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

Innovating for a Brighter Tomorrow

Annual Report 2017

* 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 three primary business of WTG Manufacturing, Wind Power Services, and Wind Farm Investment and Development and other business of water treatment and etc., that provide us with diversified sources of profitability. Drawing from our extensive experience in R&D and manufacturing 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.XMW, 2.5MW, 3.0MW(S) and 6.XMW series 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 2017, the Company's domestic newly installed capacity was more than 5.3GW, ranking first in China for the seventh 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 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 2017, 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

“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”	10 April 2018, 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;
“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 2017 are set out in the section headed “Profiles of Directors, Supervisors and Senior Management” on page 46 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;
"Subscribers"	the Individual Subscribers and Haitong Asset Management;
"Subscription Agreement"	the subscription agreement dated 2 September 2014 entered into between the Company and each of the Subscribers, collectively, the Subscription Agreements;
"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;
"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
Ms. Xiao Hong
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
Export-import Bank of China, Xinjiang Branch
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
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
China Everbright Bank Co., Ltd., Urumqi 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

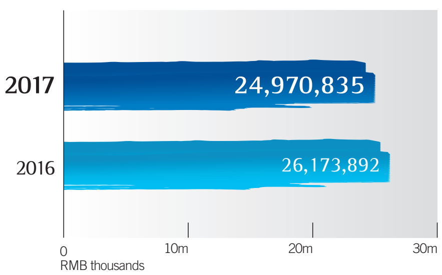
www.goldwindglobal.com

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

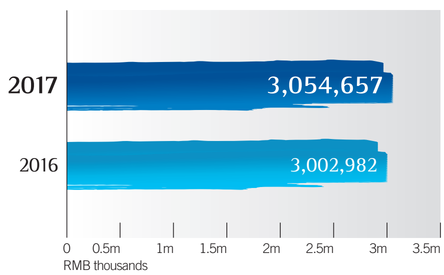
(Except share data, all amounts in RMB thousands)

	Year ended 31 December 2017	2016	Percentage Change
REVENUE	**24,970,835**	26,173,892	–4.60%
PROFIT BEFORE TAX	**3,490,556**	3,551,956	–1.73%
Income tax expense	**341,749**	446,224	–23.41%
PROFIT FOR THE YEAR	**3,148,807**	3,105,732	1.39%
Profit attributable to:			
Owners of the Company	**3,054,657**	3,002,982	1.72%
Non-controlling interests	**94,150**	102,750	–8.37%
OTHER COMPREHENSIVE INCOME, NET OF TAX	**284,105**	89,174	218.60%
TOTAL COMPREHENSIVE INCOME	**3,338,762**	3,092,156	7.98%
EARNINGS PER SHARE:			
Basic and diluted (RMB/share)	**0.84**	0.83	1.20%

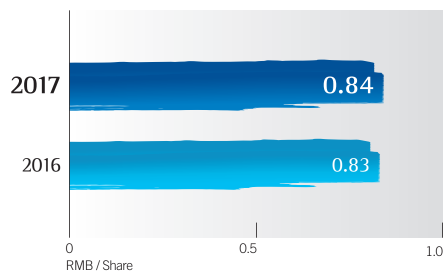
Revenue



Profit attributable to Owners of the Company



Earnings per Share



SUMMARY OF SEGMENT REVENUE

(All amounts in RMB thousands)

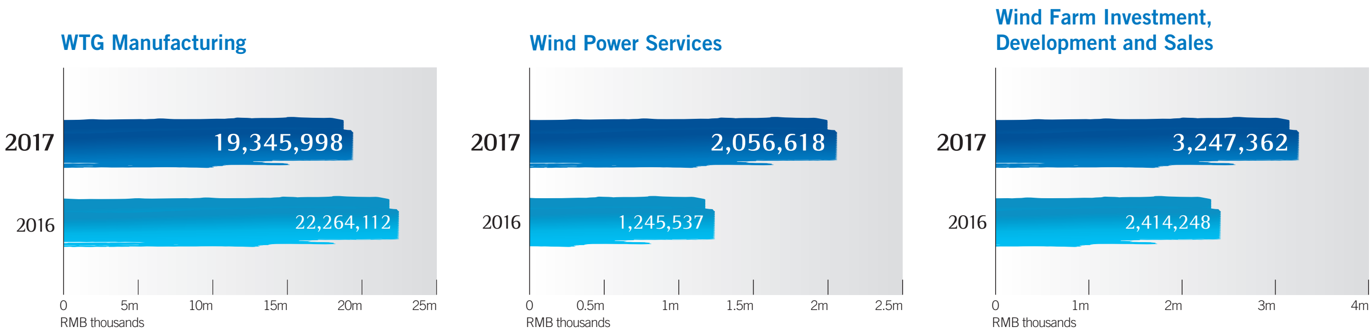
	Year ended 31 December 2017	2016	Percentage Change
WTG Manufacturing	**19,345,998**	22,264,112	–13.11%
Wind Power Services	**2,056,618**	1,245,537	65.12%
Wind Farm Investment, Development and Sales	**3,247,362**	2,414,248	34.51%
Other	**320,857**	249,995	28.35%
Total	**24,970,835**	26,173,892	–4.60%

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB thousands)

	As at 31 December 2017	2016	Percentage Change
Total assets	**72,787,841**	64,437,167	12.96%
Total liabilities	**49,312,840**	43,738,373	12.75%
NET ASSETS	**23,475,001**	20,698,794	13.41%
Equity attributable to owners of the Company	**22,686,693**	19,976,152	13.57%
Non-controlling interests	**788,308**	722,642	9.09%

SUMMARY OF SEGMENT REVENUE



SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands)

	As at 31 December 2017	2016
Net cash flows from operating activities	**3,023,449**	3,102,543
Net cash flows used in investment activities	**(7,097,947)**	(7,011,128)
Net cash flows from financing activities	**3,381,890**	5,246,540
Net increase/(decrease) in cash and cash equivalents	**(692,608)**	1,337,955

Letter of the Chairman

Wu Gang | Chairman

Dear Shareholders,

On behalf of the Board, I present to you Goldwind's *2017 Annual Report*.

Demand for electricity continued rising in China in 2017. With the continuous optimization of energy structure, power generated by non-fossil fuels increased rapidly. China had the largest newly installed wind power capacity in the world; accounted for 37% of global newly installed capacity and remained as the world's largest wind power market for the eight consecutive years.

After 19-year of exploration and development, Goldwind now owns three major businesses including wind turbine manufacturing, wind power service, and windfarm investment and development and other businesses such as water treatment, and has achieved sustainable development through diversified profitability channels. Although Goldwind encountered challenges brought up by declined installed wind power capacity in China and industrial competition in 2017, the Group focused on enhancing customer experience, promoting R&D, and releasing new products that were popular among clients, and thus developed stably in international business. According to Bloomberg New Energy Finance, Goldwind installed over 5.3GW newly installed wind power capacity in China in 2017 and captured 29% market share, and was ranked the first in Chinese market for seven consecutive years. Citing from the *Report on Market Share of 2017 Global WTG Manufacturers* published by Bloomberg New Energy Finance, Goldwind ranked the third largest global market share.

Goldwind regarded technological innovation as the key force and strived to meet diversified customer demands through innovation and upgrade of products. Being responsive to complicated and various needs of the market and to cater to the rapid expansion of low wind-speed market, Goldwind released a new generation of products based on the existing 2MW unit platform, whose representatives are 131/2S and 126/2S units; the Company also released new 130/2500 and 140/2500 low wind-speed products based on the existing 2.5MW unit platform, and expanded the coverage of 2.5MW product line in specific market segments. 3S unit platform was optimized from various aspects, such as capacity-lifting strategy, life management strategy, tower series configuration strategy, unit platform intelligence, power generation upgrade, and offshore adaptation design. According to *Annual Best WTGs* Evaluation conducted by *Windpower Monthly*, a professional magazine of global wind power industry, Goldwind's GW140.3MW unit won golden award of the "Best Large-Power Onshore WTG (above 3MW)", and GW115/2.0MW unit won bronze award of the "Best Onshore WTG (below 2.9MW)".

The development of wind power services market has surged in recent years. With technological innovation and technical advancement, wind power services have gradually digitalized. Goldwind launched several digital service products in 2017: the mass application of POWERNEST™ helped improving annual average power generation of wind power efficiently; EFarm radar intelligent technique promoted the adaptation and stability of wind turbines; "Smart Operation O2O Model" highly integrated digital platforms and business targets; the SOAM™ (Smart Operation Administration & Maintenance) system merged comprehensive smart energy solutions of advanced application, including power projection, smart fault diagnosis, malfunction warning, and wind turbine optimal operation. Revenue from wind power service business recorded RMB2,056.62 million in 2017, representing 65.12% increase YoY.

Wind Farm Investment and Development business also performed distinctively in 2017 with further improvement of wind curtailment problem. Revenue of power generation from the Group's operating wind power projects this year was RMB3,247.36 million, with an increase of 34.51% YoY. Revenue from wind farm investment was RMB649.60 million, represents 11.61 times more than previous year's revenue. As at the end of the Reporting Period, the Group's accumulated connected installed capacity of windfarms reached 4,713.50 MW and accumulated attributable connected capacity was 3,868 MW. Wind farm projects in construction had 1,523.15 MW, among which attributable capacity was 1,469.15 MW; and utilization of WTG-generated power was 1,994 hours.

Goldwind actively explored offshore and overseas market through promoting "offshore and overseas" strategy. Seizing the opportunity of the surged offshore wind power market, the Group has arranged four offshore wind power bases alongside coastal areas. During the Reporting Period, Goldwind released an integrated solution targeting offshore wind power development, the "integrated solution of 6.X wind turbine + monopile foundation". This solution, by combining large-diameter impeller and large capacity of the WTGs, which could help reducing the cost on foundation-building, installment, land requisition, submarine cable, and operation and maintenance, and thus created high profitability of regional offshore wind power. In addition, Goldwind has entered a new era in the foreign market, as it made breakthroughs in six emerging markets including Uzbekistan, Turkey, Kazakhstan, the Philippines, Argentina and Brazil. As at the end of the Reporting Period, capacity of newly developed projects and storage projects in the Group's overseas market has strike a new record, reaching 1.2GW.

Goldwind also devoted itself in new energy arena such as water treatment business and achieved significant progress in terms of business scale and profitability capability in 2017. The Group operated 28 water treatment plants and the designed scale of water treatment business reached nearly 1.7 million tons per day. Throughout the year the Group dealt with 169.517 million tons of sanitary sewage and industrial wastewater. Revenue from water treatment business reached RMB161.70 million, representing an increase of 70.73% YoY; net profit reached RMB81.33 million, with 245.55% increase YoY.

Accelerating the transformation of energy structure have been agreed globally. The development of renewable energy is a necessity toward global energy revolution and green, low-carbon development. China considered developing clean energy as the main task when conducting structural reform on the supply side of energy. China also deepened energy revolution, focused on promoting the transformation of energy production and utilization mode, optimized the structure of energy supply, promoted the efficiency of energy usage, and built an energy system that is clean, low carbon, safe and highly efficient. By facing of the global energy transformation and steady development of renewable energy industry, Goldwind will continue promoting Internet + Smart Energy practice and digital basic platform construction. While keeping steady growth in core businesses, the Group will also accelerate the diversification and scale expansion of businesses, to continue strengthening core competitiveness of international business and become an international leader that provides superior solutions for clean energy, energy-saving and environmental protection.

On behalf of the Board, I would like to express my sincere gratitude to our Shareholders and business partners for your continued support in 2017, and to each of Goldwind's employees for your efforts.

Wu Gang
Chairman

Beijing, 23 March 2018

Milestones of 2017

January

As the only renewable wind power WTG manufacturer selected, Goldwind was awarded the "Second Prize of National Scientific and Technological Progress in 2016" in National Science and Technology Award Conference with the "Independent Innovation and Industrialization of Key Controlling Technology of WTG" project, which was developed with Xinjiang University and State Grid Xinjiang Electric Power Company jointly.

The first GW3.4MW model researched and developed by Goldwind was connected to the power grid in North Zhangjiakou Grassland. In the meantime, the model was awarded 3,000KW-3,400KW series product design evaluation certificate issued by an international authoritative certification authority.

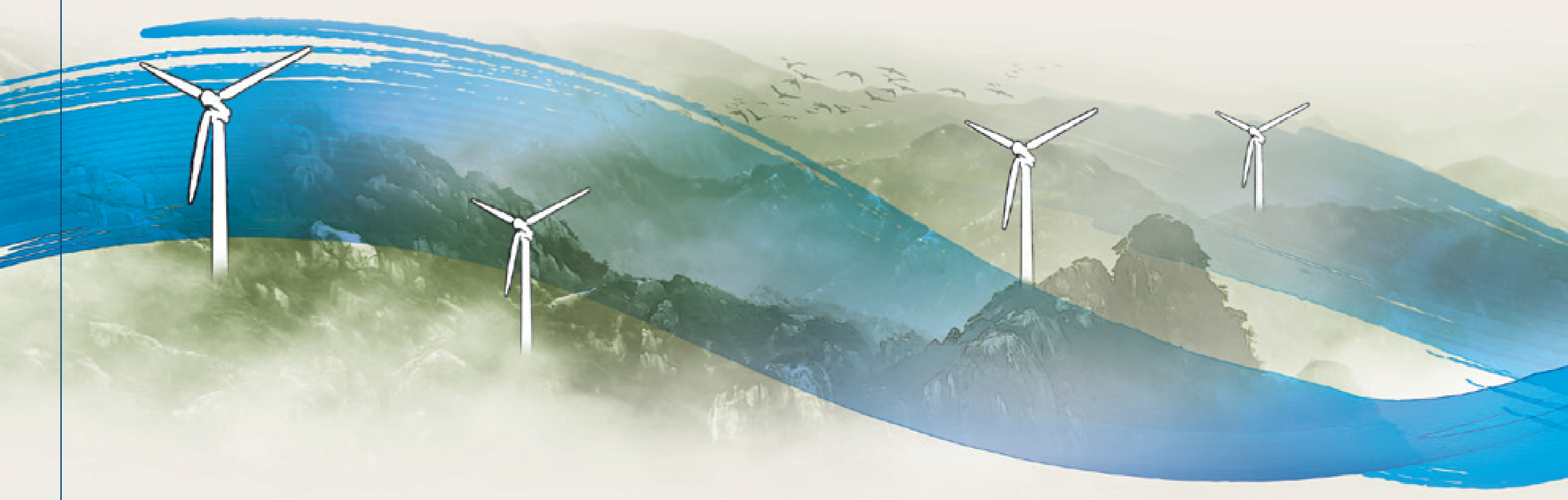
April

Goldwind's USD250 million Rattlesnake Windfarm project in the United States successfully obtained tax financing from Hathaway Fund and Citibank, making Goldwind the first Chinese enterprise to obtain tax investment under the U.S. Production Tax Relief Policy (PTC Policy) in the United States.

June

Goldwind's wholly-owned subsidiary successfully acquired Stockyard Hill wind power project in Australia. The planned capacity of the project was approximately 530MW; after completion it would become the largest wind farm in Australia so far.

Goldwind's 200MW windfarm project in 7(C) District, Yandun constructed by Hami Xintian was awarded "China Wind Power Industry High-Quality Project", "National High-Quality Project" and "China High-Quality Installed Project".



July

Goldwind signed a distributed photovoltaic project agreement with Beijing Drainage Group Co. Ltd to help build a smart energy water plant. Goldwind undertook the first phase of the EPC project, including a distributed photovoltaic power plant with a total capacity of 36MW and a smart energy efficiency management platform, providing advanced technical support and system solutions for Beijing Drainage Group Co. Ltd to build an international leading water treatment IoT platform.

Goldwind has won the title of the “Best Investors’ Relations Company (General)” consecutively in the Asian industrial sector of the year by Institutional Investor.

Goldwind announced that it officially joined the 2017 China Marathon Beijing Marathon and became the first new energy sponsor of the event. With the help of the new form of green power certificate, the 2017 Beijing Marathon would be the first 100% green-power-utilization marathon in China.

The Ministry of Industry and Information announced the demonstration project list for the construction of the first batch of national green manufacturing systems in 2017. Goldwind was selected as the “National Green Supply Chain Management Demonstration Enterprise” and was the only company listed among all new energy WTG manufacturers.

September

Goldwind won the third China Quality Award nomination award.

Goldwind was included in the “Hang Seng Sustainable Development Enterprise Benchmark Index” and the “Hang Seng A Share Sustainable Development Enterprise Benchmark Index”.

October

Goldwind won the honorary title of “National Quality Benchmark” issued by China Quality Association.

At the 2017 Beijing International Wind Energy Conference and Exhibition, Goldwind officially released a new generation of offshore large-GW projects, the GW6.X platform and comprehensive solutions.

