686,485)	(41,954)	(222,133)	(26,585)	(2,122,248)
Net carrying amount:						
At 31 December 2016	750,657	15,980,947	84,710	277,245	2,385,132	19,478,691
At 1 January 2016	720,388	8,570,509	57,776	190,769	7,475,670	17,015,112

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Year ended 31 December 2015					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2015	841,890	7,772,248	74,327	269,181	2,316,858	11,274,504
Additions	1,128	11,094	20,605	90,419	6,882,272	7,005,518
Disposals	–	(55,835)	(3,034)	(12,469)	(161)	(71,499)
Acquisition of subsidiaries (note 37)	–	416	676	576	63,533	65,201
Disposal of subsidiaries (note 38)	–	–	(235)	(4)	(17,380)	(17,619)
Transfers	–	1,730,255	–	14,765	(1,745,020)	–
Exchange realignment	(3,566)	51,523	(320)	(1,246)	2,153	48,544
At 31 December 2015	839,452	9,509,701	92,019	361,222	7,502,255	18,304,649
Accumulated depreciation and impairment:						
At 1 January 2015	(96,602)	(535,971)	(25,498)	(134,655)	–	(792,726)
Depreciation charge for the year (note 6)	(22,992)	(405,914)	(9,988)	(41,798)	–	(480,692)
Provision for impairment (note 6)	–	–	–	–	(26,585)	(26,585)
Disposals	–	7,531	1,460	5,441	–	14,432
Acquisition of subsidiaries (note 37)	–	(44)	(356)	(249)	–	(649)
Disposal of subsidiaries (note 38)	–	–	7	–	–	7
Exchange realignment	530	(4,794)	132	808	–	(3,324)
At 31 December 2015	(119,064)	(939,192)	(34,243)	(170,453)	(26,585)	(1,289,537)
Net carrying amount:						
At 31 December 2015	720,388	8,570,509	57,776	190,769	7,475,670	17,015,112
At 1 January 2015	745,288	7,236,277	48,829	134,526	2,316,858	10,481,778

The net carrying amount of construction in progress of the Group included capitalised interest of approximately RMB23,312,000 (2015: RMB89,900,000), charged for the year 2016 prior to being transferred to buildings, machinery, vehicles and equipment.

As at 31 December 2016, certain of the Group's property, plant and equipment, with a net carrying amount of approximately RMB12,100,280,000 (31 December 2015: RMB9,161,552,000), were pledged to secure certain of the Group's bank loans (note 31).

13. INVESTMENT PROPERTIES

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cost:		
At beginning and end of year	**97,997**	97,997
Accumulated depreciation:		
At beginning of year	**(24,300)**	(21,404)
Depreciation charge for the year (note 6)	**(2,896)**	(2,896)
At end of year	**(27,196)**	(24,300)
Net carrying amount:		
At end of year	**70,801**	73,697
At beginning of year	**73,697**	76,593

The Group's investment properties consist of one commercial and one industrial properties in Mainland China. The Directors have determined that the investment properties consist of two classes of asset, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were valued on 31 December 2016 based on valuations performed by DTZ Cushman & Wakefield Limited, independent professionally qualified valuers, at RMB196,300,000 (31 December 2015: RMB195,100,000). The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

31 December 2016

Recurring fair value measurement for:	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Industrial property	–	–	146,400	146,400
Commercial property	–	–	49,900	49,900
	–	–	196,300	196,300

31 December 2015

Recurring fair value measurement for:	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Industrial property	–	–	145,200	145,200
Commercial property	–	–	49,900	49,900
	–	–	195,100	195,100

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

The industrial property located in Xinjiang was valued by the cost approach with reference to its depreciated replacement cost. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing an asset with its modern equivalent asset of the improvements, less the deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The commercial property located in Beijing was valued by the comparison approach by referencing to comparable market transactions. Comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

14. PREPAID LAND LEASE PAYMENTS

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Carrying amount at 1 January		**201,881**	177,677
Additions		**9,462**	28,887
Disposal of a subsidiary	38	**(7,573)**	–
Transfer from construction in progress	12	**95,856**	–
Disposal group classified as held for sale	27	**(1,714)**	–
Amortisation charge for the year	6	**(5,580)**	(4,683)
		292,332	201,881

As at 31 December 2016, certain of the Group's land use rights with a carrying value of approximately RMB155,151,000 (31 December 2015: RMB82,624,000) were pledged to secure certain of the Group's bank loans (note 31).

15. GOODWILL

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cost and net carrying amount at beginning of year		**316,259**	242,794
Acquisition of subsidiaries	37	**217,877**	81,856
Disposal of subsidiaries	38	**(68,394)**	–
Exchange realignment		**8,687**	(8,391)
Cost and net carrying amount at end of year		**474,429**	316,259

15. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the following cash-generating units for impairment testing:

- Wind turbine generator manufacturing and sale cash-generating unit; and
- Wind farm development cash-generating unit.

Wind turbine generator manufacturing and sale cash-generating unit

The recoverable amount of the wind turbine generator manufacturing and sale cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a three-year period approved by senior management. The discount rate applied to the cash flow projections is 11.24% (2015: 9.87%). The growth rate used to extrapolate the cash flow of the wind turbine generator manufacturing and sale cash-generating unit beyond the three-year period is 2% (2015: 2%). Senior management of the Company believes that this growth rate is justified. The net carrying amounts of goodwill allocated to the wind turbine generator manufacturing and sale cash-generating unit were RMB183,795,000 and RMB178,293,000, respectively, as at 31 December 2016 and 2015.

Wind farm development cash-generating unit

The recoverable amount of the wind farm development cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 9.00% (2015: 9.00%). The carrying amounts of goodwill allocated to the wind turbine generator manufacturing and sale cash-generating unit were RMB290,634,000 and RMB137,966,000, respectively, as at 31 December 2016 and 2015.

Assumptions were used in the value in use calculation of the wind turbine generator manufacturing and sale cash-generating unit and Wind farm development cash-generating unit for 31 December 2016 and 2015. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Budgeted gross margins	–	The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year and expected market development.
Discount rate	–	The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of the wind turbine generation manufacturing and sale and wind farm development, and discount rate are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2016					
	Technology licence RMB'000	Office software RMB'000	Patents and technology know-how RMB'000	Development costs RMB'000	Operating concession RMB'000 Note (i)	Total RMB'000
Cost:						
At 1 January 2016	19,023	90,142	456,816	30,974	276,334	873,289
Additions	–	45,241	891	71,827	96,031	213,990
Acquisition of subsidiaries (note 37)	–	279	–	–	91,118	91,397
Disposals	–	(340)	(11,570)	–	–	(11,910)
Transfer	–	–	37,258	(37,258)	–	–
Exchange realignment	–	76	8,157	–	–	8,233
At 31 December 2016	19,023	135,398	491,552	65,543	463,483	1,174,999
Accumulated amortisation:						
At 1 January 2016	(13,770)	(34,884)	(281,885)	–	(8,077)	(338,616)
Amortisation provided during the year (note 6)	(2,074)	(11,036)	(32,484)	–	(11,955)	(57,549)
Disposals	–	12	3,869	–	–	3,881
Exchange realignment	–	(47)	(6,864)	–	–	(6,911)
At 31 December 2016	(15,844)	(45,955)	(317,364)	–	(20,032)	(399,195)
Net carrying amount:						
At 31 December 2016	3,179	89,443	174,188	65,543	443,451	775,804
At 1 January 2016	5,253	55,258	174,931	30,974	268,257	534,673

16. OTHER INTANGIBLE ASSETS (continued)

	Year ended 31 December 2015					
	Technology licence RMB'000	Office software RMB'000	Patents and technology know-how RMB'000	Development costs RMB'000	Operating concession RMB'000 Note (i)	Total RMB'000
Cost:						
At 1 January 2015	19,023	59,095	451,592	26,605	–	556,315
Additions	–	31,401	–	23,433	719	55,553
Acquisition of subsidiaries (note 37)	–	–	–	–	275,615	275,615
Disposals	–	(138)	–	–	–	(138)
Transfer	–	–	19,064	(19,064)	–	–
Exchange realignment	–	(216)	(13,840)	–	–	(14,056)
At 31 December 2015	19,023	90,142	456,816	30,974	276,334	873,289
Accumulated amortisation:						
At 1 January 2015	(11,454)	(28,053)	(251,541)	–	–	(291,048)
Amortisation provided during the year (note 6)	(2,316)	(7,162)	(40,236)	–	(6,685)	(56,399)
Acquisition of subsidiaries (note 37)	–	–	–	–	(1,392)	(1,392)
Disposals	–	138	–	–	–	138
Exchange realignment	–	193	9,892	–	–	10,085
At 31 December 2015	(13,770)	(34,884)	(281,885)	–	(8,077)	(338,616)
Net carrying amount:						
At 31 December 2015	5,253	55,258	174,931	30,974	268,257	534,673
At 1 January 2015	7,569	31,042	200,051	26,605	–	265,267

Note (i): The arrangements involve the Group as an operator operating and maintaining the infrastructure (a water treatment plant) at a specified level of serviceability for a period of 25 to 30 years (the "service concession period") and transferring the infrastructure with nil consideration at the end of the service concession period.

17. INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Share of net assets	**828,105**	485,656
Goodwill on acquisition	**8,627**	8,627
	836,732	494,283
Provision for impairment	**(22,602)**	(6,362)
	814,130	487,921

The Group's balances of trade receivables, prepayments, deposits and other receivables and other payables and accruals with the joint ventures are disclosed in notes 23, 25 and 29 to the financial statements, respectively.

Movements in the provision for impairment of investments in joint ventures are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of year	**6,362**	–
Impairment losses recognised (note 6)	**16,050**	6,362
Exchange realignment	**190**	–
At end of year	**22,602**	6,362

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Share of the joint ventures' profit for the year	**149,349**	98,713
Share of the joint ventures' total comprehensive income	**149,349**	98,713

17. INVESTMENTS IN JOINT VENTURES (continued)

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	**814,130**	487,921

18. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Share of net assets	**493,832**	559,279

The Group's balances of trade receivables, prepayments, deposits and other receivables, trade payables and other payables and accruals with the associates are disclosed in notes 23, 25, 28 and 29 to the financial statements, respectively.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Share of the associates' profit for the year	**42,403**	62,824
Share of the associates' other comprehensive income	**(37,616)**	–
Share of the associates' total comprehensive income	**4,787**	62,824

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	**493,832**	559,279

19. AVAILABLE-FOR-SALE INVESTMENTS

		As at 31 December	
		2016	2015
		RMB'000	RMB'000
Listed equity investment, at fair value	(i)	**502,059**	322,825
Unlisted equity investments, at cost	(ii)	**689,266**	578,296
Other financial assets	(iii)	**750,000**	–
		1,941,325	901,121
Portion classified as non-current assets		**(1,191,325)**	(901,121)
Current portion		**750,000**	–

(i) During the year, the gross loss in respect of the listed equity investment recognised in other comprehensive loss amounted to RMB40,766,000. In 2015, the gross gain in respect of the listed equity investment recognised in other comprehensive loss amounted to RMB69,829,000.

(ii) The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at 31 December 2016 because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

(iii) The other financial assets represented corporate wealth management products purchased by the Company from a bank. The principals of the above products are guaranteed by banks with repayment due date. Anticipated yield for the aforementioned products, which could only be redeemed upon maturity, are both 3.27%.

No other comprehensive income or loss was recognised in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2016 because the aggregate changes of fair value of such financial assets were immaterial since their respective acquisition dates.

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Year ended 31 December 2016

Deferred tax assets

	Provision for impairment of assets RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Unrealised gains arising from intra-group sales RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	140,502	48,064	611,688	8,660	495,558	33,964	1,338,436
Deferred tax charged/(credited) to profit or loss during the year (note 9)	25,756	(14,572)	80,661	2,586	88,995	(4,658)	178,768
Deferred tax generated from acquisition of subsidiaries (note 37)	–	–	–	–	–	187	187
At 31 December 2016	166,258	33,492	692,349	11,246	584,553	29,493	1,517,391

Deferred tax liabilities

	Excess of fair values of identifiable assets and liabilities over carrying values arising from acquisition of subsidiaries RMB'000	Dividend withholding tax RMB'000	Depreciation of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	38,341	12,187	837	6,724	58,089
Deferred tax charged/(credited) to profit or loss during the year (note 9)	(2,600)	8,921	13,732	1,156	21,209
Deferred tax generated from acquisition of subsidiaries (note 37)	24,461	–	–	–	24,461
Exchange realignment	(2,893)	–	–	–	(2,893)
At 31 December 2016	57,309	21,108	14,569	7,880	100,866

20. DEFERRED TAX (continued)

Year ended 31 December 2015

Deferred tax assets

	Provision for impairment of assets RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Unrealised gains arising from intra-group sales RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	108,249	30,588	423,731	5,293	265,752	17,220	850,833
Deferred tax credited to profit or loss during the year (note 9)	32,253	17,476	187,957	3,367	229,806	16,744	487,603
At 31 December 2015	140,502	48,064	611,688	8,660	495,558	33,964	1,338,436

Deferred tax liabilities

	Excess of fair values of identifiable assets and liabilities over carrying values arising from acquisition of subsidiaries RMB'000	Dividend withholding tax RMB'000	Depreciation of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	21,122	–	324	5,451	26,897
Deferred tax charged/(credited) to profit or loss during the year (note 9)	(4,445)	12,187	513	1,273	9,528
Deferred tax generated from acquisition of subsidiaries (note 37)	22,757	–	–	–	22,757
Exchange realignment	(1,093)	–	–	–	(1,093)
At 31 December 2015	38,341	12,187	837	6,724	58,089

20. DEFERRED TAX (continued)

The Group has tax losses arising in Mainland China of RMB48,449,000 (2015: RMB109,013,000) that will expire in one to five years for offsetting against future taxable profits. The Group also has tax losses arising in the United States and Hong Kong of RMB226,828,000 (2015: RMB197,928,000) and RMB205,104,000 (2015: RMB103,617,000), respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

21. HELD-TO-MATURITY INVESTMENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Bond of Xinjiang New Energy (Group) Co., Ltd.	**49,995**	–

In December 2016, the Company subscribed for the 2016 corporate bonds issued by Xinjiang New Energy (Group) Co., Ltd. with an aggregate principal amount of RMB50,000,000 with maturing in 2021 and applicable interest rate of 5.1% per annum. The issue price for each of the corporate bond is RMB100.

22. INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Raw materials	**1,130,342**	1,365,793
Work in progress, finished and semi-finished goods	**2,058,015**	1,657,557
Low-value consumables and others	**3,923**	13,850
	3,192,280	3,037,200

23. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables	**13,613,120**	12,616,284
Bills receivable	**2,198,844**	992,349
Retention money receivables	**3,599,536**	3,285,247
Provision for impairment	**(808,014)**	(605,386)
	18,603,486	16,288,494
Portion classified as non-current assets (i)	**(1,857,030)**	(1,762,112)
Current portion	**16,746,456**	14,526,382

The Group normally allows a credit period of not more than three months to its customers. For retention money receivables, the due dates usually range from two to five years after the completion of commissioning for wind turbines. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

(i) The non-current portion of trade receivables mainly represented the amount of receivables for retentions held by customers at 31 December 2016 and 2015.

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 3 months	**6,200,020**	6,533,005
3 to 6 months	**1,966,881**	2,484,547
6 months to 1 year	**2,747,218**	2,044,802
1 to 2 years	**4,674,265**	3,211,365
2 to 3 years	**1,500,497**	932,819
Over 3 years	**1,514,605**	1,081,956
	18,603,486	16,288,494

23. TRADE AND BILLS RECEIVABLES (continued)

The movements in the provision for impairment of trade and bills receivables are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of year	**605,386**	463,984
Impairment losses recognised (note 6)	**353,094**	271,208
Impairment losses reversed (note 6)	**(140,977)**	(121,391)
Amounts written off as uncollectible	**(11,700)**	(6,325)
Exchange realignment	**2,211**	(2,090)
At end of year	**808,014**	605,386

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB186,381,000 (31 December 2015: RMB154,147,000) with a carrying amount before provision of RMB273,019,000 (31 December 2015: RMB320,957,000).

The individually impaired trade receivables relate to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**8,810,463**	9,326,167
Less than 6 months past due	**4,413,572**	3,867,003
	13,224,035	13,193,170

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment 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.

23. TRADE AND BILLS RECEIVABLES (continued)

The amount due from Xinjiang Wind Power Company Limited ("Xinjiang Wind Power") (新疆風能有限責任公司), a shareholder holding a 13.74% interest in the Company, and the amounts due from the Group's joint ventures and associates included in the Group's trade and bills receivables are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
A shareholder holding a 13.74% interest in the Company	**504**	1,712
Joint ventures	**36,130**	23,280
Associates	**284,040**	49,168
	320,674	74,160

The above balances are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the independent customers of the Group.