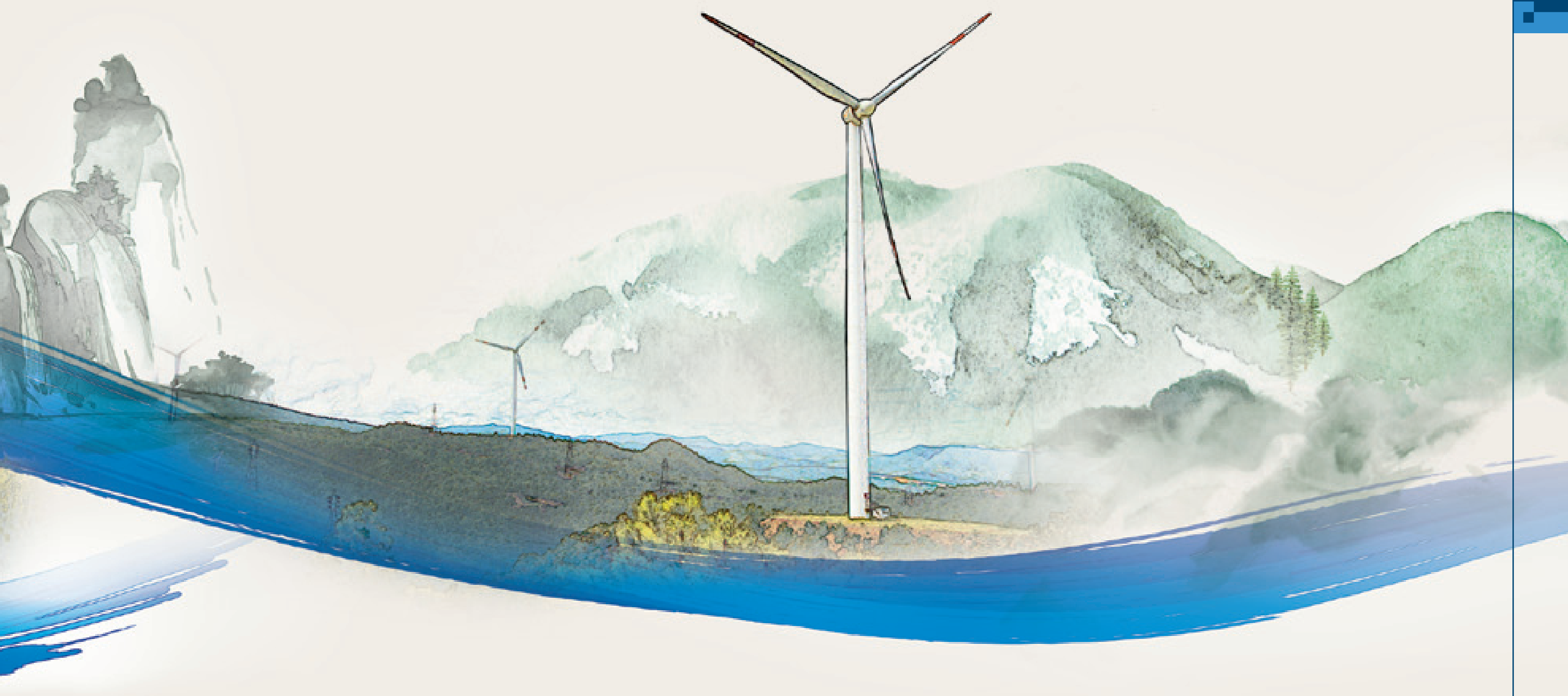
OVERVIEW

Economies around the world have simultaneously achieved growth in 2017. Two-thirds of all countries in the globe have a higher growth rate in 2017 than in the previous year. The U.S. economy has accelerated its recovery, the Eurozone economy has continued to improve, the Japanese economy has rebounded moderately, and Asian emerging economies led by China were still growing strongly. According to the forecast of the International Monetary Fund (IMF), the global economic growth rate in 2017 was 3.6% YoY, which was the highest growth rate of the global economy in the past decade.

In 2017 the Chinese government took supply-side structural reforms as the main line, and promoted structural optimization, power conversion, and quality improvement. The national economy was stable whilst developing progressively; with economic vigor and potential being released, Chinese economy was stable whilst improving. China's Gross Domestic Product (GDP) in 2017 was approximately RMB82.71 trillion, a 6.9% increase YoY. World Economic Situation and Prospects 2018 published by the United Nations stated that China contributed about one-third of the global economic growth in 2017.

According to the latest statistics from the Global Wind Energy Council, worldwide newly-installed wind power capacity was 52.57 GW in 2017, and worldwide accumulated capacity was 539.58 GW. Although China contributed 37% of global newly-installed wind power capacity, a 5.7 percentage points less, China still ranked the first in the world's newly-installed capacity. U.S. and Germany ranked the second and the third, both accounted for 13% of the global newly-installed wind power capacity.

During the Reporting Period, China's demand for electricity continues to rise, energy structure continues to optimize, and the production of non-fossil energy grows rapidly. According to statistics from the China Electric Power Association and the National Energy Administration (NEA), nationwide electricity consumption in 2017 was 6.31 trillion kWh, an increase of 6.6% YoY. National total installed energy capacity was 1,780 GW, of which non-fossil energy capacity was 690 GW, accounting for 38.7% of total installed capacity, with an increase of two percentage points YoY. National total energy capacity was 6.42 trillion kWh, of which non-fossil energy capacity was 1.95 trillion kWh, accounting for 30.4% of total capacity, with an increase of one percentage point YoY. Newly-connected wind power capacity was 15.03GW in 2017, and total wind power capacity was 305.7 billion kWh, accounting for 4.8% of total wind power capacity, with an increase of 0.7 percentage point YoY. The average wind power utilization was 1,948 hours, an increase of 203 hours YoY. Curtailed wind power capacity was 41.9 billion kWh, a decrease of 7.8 billion kWh YoY.



I. MAIN POLICIES REVIEW

The Thirteenth Five-Year Plan period is crucial for China to transform to low-carbon energy consumption and to impel energy development strategy. In order to complete non-fossil energy quota, transform and upgrade energy structure, as well as promote the sustainable and healthy development of renewable energy represented by wind power, the Chinese government published a series of policies in 2017 to consolidate the steady development of the wind power industry.

1. All-level Renewable Energy Planning to Ensure Steady Development of the Industry

On 25 April 2017, the National Development and Reform Commission (NDRC) and the NEA released the "Revolutionary Strategy for Energy Production and Consumption (2016-2030)" (《能源生產和消費革命戰略（2016-2030）》), which set a target that by 2030, non-fossil energy accounts for 50% of the total power capacity generated. It also stated that China would develop wind energy and solar energy vigorously, improve the efficiency of power generation continuously, and reduce the cost of power generation to make it equally competitive with conventional power.

On 28 July 2017, the NEA issued the "Guidelines on the Implementation of the Thirteenth Five-Year Plan for the Development of Renewable Energy" (《關於可再生能源發展"十三五"規劃實施的指導意見》), further emphasizing the quality of wind power development, the complementation of multiple power sources, and a strengthening relationship of distributed generation, grid and users. It also changed the layout from an orientation of resource to an orientation of market absorption, hence a tilt to Central-East China and the sea was gradually. It set that from 2017 to 2020, nationwide newly-added construction would be 30.65 GW, 28.84 GW, 26.6 GW, and 24.31 GW, respectively. It planned to add 110.41 GW of installed wind power capacity and to reach 126 GW to the grid in 2020.

In 2017, 18 provinces and cities across China have released energy development plans under the framework of the Thirteenth Five-Year Plan, specifying their renewable energy plans and offering useful guidance for renewable energy construction in the next three years. Offshore wind power and distributed wind power construction have also become the keys of planning in some of the provinces and cities.

2. Acceleration of Offshore Wind Power, Distributed Wind Power, and Micro-grid

On 4 May 2017, the NDRC and the State Oceanic Administration (SOA) issued the "Planning of the Thirteenth Five-Year Plan for the Development of the Nation's Marine Economy" (《全國海洋經濟發展"十三五"規劃》). The plan pointed out that it is necessary to take advantage of local circumstances and to adjust the offshore wind power industry. It encouraged the construction of off-shore wind farm on deep, far seas, adjustment of wind power grid-connection policies, and the completion of offshore wind power industry technical standards system and standards of sea utilization. It aimed to strengthen the R&D of offshore wind power facilities that have 5 MW, 6 MW and higher power; make breakthroughs in key technologies for offshore substations and submarine cable transmission; and develop supporting industries for wind power, such as energy storage devices and smart grids.

On 19 June 2017, the NDRC and the SOA jointly announced the "Notice on Printing the Initiative of Establishing Maritime Cooperation under "One Belt, One Road" Initiative" (《關於印發"一帶一路"建設海上合作設想的通知》). The document pointed out that the Chinese government attaches great importance to maritime cooperation with relevant countries, and plans to strengthen strategic communication and to build a platform for collaboration by launching a series of cooperative projects.

On 27 May 2017, the NEA issued the "Notice on Accelerating the Construction of Distributed Wind Power Projects" (《關於加快推進分散式接入風電項目建設有關要求的通知》). The notice pointed out that it is necessary to properly implement the construction of distributed wind power project and to explore an effective model to achieve it. Provincial-level energy authorities should adapt plans in a timely manner basing on actual and practical situation. Distributed wind power projects are not limited by the scale stated in annual guidance. Provincial-level energy authorities are encouraged to research and simplify approval process for projects that have been approved to be included in the plan.

In fields that smart micro-grids and renewable energy utilization are closely related, the government also released a series of policies in 2017, supporting the sustainable development of renewable energy. On 17 July 2017, the NEA published the notice on "Proposed Measure on Promoting Grid-connected Microgrid Construction" (《推進並網型微電網建設試行辦法》), explicitly encouraged the integrated operation and marketization of the distributed generation, grid and users. It promoted the establishment of an energy production and consumption system that cooperates and combines centralized and distributed modes, interacts supply and demand, and allocates resources efficiently. On 21 August 2017, the National Standardization Committee issued the "Technical Regulations on Micro-grid Connection to Power System" (《微電網接入電力系統技術規定》)", which regulated the general principles and technical requirements that the micro-grid should follow in order to connect to the power grid, laying the foundation for the development of micro-grid industrialization.

3. Promotion of Renewable Energy Consumption through Multiple Measures

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》), issuing certificates for onshore wind power and solar power (excluding distributed solar power). Voluntary subscription system will begin on 1 July 2017 and quota assessment of green energy and mandatory license transactions will begin in 2018. Promoting the consumption and publication of renewable energy through a market-based mechanism is conducive to solving the problem of wind curtailment in the medium-long term.

On 17 February 2017, the NEA published the "Notice on the Results of Monitoring and Early Warning of Wind Power Investment in 2017" (《關於發布2017年度風電投資檢測預測結果的通知》). Its monitoring results showed that Inner Mongolia, Heilongjiang, Jilin, Ningxia, Gansu, and Xinjiang (including Xinjiang Production and Construction Corps) have all received red warnings for 2017. The aforementioned regions would be suspended from approving new projects and from connecting projects to power system, so as to better guide industrial investment and ease wind curtailment.

From April to the end of 2017, ten national ministries including the NEA, the Ministry of Finance, the NDRC, and the Ministry of Housing and Urban-Rural Development issued the "Letter to Solicit the Opinions on Promoting Renewable Energy Heating" (《關於徵求對<關於促進可再生能源供熱的意見>的函》), "Notice on Implementing Central Financial Support on Clean Heating in Winter in Northern Areas" (《關於開展中央財政支持北方地區冬季清潔取暖試點工作的通知》), "Guidelines on Promoting Clean Heating in Urban Northern Areas" (《關於推進北方採暖地區城鎮清潔供暖的指導意見》), and "Planning on Clean Heating in Winter in Northern Areas (2017-2021)" (《北方地區冬季清潔取暖規劃(2017-2021年)》), actively seeking to promote clean heating and warming, effectively promoting supply-side structural reforms in heating sectors, while providing more space for renewable energy consumption.

On 8 November 2017, the NEA issued the "Implementation Plan for Resolving Curtailment of Water, Wind and Solar Power" (《解決棄水棄風棄光問題實施方案》). The plan indicated that in 2017 wind curtailment rate in Gansu and Xinjiang was lowered to around 30%, and to around 20% in Jilin, Heilongjiang and Inner Mongolia. It also stated that utilization hours of wind power and photovoltaic power in other regions shall reach the minimum utilization hours (or less than 10% wind curtailment and less than 5% solar curtailment) of the minimum guaranteed acquisitions in the region regulated by the NEA in 2016. In the meantime, the plan again emphasized the use of various market-based measures to promote the solution of the issue of renewable energy consumption, and by 2020 it will effectively solve the problem of curtailment of water, wind and solar power.

On 7 March 2018, the NEA issued the "Notice on the Release of 2018 Annual Monitoring Results of Wind Power Investment Warnings" (《關於發布2018年度風電投資監測預警結果的通知》). Monitoring results showed that Gansu, Xinjiang (including Xinjiang Production and Construction Corps) and Jilin have received red warnings. Development and construction of wind power projects were suspended in these regions; construction of wind power projects that have been approved were delayed; permission for wind power projects that have been included in the annual plan but have not been approved were suspended; and the grid companies stopped accepting grid connection application of the delayed and suspended projects. The whole province of Inner Mongolia and Heilongjiang and partial area of Shanxi, Shaanxi, Hebe have received second highest warnings. Ningxia has received green warning.

4. Deduction of Wind Power Price and Promotion of Reasonable On-grid Price

On 17 May 2017, the General Affairs Department of the NEA issued the "Notice on Launching Demonstration Work of Reasonably-Priced Wind Power On-grid" (《關於開展風電平價上網示範工作的通知》), requiring all provinces (autonomous regions and municipalities) and Energy Authorities of Xinjiang Production and Construction Corps to organize wind power development enterprises to apply for demonstration projects of reasonably-priced wind power on-grid, and select one to two projects to report to the NEA. The notice also made clear that the scale of demonstration projects could be determined by provinces (autonomous regions and municipalities) and Energy Authorities of Xinjiang Production and Construction Corps but not limited by the annual scale target.

On 31 August 2017, the NEA issued the "Notice on Announcing Demonstration Projects of Reasonably-Priced Wind Power On-grid" (《關於公布風電平價上網示範項目的通知》), announcing the first batch of demonstration projects of reasonably-priced on-grid of wind power. It pointed out that the total scale of demonstration projects in Hebei, Heilongjiang, Gansu, Ningxia and Xinjiang-related provinces (regions) reached 707,000 KW. The on-grid price of the demonstration projects is based on the benchmark price of local coal power. The power generated was not issued green electricity certificate and was consumed within the scope of local power grids.

On 8 November 2017, the NDRC issued the "Opinions on Comprehensively Deepening the Reform of the Price Mechanism" (《關於全面深化價格機制改革的意見》) and once again clarified the necessity to complete the pricing mechanism of renewable energy. It stated that along with technological advancement and market demand, implementation of deducting the on-grid price of renewable energy such as wind and photovoltaic power, should be achieved, and that by 2020 the on-grid price of wind power shall equal that of coal-fired power; on-grid price of photovoltaic power shall equal sales price of the grid.

5. Structural Adjustment of Energy through the Reform of Marketization of Power

On 14 February 2017, the NEA issued the "Reply Letter on Pilot Implementation of Increasing Trans-Regional and Trans-Provincial Spot Transaction of Renewable Energy" (《關於開展跨區域省間可再生能源現貨交易試點工作的復函》), agreeing to launch pilot zones of increased renewable energy transaction. Organization and implementation of this work were tentatively borne by relevant transaction centers under negotiation with National Electric Power Dispatch and Management Center, which laid the foundation for renewable energy to participate in market-oriented transactions.

On 16 August 2017, the NDRC issued the "Notice on Comprehensively Promoting the Change of Price of Trans-Provincial and Trans-Regional Power Transmission and of Regional Power Transmission" (《關於全面推進跨省跨區和區域電網輸電價格改革工作的通知》), calling for acceleration of verification of price of power grid transmission in all regions and promotion of market-oriented transaction of power, which also laid the foundation for trans-provincial and trans-regional power transmission and transaction.

On 28 August 2017, the NDRC issued the "Notice on Constructing Pilot Work of Power Spot Market" (《關於開展電力現貨市場建設試點工作的通知》), identifying eight regions including South China, West Inner Mongolia, Zhejiang, Shanxi, Shandong, Fujian, Sichuan and Gansu as pilot zones and requiring them to accelerate the construction and launching of pilot operation of power spot market before the end of 2018. Spot market of power is of great significance for solving the problem of clean energy entering the market and the problem of curtailment of wind and solar power.

On 31 October and 28 December 2017, the NEA issued the "Notice on Constructing Pilot Zone of Market Transaction of Distributed Power" (《關於開展分布式發電市場化交易試點的通知》) and supplementary notice, clarifying the mechanism of distributed power transaction being trading between distributed power projects and with the nearest power consumers within power grid connection. Power grid enterprises shall take on transmitting power for distributed power projects, coordinating the market transaction of distributed power with relevant institutions, and charging "cross-grid fee" according to government regulation. The notice also made clear the three models that can be adopted when undergoing market transaction of distributed power.

II. INDUSTRY DEVELOPMENT REVIEW

Under the influence of the aforementioned policies, the wind power industry continued to develop steadily nationwide in 2017. The volume and rate of wind curtailment reduced remarkably. Distributed wind power and offshore wind power have gradually become a key force in boosting demand for the industry. With the trend of the interconnection of various energies, industrial development has stepped into an era of transformation and opportunity.

1. Orderly Development of Wind Power Industry and Remarkable Reduction of Wind Curtailment

In 2017, wind power has achieved an orderly development in China. According to the preliminary statistics of the China Wind Energy Association, the newly installed capacity of wind power was 19.58 million KW. According to data from the NEA, as of the end of 2017, the cumulative domestic wind power grid connection capacity reached 164 GW, which accounted for 9.2% of the country's total installed power capacity. Wind power generated 305.7 billion kWh, accounting for 4.8% of all generated power.

In 2017, the average utilization of wind power in China was 1,948 hours, an increase of 203 hours YoY. Wind curtailment was 41.9 billion kWh, and the average wind curtailment rate was 12%, which was 5.2 percentage points lower than the same period of last year. Among them, the wind curtailment rate in the red warning regions in the three northern regions was significantly lower, and the wind curtailment rates in Ningxia, Inner Mongolia, and Heilongjiang were all below 20%. At present, according to the latest warnings monitored by the NEA, Inner Mongolia, Heilongjiang and Ningxia have been removed from the list of red warnings, and demand will be re-released in traditional wind power installment areas.

2. Actively Supportive Industrial Policies and the Emergence of Increased Market Demand

Distributed wind power and offshore wind power have ushered in a period of rapid development. In 2017, the supporting policies towards distributed wind power further upgraded, pushing forward pilot zone of market transaction of distributed power and marking the official landing of distributed power marketization transactions. Unlocked constraints for distributed wind power projects from annual targeted scale. Hunan Province, Shanxi Province, Henan Province, Inner Mongolia Autonomous Region and Xinjiang also successively issued their distributed wind power construction plan under the "Thirteenth Five-Year Plan". Distributed wind power is expected to usher in a period of rapid development and becomes a new growth point in the wind power industry.

In 2017, offshore wind power was fully launched. According to the data from the Wind Energy Association, China's newly installed offshore capacity reached 1.16 GW in 2017, reaching a total of 2.8 GW. Meanwhile, the amount of bids for offshore wind power increased significantly. In 2017, the domestic offshore wind power project bid was 3.4 GW, an 81% increase comparing with 2016, reaching 12.5% of total domestic bid. With the continuous optimization of the costs of offshore wind power construction in China and the maturation of supporting industries, offshore wind power has ushered in an "acceleration period". Jiangsu, Zhejiang, Guangdong and Fujian will become the key areas for offshore wind power development.

3. Speed-up of Innovation by Market Players and Industrial Transformation through the Interconnection of Energy

Under the guidance of the national "Thirteenth Five-Year Plan" renewable energy development goals, market players in all sectors of the wind power industry have continued to improve the grid-friendliness and comprehensive competitiveness of wind power through technological advancement and business model iterations, and wind power equipments have become more reliable, flexible and efficient. With intensive and flexible solutions, wind farm development focuses more on load-side consumption and full-cycle asset efficiency improvement. Market players jointly promote the continued, healthy development of the wind power industry. According to the data from the Wind Energy Association, the number of models certified by China's authoritative certification bodies reached 229 units in 2016 and 2017 alone, which was higher than the total number of certified models in the past five years, and technological innovation has accelerated.

At the same time, as the country's electricity marketization reform accelerates, the "source-grid-load" policy framework is gradually clear, and market-based electricity transactions are shifting from trials to full-scale promotion. A business model of power trade basing on user demand and interconnection and sharing has gradually appeared. In the future, with the gradual maturity of electricity spot trade, incremental distribution networks, and micro-grid technologies and mechanisms, the energy internet will break the boundaries of different forms of energy and achieve full matching and economic sharing of multiple energy sources.

MAIN BUSINESS ANALYSIS

I. Overview

Affected by reasons like red warning mechanism, increased environmental protection, and limited development in some areas, in 2017, China's installed wind power capacity dropped to the lowest level in three years, and industrial competition intensified. Within this context, the Group positively dealt with the challenges posed by the industry and the market, insisted on the improvement of customer experience, considered technological innovation as the driving force, and implemented multiple measures to achieve the Group's profit growth. In the meanwhile, the Group launched new products that gained popularity among clients, and the Group's share in domestic wind power market has consistently topped the list. The Group's international business has achieved rapid development, and the Group's backlog has reached record highs.

For the financial year ended 31 December 2017, the Group's operating revenue was RMB24,970.84 million, representing a decrease of 4.60% YoY. Net profit attributable to the parent company was RMB3,054.66 million, representing an increase of 1.72% YoY.

i. WTG R&D, Manufacturing and Sales

According to data from Bloomberg New Energy Finance, Goldwind installed more than 5.3 GW of newly-installed capacity in China in 2017, capturing a market share of 29% and making the Group the largest WTG manufacturer in China for the seventh consecutive year. According to Bloomberg New Energy Finance's 2017 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 44 GW worldwide, comprising of over 42 GW and 27,816 units in China and over 1.45 GW and 770 units overseas.

1. Product Manufacturing and Sales

During the Reporting Period, the Group's revenue from the sales of WTGs and components was RMB19,346.00 million, representing a decrease of 13.11% YoY. The Group realized external sales of 5,081.50 MW, a decrease of 13.62% YoY. The sales volume of 2.0MW WTGs increased significantly, of which the sales proportion increased from 37.63% in 2016 to 59.67% in 2017.

The following table provides the details of the Group's WTG sales volumes in 2017 and 2016:

	2017		2016		Change in
Model	Change in	Capacity Sold (MW)	Unit Sold	Capacity Sold (MW)	Capacity Sold
3.0MW	15	45.00	27	81.00	–44.44%
2.5MW	551	1,377.50	498	1,245.00	10.64%
2.0MW	1,516	3,032.00	1,107	2,214.00	36.95%
1.5MW	418	627.00	1,562	2,343.00	–73.24%
Total	2,500	5,081.50	3,194	5,883.00	–13.62%

During the Reporting Period, Goldwind had a steady increase in backlog. As at 31 December 2017, Goldwind's backlog of orders under contract totaled 9,353.45 MW, including 6 MW of 750 KW WTG unit, 520.5 MW of 1.5 MW unit, 5,378 MW of 2.0 MW WTG unit, 422.4 MW of 2.2 MW WTG unit, 34.5 MW of 2.3 MW WTG unit, 2,267.5 MW of 2.5 MW WTG unit, 78 MW of 3.0 MW WTG unit, 471.9 MW of 3.3 MW WTG unit, 161.25 MW of 6.45 MW WTG unit, and13.4 MW of 6.7 MW WTG unit. Furthermore, there were 6,502.4 MW of additional orders awaiting contracts, including 49.5 MW of 1.5 MW WTG unit, 3,982 MW of 2.0 MW WTG unit, 1,029.6 GW of 2.2 MW WTG unit, 48.3 MW of 2.3 MW WTG unit, 895 MW of 2.5MW WTG unit, and 498 MW of 3.0 MW WTG unit. In total, Goldwind had 15,855.85 MW combined external orders, including 602.2 MW internal orders.

2. R&D and Certification

The Group has set up seven R&D centers across the world, employing over 2,000 foreign and domestic technical personnel that provided a solid foundation for the realization of maximizing customer's value through continued improvement of R&D capabilities. Goldwind emphasized the importance of meeting market and customer demands and strengthened its product competitiveness by continually enriching product lines through new product development and product optimization, and consolidating and strengthening the Group's technical advantages, key technology applications in various fields, and hardware and software optimization.

(1) Product R&D

During the Reporting Period, in order to ensure the continued competitive advantage of Goldwind in the low-speed wind market, the crew of 2MW unit focused on the R&D of a new generation of products represented by 131/2S and 126/2S. The R&D and design philosophies have enabled the new series a number of technical features, including multiple impeller diameters, multiple tower heights (structure), multiple adjustable powers, and multiple control modes, which could respond to the complex and diverse needs of the market. The 2.5 MW platform has developed two new products with low wind speed of 130/2500 and 140/2500, expanding the coverage of the 2.5MW product line to market segments. The 3S platform has been upgraded and optimized from the aspects of product capacity lifting strategy, life management strategy, tower series configuration strategy, unit intelligence, power generation capacity enhancement, and marine adaptability design.

In 2017, the completion of the systematic microgrid solution of wind-solar-diesel hybrid energy generation and storage system can smooth the system output of renewable energy and reach the goal of "friendship" with the large grid and supporting the large grid.

In order to maintain its competitive advantage in the energy internet, the Group further improved and optimized its spectrum of micro-grid products and formed a product technology landscape of "five sets of products and a set of platforms", including protection system of micro-grid from dynamic disturbance, protection system of micro-grid from malfunction, micro-grid load monitoring and energy-saving power sales system, micro-grid integrated control system, and big data cloud platform for energy internet within the park. In 2017, based on the experience of successful commercialization, the integrated control system for micro-grids has undergone an overall upgrading of products in response to changes in market demand. At the same time, the protection system of micro-grid from dynamic disturbance has obtained type certificate from China General Certificate Center.

(2) Certification

In 2017, the group got an important breakthrough on certification work. In addition to certification work of conventional products, the platform development and innovative technology got certification both domestically and internationally. On product certification, GW2.0 series, GW2.5 series and GW3.0 series got over 20 domestic and international appraisal certificates of design and several type appraisal certificates. Gold Wind obtained a number of platform authentication certificates based on product platforms, which covered multiple configuration to guarantee rail-end product delivery. On innovative technology, the group continued to strengthen efforts to integrate with international advanced technology and deepen the technology discussion and cooperation with international certification authorities, whose both radar technology and group control technology of wind power plant were successfully endorsed in the international certification authorities. Oriented by customers, Gold Wind Technology developed products, platforms and innovative technology shoulder to shoulder and mutually integrated applications to guarantee unit safety and power optimization for continuous improvement of market competitiveness of units.

(3) Intellectual Property Protection

In recent years, Goldwind continued to focus on R&D investment, and actively adopted core intellectual property protection technologies. The number of patent applications at home and abroad has gradually increased, and the patent application structure has been continuously optimized. The total number of patent applications and the proportion of patent licenses are both in the leading position in the industry.

As of the end of the Reporting Period, Goldwind had 2,669 patent applications in China, including 1,421 invention applications; 1,335 authorized patents in China, including 363 authorized inventions. Goldwind had 161 patent applications overseas, including 42 authorized patents. Goldwind owned 468 software copyrights, 97 registered and approved national trademarks, and 95 internationally approved registered trademarks.

The Group actively participated in the revision of international and domestic standards in the field of wind power technology. In terms of international standards, it participated in the preparation and revision of 7 IEC standards. 13 technicians became IEC/TC88 registered experts; the Group also participated in the preparation and modification of 151 standards in China (76 of them were national standards, 57 industrial standards, and 18 local and association standards).

According to the results of the annual best wind turbine selection conducted by Windpower Monthly, a global professional magazine on wind power, Goldwind's GW140/3MW model won the gold medal for the best high-power onshore wind turbine (more than 3 MW), and the GW115/2.0MW model won the bronze model for the best onshore wind turbine (less than 2.9 MW).

3. Quality Control

In 2017, the Group continued to promote quality benchmarks through basing on on-site circumstances, driving innovation, and improving overall quality. Starting from the source, the Group optimized and improved the R&D quality control system and the new product quality control process, established a quality index library covering the entire industry chain, as well as a full life cycle of quality management as a collaborative segment for management team, and formed a closed-loop of quality management comprising R&D, manufacturing, sales, operation, maintenance, and customer experience. Through establishing quality benchmarks, the Company completed benchmarking project assessment, including assessing one supplier, 10 products, and 39 others sectors. Through open, mutually beneficial cooperation, the Group fostered the maturity of supplier, contractor and constructor. The Group was also committed to building a full-fledged industrial chain and promoting the overall efficiency of the industrial chain in all directions.

During the Reporting Period, Goldwind was nominated by the Third China Quality Award and was awarded the "National Quality Demonstration" issued by the China Quality Association.

ii. Wind Power Services

In recent years, post-wind-power service market has developed rapidly and become a promise zone of the wind power industry. With scientific innovation and technological advancement, wind power services are gradually moving towards a digital era. The customer's demand has also shifted from conventional services to the achievement of cost-cutting and efficiency-enhancing, full-life-cycle operation and maintenance management, and high-value-added service models.

The Group utilizes technologies such as the Internet of Things, big data, and cloud computing to turn winds in the physical sense into digital ones, and has launched a number of digital product services in the fields of exploring the potential of wind resources, designing smart wind farms, and improving the efficiency of wind turbines. During the Reporting Period, the batch application of the POWERNEST™ system was realized. The system integrates a variety of wind turbine performance optimization function modules and advanced control technology, which can increase the annual average wind power generation capacity of 2-5%; EFarm radar intelligence technology can reduce the unit load by 7%-15%, improving the unit's adaptability and stability, creating a "smart operating O2O model", and highly integrating the digital platform and business goals. The SOAM™ (Smart Operation Administration & Maintenance) system is an integrated, intelligent energy solutions for advanced applications such as power forecasting, intelligent fault diagnosis, health warning, and wind turbine optimization.

In addition, as an important strategic partner of the State Grid Qinghai Electric Power Company, Goldwind is responsible for the planning and construction of the Green Energy Interconnect platform (Qinghai New Energy Big Data Innovation Service Platform) and the construction of the IoT platform for the underlying energy and Internet of Things. Goldwind also develops application services such as centralized monitoring, power forecasting, equipment health management, asset management, and business intelligence analysis, as well as expert technical support. The platform can reduce the labor costs of new energy plants by more than 20%. Power generation can be increased by 1%-5% and energy consumption of new energy plant can be reduced by 10%.

As of the end of the Reporting Period, the Group's operation and maintenance service team has provided services and technical support for construction, operation and maintenance for more than 35,337 units and 992 wind farms worldwide. 20,176 units were connected to the Goldwind Global Monitoring Center. During the Reporting Period, revenue from the Wind Power Services business segment was RMB2,056.62 million, representing an increase of 65.12%.

The Group's wind farm life cycle service management project was listed as demonstration of service project by the Ministry of Industry and Information Technology; Ningxia Jiaze (5-7 phases) operation and maintenance project won a five-star rate in China Quality Association's "National Evaluation of Site Management of the Year 2017".

iii. Wind Farm Investment and Development

Wind farm project development is one of the core businesses. With strong R&D support, professional project development team and efficient project management model, the Group has become among the mainstream developers. During the Reporting Period, it further improved the strategic development layout and established 14 provincial-level companies in major provinces. While exploring diversified demonstration projects, the Group obtained reasonably-priced on-grid wind power project in Liangmianjing, Hebei and renewable energy micro-grid demonstration project in Erenhot, Inner Mongolia.

In order to further increase the proportion of wind power consumption and realize the effective use of resources, the Group actively promoted the development of distributed wind power projects and obtained 140MW of distributed project approvals. Thanks to the power reform and improved wind curtailment, in 2017 the Group achieved 1.756 billion kWh of power trade (including 0.55 billion kWh of cross-regional transactions) with a total transaction value of RMB1.108 billion (including RMB0.873 billion in subsidies). During the Reporting Period, the Group's revenue from power generation was RMB3,247.36 million, representing an increase of 34.51% YoY. The gain on investment from sale of wind farms was RMB649.60 million, representing an increase of 11.61 times YoY.

During the Reporting Period, the Group signed a strategic cooperation agreement with Shanghai Sineng Investment Co., Ltd. (hereinafter referred to as "Shanghai Sineng") on "Goldwind Asset Management Platform". Goldwind was to provide efficient asset management services for Shanghai Sineng's 100MW wind farms. It indicated that Goldwind's asset management service sharing platform basically matured and had the ability to provide lifecycle asset management services for new energy investors.

During the Reporting Period, the Group's domestic newly installed generating capacity was 515.94MW, of which 344.82MW was attributable capacity. As at the end of the Reporting Period, the Group's accumulated installed generating capacity was 4,713.50MW, of which 3,868MW was attributable capacity. Goldwind reported 1,523.15MW of capacity under construction at the end of the Reporting Period, of which 1,496.15MW was attributable capacity. As at the end of the Reporting Period, the Group's approved still not started construction attributable capacity was 2,780MW. WTG utilization hours was 1,994 hours.

During the Reporting Period, the Group's 200 MW wind farm project in Xintiandun Seven (C) District, Hami, was awarded the "China Power Industry Quality Project Award", "National Quality Project Award" and "China Installation Quality Project Award".

iv. Promotion of "Offshore and Overseas" Strategy

In 2017, the Group vigorously promoted the practical implementation of the "Offshore and Overseas" strategy, taking offshore and overseas markets as the main entry points, participating in foreign and offshore market competitions with high-quality products, expanding market share, enhancing the visibility and influence of the Group's products and brand, and strengthening the sustainable development of the Group.

During the Reporting Period, the Group accelerated the development of offshore market, resource reserves and quality capacity building, and launched the integrated solution for offshore wind power development – "6.X model + integrated design solutions for single pile", achieving low infrastructure costs, low lifting costs, low land acquisition costs, low-cost cable costs, and low maintenance costs while combining the large impeller and large capacity of wind turbines to achieve high returns on offshore wind power in the region. Tianrun's Experimental Station 2 # 6.45MW β wind turbines in Dafeng, Yancheng have been hoisted at the end of the Reporting Period.

In 2017, the Group's new offshore projects had a bid of 650MW, accounting for 19.58% of the national total fixed target. Newly installed capacity was 207.8MW in the offshore market, and the cumulative installed capacity was 373.8MW.