The weighted average effective interest rate on non-current trade receivables is as follows:

	Year ended 31 December	
	2016	2015
Effective interest rate	**4.80%**	5.80%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

The carrying balances of the current trade and bills receivables approximate to their fair values. In addition, as the non-current trade receivables have been discounted based on the effective interest rate, the carrying amounts of the non-current trade receivables approximate to their fair values.

As at 31 December 2016, the Group's trade receivables, amounting to RMB986,173,000 (31 December 2015: RMB1,125,464,000), were pledged to secure certain of the Group's bank loans (note 31).

As at 31 December 2016, bills receivable amounting to RMB338,343,000 were pledged to bank loans (2015: RMB333,210,000) (note 31) and no bill receivable (2015: RMB90,000,000) was pledged to secure the Group's bank acceptance bills.

24. FINANCIAL RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Receivables for service concession agreements	**878,041**	393,087
Receivables for finance lease services	**1,909,653**	1,619,086
	2,787,694	2,012,173
Portion classified as non-current assets	**(2,451,312)**	(1,867,047)
Current portion	**336,382**	145,126

Receivables for service concession agreements arose from service concession contracts to build and operate water treatment plants and were recognised to the extent that the Group has an unconditional right to receive cash from or at the direction of the designees.

Receivables for finance lease services arose from finance lease contracts to lease equipment to clients and were recognised to the extent that the Group has the right to collect rental income from clients.

Financial receivables were unbilled receivables, and were neither past due nor impaired. Financial receivables were mainly due from governmental authorities in Mainland China or several clients which have good credit records. The Directors are of the opinion that no provision for impairment 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 or other credit enhancements over these balances.

As at 31 December 2016, the Group's financial receivables amounting to RMB487,428,000 (31 December 2015: Nil) were pledged to secure certain of the Group's bank loans (note 31).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Advances to suppliers	**677,776**	641,540
Prepayments	**196,593**	338,932
Deductible VAT	**1,749,497**	1,684,618
Deposits and other receivables	**955,250**	566,453
Provision for impairment of deposits and other receivables	**(6,696)**	(21,422)
	3,572,420	3,210,121
Portion classified as non-current assets (i)	**(1,594,871)**	(1,938,558)
Current portion	**1,977,549**	1,271,563

(i) The non-current portion of deposits and other receivables mainly represented advances to construction suppliers and non-current deductible input value-added tax at 31 December 2016 and 2015.

Movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of year	**21,422**	16,191
Impairment losses recognised (note 6)	**5,920**	30,931
Impairment losses reversed (note 6)	**(15,651)**	–
Amounts written off as uncollectible	**(5,000)**	(25,691)
Exchange realignment	**5**	(9)
At end of year	**6,696**	21,422

Included in the above provision for impairment of other receivables is a provision for individually impaired trade receivables of RMB6,696,000 (31 December 2015: RMB21,422,000) with a carrying amount before provision of RMB25,672,000 (31 December 2015: RMB39,987,000).

The individually impaired trade receivables relate to customers that were default in principal payments and only a portion of the receivables is expected to be recovered.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The amounts due from the Group's joint ventures and associates included in the prepayments, deposits and other receivables are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Joint ventures	23,819	5,837
Associates	24,481	43,584
	48,300	49,421

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the independent third parties.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Cash and bank balances	**5,848,561**	3,923,586
Time deposits	**2,702,424**	2,668,327
	8,550,985	6,591,913
Less: Pledged time deposits:		
– Bank loans (note 31)	**(136,915)**	(118,496)
– Letters of credit	**(12,102)**	(820)
– Guarantee issued	**(590,148)**	(39,677)
– Provision for risk	**(276,618)**	(285,542)
– Others	**(1,031)**	–
	(1,016,814)	(444,535)
Cash and cash equivalents in the consolidated statement of financial position	**7,534,171**	6,147,378
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(7,708)**	(5,948)
Cash and cash equivalents in the consolidated statement of cash flows	**7,526,463**	6,141,430
Pledged deposits	**1,016,814**	444,535
Portion classified as non-current assets	**(276,618)**	(285,542)
Current portion	**740,196**	158,993
Cash and cash equivalents and pledged deposits denominated in:		
– RMB	**6,271,906**	5,437,604
– United States dollar	**1,766,550**	597,601
– Euro	**313,817**	316,343
– Hong Kong dollar	**48,465**	65,836
– Australian dollar	**136,453**	172,802
– Other currencies	**13,794**	1,727
	8,550,985	6,591,913

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 7 December 2016, one of the subsidiaries of the Company, Beijing Tianrun, entered into a disposal agreement with an independent third party, Apple Operations ("Apple"), to dispose of its 30% equity interests in Qiaojia Tianqiao Wind Power Co., Ltd (" Qiaojia Tianqiao"), Nanyang Runtang New Energy Co., Ltd ("Nanyang Runtang"), Shuozhou City Pinglu Sineng Wind Power Co., Ltd ("Pinglu Sineng"), and Zibo Runchuan New Energy Co., Ltd ("Zibo Runchuan"), respectively. According to the agreement, Beijing Tianrun will lost the control over the above subsidiaries upon completion of the transaction. The transaction is due to be completed in 2017.

In 2016, Beijing Tianrun entered into a disposal agreement with China Three Gorges New Energy Co., Ltd. to dispose of all its 50% equity interest in Qingdao Runlai Wind Power Co., Ltd. ("Qingdao Runlai"), a joint venture of the Group. The transaction is due to be completed in 2017.

27. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (continued)

The investment in Qingdao Runlai, and the assets and liabilities of Qiaojia Tianqiao, Nanyang Runtang, Pinglu Sineng and Zibo Runchuan classified as held for sale as at 31 December 2016 are as follows:

	Notes	As at 31 December 2016 RMB'000
Assets		
Property, plant and equipment	12	**1,512,992**
Prepaid land lease payments	14	**1,714**
Investment in a joint venture		**10,455**
Trade and bills receivables		**52,524**
Prepayments, deposits and other receivables		**207,972**
Cash and cash equivalents		**7,992**
Assets of disposal groups classified as held for sale		**1,793,649**
Liabilities		
Trade payables		**(179,761)**
Other payables and accruals		**(850)**
Interest-bearing bank loans		**(469,489)**
Liabilities directly associated with the assets classified as held for sale		**(650,100)**
Net assets directly associated with the disposal groups		**1,143,549**

There is no cumulative income or expense recognised in other comprehensive income relating to the disposal groups classified as held for sale.

27. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (continued)

The net carrying amount of construction in progress which was classified as held for sale included capitalised interest of approximately RMB7,761,000 (2015:Nil), charged for the year 2016 prior to being transferred to buildings, machinery, vehicles and equipment.

Certain of the bank loans amounting to RMB466,040,000 (31 December 2015: Nil) as at 31 December 2016 were secured by mortgages over certain of its property, plant and equipment with the carrying values of RMB650,681,000 (31 December 2015: Nil).

28. TRADE AND BILLS PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables	**10,348,261**	10,263,687
Bills payable	**4,879,121**	4,826,818
	15,227,382	15,090,505
Portion classified as non-current liabilities (i)	**(754,661)**	(815,887)
Current portion	**14,472,721**	14,274,618

(i) The non-current portion of trade payables mainly represented retention amounts held by the Group as at 31 December 2016 and 2015.

Trade and bills payables are non-interest-bearing and are normally settled in 180 days. For the retention payables in respect of warranties granted by the suppliers, the due dates usually range from three to five years after the completion of the preliminary acceptance of goods.

28. TRADE AND BILLS PAYABLES (continued)

An ageing analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 3 months	**10,382,690**	10,371,358
3 to 6 months	**2,351,574**	2,983,146
6 months to 1 year	**799,971**	471,717
1 to 2 years	**913,097**	709,267
2 to 3 years	**370,553**	206,391
Over 3 years	**409,497**	348,626
	15,227,382	15,090,505

The amounts due to the Group's associates included in the trade and bills payables are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Associates	**1,191,540**	2,019,579

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

The weighted average effective interest rate on non-current trade payables is as follows:

	Year ended 31 December	
	2016	2015
Effective interest rate	**5.23%**	5.36%

The weighted average effective interest rate is determined by reference to prevailing commercial bank borrowing interest rates for unsecured bank loans with similar maturity.

29. OTHER PAYABLES, ADVANCE FROM CUSTOMERS AND ACCRUALS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Advances from customers	**3,225,053**	1,889,394
Accrued salaries, wages and benefits	**667,335**	606,536
Other taxes payable	**367,296**	265,836
Others	**876,173**	556,259
	5,135,857	3,318,025
Portion classified as non-current liabilities (i)	**(109,638)**	(97,493)
Current portion	**5,026,219**	3,220,532

(i) The non-current portion of other payables mainly represented guarantee amounts held by the Group as at 31 December 2016 and 2015.