During the Reporting Period, the Group's overseas market expansion achieved breakthroughs in six emerging markets: installed power grids in Uzbekistan, installed the first direct-drive units in Turkish market, signed orders for Kazakhstan's reconstruction projects, obtained the first order in the Philippines, entered Argentina's wind power market for the first time to carry out project investment, and achieved a new breakthrough in Brazilian generator service business.

In addition, the Group acquired orders for smart micro-grid projects in Nigeria. It will be the first micro-grid project in the African continent. In the United States, the Group realized expansion in distributed projects and innovation in sales model.

As of the end of the Reporting Period, the Group's newly-added development and storage projects in overseas market have reached a record high of 1.2GW, including Australia's 720MW (of which the Stockyard Hill project is Australia's largest wind power project, 527.5MW), the United States' 160MW, and Argentina's 350MW. International wind power projects have completed 421MW of installed capacity, 124.1MW of equity capacity, 690MW of wind power capacity under construction, and 690MW of attributable capacity. In 2017, the Group achieved international sales revenue of RMB2,087.74 million.

v. Water Treatment Business

Goldwind takes the mission of "giving white cloud and blue sky to human and leaving more resources for the future". While solidifying its main business, it also actively expands other energy conservation and environmental protection businesses and contributes more to the sustainable development of the environment and society.

In 2017, the Group's water business progressed smoothly, with significant increase in both scale and profitability. The Group actively carried out research and application of new processes, technologies and equipment, and continuously improved the efficiency of water treatment and the quality of effluent water. The quality of effluent from each sewage treatment plant was above the designated standard.

Adhering to the development concept of green, low-carbon, and environmental protection, the Group actively promoted the construction of smart water treatment services, giving full play to the advanced technologies and rich experience accumulated in new energy, energy networks, and the Internet of Things, and building an energy network that covers the whole plant's power equipment in Caoxian, Shandong Province. The demonstration project featured IoT platform of each process section of the water treatment plant and the smart water treatment plant of the distributed, solar, smart micro-grid was the first project of this kind in China.

As of the end of the Reporting Period, the Group operated a total of 28 water treatment plants, designed a total water treatment scale of 1.70 million tons/day, and processed 169.51 million tons of domestic sewage and industrial wastewater throughout the year; The water business realizes a sales revenue of RMB161.70 million, representing an increase of 70.73% as compared with the same period of last year and a net profit of RMB81.33 million, representing an increase of 245.55% over the same period of last year.

vi. Major Subsidiaries

As at 31 December 2017, the Group had 266 subsidiaries, which included 26 directly owned subsidiaries and 240 indirectly owned subsidiaries. In addition, we had 17 joint ventures, 17 associated companies and held 20 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 2017
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	6,483,961,054.70	1,430,269,253.48	6,353,008,829.52	30,414,904.04
2	Vensys Energy AG	€500.00	1,198,216,779.30	688,657,527.40	781,178,342.80	34,637,023.24
3	Jiangsu Goldwind Technology Co., Ltd.	75,961.00	3,933,418,842.10	1,606,508,317.92	3,446,057,329.06	477,258,985.50
4	Beijing Techwin Electric Co., Ltd.	10,000.00	3,190,454,128.01	1,468,313,193.20	3,319,332,271.95	517,439,942.00
5	Beijing Tianrun New Energy Investment Co., Ltd.	555,000.00	27,684,679,209.73	8,981,510,544.14	3,083,477,247.06	1,399,591,740.29
6	Goldwind Investment Holding Co., Ltd.	100,000.00	1,911,345,085.63	1,860,686,130.45	–	65,319,110.49
7	Goldwind Environmental Science & Technology Co., Ltd.	100,000.00	2,118,798,074.93	1,130,885,138.51	150,088,276.07	74,090,160.59
8	Tianxin International Finance Lease Co., Ltd.	USD3,000	3,860,615,521.22	490,963,930.09	197,055,620.33	82,926,734.95

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 2017, revenue from operations for the Group was RMB24,970.84 million, representing a decrease of 4.60% compared with RMB26,173.89 million for the financial year ended 31 December 2016. Net profit attributable to owners of the Company was RMB3,054.66 million, representing an increase of 1.72% compared with RMB3,002.98 million for the financial year ended 31 December 2016. The Group reported basic earnings per share of RMB0.84.

The following table provides Group's major financial indicators:

	Year ended 31 December		Change
	2017	2016	**(percentage points)**
Profitability Index			
Sales margin	**12.23%**	11.47%	0.76
Return on investment index			
Weighted average return on net assets*	**15.04%**	16.87%	–1.83

* 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 2017, revenue from operations for the Group was RMB24,970.84 million, representing a decrease of 4.60% compared with RMB26,173.89 million for the financial year ended 31 December 2016. Details are set out below:

Unit: RMB thousand

	Year ended 31 December			
	2017	2016	Amount Change	Percentage Change
WTG Manufacturing	**19,345,998**	22,264,112	(2,918,114)	–13.11%
Wind Power Services	**2,056,618**	1,245,537	811,081	65.12%
Wind Farm Investment and Development	**3,247,362**	2,414,248	833,114	34.51%
Other	**320,857**	249,995	70,862	28.35%
Total	**24,970,835**	26,173,892	(1,203,057)	–4.60%

The decrease in operating revenue of the Group was mainly attributable to: (i) the wind power industry generally maintained slow growth in 2017 and the revenue from the sales of WTGs of the Group fell slightly; (ii) benefiting from the Group's aggressive expansion in the field of EPC services, the EPC revenue of this year increased significantly when compared with that in the same period of last year; (iii) with the increase of wind farms capacity of the Group officially entering the operation stage, the revenue produced from power generation of this year increased significantly over last year; (iv) as the Group's investment in the field of innovation business continued to increase, the investment effect had been initially apparent. In 2017, the sales revenue of water business increased significantly.

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		Amount	Percentage
	2017	2016	Change	Change
Raw materials and components	**16,779,302**	20,564,943	(3,785,641)	–18.41%
Labour	**178,343**	152,099	26,244	17.25%
Depreciation and amortisation	**971,112**	829,581	141,531	17.06%
Other production costs	**1,712,694**	843,760	868,934	102.98%
Changes in inventories and transferred assets	**(2,136,334)**	(3,774,559)	1,638,225	–43.40%
Total	**17,505,117**	18,615,824	(1,110,707)	–5.97%

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

Unit: RMB thousand

	Year ended 31 December		Amount	Percentage
	2017	2016	Change	Change
WTG Manufacturing	**14,529,128**	16,588,513	(2,059,385)	–12.41%
Wind Power Services	**1,744,471**	1,044,511	699,960	67.01%
Wind Farm Investment and Development	**1,109,496**	911,388	198,108	21.74%
Other	**122,022**	71,412	50,610	70.87%
Total	**17,505,117**	18,615,824	(1,110,707)	–5.97%

The decrease in cost of sales of the Group was mainly caused by the decrease in operating income of the Group in 2017.

Gross Profit

Unit: RMB thousand

	Year ended 31 December 2017	2016	Amount Change	Percentage Change
WTG Manufacturing	**4,816,870**	5,675,599	(858,729)	–15.13%
Wind Power Services	**312,147**	201,026	111,121	55.28%
Wind Farm Investment and Development	**2,137,866**	1,502,860	635,006	42.25%
Other	**198,835**	178,583	20,252	11.34%
Total	**7,465,718**	7,558,068	(92,350)	–1.22%

Gross profit of the Group mainly comes from the WTG manufacturing business and wind farm investment & development business, as well as wind power services and other businesses.

For the financial years ended 31 December 2016 and 2017, the Group's comprehensive gross profit margins were 28.88% and 29.90%, respectively, and the gross profit margins for the WTG Manufacturing segment were 25.49% and 24.90%, 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 2017	2016	Change (percentage points)
3.0MW	**20.87%**	30.61%	–9.74%
2.5MW	**25.82%**	24.93%	0.89%
2.0MW	**25.28%**	24.77%	0.51%
1.5MW	**26.73%**	27.78%	–1.05%

As of 31 December, 2017, the gross profit rate of 1.5MW wind generating set had a certain level of decline from 27.78% in the same period of last year to 26.73% in the reporting period; the gross profit rate of 2.0MW and 2.5MW wind generating sets had a certain amount of growth from 24.77% and 24.93% in the same period of last year respectively to 25.28% and 25.82% in the reporting period; the 3.0MW wind generating set is still in the stage of market development currently. The adjustment in market adaptability of product led to the decrease of gross profit rate in the current period, which decreased from 30.61% in the same period of last year to 20.87% in the reporting period.

Other Income and Gains

Other net incomes and gains of the Group mainly consist of sales revenue from investment of the wind farm (including the sales revenue of wind power equipment realized due to the sales of such wind farms), bank interest income, insurance compensation for product quality guarantee, total rental income and government subsidies obtained because of updating of the Group's R&D projects and production facilities, and etc.

Other net incomes and gains of the Group were RMB1,631.07 million for the year as of 31 December 2017, representing an increase of 50.31% compared with RMB1,085.10 million for the year ending at 31 December 2016. This is mainly because the increase of the Group's gains on disposal of subsidiaries during the year, the increase of gains on remeasurement of the remaining interests at the date of disposal of subsidiaries, were partially offset by the decrease in revenue on disposal of associated corporation, joint venture corporation, the decrease of dividend income from available-for-sale investments, and the decrease of gains on disposal of available-for-sale investments.

Selling and Distribution Costs

The Group's cost of sales mainly includes reserves for product warranty provisions, freight charges, insurance premiums, bidding service fees, staff costs, handling fees and travel expenses, and etc.

The annual cost of sales of the Group for the year ended 31 December 2017 amounted to RMB2,101.06 million, representing a decrease of 4.96% when compared with RMB2,210.76 million for the year ended 31 December 2016. This is mainly due to the decrease in reserves against quality guarantee and handling fees caused by decrease in sales of WTGs during the year, and etc, which was partially offset by the increase in staff costs, insurance premiums and bidding service fees, and etc.

Administrative Expenses

The Group's administrative expenses mainly include research & development expenses, staff costs, taxes, depreciation, consultancy fees and travel expenses, and etc.

The Group's administrative expenses for the year ended 31 December 2017 amounted to RMB2,520.46 million, an increase of 29.89% when compared with RMB1,940.48 million for the year ended 31 December 2016. This is mainly due to the positive and steady increase in R & D expenditures of the Group in order to further enhance its core competitiveness, the increase in consultation expenditure so as to improve its overall informatization degree, the increase in staff costs resulted from increase in the number of employees, the increase in travel expenses and attorney fees caused by expansion of the Group's business and the increase in depreciation because of increase of fixed assets, and etc.

Other Expenses

Other operating expenses of the Group include bank fees, exchange losses and provision for impairment of trade receivables, etc.

The Group had RMB377.24 million of other operating expenses for the year as of 31 December 2017, representing a decrease of 15.24% compared with RMB445.07 million for the year ended on 31 December 2016. It is mainly because the decrease of exchange losses, etc. of the Group was partially offset by the increase of provision for impairment of receivables, etc. during the period.

Finance Costs

The Group had RMB817.78 million of financial expenses for the year as of 31 December 2017, which increased by 19.10% compared with RMB686.65 million for the year ended on 31 December 2016. It is mainly because the Group had an increase of current average amount borrowed on year-on-year basis, resulting in the increase of interest charges.

Income Tax Expense

The Group had RMB341.75 million of income tax for the year as of 31 December 2017, decreased by 23.41% compared with RMB446.22 million for the year ended on 31 December 2016. It is mainly because of the effect of the preferential income tax rates for domestic entities, and the increase of tax preference in the Group's current research and development investment, etc.

Capital Expenditures

The Group reported capital expenditures of RMB6,764.69 million for the financial year ended 31 December 2017, representing a 21.66% increase from RMB5,560.42 million for the financial year ended 31 December 2016. 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 2017	2016
Net cash flows from operating activities	**3,023,449**	3,102,543
Net cash flows used in investing activities	**(7,097,947)**	(7,011,128)
Net cash flows from financing activities	**3,381,890**	5,246,540
Net (decrease)/increase in cash and cash equivalents	**(692,608)**	1,337,955
Cash and cash equivalents at beginning of year	**7,526,463**	6,141,430
Effect of foreign exchange rate changes, net	**(87,672)**	47,078
Cash and cash equivalents at end of year	**6,746,183**	7,526,463

1. **Cash flows from operating activities**

The net cash receipts of the Group's operations mainly include pre-tax profits, through non-cash items, changes in operating capital, and adjustments of other incomes and earnings.

The Group had RMB3,023.45 million of net cash acquired from operating activities for the year ended on 31 December 2017. Cash inflow mainly included RMB3,490.56 million of profit before tax, RMB534.70 million of the paid income tax, which has adjusted the increase of RMB1,914.98 million of other payable advance from customers and accruals, the increase of RMB1,066.70 million of depreciation, the increase of RMB1,035.96 million of trade and bills payables, and the increase of RMB817.78 million of financial costs, etc. Such cash inflow was offset by the increase of RMB1,512.61 million of financial receivables, the increase of RMB1,286.46 million of trade and bills receivables, the increase of RMB847.91 million of inventory, increase of RMB387.78 million of gains on disposal of subsidiaries and increase of RMB309.42 million of gains on remeasurement of fair value of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary, etc.

The Group had RMB3,102.54 million of net cash acquired from operating activities for the year ended on 31 December 2016. Cash inflow mainly included RMB3,551.96 million of profit before tax, RMB802.29 million of the paid income tax, which has adjusted the increase of RMB1,012.14 million of other payable advance from customers and accruals, the increase of RMB861.37 million of depreciation, and the increase of RMB686.65 million of financial costs, etc. Such cash inflow was offset by the increase of RMB1,820.13 million of trade and bills receivables, etc.

2. **Cash flows used in investing activities**

The net cash consumed by investment activities of the Group mainly consists of purchase of properties, plant and equipment, acquisition of subsidiaries, pledged deposits, unsecured time deposits with original deposit period of three months or more when obtained, and purchase of available-for-sale financial investment.

The net cash consumed by investment activities of the Group for the year ended on 31 December 2017 amounted to RMB7,097.95 million. Cash outflow mainly comprised purchase of property, plant and equipment of RMB4,842.70 million, acquisition of subsidiaries, net of cash acquired of RMB1,804.02 million and purchase of available-for-sale financial investments of RMB1,086.83 million. Such cash outflow was offset by the disposal of available-for-sale investments of RMB355.73 million, the disposal of subsidiaries, net of cash disposal of RMB245.37 million (net of cash) and other inflows.

The net cash consumed by investment activities of the Group for the year ended on 31 December 2016 amounted to RMB7,011.13 million. Cash outflow mainly comprised purchase of property, plant and equipment of RMB5,500.98 million and purchase of available-for-sale investments of RMB1,461.75 million, etc.

3. **Cash flows from financing activities**

The net cash consumed in the financing activities of the Group mainly comprises repayment of bank borrowings and dividends paid to shareholders. The net cash obtained from financing activities of the Group mainly includes new bank borrowings.

The net cash obtained from financing activities of the Group for the year ended 31 December 2017 amounted to RMB3,381.89 million. Cash inflow mainly comprised new bank and other borrowings increased of RMB8,139.08 million. Such cash inflow was offset by repayments of bank and other borrowings of RMB3,327.34 million, interest paid of RMB802.51 million and dividends paid to the shareholders of the company of RMB654.65 million.

The net cash obtained from financing activities of the Group for the year ended 31 December 2016 amounted to RMB5,246.54 million. Cash inflow mainly comprised new bank and other borrowings increased of RMB8,709.94 million. Such cash inflow was offset by repayments of bank and other borrowings of RMB2,946.82 million and interest paid of RMB667.40 million, and etc.

Financial Position

As of 31 December 2017 and 31 December 2016, the Group's total assets were RMB72,787.84 million and RMB64,437.17 million respectively, current assets were RMB33,081.33 million and RMB33,096.62 million respectively, and the proportions of current assets accounting for the total assets were 45.45% and 51.36% respectively. The decrease in current assets was mainly caused by the fact that the decrease in assets held for sale caused by the disposal of the wind power plants by the Group in the current period, the decrease in cash and cash equivalents were offset by the increase in inventories, the increase in prepayments, deposits and other receivables, the increase in trade and bills receivables, the increase of available-for-sale investments, the increase of pledged deposits and the increase of financial receivables, etc.

As of 31 December 2017 and 31 December 2016, the non-current assets of the Group were RMB39,706.51 million and RMB31,340.55 million respectively. The increase in non-current assets was mainly due to the increase in property, plant and equipment caused by the increase of operating wind power plants and wind power plants under construction, the increase in financial receivables caused by the increase in financing lease receivables and the right to charge water franchise, the increase of other intangible assets caused by the increase in water treatment operating concession and wind farm development and operating permit, the increase of investments in joint ventures caused by sale of partial equity of wind farm and the increase of trade receivables, etc.

As of 31 December 2017 and 31 December 2016, the total liabilities of the Group were RMB49,312.84 million and RMB43,738.37 million respectively, with current liabilities of RMB29,600.32 million and RMB24,662.98 million respectively. The increase in current liabilities was mainly due to the increase in trade payables and other payables, and the increase in bank borrowings repaid within one year.