The amounts due to the Group's joint ventures and associates included in other payables and accruals are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Joint ventures	**2,927**	2,592
Associates	**5,360**	70
	8,287	2,662

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Assets		
Forward currency contracts, current portion	**25,937**	–
Interest rate swap, non-current portion	**1,986**	4,121

The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB25,937,000 were charged to the statement of profit or loss and other comprehensive income during the year (2015: Nil).

The carrying amounts of the derivative financial instruments are the same as their fair values.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2016			As at 31 December 2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short-term bank loans:						
– Unsecured	2.65-3.70	2017	1,565,000	2.65-2.90	2016	1,300,718
– Secured	4.20-4.65	2017	238,654	4.55	2016	18,756
Current portion of long-term bank loans:						
– Unsecured	1.20-4.90	2017	23,162	Six-month LIBOR+3.5	2016	10,390
– Secured	1.68-6.15	2017	662,016	2.29-6.15	2016	404,239
Corporate bonds (i):						
– Secured	3.40	2017	183,237			–
			2,672,069			1,734,103
Non-current						
Long-term bank loans:						
– Unsecured	1.20-4.90	2018-2026	543,427	Six-month LIBOR+3.5	2017-2021	6,494
– Secured	1.68-6.15	2018-2035	11,323,118	2.29-6.15	2017-2031	8,382,077
Corporate bonds (i):						
– Unsecured	2.50-4.98	2018	2,530,536	2.50-4.98	2018	2,372,053
– Secured	3.60-4.50	2018-2021	1,021,957			–
			15,419,038			10,760,624
			18,091,107			12,494,727
Interest-bearing bank and other borrowings are denominated in:						
– RMB			15,015,587			9,705,880
– Euro			83,733			170,496
– United States dollar			2,991,787			2,618,351
			18,091,107			12,494,727

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(i) In May 2015, the Company received an approval from National Association of Financial Market Institutional Investor (中國銀行間交易商協會) to issue medium-term notes up to RMB2.3 billion. In June 2015, the Company issued the first portion of medium-term notes in an aggregate amount of RMB500 million, which is repayable in June 2018 and its applicable interest rate is 4.98% per annum. The issue price for each of the medium-term notes is RMB100.

In July 2015, Goldwind New Energy (HK) Investment Limited, a subsidiary of the Company, issued an overseas corporate bond in an aggregate principal amount of US$300 million, which is repayable in July 2018 and its applicable interest rate is 2.50% per annum. The issue price for the overseas corporate bond is US$100. Subsequent to the completion of the issue of the corporate bond, the corporate bond was listed on the Hong Kong Stock Exchange.

ABC Hui Ying • Goldwind electricity charge rights green-asset-backed special plan ("Special Plan") was issued on 3 August, 2016, and Agricultural Bank of China (Shanghai) Asset Management Co., Ltd. was appointed as the Special Plan's manager. The Special Plan officially listed in Shanghai Stock Exchange at 26 August 2016, which provides the transfer service on fixed-income securities electronic platform. The priority of asset-backed securities under the Special Plan included Goldwind Green A, Goldwind Green B, Goldwind Green C, Goldwind Green D, and Goldwind Green E. The issued amounts are RMB190 million, RMB215 million, RMB250 million, RMB270 million, and RMB285 million, respectively, with applicable interest rates being 3.4%, 3.6%, 3.9%, 4.2%, and 4.5% per annum. The valuation date is 3 August 2016, and maturity dates are 3 February and 3 August 2017, 3 February and 3 August 2018, 3 February and 3 August 2019, 3 February and 3 August 2020 and 3 February and 3 August 2021, respectively. The special plan was paid once each six months, and the expected return on each maturity date was paid with the principal. The Special Plan were secured by certain of Company's subsidiaries' ownership and future electricity charge rights and their future income thereon.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2016 and 2015 is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**2,488,832**	1,734,103
In the second year	**1,737,118**	896,883
In the third to fifth years, inclusive	**3,330,554**	2,285,510
Above five years	**6,798,874**	5,206,178
	14,355,378	10,122,674
Corporate bond repayable:		
Within one year	**183,237**	–
In the second year	**2,742,494**	–
In the third to fifth years, inclusive	**809,998**	2,372,053
	3,735,729	2,372,053
	18,091,107	12,494,727

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Group's bank loans of approximately RMB12,524,629,000 (31 December 2015: RMB8,821,956,000), were secured or guaranteed by the following:

(a) Certain of the Group's bank loans amounting to approximately RMB11,427,063,000 (31 December 2015: RMB8,315,997,000) as at 31 December 2016 were secured by mortgages over certain of the property, plant and equipment and prepaid land lease payments of the Group and by the pledge of the Group's bank deposits and electricity charge rights and their future income thereon and bank deposits for provision for risk. As at the reporting date, the aggregate carrying values of assets are follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Property, plant and equipment	**12,090,992**	9,149,702
Prepaid land lease payments	**155,151**	82,624
Bank deposits	**746**	1,222
Trade and bill receivables under the electricity charge rights	**1,205,706**	1,439,918
Bank deposits for provision for risk	**101,556**	111,450
	13,554,151	10,784,916

(b) Certain of the bank loans of the Company's subsidiaries, amounting to EUR11,460,000 (equivalent to approximately RMB83,733,000) (31 December 2015: EUR9,834,000, equivalent to approximately RMB69,777,000) as at 31 December 2016 were secured by mortgages over certain of its property, plant and equipment and by the pledge of certain bank deposits of the Group.

As at 31 December 2016, the carrying value of these secured property, plant and equipment amounted to RMB9,288,000 (31 December 2015: RMB11,850,000) and the bank deposits amounted to approximately RMB2,918,000 (31 December 2015: RMB1,883,000).

(c) Certain of the bank loans of the Company's subsidiaries, amounting to RMB28,375,000 (31 December 2015: Nil) were secured by the pledge of the receivables amounting to RMB2,150,000 (31 December 2015: Nil) and financial receivables amounting to RMB103,479,000 (31 December 2015: Nil) under the water treatment.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(d) Certain of the bank loans of one of the Company's subsidiaries, amounting to RMB61,019,000 (31 December 2015: Nil) were secured by the pledge of the receivables amounting to RMB10,403,000 (31 December 2015: Nil) and financial receivables amounting to RMB238,345,000 (31 December 2015: Nil) under the the water treatment. These bank loans were also guaranteed by the Company and the former shareholder of the Company's subsidiary.

(e) Certain of the Group's short-term bank loans amounting to approximately RMB238,654,000 (31 December 2015: RMB18,756,000) as at 31 December 2016 were secured by the pledge of the Group's trade receivables amounting to RMB106,257,000 (31 December 2015: RMB18,756,000) and financial receivables amounting to RMB145,604,000 (31 December 2015: Nil).

(f) Certain of the bank loans of one of the Company's subsidiaries, UEP Penonome S.A., amounting to US$55,492,000 (equivalent to approximately RMB384,945,000) (31 December 2015: US$61,683,000, equivalent to approximately RMB400,543,000) as at 31 December 2016 were secured by pledge of Goldwind International Holdings (HK)'s equity interest in UEP Penonome S.A. and bank deposits amounting to approximately RMB133,251,000 (31 December 2015: RMB115,391,000) and guaranteed by Goldwind International Holdings (HK) in the form of a letter of credit, which is amounting to RMB37,446,000 (31 December 2015: RMB36,910,000). UEP Penonome S.A. is a subsidiary of Goldwind International Holdings (HK).

(g) Certain of the bank loans of the Company's subsidiaries, amounting to approximately US$32,700,000 (equivalent to approximately RMB226,840,000) (31 December 2015: US$2,600,000, equivalent to approximately RMB16,883,000), and RMB54,000,000 (31 December 2015: Nil) as at 31 December 2016, were guaranteed by the Company.

(h) Certain of the Company's bank loans amounting to approximately RMB20,000,000 (31 December 2015: Nil) as at 31 December 2016 were guaranteed by one of the Company's subsidiaries.

32. PROVISION

The Group generally provides two to five year warranties to its customers on the wind turbine generators sold by the Group, under which faulty components are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of year	**3,492,911**	2,098,111
Additional provision (note 6)	**1,556,632**	2,109,550
Reversal of unutilised amounts (note 6)	**(208,203)**	(130,926)
Amounts utilised during the year	**(873,626)**	(582,219)
Exchange realignment	**(1,833)**	(1,605)
At end of year	**3,965,881**	3,492,911
Portion classified as current liabilities	**(1,599,111)**	(1,290,212)
Non-current portion	**2,366,770**	2,202,699

The carrying amount of the Group's provision approximates to its fair value.