As of 31 December 2017 and 31 December 2016, the non-current liabilities of the Group were RMB19,712.52 million and RMB19,075.39 million respectively. The increase in non-current liabilities was mainly due to the increase of supporting bank borrowings resulted from the increase of installed capacity of the accumulated grid-connected wind power plant of the Group, and the increase of trade payables.

As of 31 December 2017 and 31 December 2016, the net current assets of the Group were RMB3,481.01 million and RMB8,433.64 million respectively, with net assets of RMB23,475.00 million and RMB20,698.79 million respectively.

As of 31 December 2017 and 31 December 2016, the cash and cash equivalents of the Group were RMB6,756.11million and RMB7,534.17 million respectively, with interest-bearing bank borrowings and other borrowings of RMB21,884.83 million and RMB18,091.11 million respectively.

Interest-bearing Bank Loans and Other Borrowing

As at 31 December 2017, the amount of the Group's interest-bearing bank loans was RMB18,422.15million, including bank loans repayable within one year of RMB3,346.11million, in the second year of RMB1,364.41 million, in the third to fifth year of RMB5,537.49million, and above five years of RMB8,174.14million. In addition, as at 31 December 2017, the Group's outstanding amount of corporate bonds was RMB3,462.68 million, including corporate bonds repayable within one year of RMB2,652.91 million, in the second year of RMB249.83million, in the third to fifth year of RMB559.94million. During the Reporting Period, the Group does not have any interest rate hedging.

Capitalization of Interest

During 2017, the Group's capitalised RMB47.58 million of interest expense to property, plant and equipment; the Group's capitalised RMB0.00 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 2017, the Company's reserves distributable to shareholders was RMB1,653.02 million. This was the lower of two figures calculated in accordance with CASBE and IFRS.

Restricted Assets

As at 31 December 2017, certain assets of the Group with a total carrying value of RMB16,672.03million were pledged as security for certain bank loans and other banking facilities. Such assets included bank deposits of RMB1,086.55million, trade and bills receivables of RMB3,400.33million, financial receivables of RMB380.72million, property, plant and equipment of RMB11,638.83million, and prepaid land lease payments of RMB165.60million.

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.

Gearing Ratio

As at 31 December 2017, the Group's gearing ratio, defined as net debt divided by sum of capital and net debt, was 57.96%, representing a increase of 1.48% compared with 56.48% as at 31 December 2016.

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. 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 third party.

As at 31 December 2017, the Group's contingent liabilities were RMB15,770.26million, representing an increase of RMB3,588.80million compared with RMB12,181.46 million as at 31 December 2016.

IV. OUTLOOK FOR THE FUTURE

With the growing consensus on the development of renewable energy in the globe, and in the face of increasingly prominent energy and environmental issues, the development of low-carbon electricity has become an important part of energy development in the future. China regards the development of clean energy as the main direction of implementing structural reforms on the energy supply side, and has determined that the target of non-fossil energy in primary energy consumption will reach 15% and 20% in 2020 and 2030, respectively. As one of the power generation methods with the most mature technology, the most extensive development conditions and the prospects for commercialization in the new energy field, wind energy will play a more important role in the reform of China's energy system and the development of new energy.

i. Industry Outlook

According to the "Revolutionary Strategy for Energy Production and Consumption (2016-2030)" (《能源生產和消費革命戰略(2016-2030)》) issued by the NDRC and the NEA, by 2030, non-fossil energy will account for 50% of all power generation. And the country will vigorously develop wind energy and solar energy, and continue to increase their efficiency, reduce their cost, and make them as equally competitive as conventional power.

The "Guidelines for Energy Work in 2018" (《2018年能源工作指導意見》) promulgated by the NEA proposed to pay more attention to green and low-carbon development, adhere to the strategic direction of green and low-carbon, accelerate the optimization of energy structure, expand the clean energy industry, and steadily push forward the scale of developing renewable energy. It also emphasized to strengthen the monitoring and early warning mechanism for investment in wind power, control the scale of the newly-constructed in areas with severe wind curtailment, and ensure that the curtailment and curtailment rate of wind power can both be reduced. It encouraged the promotion of wind power projects, planned to arrange a new construction scale of about 25 million KW and newly installed capacity of about 20 million KW. The preparatory work for wind power projects in certain regions will be solidly promoted. The project will have a scale of about 20 million KW. Offshore wind power will be actively and steadily promoted too, though exploring the establishment of demonstration of wind power project in Shanghai's deep seas and accelerating the development of distributed wind power.

ii. Market Trends

In order to realize the goal of "same price for wind and coal-fired electricity" in 2020, wind power manufacturing companies will continue to improve their technological innovation capabilities, and will also accelerate the speed of product iterations, increase the capacity of stand-alone machines, and reduce the cost of electricity; on the other hand, considering the factors of electricity price adjustment policy, it is expected that 2018 and 2019 will be another peak period for wind power construction.

The "Planning of the Thirteenth Five-Year Plan for the Development of the Nation's Marine Economy (Public Edition)" (《全國海洋經濟發展"十三五"規劃(公開版)》) issued by the NDRC and the NEA proposed that offshore wind power industry should be adapted to local conditions and be distributed reasonably, and that offshore wind farms should be encouraged to be established in the deep sea. It also proposed to adjust policies regarding connecting wind power to grid network, improve the system of offshore wind power industry technical standards and standards of sea utilization. With the introduction of a series of policies, the accumulation of experience and the highlight of economy, China's offshore wind power continues to advance and is expected to usher in the golden age during the "Thirteenth Five-Year Plan" period.

According to the "Worldwide Market Report on Wind Turbine Operation and Maintenance" (《全球風機運維市場報告》) issued by MAKE, a Danish energy consulting institute, a large number of lifting projects in the Chinese market will prompt China to reach its peak market in 2026, which is approximately USD6.7 billion. With the surge in the volume of China's wind turbine lifting capacity and the increased attention from the industry to the performance of wind turbines, the operation and maintenance market will encounter intensified competition and further integration.

iii. Corporate Strategy

Goldwind is dedicated to its corporate mission: providing white cloud and blue sky for the human being and leaving more resources for the future, and is committed to becoming an international leader in providing clean energy and energy-saving environmental protection solutions. Adhering to the customer-centric business philosophy, Goldwind provides customers with the entire life cycle of the overall solution. The Group continues to vigorously develop wind power equipment and wind power service businesses, and provides complete solutions for onshore wind power and offshore wind power. At the same time, it actively lays out the "source-grid-load" industrial chain of smart energy internet, vigorously develops and invests in wind farms, and accelerates the development of distributed energy and energy service business. In the field of environmental saving and protection, it quickly accumulates water treatment and environmental protection assets and nurtures smart water treatment service solutions.

The Group has formulated the "Offshore and Overseas Strategy" to actively develop offshore wind power, expand overseas wind power market, and at the same time promote the development of the core business of Goldwind overseas. The digital strategy developed by the Group helps customers achieve digital production by providing customers with comprehensive digital products and solutions. Through digitization, service, platform, and internationalization of its business, Goldwind will create core competitiveness and push forward continuous growth of the Group's business.

iv. Operation Plan and Major Goal

Oriented by customers' demands and adhering to technology-leading and quality-leading management concept, the group will expedite information construction and digital transformation to provide assets management service of full life circle for customers, and continue to improve overall competitiveness of the enterprise to realize the expansion of offshore and overseas market shares; positively lay out in distributed, smart micro-grid and energy internet projects, promote fast expansion of power selling business and establish value-added service system of power selling; create smart water affairs and cultivate projects of energy conservation and environment protection to provide new power for profitability of the group as well as achieve the sustainable development of the enterprise by diversified profit model to ensure earnings of the company and shareholders.

v. Capital Needs

According to the Group's 2018 operations plan and major targets, the Group's working capital requirement will be met with a combination of existing funds, operating cash flow, and bank loans in 2018. The Group has a strong capacity to service its debt, a sound reputation in the financial community, ample capital resources and ease of access to additional capital.

vi. Potential Risk Factors

1. Policy Risk

The development of the wind power industry is affected by national policies and industrial development policies. Changes in related policies will affect the production and sales of the Group's main products.

2. Electricity Demand Decline

In 2017, the sales of the Group's top five customers accounted for nearly 40% of the total annual sales. Affected by factors such as industry development and policies, a decline in demand from our major customers will have a definite impact on the production and operation of the Group.

3. Market Competition

According to the NEA and the Wind Energy Association, the top three companies in the market has acquired 56% of the total volume of bids, representing an increase of 3 percentage points YoY. The top three companies in terms of newly installed capacity have acquired 51% of new installed capacity in the year. With the increase of industry concentration, market competition will further intensify.

4. Wind Curtailment

During the Reporting Period, although wind curtailment in China has improved relative to 2016, utilization of wind power in Central and East China appeared to have declined, with China's wind power market moving southward. In Henan and Jiangxi, Central China and Anhui and Zhejiang, East China, the decrease was 181 hours, 119 hours, 103 hours, and 154 hours respectively. With wind curtailment worsening in the South, wind curtailment will remain an important factor restricting the development of wind power in the short run.

5. 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 economic development. Within this context, there will be the threat of international trade protectionism and RMB exchange rate fluctuation, both of which will affect the Group's internationalization strategy and international business expansion.

V. CORE COMPETITIVE ADVANTAGES

i. Market Position

Goldwind is one of the earliest enterprises to enter into the field of WTG manufacturing in China. During more than ten years of development, we have matured into a leading domestic and global comprehensive wind power solutions provider. Our 1.5MW, 2.XMW, 2.5MW, 3.0MW(S) and 6.XMW 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 seven years and ranked among the top three in the world wind power market for three 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. After years of sedimentation, we have received excellent praise from the public and gained substantial recognition from government agencies, our customers, our business partners, and investors.

iv. Comprehensive Profit Model

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 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. In the field of energy saving and protection, Goldwind quickly accumulates water treatment and environmental protection assets and nutures smart treatment service solutions. We are committed to becoming an international leader in providing clean energy and energy-saving environmental protection solutions.

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 2017:

EXECUTIVE DIRECTORS

Mr. Wu Gang（武鋼先生）

Mr. Wu Gang ("**Mr. Wu**"), aged 60, 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 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 serves as the chairman of the board and Party Committee secretary of Xinjiang New Energy (Group) Co., Ltd., which is a private company.

Mr. Wang Haibo（王海波先生）

Mr. Wang Haibo ("**Mr. Wang**"), aged 44, 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 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 and director of Goldwind International. Mr. Wang served as vice president of the Company between March 2010 to January 2013. He was appointed as an executive Director in June 2012 and the President in January 2013.

Mr. Wang currently serves as the chairman of the board of Goldwind Environmental Protection Co., Ltd. and Goldwind Investment Holding Co., Ltd., both are wholly owned subsidiaries of the Company and private companies.

Mr. Cao Zhigang（曹志剛先生）

Mr. Cao Zhigang ("**Mr. Cao**"), aged 43, is currently an executive Director, executive vice president of the Company. Mr. Cao graduated from China Europe International Business School with a master of business administration. He is a senior engineer. He joined the Company in 2001 and previously served as the Company's director of electronic control, deputy chief engineer and general manager of the WTG Business Unit of the Group. He served as vice president of the Company between March 2007 to March 2010. He was appointed as an executive vice president of the Company in March 2010, as an executive Director in June 2013

NON-EXECUTIVE DIRECTORS

Mr. Feng Wei (馮偉先生)

Mr. Feng Wei ("**Mr. Feng**"), aged 48, is currently a non-executive Director. Mr. Feng graduated from Nankai University with a doctor's degree. He served as a general manager 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 been serving 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 49, 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. (a substantial shareholder of the Company) from June 2010 to October 2011. From October 2011 to July 2017, Mr. Zhao has been the Chief Accountant and general counsel of China Three Gorges New Energy. Since July 2017, Mr. Zhao serves as vice general manager and general counsel of China Three Gorges New Energy. Mr. Zhao was appointed as a non-executive Director of the Company in January 2016.

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 in March 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tin Yau Kelvin Wong（黃天祐博士）

Dr. Tin Yau Kelvin Wong ("**Dr. Wong**"), aged 57, 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, 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.

Mr. Yang Xiaosheng（楊校生先生）

Mr. Yang Xiaosheng ("**Mr. Yang**"), aged 66, 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 52, 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, BII 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, BII 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 54, 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. Luo Jun（洛軍先生）

Mr. Luo Jun ("**Mr. Luo**"), aged 51, 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.

Ms. Xiao Hong（肖紅女士）

Ms. Xiao Hong ("**Ms. Xiao**"), aged 51, graduated from Zhongnan University of Economics and Law with a bachelor degree. Ms. Xiao served as chief accountant of Xinjiang Wind Power Research Laboratory from September 1999 to December 2001. Ms. Xiao served as chief accountant of Xinjiang Wind Power Company from January 2002 to February 2005. Ms. Xiao served as manager of finance department of Xinjiang Wind Power Co., Ltd. (a substantial shareholder of the Company) from March 2005 to April 2013. Ms. Xiao served as finance director of Xinjiang Wind Power Co., Ltd. from May 2013 until now. Ms. Xiao has served as Supervisor since June 2017.

EMPLOYEE REPRESENTATIVE SUPERVISORS

Mr. Lu Min（魯敏先生）

Mr. Lu Min ("**Mr. Lu**"), aged 43, 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 47, 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 49, is currently an executive vice president. Mr. Wu graduated from China Europe International Business School with a master of business administration. 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 43, 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 served as the Chief Financial Officer of the Company between January 2012 and February 2018.

Ms. Ma Jinru（馬金儒女士）

Ms. Ma Jinru ("**Ms. Ma**"), aged 52, is currently a vice president of the Company, the Secretary of the Board and the Company Secretary. Ms. Ma graduated from Jilin University and holds a master's degree of engineering and law. Ms. Ma graduated from China Europe International Business School with a master of business administration. She is a senior economist and an fellow 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. She serves as member of the Second Session, Third Session and Fourth Session of Appeal Review Committee of Shenzhen Stock Exchange from April 2011 until now.

Mr. Zhou Yunzhi（周雲志先生）

Mr. Zhou Yunzhi ("**Mr. Zhou**"), aged 58, is currently a vice president of the Company. 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, the general manager of Beijing Techwin and administrative deputy general of WTG Business Unit of the Group. 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 53, is currently the Chief Engineer of the Company. 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, director of Product Development Centre of the Company and general manager of the Engineering Technology Center of WTG Business Unit of the Group. 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.

Mr. Liu Rixin（劉日新先生）

Mr. Liu Rixin ("**Mr. Liu**"), aged 45, is currently a vice president of the Company. 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 February 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.

Mr. Zhai Endi (翟恩地先生)

Mr. Zhai Endi ("**Mr. Zhai**"), aged 55, is currently the Corporation Chief Engineer and General Manager of Offshore Business Unit of the Company. He has a Ph.D. degree. Mr. Zhai served as the Senior Research Engineer at Powertech Laboratories, Inc. of British Columbia Hydropower Authority in Canada from December 1999 to February 2001, the Senior Engineer of URS Corporation, USA from February 2001 to May 2002, the Senior Engineer of Group Delta Consultants, Inc. in USA from May 2002 to April 2005, the Senior Engineer to Principal Engineer of Kleinfelder Inc. in USA from April 2005 to November 2008, the Southern California Business Class Area Manager of HDR Inc. in USA from November 2008 to November 2009, the Vice President of Kleinfelder Inc. from November 2009 to June 2014, and the Chief Engineer for Civil Works and Director of chief engineer's office at China Three Gorges from June 2014 to June 2017. Mr. Zhai joined Goldwind in July 2017 and serves as the Corporate Chief Engineer and General Manager of Offshore Business Unit of the Company.

The following are Directors, Supervisors and senior management who have resigned or retired between 1 January 2017 and the Latest Practicable Date. The Board expressed its gratitude to the following persons for their contribution during their terms of office:

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

Mr. Huo Changbao, who resigned as the Chief Financial Officer from 7 February 2018.

The Board hereby presents to our shareholders its report for the financial year ended 31 December 2017 and the Financial Statements.

PRIMARY BUSINESS

The Group has three primary business, including WTG Manufacturing, Wind Power Services and Wind Farm Investment and Development, and other energy saving and environmental protection business.

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 2017 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 2017 are set out in the Financial Statements.

The Board recommends the payment of a final dividend of RMB2 per every ten shares (including tax) from the Company's retained undistributable profit for the financial year ended 31 December 2017. This recommendation is subject to approval by the Shareholders at the forthcoming AGM for the year of 2017 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 2018.

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 224 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended 31 December 2017, 38.66% and 11.56% of the Group's revenue from operations was attributed to our five largest customers and our largest customer, respectively. During the same period, 20.21% and 9.55% of the Group's total procurement expenditure was attributed to our five largest suppliers and our largest supplier, respectively.

Other than the information disclosed above, 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 2017 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 2017 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 2017 in accordance with the development strategies of the Company and based on changes of the industry and market environments. Details are set out in note 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 2017.