33. GOVERNMENT GRANTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Government grants	**304,770**	270,101

Government grants are received by the Group as financial subsidies for the research and development projects and improvement of manufacturing facilities of the Group. Government grants are recognised as income over the periods necessary to match the grant on a systematic basis to the research and development costs that they are intended to compensate or over the expected useful life of the relevant property, plant and equipment.

33. GOVERNMENT GRANTS (continued)

The movements in government grants during the years are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of year	**270,101**	244,218
Additions	**40,597**	44,652
Acquisition of subsidiaries (note 37)	**–**	1,091
Recognised as income during the year	**(11,162)**	(24,500)
Exchange realignment	**5,234**	4,640
At end of year	**304,770**	270,101

34. SHARE CAPITAL

	As at 31 December			
	2016		2015	
	Number of shares	**Value**	Number of shares	Value
	'000	**RMB'000**	'000	RMB'000
Shares				
Issued and fully paid:				
A shares of RMB1.00 each	**2,235,494**	**2,235,494**	2,235,494	2,235,494
H shares of RMB1.00 each	**500,047**	**500,047**	500,047	500,047
	2,735,541	**2,735,541**	2,735,541	2,735,541

34. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Year ended 31 December			
	2016		2015	
	Numbers of shares in issue '000	Share capital RMB'000	Numbers of shares in issue '000	Share capital RMB'000
At beginning of year	2,735,541	2,735,541	2,694,588	2,694,588
Issue of shares (a)	–	–	40,953	40,953
At end of year	2,735,541	2,735,541	2,735,541	2,735,541

(a) In June 2015, the Company has received an approval of non-public issuance of A share from the China Securities Regulatory Commission ("中國證券監督管理委員會"). In August 2015, the Company issued 40,953,000 new A shares to the non-public at an issue price of RMB8.47 per share, and the net proceeds, after expense, received therefrom was approximately RMB336 million.

35. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity for the current and prior years on page 99 and 100 of these financial statements.

36. OTHER EQUITY INSTRUMENT

In May 2016, the Company received an approval from National Association of Financial Market Institutional Investors ("中國銀行間交易商協會") to issue long-term option-embedded medium-term notes (the "Perpetual Medium-term Notes") of RMB3 billion, which shall be effective for two years commencing from the date of the approval. In May 2016 and September 2016, the Company issued the first portion and the second portion of the Perpetual Medium-term Notes in an aggregate amount of RMB1 billion at the initial distribution rate of 5% and an aggregate amount of RMB500 million at the initial distribution rate of 4.2%, respectively. The proceeds from issuance of the Perpetual Medium-term Notes after the issuance costs were RMB996,547,000 and RMB498,571,000, respectively. The issue price for each of the Perpetual Medium-term Notes is RMB100.

Pursuant to the terms of the Perpetual Medium-term Notes, the Company has no contractual obligation to repay their principal or to pay any coupon distribution. The Perpetual Medium-term Notes are classified as equity and subsequent distribution declared will be treated as distribution to equity owners.

37. BUSINESS COMBINATIONS

In 2016, the following entities were acquired from third parties for the purpose of expending business. Acquisitions of equity interests in these entities have been accounted for using the acquisition method of accounting effective from the dates when the entities were controlled by the Group. Details are as follows:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
Jinan Ruifeng New Energy Co., Ltd.	January 2016	75%	RMB15,000,000
Xianyang Golden Lotus Water Service Co., Ltd.	February 2016	95%	RMB47,310,000
Fuzhou Environmental Science & Technology Co., Ltd.	March 2016	90%	RMB44,375,000
Jiangsu Yancheng Golden of Municipal Engineering co., Ltd.	June 2016	100%	RMB3,000,000
Rattlesnake Power, LLC.	August 2016	100%	USD15,000,000
Moorabool South Wind Farm Pty Ltd	September 2016	100%	AUD10,564,000
Moorabool Wind Farm Pty Ltd	September 2016	100%	AUD10,039,000
Xianyang Lanqing Water Service Co., Ltd.	September 2016	95%	RMB46,550,000
Anlu Yunquan Environmental & Technology Ltd.	November 2016	90%	RMB18,000,000

In 2015, the following entities were acquired from third parties for the purpose of expending business. Acquisitions of equity interests in these entities have been accounted for using the acquisition method of accounting effective from the dates when the entities were controlled by the Group. Details are as follows:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
White Rock Wind Farm Pty. Ltd	March 2015	100%	RMB52,891,000
Fusong Xiaoqing Water Service Co., Ltd.	March 2015	70%	RMB35,000,000
Shuozhou PingLu District WoLong Wind Power Co., Ltd.	April 2015	51%	RMB6,250,000
Funing Industrial Wastewater Treatment Co., Ltd.	August 2015	90%	RMB27,006,000
Zibo Tuopuwei Energy Technology Co., Ltd.	August 2015	60%	RMB3,000,000
Inner Mongolia Nuclear Clean New Energy Investment Co., Ltd.	August 2015	60%	RMB30,000,000
Wuhan JingChuan Wastewater Treatment Co., Ltd.	September 2015	100%	RMB96,900,000
Tianjing Hekai Technology Co., Ltd	September 2015	100%	RMB30,000,000

In addition, In August 2015, Beijing Tianrun acquired 58.7% interests in Panzhihua Renhe Industrial Tianyou Jiangxia New Energy Co., Ltd. at a consideration of 10% interests in Keyou Zhongqi Tianyou New Energy Co., Ltd., a subsidiary of Beijing Tianrun.

37. BUSINESS COMBINATIONS (continued)

The fair values of the identifiable assets and liabilities of these companies as at the dates of acquisition were as follows:

	Notes	Year ended 31 December 2016 Fair value recognised on acquisition RMB'000	2015 Fair value recognised on acquisition RMB'000
Property, plant and equipment	12	**3,798**	64,552
Other intangible assets	16	**91,397**	274,223
Investment in an associate		**–**	15,000
Inventories		**8,327**	83
Deferred tax assets	20	**187**	–
Trade receivables		**15,949**	7,854
Financial receivables		**471,607**	200,601
Prepayments, deposits and other receivables		**63,743**	14,747
Cash and cash equivalents		**4,612**	40,231
Trade payables		**(62,737)**	(132,530)
Other payables and accruals		**(318,424)**	(69,030)
Interest-bearing bank loans		**(80,240)**	(139,000)
Tax payable		**–**	(46)
Deferred tax liabilities	20	**(24,461)**	(22,757)
Government grants	33	**–**	(1,091)
Total identifiable net assets at fair value		**173,758**	252,837
Non-controlling interests		**(12,121)**	(43,578)
		161,637	209,259
Goodwill on acquisition	15	**217,877**	81,856
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income	5	**–**	(683)
Total consideration		**379,514**	290,432
Satisfied by cash*		**379,514**	281,047

* In 2015, Beijing Tianrun acquired a 58.7% interest in Panzhihua Renhe Industrial Tianyou Jiangxia New Energy Co., Ltd. at a consideration of 10% interests in Keyou Zhongqi.

37. BUSINESS COMBINATIONS (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash consideration	**(379,514)**	(281,047)
Other payable due to certain equity sellers	**111,099**	88,622
Cash and cash equivalents paid	**(268,415)**	(192,425)
Cash and cash equivalents acquired	**4,612**	40,231
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(263,803)**	(152,194)

Since the acquisition, the acquired companies contributed RMB78,390,000 to the Group's revenue and RMB30,046,000 to the consolidated profit for the year ended 31 December 2016.

Had the acquisitions taken place at the beginning of the year, the revenue of the Group and the profit after tax of the Group for the year would have been RMB26,181,120,000 and RMB3,106,950,000, respectively.

38. DISPOSAL OF SUBSIDIARIES

On 29 February 2016, the Group disposed its 50% equity interests in Tongzi Tiantong Wind Power Co., Ltd. to an independent third party and lost control of this entity, by capital injection from the third party with amount of RMB4,000,000 in this entity.

On 31 May 2016, the Group disposed its 75% equity interests in White Rock Wind Farm Pty Ltd. to an independent third party, by capital injection from the third party with amount of AUD33,944,000 in this entity.

On 1 July 2016, the Group disposed of its 100% equity interest in Tianjin Hekai Science & Technology Co., Ltd. to a third party for a cash consideration of RMB30,000,000.

On 31 August 2016, the Group disposed of its 100% equity interest in Goldwind Venture Capital Investment Co., Ltd. to Ningbo Lanxi Grow One Equity Investment Partnership (limited partnership), one of the joint ventures of the Company, for a cash consideration of RMB30,566,000.

On 31 January 2015, the Group disposed of its 100% equity interest in Jingbian Fengrun Wind Power Co., Ltd. to an independent third party for a cash consideration of RMB20,300,000.

38. DISPOSAL OF SUBSIDIARIES (continued)

On 26 June 2013, one of the subsidiaries of the Company, Beijing Tianrun, entered into a disposal agreement with an independent third party, Chifeng Jinneng New Energy Investment Co., Ltd. (赤峰市金能新能源有限責任公司), to dispose of its 90% equity interest in Chifeng Tianrun Xinneng New Energy Investment Co., Ltd. ("Chifeng Xinneng") (赤峰市天潤鑫能新能源有限公司) for a cash consideration of RMB183,800,000. As Beijing Tianrun give effort to exempt the risk-bearing mechanism relating to this transaction, the expecting disposal date puts off to the first half of 2015. The assets and liabilities of Chifeng Xinneng were classified as held for sale in the consolidated statement of financial position as at 31 December 2014. In 2015, Beijing Tianrun entered into an agreement with the creditor bank, Chifeng Jinneng New Energy Investment Co., Ltd. and Chifeng Xinneng, and obtain the approval from the creditor bank the equity interest disposal. The deal was completed and closed at 31 December 2015.

The net assets/liabilities of the subsidiaries disposed of during the years ended 31 December 2016 and 2015 were as follows:

		Year ended 31 December	
		2016	2015
	Notes	**RMB'000**	RMB'000
Net assets disposed of:			
Property, plant and equipment	12	**164,505**	17,612
Prepaid land lease payments	14	**7,573**	–
Interests in associate		**15,000**	–
Available-for-sale investments		**135,000**	–
Deferred tax assets		**23**	–
Prepayments, deposits and other receivables		**6,853**	166
Assets of a disposal group classified as held for sale		**–**	745,559
Cash and cash equivalents		**166,106**	3,202
Trade payables		**(147,571)**	(680)
Other payables and accruals		**(184,058)**	–
Liabilities directly associated with the assets classified as held for sale		**–**	(580,426)
		163,431	185,433
Non-controlling interests		**–**	(15,291)
Net assets belong to the parent company		**163,431**	170,142
Goodwill	15	**68,394**	–
Fair value of net assets not disposed of and remained as investment in an associate		**(57,407)**	–
Gain on disposal of subsidiaries	5	**51,950**	33,958
Total consideration		**226,368**	204,100
Satisfied by cash		**226,368**	204,100

38. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cash consideration	**226,368**	204,100
Cash consideration received in the prior year	**–**	(183,800)
Consideration settled against the other payable	**(15,000)**	–
Cash received at year end	**211,368**	20,300
Cash and cash equivalents disposed of	**(166,106)**	(3,202)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**45,262**	17,098

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in RMB6,784,801,000 (2015: RMB5,670,044,000).

40. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Letters of credit issued	**199,438**	216,725
Letters of guarantee issued	**11,320,064**	9,122,866
Guarantees given to a bank in connection with a bank loan granted to:		
A joint venture	**–**	162,000
An associate	**30,094**	–
A third party	**299,579**	305,094
Compensation arrangement in connection with the bank loans of the Group's customers (i)	**332,282**	518,860
	12,181,457	10,325,545

40. CONTINGENT LIABILITIES (continued)

The Directors were of the view that the fair value of the guarantees was not significant and therefore no provision for financial guarantees was made.

(i) Pursuant to the agreement entered into between the Company and a bank ("Bank"), a risk compensation arrangement in connection with the loans of the Group's overseas customers, i.e., the wind farm project companies, was made as follows: (1) the Company deposited with the Bank's provisions in cash as a risk compensation fund at 10% of the loan borrowings provided by the Bank to the wind farm project companies. If the wind farm project companies fail to make due payments to the Bank, the Bank is entitled to deduct the amounts from the provisions made by the Company at the designated account. If the wind farm project companies subsequently repaid the amounts due, the Bank will transfer the amounts to the Company's risk compensation fund account; (2) If the wind farm project companies fail to make due payments to the Bank for two consecutive interest periods, the Company shall repay all the outstanding borrowings to the Bank on behalf of the wind farm project companies, and then the Bank will transfer its receivables due from the wind farm project companies to the Company.

Up to 31 December 2016, the above risk compensation arrangement covered for bank loans of one overseas wind farm project company amounted to RMB332,282,000.

The bank loans of these overseas wind farm project companies were secured by mortgages over their property, plant and equipment and by the pledge of the electricity charge rights, and/or its shareholder's equity interests in them.

In 2015, Beijing Tianrun entered into an agreement with the creditor bank, Chifeng Jinneng New Energy Investment Co., Ltd. and Chifeng Xinneng. According to the agreement, when Chifeng Xinneng fails to repay the bank loans on schedule, Beijing Tianrun shall repurchase the entire share interests in Chifeng Xinneng, and the consideration equals a certain percentage of the net assets of Chifeng Xinneng at that time. Up to 31 December 2016, Chifeng Xinneng operated well, and the risk exposure from the above repurchase clause was insignificant.

41. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, letters of credit, guarantees issued, provision risk and uncompleted transaction, which are secured by the assets of the Group, are included in notes 12, 14, 23, 24, 26, and 31, respectively, to the financial statements.

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13) under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 31 December 2016 and 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**1,809**	2,307
In the second to fifth years, inclusive	**–**	821
	1,809	3,128

(b) As lessee

At 31 December 2016 and 2015, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**17,455**	17,907
In the second to fifth years, inclusive	**6,620**	19,248
After five years	**421**	750
	24,496	37,905

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments as at the end of the reporting period:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment and land use rights	**2,167,479**	2,049,792

44. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with related parties during the year:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Continuing transactions		
A shareholder holding a 13.74% interest in the Company:		
Sales of spare parts	**–**	374
Associates:		
Sales of wind turbine generators and spare parts	**637,528**	20,549
Purchases of spare parts	**2,360,333**	4,423,655
Purchases of processing services	**248,794**	197,835
Provision of technical services	**39,026**	3,855
Provision of operating lease of buildings	**1,667**	6,383
Others	**2,759**	–
Joint ventures:		
Sales of wind turbine generators and spare parts	**6,139**	1,594
Provision of technical services	**8,832**	11,805

44. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Non-continuing transactions:

1) In June 2015, the Company has received an approval of non-public issuance of A share from the China Securities Regulatory Commission ("中國證券監督管理委員會"). In August 2015, the Company issued 40,953,000 new A shares to the non-public at an issue price of RMB8.47 per share, and the net proceeds, after expense, received therefrom was approximately RMB336 million. Certain subscribers of the non-public offering are connected persons of the Company. The names of these subscribers and the number of A shares subscribed by each of them are as follows:

Name of subscriber	Number of new A shares subscribed '000	Amount subscribed RMB'000
Mr. Wang Haibo	550	4,659
Mr. Cao Zhigang	550	4,659
Mr. Wu Kai	550	4,659
Mr. Huo Changbao	550	4,659
Ms. Ma Jinru	550	4,659
Mr. Liu Wei	550	4,659
Mr. Zhou Yunzhi	550	4,659
Mr. Yanghua	400	3,388

2) The bank loan of one of the Group's joint ventures, Damao Qi Tianrun Wind Power Co., Ltd. ("達茂旗天潤風電有限公司"), amounting to RMB162,000,000 as at 31 December 2015 was guaranteed by Beijing Tianrun, one of the Company's subsidiaries. At 31 December 2016, the bank loan has been fully repaid.

In the opinion of the Directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties.

In the opinion of the Directors, the above related party transactions were conducted in the ordinary course of business.

44. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties

The amounts of total transactions with related parties for the year are included in note 44(a) to the financial statements. The total amounts of transactions with related parties in 2017 and 2018, which have been contracted as at 31 December 2016, are as follows:

	Year ended 31 December	
	2017 RMB'000	2018 RMB'000
Continuing transactions		
Associates:		
Sales of spare parts	975,673	95,622
Purchases of spare parts	2,879,395	2,590,219
Purchases of processing services	248,632	–
	4,103,700	2,685,841

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 23, 25, 28 and 29 to these financial statements.