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 2017 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 2017 are set out as follows:

Share Category	Number of Shares	As a Percentage of Total Shares
A Shares	2,906,142,460	81.72%
H Shares	650,060,840	18.28%
Total	3,556,203,300	100.00%

NUMBER OF SHAREHOLDERS

As at 31 December 2017, the total number of Shareholders was 107,595, among which the number of A Share Shareholders and H Share Shareholders were 106,241 and 1,354, respectively.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, 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	53,591,200 (L)	8.24%	1.51%
Anbang Life Insurance Co., Ltd. [1]	Interest of controlled corporation	53,591,200 (L)	8.24%	1.51%
Anbang Wealth Insurance Co., Ltd. [1]	Interest of controlled corporation	53,591,200 (L)	8.24%	1.51%
Anbang Assets Management (Hong Kong) Co., Ltd. [1]	Beneficial owner	53,591,200 (L)	8.24%	1.51%
International Finance Corporation	Beneficial owner	41,657,980 (L)	6.41%	1.17%
東方證券股份有限公司(DFZQ)	Beneficial owner	38,603,653 (L)	5.94%	1.09%
Value Partners High-Dividend Stocks Fund	Beneficial owner	38,371,280 (L)	5.90%	1.08%
Value Partners Limited [2]	Beneficial owner	38,303,580 (L)	5.89%	1.08%
Value Partners Group Limited [2]	Interest of controlled corporation	38,303,580 (L)	5.89%	1.08%

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 53,591,200 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 38,303,580 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	488,696,502	488,696,502	16.82%	13.74%
China Three Gorges New Energy [1]	Beneficial owner	373,957,073	862,653,575	29.68%	24.26%
	Interest in controlled corporation	488,696,502			
China Three Gorges [2]	Interest in controlled corporation	862,653,575	862,653,575	29.68%	24.26%
Anbang Insurance Group Co., Ltd. [3,4]	Beneficial owner	22,247,680	479,483,649	16.50%	13.48%
	Interest in controlled corporation	457,235,969			
Anbang Life Insurance Co., Ltd. [3,4]	Beneficial owner	278,904,260	310,013,425	10.67%	8.72%
	Interest in controlled corporation	31,109,165			
Anbang Wealth Insurance Co., Ltd. [4]	Interest in controlled corporation	147,222,544	147,222,544	5.07%	4.14%
Hexie Health Insurance Co., Ltd.	Beneficial owner	147,222,544	147,222,544	5.07%	4.14%
Anbang Annuity Insurance Co., Ltd.	Beneficial owner	31,109,165	31,109,165	1.07%	0.87%

Notes:

1. China Three Gorges New Energy directly holds 373,957,073 A Shares. China Three Gorges New Energy, 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 488,696,502 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 488,696,502 A Shares held by Xinjiang Wind Power, in which China Three Gorges New Energy is deemed to be interested, and the 373,957,073 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 278,904,260 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 31,109,165 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 147,222,544 A Shares held by Hexie Health.

Accordingly, aside from directly holding interests in the Company, Anbang Group is deemed to be interested in the 278,904,260 A Shares, the 31,109,165A Shares and the 147,222,544 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 147,222,544 A Shares and the31,109,16 A Shares held by Hexie Health and Anbang Annuity, respectively. Anbang Wealth is also deemed to be interested in the 147,222,544 A Shares held by Hexie Health.

Other than as disclosed above, as at 31 December 2017, 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

During the financial year ended 31 December 2017, 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 2017 and up to the Latest Practical Date.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors in office during the financial year ended 31 December 2017 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. Feng Wei	29 June 2016	
Mr. Zhao Guoqing	13 January 2016 29 June 2016	
Mr. Gao Jianjun	1 March 2017	
Independent Non-executive Directors		
Dr. Tin Yau Kelvin Wong	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
Ms. Xiao Hong	29 June 2017	
Mr. Luo Jun	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 2017 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 2017 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 46 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 2017, 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 2017		
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	52,217,152	1.80%	1.47%
Mr. Wang Haibo	Beneficial owner	A Shares	715,000	0.02%	0.02%
Mr. Cao Zhigang	Beneficial owner	A Shares	12,893,431	0.44%	0.36%

Other than as disclosed above, as at 31 December 2017, 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 2017 or the period following 31 December 2017 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 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 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 2017, 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 2017, 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 2017 or at any time during the financial year ended 31 December 2017, 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 2017.

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 2017.

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 2017:

Connected Transactions	**Annual Cap for 2017** (RMB million)	**Actual Amount for 2017** (RMB million)
Purchase of Components	115.38	36.49
Product Sales	4,019.88	245.87
Wind Power Services	330.00	21.80

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 2017:

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 2017:

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 2017. Save as the non-exempt continuing connected transactions as set out in the section headed "Connected Transactions" on page 60 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 2017 was RMB8.30 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 are set out in the Company's 2017 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 2017 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 2017, the Group has published the *2017 Environmental, Social and Governance Report* 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 2017 annual environmental, social and governance performance, please refer to the *2017 Sustainable Development Report* available online for download on the Company's official website.

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 2017, 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 2017 ANNUAL REPORT

The Audit Committee of the Company has reviewed and approved the 2017 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 70 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 4 meetings were held, and 13 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 2017:

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 2017, 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 2017 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 2017. 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 2017 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 2017. The committee reviewed the 2017 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.

Being 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 2017, 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 2017.

The Company has complied with all applicable code provisions under the Corporate Governance Code during the year ended 31 December 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 2017. 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 2017 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. Zhao Guoqing
Mr. Feng Wei
Mr. Gao Jianjun

Independent non-executive Directors

Mr. Yang Xiaosheng
Mr. Luo Zhenbang
Dr. Tin Yau Kelvin Wong

The current Board is the sixth session of the Board. The term of office of the sixth session of the Board began on 29 June 2017, with a term of three years. 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.

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 the Latest Practicable Date are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 46 of this annual report.

During the year ended 31 December 2017, 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 2017, and considers all of the independent non-executive Directors are independent.

Changes to Information on Directors, Supervisors and President

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

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 2017, 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 2017 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 59 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 2017.

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 2017 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 2017 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 2017 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, two non-executive Directors, and one independent non-executive Director, namely Mr. Wu Gang, Mr. Wang Haibo, Mr. Yang Xiaosheng, Mr. Gao Jianjun 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 2017 are set out below:

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

Notes:

1. The director attended the board meetings by proxy.
2. Mr. Gao Jianjun was appointed as a non-executive Director with effect from 1 March 2017.

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 has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2017. 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 2017 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 46 of this annual report. Any changes to such information of the Directors during the year ended 31 December 2017 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 2017. 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 2017 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
Ms. Xiao Hong *(appointed as a Supervisor with effect from 29 June 2017)*

Employee Representative Supervisors

Mr. Lu Min
Ms. Ji Tian

The current Supervisory Committee is the sixth session of the Supervisory Committee. The term of office of the sixth session of the Supervisory Committee began on 29 June 2017, with a term of three years. 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 2017 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 46 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 2017 are set out below:

Name	Attendances (by Proxy)/ Meetings Held
Supervisors	
Mr. Wang Mengqiu	4/4
Mr. Wang Shiwei[1]	–
Mr. Luo Jun	4/4
Ms. Xiao Hong[2]	2/2
Employee Representative Supervisors	
Mr. Lu Min	4/4
Ms. Ji Tian	4/4

Notes:

1. Mr. Wang Shiwei resigned as a Supervisor with effect from 24 March 2017.
2. Ms. Xiao Hong was appointed as a Supervisor with effect from 29 June 2017.

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 blame.

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 2017, and has concluded that the risk management and internal control as of 31 December 2017 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 2017 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(Note)

Chief Engineer

Mr. Liu He
Mr. Zhai Endi

Note: Mr. Huo Changbao resigned as CFO on 7 February 2018.

The profiles of the Senior Management in office as at 31 December 2017 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 46 of this annual report.

Shares Held by Senior Management

Based on information known to the Company, as at 31 December 2017, 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	715,000
Mr. Cao Zhigang	Executive Vice President	5 July 2016	A Shares	12,893,431
Mr. Wu Kai	Executive Vice President	5 July 2016	A Shares	715,000
Mr. Huo Changbao [1]	Chief Financial Officer	5 July 2016	A Shares	715,000
Ms. Ma Jinru	Vice President and Secretary of the Board	5 July 2016	A Shares	715,000
Mr. Zhou Yunzhi	Vice President	5 July 2016	A Shares	715,000
Mr. Liu He [2]	Chief Engineer	5 July 2016	–	650,000
Mr. Liu Rixin	Vice President	28 February 2017	H Shares	79,300
Mr. Zhai Endi	Chief Engineer	7 July 2017	–	–

Note:

1. Mr. Huo Changbao resigned as CFO on 7 February 2018.

2. 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 I 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.

   The AGM convened on 28 June 2017 has considered and approved 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 undistributable profit for the financial year ended 31 December 2016. The bonus shares will be issued by way of conversion of undistributed profit. After the completion of distributed of bonus shares, Mr. Liu He was deemed to be interested in the 650,000 A Shares in Haitong-Goldwind Asset Management Plan I.

Remuneration of Directors, Supervisors and Senior Management

For the year ended 31 December 2017, 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	319.92
Mr. Wang Haibo	Executive Director and President	611.72
Mr. Cao Zhigang	Executive Director and Executive Vice President	585.31
Mr. Zhao Guoqing	Non-executive Director	–
Mr. Feng Wei	Non-executive Director	–
Mr. Gao Jianjun [1]	Non-executive Director	–
Mr. Yang Xiaosheng	Independent Non-executive Director	20.01
Mr. Luo Zhenbang	Independent Non-executive Director	20.01
Dr. Tin Yau Kelvin Wong	Independent Non-executive Director	20.02
Mr. Wang Mengqiu	Chairman of the Supervisory Committee	–
Mr. Wang Shiwei [2]	Supervisor	–
Mr. Luo Jun	Supervisor	–
Ms. Xiao Hong [3]	Supervisor	–
Mr. Lu Min	Supervisor	114.03
Ms. Ji Tian	Supervisor	109.53
Mr. Wu Kai	Executive Vice President	616.50
Mr. Huo Changbao [4]	Chief Financial Officer	475.81
Ms. Ma Jinru	Vice President and Secretary of the Board	484.07
Mr. Zhou Yunzhi	Vice President	481.63
Mr. Liu He	Chief Engineer	406.29
Mr. Liu Rixin	Vice President	399.35
Mr. Zhai Endi [5]	Chief Engineer	150.18

Notes:

1. Mr. Gao Jianjun was appointed with effect from 1 March 2017.
2. Mr. Wang Shiwei resigned as a Supervisor with effect from 24 March 2017.
3. Ms. Xiao Hong was appointed as a Supervisor with effect from 29 June 2017.
4. Mr. Huo Changbao resigned as CFO with effect from 7 February 2018.
5. Mr. Zhai Endi was appointed as Chief Engineer with effect form 7 July 2017.

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 53 hours of relevant professional training during the year ended 31 December 2017 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 AGM held on 28 June 2017, 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 2017. 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 2017 are set out below:

Unit: RMB million

	Year ended 31 December	
Service	**2017**	2016
Audit		
Audit of annual report and other related services	**6.64**	5.51
Audit of internal control	**0.51**	0.47
Non-audit		
Review of interim report	**1.65**	1.65
Total	**8.80**	7.63

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 89 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 organising 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, analysing 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.

In 2017, 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 one results announcement road shows and four results announcement telephone conferences, and accommodated 88 investor visits. The Company hosted a total of 1,645 investors through such events.

Independent Auditor's Report

EY 安永

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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 223, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, 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 2017, the provisions for product warranties amounted to approximately RMB3,870 million. The Group grants various types of product warranties to the customers of wind turbine generator ("WTG") 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 is 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 financial statements. More details are included in notes 3 and 32 to the consolidated financial statements.	We obtained an understanding of the warranty process. Our audit procedures included assessing the Group's methodology; evaluating the assumptions used in determining the warranty provisions by comparing historical data and subsequent claim expenses 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 provided; reviewing any amounts reversed as unconsumed after the warranty period and evaluating the provision balance against the quantity of products sold out but still in warranty.
Impairment of trade receivables	
As at 31 December 2017, the carrying amount of trade receivables was approximately RMB17,325 million which represented 23.80% of the Group's total assets. The Group maintains an impairment 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, customers' creditworthiness, historical payment and existence of disputes. Making the allowance involved the use of significant management judgement and estimates. More details are included in notes 3 and 23 to the consolidated financial statements.	We assessed the adequacy and accuracy of the impairment allowance of trade receivables by following procedures: obtaining an understanding of the judgements and estimates exercised by the management; considering whether any circumstances have arisen that may have an impact on the collectability of any receivables; considering historical cash collection performance and whether there were special impairment indications about long ageing receivables and overdue receivables; testing the accuracy of the ageing of trade receivable balances by tracing details of ledger accounts and delivery evidence; reviewing collection of the aged debtors; testing subsequent settlement after the reporting period and analysing the amounts written off as uncollectible.

Key audit matter	How our audit addressed the key audit matter
Accounting for business combination	
During 2017, several acquisitions of the Group were identified as business combinations involving entities not under common control. The accounting for business combinations involved the use of significant management judgments and estimates for identifying a business combination, determining the acquisition date, recognising intangible assets and measuring identifiable assets acquired and liabilities assumed at fair value. More details are included in notes 3 and 37 to the consolidated financial statements.	We examined the supporting documents including the share transfer agreements, amended articles of associates, related documents about changes of directors and transfer of control right and assets. We evaluated management's judgements on business combination, the identification of the acquisition date and the determination of the purchase consideration and checking the financial statements of the acquirees on the date of acquisition. We assessed the allocation of purchase price to all identifiable assets acquired and liabilities assumed, and reviewed the accounting treatment of business combination. We evaluated the independent valuers' qualifications, professional competence and independence and reviewed the profit forecast and cash flow projections in evaluation and involved our internal valuation expert to assess the valuation method adopted in determining fair values of identifiable assets acquired and liabilities assumed and the key assumptions used in valuation by the management. We also assessed the adequacy of the related disclosures in financial statements.
Accounting for loss of control	
During 2017, the Group lost control of several subsidiaries due to equity transfer or capital injection of non-controlling shareholders. The accounting treatment for loss of control of subsidiaries involved the use of significant management judgments and estimates for determining the date when the Group lost control over the entities, and measuring the consideration of the disposal and the fair value of the remaining interests. More details are included in notes 3 and 38 to the consolidated financial statements.	We examined the disposal agreements, the amended articles of associates and other supporting documents and evaluated management's judgement on whether and when the transaction resulted in loss of control of subsidiaries. We reviewed the accounting treatment of loss of control. We evaluated the independent valuers' qualifications, professional competence and independence and reviewed the profit forecast and cash flow projections in evaluation and involved our internal valuation expert to assess the valuation method adopted in determining fair value of the remaining interests, the assumptions used in valuation and the discounted rate used by the management. We also assessed the adequacy of the related disclosures in financial statements.

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
23 March 2018

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**24,970,835**	26,173,892
Cost of sales		**(17,505,117)**	(18,615,824)
Gross profit		**7,465,718**	7,558,068
Other income and gains	5	**1,631,065**	1,085,104
Selling and distribution expenses		**(2,101,058)**	(2,210,763)
Administrative expenses		**(2,520,463)**	(1,940,483)
Other expenses		**(377,235)**	(445,072)
Finance costs	7	**(817,782)**	(686,650)
Share of profits and losses of:			
Joint ventures	17	**144,911**	149,349
Associates	18	**65,400**	42,403
PROFIT BEFORE TAX	6	**3,490,556**	3,551,956
Income tax expense	9	**(341,749)**	(446,224)
PROFIT FOR THE YEAR		**3,148,807**	3,105,732
Profit attributable to:			
Owners of the parent		**3,054,657**	3,002,982
Non-controlling interests		**94,150**	102,750
		3,148,807	3,105,732

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
OTHER COMPREHENSIVE INCOME			
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	19	**51,012**	(40,766)
Reclassification adjustments for losses included in the consolidated statement of profit or loss			
– losses on disposal of available-for-sale investments, net of tax	19	**(22,949)**	–
Reclassification adjustments for gains included in the consolidated statement of profit or loss			
– gains on disposal of an associate, net of tax		**48,953**	–
Share of other comprehensive income/(loss) of associates and joint ventures		**167,926**	(37,616)
Cash flow hedges, net of tax			
– Effective portion of changes in fair value of hedging instruments arising during the year		**16,052**	–
Exchange differences on translation of foreign operations		**23,111**	167,556
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**284,105**	89,174
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**284,105**	89,174
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,432,912**	3,194,906
Total comprehensive income attributable to:			
Owners of the parent		**3,338,762**	3,092,156
Non-controlling interests		**94,150**	102,750
		3,432,912	3,194,906
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	11	**0.84**	0.83