(d) Compensation of key management personnel of the Group

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits	47,733	55,406
Pension scheme contributions	434	464
	48,167	55,870

The related party transactions with the shareholder holding a 13.74% interest in the Company above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss:		
Held-for-trading:		
Derivative financial instruments	27,923	4,121
Held-to-maturity investments	49,995	–
Loans and receivables:		
Trade and bills receivables	18,603,486	16,288,494
Financial receivables	2,787,694	2,012,173
Financial assets included in prepayments, deposits and other receivables	948,554	545,031
Pledged deposits	1,016,814	444,535
Cash and cash equivalents	7,534,171	6,147,378
	30,890,719	25,437,611
Available-for-sale investments	1,941,325	901,121
	32,909,962	26,342,853
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	15,227,382	15,090,505
Financial liabilities included in other payables, advance from customers and accruals	876,173	556,260
Interest-bearing bank and other borrowings	18,091,107	12,494,727
	34,194,662	28,141,492

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying mounts		Fair values	
	As at 31 December		As at 31 December	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Pledged deposits, non-current portion	**276,618**	285,542	**276,618**	285,542
Available-for-sale investments	**1,252,059**	322,825	**1,252,059**	322,825
Derivative financial instruments	**27,923**	4,121	**27,923**	4,121
Held to maturity investments	**49,995**	–	**49,995**	–
Trade and bills receivables, non-current portion	**1,857,030**	1,762,112	**1,972,837**	1,885,298
Financial receivables, non-current portion	**2,451,312**	1,867,047	**2,451,312**	1,867,047
Financial assets included in prepayments, deposits and other receivables, non-current portion	**131,620**	131,620	**131,620**	131,620
	6,046,557	4,373,267	**6,162,364**	4,496,453
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	**15,419,038**	10,760,624	**15,629,502**	10,834,033
Trade and bills payables, non-current portion	**754,661**	815,887	**794,435**	894,000
Financial liabilities included in other payables, advance from customers and accruals, non-current portion	**109,638**	97,493	**108,138**	96,230
	16,283,337	11,674,004	**16,532,075**	11,824,263

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, the current portion of trade and bills receivables, the current portion of financial receivables, the current portion of trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, advance from customers and accruals, the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of trade and bills receivables, financial receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair value of unlisted available-for-sale equity investments cannot be measured reliably because they do not have quoted market prices in an active market and the range of reasonable fair value estimate is so significant.

The Group enters into derivative financial instruments with the financial institutions. Derivative financial instruments, including forward currency contracts and an interest rate swap, are measured using valuation techniques similar to forward currency and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rate and interest rate curves. The carrying amounts of forward currency contracts and the interest rate swap are the same as their fair values.

As at 31 December 2016, the marked to market value of the derivatives was net of a credit/debit valuation adjustment attributable to derivative counterparty default risk.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Listed equity investments	**502,059**	**–**	**–**	**502,059**
Other financial assets	**–**	**750,000**	**–**	**750,000**
	502,059	**750,000**	**–**	**1,252,059**
Derivative financial instruments:				
Interest rate swap	**–**	**1,986**	**–**	**1,986**
Forward currency contracts	**–**	**25,937**	**–**	**25,937**
	–	**27,923**	**–**	**27,923**
	502,059	**777,923**	**–**	**1,279,982**

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investment:				
Listed equity investment	322,825	–	–	322,825
Derivative financial instrument:				
Interest rate swap	–	4,121	–	4,121
	322,825	4,121	–	326,946

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2015.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

Assets for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Pledged deposits, non-current portion	–	276,618	–	276,618
Held-to-maturity investment	–	49,995	–	49,995
Trade and bills receivables, non-current portion	–	1,972,837	–	1,972,837
Financial receivables, non-current portion	–	2,451,312	–	2,451,312
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	131,620	–	131,620
	–	4,882,382	–	4,882,382

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Pledged deposits, non-current portion	–	285,542	–	285,542
Trade and bills receivables, non-current portion	–	1,885,298	–	1,885,298
Financial receivables, non-current portion	–	1,867,047	–	1,867,047
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	131,620	–	131,620
	–	4,169,507	–	4,169,507

Liabilities for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**15,629,502**	**–**	**15,629,502**
Trade and bills payables, non-current portion	**–**	**794,435**	**–**	**794,435**
Financial liabilities included in other payables and accruals, non-current portion	**–**	**108,138**	**–**	**108,138**
	–	**16,532,075**	**–**	**16,532,075**

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	10,834,033	–	10,834,033
Trade and bills payables, non-current portion	–	894,000	–	894,000
Financial liabilities included in other payables and accruals, non-current portion	–	96,230	–	96,230
	–	11,824,263	–	11,824,263

47. TRANSFERRED FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

(a) At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB667,526,000 (2015: RMB284,904,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB667,526,000 (2015: RMB284,904,000) as at 31 December 2016.

(b) As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables and financial receivables transferred under the Arrangement that have not been settled as at 31 December 2016 were RMB106,257,000 (2015: RMB18,756,000) and RMB145,604,000 (2015: Nil), respectively. The carrying amount of the assets that the Group continued to recognise as at 31 December 2016 was RMB251,861,000 (2015: RMB18,756,000) and that of the associated liabilities as at 31 December 2016 was RMB238,654,000 (2015: RMB18,756,000).

47. TRANSFERRED FINANCIAL ASSETS (continued)

Transferred financial assets that are derecognised in their entirety

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB6,117,275,000 (2015: RMB5,385,140,000). The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, mainly an interest rate swap. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Directors holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. The Group's accounting policies in relation to derivative financial instruments are set out in note 2.4 to the financial statements.

Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fair value and cash flow interest rate risks (continued)

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank loans and short-term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this mix in a cost-effective manner, the Group enters into an interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2016, after taking into account the effect of the interest rate swap, approximately 36% (2015: 21%) of the Group's interest-bearing borrowings bore interest at fixed rates.

If there were a general increase/decrease in the interest rates of bank loans with floating interest rates by 1% point, with all other variables held constant, the consolidated pre-tax profit and construction in progress would have decreased/increased by approximately RMB116,622,000 (2015: RMB80,082,000) for the year ended 31 December 2016, and there would be no impact on other components of the consolidated equity, except for retained profits, of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and the Group has applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on cash and cash equivalents, receivables, payables and bank loans that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily the Euro, the United States dollar and the Australian dollar.

The Group's exposures to foreign currencies as at 31 December 2016 and 2015 are as follows:

	As at 31 December					
	2016			2015		
	Euro RMB'000	United States dollar RMB'000	Australian dollar RMB'000	Euro RMB'000	United States dollar RMB'000	Australian dollar RMB'000
Trade receivables	2,363	44,136	–	4,953	30,042	–
Prepayments, deposits and other receivables	7,620	34,767	–	2,468	7,228	–
Cash and cash equivalents	7,432	293,078	7,329	6,013	401,141	77,677
Trade payables	(87,472)	(22,473)	–	(90,426)	(32,078)	–
Other payables and accruals	(72)	(29,589)	–	–	–	–
Interest-bearing bank and other borrowings	–	(2,380,002)	–	(100,718)	(2,200,925)	–
	(70,129)	(2,060,083)	7,329	(177,710)	(1,794,592)	77,677

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in exchange rates by 5%, with all other variables held constant, of the Group's profit after tax and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity RMB'000
2016			
If RMB weakens against Euro	**5%**	**(3,029)**	**43,063**
If RMB strengthens against Euro	**(5%)**	**3,029**	**(43,063)**
If RMB weakens against United States dollar	**5%**	**(73,877)**	**(7,756)**
If RMB strengthens against United States dollar	**(5%)**	**73,877**	**7,756**
If RMB weakens against Australian dollar	**5%**	**278**	**14,950**
If RMB strengthens against Australian dollar	**(5%)**	**(278)**	**(14,950)**
2015			
If RMB weakens against Euro	5%	(8,886)	33,685
If RMB strengthens against Euro	(5%)	8,886	(33,685)
If RMB weakens against United States dollar	5%	(89,730)	(26,152)
If RMB strengthens against United States dollar	(5%)	89,730	26,152
If RMB weakens against Australian dollar	5%	3,884	11,367
If RMB strengthens against Australian dollar	(5%)	(3,884)	(11,367)

The sensitivity analysis above has been determined assuming that the change in foreign currency rates had occurred on 31 December 2016 and the Group had applied the exposure to foreign currency risk to those monetary assets and liabilities and net investment operations in existence at those dates. The estimated 5% increase or decrease represents management's assessment of a reasonably possible change in foreign currency rates over the period until the end of the next reporting period. The sensitivity analysis is performed on the same basis for the year.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy parties. The Group has a credit policy in place which requires credit evaluations on all customers who wish to trade on credit terms. Receivable balances are monitored on an ongoing basis. In most instances, advance payments are required for customers of wind turbine generators. Otherwise, the credit quality of customers is assessed after taking into account the customers' financial position and past experience with the customers.

The Group establishes an allowance for impairment that represents its estimate of losses to be incurred in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the impaired financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Management evaluates the creditworthiness of the Group's existing and prospective customers and ensures that the customers have adequate financing for the projects as well as the source of the financing.

The maximum exposure to credit risk is represented by the carrying amount of financial assets in the statement of financial position.

Cash and bank balances are placed with banks and financial institutions which are regulated.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. The Group's policy is that not more than 50% of borrowings should mature in any 12-month period.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2016					
Trade and bills payables	**14,472,721**	**359,259**	**628,939**	**3,048**	**15,463,967**
Financial liabilities included in other payables and accruals	**766,535**	**–**	**40,059**	**82,035**	**888,629**
Interest-bearing bank and other borrowings	**2,678,832**	**4,533,218**	**4,135,554**	**6,798,873**	**18,146,477**
Interest payments on bank and other borrowings	**1,363,648**	**817,212**	**1,764,326**	**1,737,506**	**5,682,692**
	19,281,736	**5,709,689**	**6,568,878**	**8,621,462**	**40,181,765**
As at 31 December 2015					
Trade and bills payables	14,274,618	388,947	573,128	2,605	15,239,298
Financial liabilities included in other payables and accruals	458,766	17,832	–	132,480	609,078
Interest-bearing bank and other borrowings	1,734,103	896,883	4,733,590	5,206,178	12,570,754
Interest payments on bank and other borrowings	488,873	409,102	1,002,460	910,803	2,811,238
	16,956,360	1,712,764	6,309,178	6,252,066	31,230,368

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio between 40% and 60%. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank loans and other borrowings, less cash and cash equivalents and the current portion of pledged deposits. Capital represents equity attributable to owners of the parent stated in the consolidated statement of financial position.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses.

The gearing ratios at the end of reporting periods are as follows:

	As at 31 December	
	2016 **RMB'000**	2015 RMB'000
Trade and bills payables	**15,227,382**	15,090,505
Financial liabilities included in other payables and accruals	**876,173**	556,260
Interest-bearing bank and other borrowings	**18,091,107**	12,494,727
Less: Cash and cash equivalents	**(7,534,171)**	(6,147,378)
Pledged deposits, current portion	**(740,196)**	(158,993)
Net debt	**25,920,295**	21,835,121
Equity attributable to owners of the parent	**19,976,152**	16,761,446
Capital and net debt	**45,896,447**	38,596,567
Gearing ratio	**56.48%**	56.57%

49. EVENT AFTER THE REPORTING PERIOD

On 29 March 2017, the board of directors proposed to distribute cash dividends of RMB2.00 (tax included) and stock dividends 3 shares (tax included) per each 10 shares with total amount of RMB1,367,771,000 to the shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	175,826	149,420
Investment properties	62,803	64,941
Prepaid land lease payments	20,199	20,758
Other intangible assets	250,052	59,471
Investments in subsidiaries	12,047,951	10,640,761
Investments in associates	66,000	66,000
Available-for-sale investments	2,400	–
Deferred tax assets	647,932	555,433
Held-to-maturity investments	49,995	–
Trade receivables	1,314,336	1,181,969
Prepayments, deposits and other receivables	1,226,703	1,610,781
Pledged deposits	175,062	174,092
Total non-current assets	16,039,259	14,523,626
CURRENT ASSETS		
Inventories	1,488,303	1,636,390
Trade and bills receivables	12,246,231	9,734,433
Prepayments, deposits and other receivables	6,097,945	6,764,348
Available-for-sale investments	750,000	–
Cash and cash equivalents	4,326,148	4,139,015
Total current assets	24,908,627	22,274,186
CURRENT LIABILITIES		
Trade and bills payables	10,243,684	9,539,675
Other payables and accruals	6,712,108	8,007,825
Interest-bearing bank and other borrowings	1,840,110	1,319,474
Tax payable	18,571	214,087
Provision	1,243,789	980,019
Total current liabilities	20,058,262	20,061,080
NET CURRENT ASSETS	4,850,365	2,213,106
TOTAL ASSETS LESS CURRENT LIABILITIES	20,889,624	16,736,732

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**20,889,624**	16,736,732
NON-CURRENT LIABILITIES		
Trade payables	**590,161**	687,833
Other payables and accruals	**2,647**	1,564
Interest-bearing bank and other borrowings	**1,885,191**	820,489
Provision	**1,885,479**	1,603,101
Government grants	**121,392**	126,635
Total non-current liabilities	**4,484,870**	3,239,622
Net assets	**16,404,754**	13,497,110
EQUITY		
Share capital	**2,735,541**	2,735,541
Reserves (note)	**13,669,213**	10,761,569
Total equity	**16,404,754**	13,497,110

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note：

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	7,969,352	–	653,407	150	–	1,287,444	9,910,353
Total comprehensive income/(loss) for the year	–	–	–	(788)	–	1,634,481	1,633,693
Final 2014 dividend declared	–	–	–	–	–	(1,077,835)	(1,077,835)
Issue of shares	305,919	–	–	–	–	–	305,919
Share issue expenses	(10,561)	–	–	–	–	–	(10,561)
Profit appropriation to reserves	–	–	163,827	–	–	(163,827)	–
Transfer to special reserve	–	10,541	–	–	–	(10,541)	–
Utilisation of special reserve	–	(10,541)	–	–	–	10,541	–
At 31 December 2015	8,264,710	–	817,234	(638)	–	1,680,263	10,761,569
Total comprehensive income/(loss) for the year	–	–	–	(930)	–	2,776,516	2,775,586
Final 2015 dividend declared	–	–	–	–	–	(1,313,060)	(1,313,060)
Other equity instruments' distribution	–	–	–	–	–	(50,000)	(50,000)
Profit appropriation to reserves	–	–	278,249	–	–	(278,249)	–
Transfer to special reserve	–	13,569	–	–	–	(13,569)	–
Utilisation of special reserve	–	(13,569)	–	–	–	13,569	–
Issuance of perpetual medium-term notes	–	–	–	–	1,495,118	–	1,495,118
At 31 December 2016	8,264,710	–	1,095,483	(1,568)	1,495,118	2,815,470	13,669,213

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2017.

Financial Highlights for the Past Five Financial Years

(Except share data, all amounts in RMB thousands)

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
REVENUE	11,224,926	12,196,240	17,572,601	29,845,998	**26,173,892**
PROFIT BEFORE TAX	206,856	505,550	2,108,986	3,246,830	**3,551,956**
Income tax expense	(41,387)	(71,914)	(255,473)	(371,439)	**(446,224)**
PROFIT FOR THE YEAR	165,469	433,636	1,853,513	2,875,391	**3,105,732**
Profit attributable to:					
Owners of the Company	153,054	427,646	1,829,682	2,849,497	**3,002,982**
Non-controlling interests	12,415	5,990	23,831	25,894	**102,750**
OTHER COMPREHENSIVE INCOME, NET OF TAX	8,663	184,072	(183,665)	(71,650)	**89,174**
TOTAL COMPREHENSIVE INCOME	174,132	617,708	1,669,848	2,803,741	**3,194,906**
EARNINGS PER SHARE:					
Basic and diluted (RMB/Share)	0.06	0.16	0.68	1.05	**1.08**

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2012	2013	2014	2015	**2016**
Cash and cash equivalents	6,817,928	4,320,749	9,528,460	6,147,378	**7,534,171**
Current assets	23,573,344	20,268,009	28,094,889	25,286,642	**33,096,620**
Non-current assets	8,823,154	15,076,840	17,682,437	27,285,759	**31,340,547**
Total assets	32,396,498	35,344,849	45,777,326	52,572,401	**64,437,167**
Current liabilities	(12,266,403)	(12,512,998)	(22,319,761)	(20,958,892)	**(24,662,979)**
Non-current liabilities	(6,844,470)	(9,038,915)	(8,230,556)	(14,222,905)	**(19,075,394)**
Total liabilities	(19,110,873)	(21,551,913)	(30,550,317)	(35,181,797)	**(43,738,373)**
Net assets	13,285,625	13,792,936	15,227,009	17,390,604	**20,698,794**
Issued share capital	2,694,588	2,694,588	2,694,588	2,735,541	**2,735,541**
Reserves	10,059,864	10,457,371	12,073,201	14,025,905	**17,240,611**
Equity attributable to owners of the Company	12,902,654	13,367,526	14,767,789	16,761,446	**19,976,152**
Non-controlling interests	382,971	425,410	459,220	629,158	**722,642**

新疆金风科技股份有限公司
XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*