Consolidated Statement of Financial Position

31 December 2017

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	22,838,479	19,478,691
Investment properties	13	67,904	70,801
Prepaid land lease payments	14	302,092	292,332
Goodwill	15	497,601	474,429
Other intangible assets	16	2,254,558	775,804
Investments in joint ventures	17	1,802,594	814,130
Investments in associates	18	588,151	493,832
Available-for-sale investments	19	1,168,210	1,191,325
Deferred tax assets	20	1,601,385	1,517,391
Held-to-maturity investments	21	49,996	49,995
Trade receivables	23	2,324,143	1,857,030
Financial receivables	24	4,536,746	2,451,312
Prepayments, deposits and other receivables	25	1,555,448	1,594,871
Derivative financial instruments	30	16,070	1,986
Pledged deposits	26	103,136	276,618
Total non-current assets		39,706,513	31,340,547
CURRENT ASSETS			
Inventories	22	4,083,012	3,192,280
Trade and bills receivables	23	17,048,220	16,746,456
Financial receivables	24	497,481	336,382
Prepayments, deposits and other receivables	25	2,650,442	1,977,549
Available-for-sale investments	19	1,050,000	750,000
Derivative financial instruments	30	12,640	25,937
Pledged deposits	26	983,419	740,196
Cash and cash equivalents	26	6,756,114	7,534,171
		33,081,328	31,302,971
Assets of disposal groups classified as held for sale	27	–	1,793,649
Total current assets		33,081,328	33,096,620
CURRENT LIABILITIES			
Trade and bills payables	28	15,256,882	14,472,721
Other payables, advance from customers and accruals	29	6,359,880	5,026,219
Interest-bearing bank and other borrowings	31	5,999,023	2,672,069
Tax payable		211,244	242,759
Provision	32	1,773,288	1,599,111
		29,600,317	24,012,879
Liabilities directly associated with the assets classified as held for sale	27	–	650,100
Total current liabilities		29,600,317	24,662,979
NET CURRENT ASSETS		3,481,011	8,433,641
TOTAL ASSETS LESS CURRENT LIABILITIES		43,187,524	39,774,188

Consolidated Statement of Financial Position

31 December 2017

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**43,187,524**	39,774,188
NON-CURRENT LIABILITIES			
Trade payables	28	**884,593**	754,661
Other payables	29	**38,541**	109,638
Interest-bearing bank and other borrowings	31	**15,885,810**	15,419,038
Deferred tax liabilities	20	**452,420**	100,866
Provision	32	**2,096,893**	2,366,770
Government grants	33	**339,109**	304,770
Deferred income		**15,157**	19,651
Total non-current liabilities		**19,712,523**	19,075,394
Net assets		**23,475,001**	20,698,794
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**3,556,203**	2,735,541
Reserves	35	**19,130,490**	17,240,611
		22,686,693	19,976,152
Non-controlling interests		**788,308**	722,642
Total equity		**23,475,001**	20,698,794

Wu Gang
Director

Wang Haibo
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	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	Other equity instruments RMB'000 (note 36)	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		–	–	–	–	–	–	–	–	–	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)
Changes in non-controlling interests due to Capital injection		–	(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
Distribution of other equity instruments		–	–	–	–	–	–	–	(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

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

		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	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000 (note 36)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2017		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
Profit for the year		–	–	–	–	–	–	–	–	3,054,657	3,054,657	94,150	3,148,807
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax		–	–	–	–	51,012	–	–	–	–	51,012	–	51,012
Losses on disposal of available-for-sale investments, net of tax		–	–	–	–	(22,949)	–	–	–	–	(22,949)	–	(22,949)
Cash flow hedges, net of tax		–	–	–	–	–	16,052	–	–	–	16,052	–	16,052
Share of other comprehensive income of associates and joint ventures		–	167,926	–	–	–	–	–	–	–	167,926	–	167,926
Gains on disposal of an associate, net of tax		–	48,953	–	–	–	–	–	–	–	48,953	–	48,953
Exchange differences on translation of foreign operations		–	–	–	–	–	–	23,111	–	–	23,111	–	23,111
Total comprehensive income for the year		–	216,879	–	–	28,063	16,052	23,111	–	3,054,657	3,338,762	94,150	3,432,912
Final 2016 dividend declared		820,662	–	–	–	–	–	–	–	(1,367,770)	(547,108)	–	(547,108)
Profit appropriation to reserves		–	–	–	102,893	–	–	–	–	(102,893)	–	–	–
Dividend declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(36,538)	(36,538)
Acquisition of subsidiaries	37	–	–	–	–	–	–	–	–	–	–	21,383	21,383
Disposal of subsidiaries	38	–	–	–	–	–	–	–	–	–	–	(83,792)	(83,792)
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	64,895	64,895
Acquisition of non-controlling interests		–	559	–	–	–	–	–	–	–	559	(5,104)	(4,545)
Changes in non-controlling interests due to Capital injection		–	(10,672)	–	–	–	–	–	–	–	(10,672)	10,672	–
Transfer to special reserve (note (i))		–	–	33,797	–	–	–	–	–	(33,797)	–	–	–
Utilisation of special reserve (note (i))		–	–	(33,797)	–	–	–	–	–	33,797	–	–	–
Distribution of other equity instruments		–	–	–	–	–	–	–	–	(71,000)	(71,000)	–	(71,000)
As at 31 December 2017		3,556,203	*8,374,759	–	*1,197,319	*106,611	*16,052	*(151,365)	*1,495,118	*8,091,996	22,686,693	788,308	23,475,001

* As at 31 December 2017, these reserve accounts comprised the consolidated other reserves of RMB19,130,490,000 (31 December 2016: RMB17,240,611,000) in the consolidated statement of financial position.

note (i) In preparation of these consolidated financial statements, the Group has appropriated certain amounts of retained profits to a special reserve fund for each of the years ended 31 December 2016 and 2017 respectively, for safety production expense purposes as required by directives issued by the relevant People's Republic of China ("PRC") government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time the corresponding amounts of special reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,490,556**	3,551,956
Adjustments for:			
Finance costs	7	**817,782**	686,650
Bank interest income	5	**(75,042)**	(77,412)
Share of profits of joint ventures	17	**(144,911)**	(149,349)
Share of profits of associates	18	**(65,400)**	(42,403)
Depreciation	6	**1,066,701**	861,366
Amortisation of prepaid land lease payments	6	**7,159**	5,580
Amortisation of other intangible assets	6	**50,279**	57,549
Loss on disposal of items of property, plant and equipment and other intangible assets, net	6	**2,942**	2,386
Gain on disposal of subsidiaries	5	**(387,778)**	(51,950)
Gain on remeasurement of fair value of the previously held interest in a subsidiary at its disposal-date fair value in a disposal of a subsidiary	5	**(309,416)**	–
Gain on disposal of investments in associates and joint ventures, net	5	**(136,652)**	(196,997)
Gain on disposal of available-for-sale investments	5	**(84,036)**	(106,139)
Gain on remeasurement of fair value of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary	5	**(4,297)**	–
Dividend income from available-for-sale investments	5	**(21,698)**	(68,094)
Interests from other investments		**(15,169)**	(6,925)
Fair value gains, net:			
– Derivative financial instruments	5	**(12,640)**	(23,624)
Gain on disposal of derivative instruments:			
Derivative instruments			
– transactions not qualifying as hedges	5	**(15,244)**	–
Impairment of trade and other receivables	6	**257,933**	202,386
Reversal of write-down of inventories to net realisable value	6	**(9,956)**	(6,565)
Impairment of investments in a joint venture	6	**–**	16,050
Impairment of property, plant and equipment	6	**11,186**	–
Government grants and deferred revenue		**(45,797)**	(12,150)
		4,376,502	4,642,315

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Increase in inventories		**(847,911)**	(122,608)
Increase in trade and bills receivables		**(1,286,460)**	(1,820,125)
Increase in financial receivables		**(1,512,607)**	(303,914)
Increase in prepayments, deposits and other receivables		**(181,385)**	(116,892)
Increase in trade and bills payables		**1,035,960**	53,171
Increase in other payables, advance from customers and accruals		**1,914,977**	1,012,136
Increase/(decrease) in provision		**(95,701)**	472,970
Increase in government grants and deferred income		**88,139**	18,355
Cash generated from operations		**3,491,514**	3,835,408
Income tax paid		**(534,698)**	(802,286)
Interest received		**66,633**	69,421
Net cash flows from operating activities		**3,023,449**	3,102,543
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4,842,701)**	(5,500,982)
Additions of prepaid land lease payments		**(14,197)**	(9,462)
Additions of other intangible assets		**(48,465)**	(142,163)
Acquisitions of subsidiaries, net of cash acquired	37	**(1,804,017)**	(263,803)
Investments in joint ventures		**(39,725)**	(301,500)
Investments in associates		**(50,000)**	(20,000)
Purchases of available-for-sale investments		**(1,086,831)**	(1,461,750)
Proceeds from disposal of available-for-sale investments		**355,731**	262,195
Receipt of government grants for property, plant and equipment		**57,585**	10,960
Proceeds from disposal of items of property, plant and equipment and other intangible assets		**4,548**	44,616
Disposal of subsidiaries, net of cash disposed	38	**245,369**	45,262
(Increase)/decrease in pledged deposits		**175,062**	(31,215)
Interest received		**362**	795
Dividend received from available-for-sale investments		**10,763**	65,443
Dividend received from joint ventures and associates		**121,503**	131,018
Proceeds from disposal of associates		**62,089**	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		**(2,223)**	(1,761)
Loans to joint ventures, associates and third-parties		**(291,115)**	(90,542)
Cash and cash equivalents included in assets held for sale		**(20,814)**	(7,992)
Cash from other investments		**69,129**	20,230
Net cash flows used in investing activities		**(7,097,947)**	(7,011,128)

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings	39(b)	**8,139,078**	8,709,944
Repayment of bank and other borrowings	39(b)	**(3,327,343)**	(2,946,815)
Increase in amount due to the non-controlling shareholders		**2,216**	16,278
Interest paid	39(b)	**(802,514)**	(667,404)
Acquisitions of non-controlling interests		**(4,545)**	(4,080)
Capital contributions from non-controlling shareholders		**64,895**	51,876
Dividend paid	39(b)	**(654,646)**	(1,386,197)
Proceeds from issuance of perpetual securities, net of issuance costs		**–**	1,495,118
Payments of corporate bonds issue expense		**(35,251)**	(22,180)
Net cash flows from financing activities		**3,381,890**	5,246,540
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(692,608)**	1,337,955
Cash and cash equivalents at beginning of year		**7,526,463**	6,141,430
Effect of foreign exchange rate changes, net		**(87,672)**	47,078
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,746,183**	7,526,463

1. CORPORATE AND GROUP INFORMATION

Xinjiang Goldwind Science & Technology Co., Ltd. is a joint stock company with limited liability established 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 "Directors"), 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		Principal activities
			Direct	Indirect	
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	–	Investment holding, development and operation of 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
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.	Panama/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
Stockyard Hill Wind Farm Pty Ltd	Australia/Ballarat	AUD100	–	100	Development and operation of wind farms
PARQUE EóLICO LOMA BLANCA S.A	Argentine Republic/ Buenos Aires	Piso150,000	–	100	Development and operation of wind farms
Western Water Corporation	Samoa/Apia	USD5,000,000	–	100	Development and operation water treatment plants

* 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 2017. 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 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 2017. 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

(a) 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. Disclosure of the changes in liabilities arising from financing activities is provided in note 39(b) to the financial statements.

(b) Amendments to IAS 12 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no interests in a subsidiary, a joint venture or an associate or a portion of its interest in a joint venture or an associate that is classified as a disposal group held for sale as at 31 December 2017.

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*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 28	*Long-term interests in associates and joint ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]
Amendments to IAS 19	*Employee Benefits*[2]

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

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

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

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

Further information about those IFRSs that are expected to be applicable to the Group is described below:

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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will 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 will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

Upon initial adoption of IFRS 9, the Group will designate investments currently held as available for sale to be financial assets measured at fair value through other comprehensive income or through profit or loss at initial recognition. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. The Group does not expect that the designation will have a significant impact on its financial statement.

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

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect that the adoption of IFRS 9 will have a significant impact on the impairment of its financial assets.

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 December 2015 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 adoption now.

IFRS 15, issued in May 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

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

The Group's principal activities consist of sales wind turbine generators, wind power generation and other wind power services. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

(a) The Group sales wind turbine generators and promises to provide warranties to the wind turbine generator. Under IFRS 15, the warranties will be considered as service-type warranties which are separate performance obligations. Revenue allocated to the service-type warranties will be recognised over the period during which the services are provided. The accounting treatment under IFRS 15 is generally consistent with the current practice of the Group, since the Group has accounted the wind turbine generators and service-type warranties revenue separately and deferred the recognition of the revenue allocated to the service-type warranties.

(b) The Group develops and operates wind farms to generates wind power, and sales to external electricity power grid companies. Revenue from sales of electricity is recognised upon power transmission, and measured based on the volume of wind power transmitted and the applicable fixed tariff rates. The accounting treatment under IFRS 15 is generally consistent with the current practice of the Group.

Therefore, the Group expects that the impact of adoption of IFRS 15 will not be material either on 1 January 2018 or from 2018 towards, except for the presentation and disclosure requirements further explained below.

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

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

IFRS 16, issued in January 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 42(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB19,338,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to IAS 28 issued in October 2017 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

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

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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

Annual Improvements to IFRSs 2014-2016 Cycle, issued in December 2016, sets out amendments to IFRS 1, IFRS 12 and IAS 28. Except for the amendments to IFRS 12 which have been adopted by the Group for the current year's financial statements, the Group expects to adopt the amendments from 1 January 2018. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments to IFRS 1 and IAS 28 are as follows:

IFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards: Deletes the short-term exemptions for first-time adopters because the reliefs provided in the exemptions are no longer applicable.

IAS 28 Investments in Associates and Joint Ventures: Clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively.

Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017, sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

IFRS 3 Business Combinations: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.

IFRS 11 Joint Arrangements: Clarifies that when an entity that participates in, but does not have joint control of a joint operation, obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.

IAS 12 Income Taxes: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

IAS 23 Borrowing Costs: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sales are complete.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 or prepaid land lease payments 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 30 to 40 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, transferred to owner-occupation, 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 7 to 10 years and the relevant licence periods.

Water treatment operating concession

Water treatment 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.

Wind farm development and operating permit

Wind farm development and operating permit represents the right to develop and operate a wind farm 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 development and operating permit granted to the Group of 20 to 30 years. If the wind farm is still in development stage, the amortization will be capitalized in construction in progress.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession agreements (continued)

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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

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 statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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,as the following conditions have been met:

(i) The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances;

(ii) The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Interests and distributions on perpetual securities classified as equity are recognized as distributions within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

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.

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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).

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.

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 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.

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.

Business combination

Several acquisitions of the Group were indentified as business combinations involving entities not under common control. The management made judgement on whether the acquire constituted a business, determined the acquisition date, recognised and measured identifiable assets acquired and liabilities assumed at fair value based upon the relevant clauses and other facts and circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Loss of control

The Group entered into disposal of subsidiaries. Management judgements and estimation are required in determining the date of disposal and fair value measurement of remaining equity interests held by the Group.

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.

Useful lives of items of intangible assets

The useful lives of intangible assets are determined by estimating the periods economic benefits generated by using these assets. The Group reviews at the end of each reporting period based on changes in circumstances and will adjust when needed.

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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.

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 taxable profits will be available in the future. In cases where the actual future taxable 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.

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.

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 arrangements and finance leasing services which are 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 2017

	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	19,345,998	2,056,618	3,247,362	320,857	–	24,970,835
Intersegment sales	1,646,833	537,052	–	10,342	(2,194,227)	–
Total revenue	20,992,831	2,593,670	3,247,362	331,199	(2,194,227)	24,970,835
Segment results	1,456,977	78,457	2,401,632	238,992	57,238	4,233,296
Interest income	228,862	4,796	18,479	42,144	(219,239)	75,042
Finance costs	(100,010)	–	(835,874)	(14,572)	132,674	(817,782)
Profit before tax	1,585,829	83,253	1,584,237	266,564	(29,327)	3,490,556
Segment assets	49,618,994	3,178,156	42,568,078	7,966,214	(30,543,601)	72,787,841
Segment liabilities	28,794,241	1,674,328	31,593,463	4,413,564	(17,162,756)	49,312,840
Other segment information:						
Share of profits and losses of:						
Joint ventures	180	–	136,170	8,561	–	144,911
Associates	1,605	339	38,339	25,117	–	65,400
Depreciation and amortisation	191,335	20,313	1,027,551	6,011	(121,071)	1,124,139
Impairment of write-down of inventories	16,030	–	–	–	–	16,030
Reversal of write-down of inventories	(25,986)	–	–	–	–	(25,986)
Reversal of impairment of trade and other receivables	(183,603)	(11,548)	–	–	–	(195,151)
Impairment of trade and other receivables	408,300	7,744	37,040	–	–	453,084
Impairment of property, plant and equipment	–	–	11,186	–	–	11,186
Product warranty provision	932,871	–	–	–	26,513	959,384
Investments in joint ventures	3,589	–	1,325,635	555,507	(82,137)	1,802,594
Investments in associates	113,193	8,567	308,810	199,956	(42,375)	588,151
Capital expenditure [(1)]	532,878	31,760	5,709,424	319,912	170,717	6,764,691

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

(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	
	2017	2016
	RMB'000	RMB'000
Mainland China	22,883,092	23,964,654
Overseas	2,087,743	2,209,238
	24,970,835	26,173,892

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

(b) Non-current assets

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Mainland China	25,917,724	21,836,370
United States of America	1,398,614	531,583
Australia	1,177,692	284,384
Panama	656,476	741,942
Germany	478,808	451,801
Other countries/regions	22,397	17,190
	29,651,711	23,863,270

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 2017, revenue of approximately RMB2,887,061,000 (for the year ended 31 December 2016: RMB2,796,276,000) was derived from sales by wind turbine generator manufacturing and sale segment to a single customer, including sales to a group of entities which are known to be under common control with that customer, which individually accounted for over 10% of the Group's total revenue.

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:

		Year ended 31 December	
	Notes	2017 RMB'000	2016 RMB'000
Revenue			
Sale of wind turbine generators and wind power components		19,345,998	22,264,112
Wind power services		2,056,618	1,245,537
Wind power generation		3,247,362	2,414,248
Others		320,857	249,995
		24,970,835	26,173,892
Other income and gains			
Bank interest income		75,042	77,412
Dividend income from available-for-sale investments		21,698	68,094
Gross rental income		5,680	11,707
Government grants		186,696	154,785
Value-added tax refund		113,495	122,772
Insurance compensation on product warranty expenditures		195,273	177,977
Provision of technical service		6,611	4,688
Cash discounts granted		3,063	1,857
Gain on disposal of subsidiaries, including wind farm project companies	38	387,778	51,950
Gain on remeasurement of the remaining interests at the date of disposal of subsidiaries	38	309,416	–
Gain on disposal of available-for-sale investments		84,036	106,139
Gain on disposal of items of property, plant and equipment and other intangible assets		511	739
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary	37	4,297	–
Gain on disposal of associates and joint ventures, net		136,652	196,997
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges		12,640	23,624
Gain on disposal of derivative instruments:			
Derivative instruments – transactions not qualifying as hedges		15,244	–
Others		72,933	86,363
		1,631,065	1,085,104

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cost of inventories sold		**14,529,128**	16,588,513
Cost of services provided		**1,744,471**	1,044,511
Cost of wind power generation		**1,109,496**	911,388
Cost of others		**122,022**	71,412
		17,505,117	18,615,824
Depreciation (note (a)) provided for:			
Property, plant and equipment	12	**1,063,804**	858,470
Investment properties	13	**2,897**	2,896
		1,066,701	861,366
Amortisation of prepaid land lease payments (note (b))	14	**7,159**	5,580
Amortisation of other intangible assets (note (b))	16	**50,279**	57,549
		57,438	63,129
Impairment of trade receivables	23	**448,430**	353,094
Reversal of impairment of trade receivables	23	**(195,151)**	(140,977)
		253,279	212,117
Impairment of other receivables	25	**4,654**	5,920
Reversal of impairment of other receivables	25	**–**	(15,651)
		4,654	(9,731)
Impairment of write-down of inventories		**16,030**	18,297
Reversal of write-down of inventories		**(25,986)**	(24,862)
		(9,956)	(6,565)
Impairment of property, plant and equipment	12	**11,186**	–
Impairment of an investment in a joint venture	17	**–**	16,050
Loss on disposal of items of property, plant and equipment and other intangible assets, net		**2,942**	2,386
Lease expenses under operating leases of land and buildings (note (c))		**27,813**	31,535
Auditor's remuneration		**8,606**	7,421

6. PROFIT BEFORE TAX (continued)

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Employee benefit expenses (note (d))			
(including Directors' and supervisors' remuneration):			
Wages and salaries		**1,482,588**	1,200,620
Pension scheme contributions(note (e))		**115,902**	112,128
Welfare and other expenses		**247,693**	191,701
		1,846,183	1,504,449
Research and development costs:			
Staff costs		**494,826**	405,364
Amortisation and depreciation		**60,924**	27,765
Materials expenditure and others		**445,508**	317,834
		1,001,258	750,963
Government grants (note (f))		**(186,696)**	(154,785)
Value-added tax refund		**(113,495)**	(122,772)
Product warranty provision:			
Additional provision	32	**1,584,518**	1,556,632
Reversal of unutilised provision	32	**(625,134)**	(208,203)
		959,384	1,348,429
Insurance compensation on product warranty expenditures		**(195,273)**	(177,977)
Foreign exchange differences, net		**(16,614)**	113,435
Cash discounts granted		**(3,063)**	(1,857)
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges		**(12,640)**	(23,624)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**4,164**	2,757
Dividend income from available-for-sale investments		**(21,698)**	(68,094)
Bank interest income		**(75,042)**	(77,412)
Gain on disposal of subsidiaries, including wind farm project companies		**(387,778)**	(51,950)
Gain on remeasurement of the remaining interests at the date of disposal of subsidiaries		**(309,416)**	–
Gain on disposal of available-for-sale investments		**(84,036)**	(106,139)
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary		**(4,297)**	–
Gain on disposal of derivative instruments:			
Derivative instruments – transactions not qualifying as hedges		**(15,244)**	–
Gain on disposal of associates and joint ventures, net		**(136,652)**	(196,997)

6. PROFIT BEFORE TAX (continued)

Notes:

(a) Depreciation of approximately RMB945,251,000 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 2017 (for the year ended 31 December 2016: RMB787,773,000).

(b) Amortisation of prepaid land lease payments and other intangible assets approximately RMB25,861,000 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 2017(for the year ended 31 December 2016: RMB41,808,000).

(c) Lease expenses under operating leases of land and buildings of approximately RMB11,453,000 are 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 2017(for the year ended 31 December 2016: RMB8,804,000).

(d) Employee benefit expenses of approximately RMB178,343,000 are 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 2017 (for the year ended 31 December 2016: RMB152,099,000).

(e) As at 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2016: Nil).

(f) Most government grants have been received for setting up research activities. 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 2017 RMB'000	2016 RMB'000
Interest on bank loans and other borrowings	**865,363**	717,723
Less: Interest capitalised	**(47,581)**	(31,073)
	817,782	686,650

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 2017 RMB'000	2016 RMB'000
Fees	**600**	613
Other emoluments:		
– Salaries, allowances and benefits in kind	**7,380**	6,312
– Performance related bonuses	**9,813**	12,388
– Pension scheme contributions	**212**	199
	18,005	19,512

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

(a) Directors and supervisors' remuneration (continued)

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

Year ended 31 December 2017

	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		–	2,194	975	30	3,199
Wang Haibo (the chief executive)		–	1,982	4,084	51	6,117
Cao Zhigang		–	1,800	4,003	51	5,854
		–	5,976	9,062	132	15,170
Non-executive directors						
Zhao Guoqing		–	–	–	–	–
Feng Wei		–	–	–	–	–
Gao Jianjun	(i)	–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Tin Yau Kelvin Wong		200	–	–	–	200
Luo Zhenbang		200	–	–	–	200
Yang Xiaosheng		200	–	–	–	200
		600	–	–	–	600
Supervisors						
Ji Tian		–	690	375	30	1,095
Lu Min		–	714	376	50	1,140
Wang Mengqiu		–	–	–	–	–
Luo Jun		–	–	–	–	–
Wang Shiwei	(ii)	–	–	–	–	–
Xiao Hong	(iii)	–	–	–	–	–
		–	1,404	751	80	2,235
		600	7,380	9,813	212	18,005

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

(a) Directors and supervisors' remuneration (continued)

(i) Gao Jianjun was appointed as a non-executive director of the Company, with effect from 1 March 2017.

(ii) Wang Shiwei resigned as a supervisor of the Company, with effect from 24 March 2017.

(iii) Xiao Hong was appointed as a supervisor of the Company with effect from 29 June 2017.

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

(a) Directors and supervisors' remuneration (continued)

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 28 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 28 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 28 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 21 October 2016.

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:

	2017	2016
Directors	2	3
Non-director, non-supervisor and non-chief executive employees	3	2
	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	
	2017	2016
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	4,942	3,411
Performance related bonuses	10,778	7,640
Pension scheme contributions	101	94
	15,821	11,145

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

	2017	2016
HK$4,000,001 to HK$7,000,000	3	2

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 were entitled to a preferential income tax at a rate of 15% for the years ended 31 December 2017 and 2016 in accordance with the PRC Corporate Income Tax Law.

Certain subsidiaries of the Company in Mainland China, which were established after 1 January 2008 and are engaged in public infrastructure projects including wind farm and urban water treatment projects, are each entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from the respective years when operating income is generated for the first time.

Certain subsidiaries of the Company in Mainland China, which were established after 1 January 2010 are each entitled to a tax holiday of a five-year full exemption until 31 December 2020 commencing from the respective years when operating income is generated for the first time, primarily due to their status as entities engaging in development projects supported by the government in Kashgar and Horgos of the PRC.

Certain subsidiaries of the Company in Mainland China were taxed at a preferential rate of 15% primarily due to their status as entities engaging in development projects supported by the government 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%.

Certain subsidiaries of the Company in overseas are subject to corporate income tax at a rate vary from 15% to 35%.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	
	2017	2016
	RMB'000	RMB'000
Current		
– Hong Kong	**20,467**	15,196
– Mainland China	**353,784**	583,417
– Elsewhere	**47,032**	5,170
	421,283	603,783
Deferred (note 20)	**(79,534)**	(157,559)
Tax charge for the year	**341,749**	446,224

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	
	2017	2016
	RMB'000	RMB'000
Profit before tax	**3,490,556**	3,551,956
Tax at the statutory tax rate of 25%	**872,639**	887,989
Effect of different income tax rates for overseas entities	**(5,005)**	(7,477)
Effect of the preferential income tax rates for domestic entities	**(365,638)**	(328,921)
Tax losses not recognised	**13,707**	31,051
Tax losses utilised from previous periods	**(4,176)**	(13,595)
Effect of not recognised deferred tax assets due to asset impairment	**1,858**	14,683
Income not subject to tax	**(4,638)**	(14,099)
Expenses not deductible for tax	**2,695**	26,229
Additional tax deduction for research and development expenditure	**(115,161)**	(96,254)
Profits attributable to joint ventures	**(36,228)**	(37,337)
Profits attributable to associates	**(16,350)**	(10,601)
Others	**(1,954)**	(5,444)
Tax charge for the year at the effective rate of 9.8% (2016: 12.6%)	**341,749**	446,224

10. DIVIDENDS

For the year ended 31 December 2017, the Company proposed to distribute cash dividends of RMB2.00 (tax included) per each 10 shares with total amount of RMB711,241,000 to the shareholders. The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

For the year ended 31 December 2016, the Company distributed 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.

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

The calculation of the basic earnings per share amount for the year ended 31 December 2017 is based on the consolidated profit attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 3,556,203,300 (31 December 2016: 3,556,203,300 (restated)) in issue throughout the year, as adjusted to reflect the bonus share of 820,662,300 on 24 August 2017. Details of the bonus share are included in Note 34(a).

For the financial instruments classified as equity, the distributions are cumulative, the undeclared amount of the cumulative distributions is deducted in arriving at earnings for the purposes of the basic earnings per share calculation.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit attributable to owners of the Company	**3,054,657**	3,002,982
Less: distribution relating to the medium-term notes (i)	**(71,000)**	(37,439)
Profit used to determine basic and diluted earnings per share	**2,983,657**	2,965,543
Weighted average number of ordinary shares in issue ('000)	**3,556,203**	3,556,203
Basic and diluted earnings per shares (RMB)	**0.84**	0.83

(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 interest from Perpetual Medium-term Notes which has been generated but not yet declared, from 1 January 2017 to 31 December 2017 and from issue date to 31 December 2016, was deducted from earnings when calculating the earnings per share for the year ended 31 December 2017 and year ended 31 December 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2017					
	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 2017	895,748	17,667,432	126,664	499,378	2,411,717	21,600,939
Additions	13,423	85,487	13,923	177,194	4,430,168	4,720,195
Disposals	(1,479)	(36,012)	(16,849)	(24,829)	–	(79,169)
Acquisition of subsidiaries (note 37)	–	6,679	–	4,578	297,201	308,458
Disposal of subsidiaries (note 38)	–	(558,756)	(821)	(3,919)	(4,477)	(567,973)
Transfers	313,986	1,960,146	–	8,259	(2,282,391)	–
Transfer to prepaid land lease payments (note 14)	–	–	–	–	(7,514)	(7,514)
Exchange realignment	7,611	(64,430)	(242)	1,539	(48,130)	(103,652)
At 31 December 2017	1,229,289	19,060,546	122,675	662,200	4,796,574	25,871,284
Accumulated depreciation and impairment:						
At 1 January 2017	(145,091)	(1,686,485)	(41,954)	(222,133)	(26,585)	(2,122,248)
Depreciation provided during the year (note 6)	(30,210)	(939,499)	(12,923)	(81,172)	–	(1,063,804)
Impairment (note 6)	–	–	–	–	(11,186)	(11,186)
Disposals	324	25,207	8,426	18,790	–	52,747
Acquisition of subsidiaries (note 37)	–	(3,511)	–	(2,410)	–	(5,921)
Disposal of subsidiaries (note 38)	–	103,780	164	2,949	–	106,893
Exchange realignment	(917)	13,257	(436)	(1,190)	–	10,714
At 31 December 2017	(175,894)	(2,487,251)	(46,723)	(285,166)	(37,771)	(3,032,805)
Net carrying amount:						
At 31 December 2017	1,053,395	16,573,295	75,952	377,034	4,758,803	22,838,479
At 1 January 2017	750,657	15,980,947	84,710	277,245	2,385,132	19,478,691

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	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	–	–	–	2,677	1,230	3,907
Disposal of subsidiaries	–	(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	–	–	–	(109)	–	(109)
Disposal of subsidiaries	–	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

The net carrying amount of construction in progress of the Group included capitalised interest of approximately RMB43,619,000 (2016: RMB23,312,000), charged for the year 2017 prior to being transferred to buildings, machinery, vehicles and equipment.

As at 31 December 2017, certain of the Group's property, plant and equipment, with a net carrying amount of approximately RMB11,638,827,000 (31 December 2016: RMB12,100,280,000), were pledged to secure certain of the Group's bank loans (note 31).

13. INVESTMENT PROPERTIES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost:		
At beginning and end of year	**97,997**	97,997
Accumulated depreciation:		
At beginning of year	**(27,196)**	(24,300)
Depreciation charge for the year (note 6)	**(2,897)**	(2,896)
At end of year	**(30,093)**	(27,196)
Net carrying amount:		
At end of year	**67,904**	70,801
At beginning of year	**70,801**	73,697

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 2017 based on valuations performed by Asia-Pacific Consulting and Appraisal Limited, independent professionally qualified valuers, at RMB188,500,000 (31 December 2016: RMB196,300,000). 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 2017

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	**–**	**–**	**146,800**	**146,800**
Commercial property	**–**	**–**	**41,700**	**41,700**
	–	**–**	**188,500**	**188,500**

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

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 (2016: 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 for improvement, 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 with reference 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 2017 RMB'000	2016 RMB'000
Carrying amount at 1 January		**292,332**	201,881
Additions		**14,197**	9,462
Disposal of a subsidiary	38	**(4,792)**	(7,573)
Transfer from construction in progress	12	**7,514**	95,856
Disposal group classified as held for sale	27	**–**	(1,714)
Amortisation charge for the year	6	**(7,159)**	(5,580)
		302,092	292,332

As at 31 December 2017, certain of the Group's land use rights with a carrying value of approximately RMB165,602,000 (31 December 2016: RMB155,151,000) were pledged to secure certain of the Group's bank loans (note 31).

15. GOODWILL

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cost and net carrying amount at beginning of year		**474,429**	316,259
Acquisition of subsidiaries	37	**15,586**	217,877
Disposal of subsidiaries		**–**	(68,394)
Exchange realignment		**7,586**	8,687
Cost and net carrying amount at end of year		**497,601**	474,429

15. GOODWILL (continued)

Impairment testing of goodwill

The recoverable amount of Vensys Energy AG 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 12.12% (2016: 11.24%).The growth rate used to extrapolate the cash flow of the Vensys Energy AG beyond the three-year period is 2% (2016: 2%).

Except for Vensys Energy AG, the recoverable amounts of other subsidiaries units engaged in wind farm development have been determined based on a value in use calculation using cash flow projections based on installed capacity of wind farms and applicable tariff rates. The discount rate applied to the cash flow projections is from 9.95% to 12.45% (2016: 9.00%-12.22%).

Assumptions were used in the value in use calculation of relevant units for 31 December 2017 and 2016. 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 and the discount rates are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2017						
	Technology licence RMB'000	Office software RMB'000	Patents and technology know-how RMB'000	Development costs RMB'000	Water treatment operating concession RMB'000 Note (i)	Wind farm development and operating permit RMB'000	Total RMB'000
Cost:							
At 1 January 2017	19,023	135,398	491,552	65,543	463,483	–	1,174,999
Additions	–	44,221	1,221	54,297	3,025	–	102,764
Acquisition of subsidiaries (note 37)	–	–	58,804	–	699,692	933,571	1,692,067
Disposal of subsidiaries (note 38)	–	–	–	–	(271,928)	–	(271,928)
Disposals	–	(98)	–	–	–	–	(98)
Transfer	–	–	32,478	(32,478)	–	–	–
Exchange realignment	–	438	15,714	–	–	–	16,152
At 31 December 2017	19,023	179,959	599,769	87,362	894,272	933,571	2,713,956
Accumulated amortisation:							
At 1 January 2017	(15,844)	(45,955)	(317,364)	–	(20,032)	–	(399,195)
Amortisation provided during the year (note 6)	(1,260)	(20,101)	(23,864)	–	(5,054)	–	(50,279)
Acquisition of subsidiaries (note 37)	–	–	(54)	–	(11,198)	–	(11,252)
Disposal of subsidiaries (note 38)	–	–	–	–	17,218	–	17,218
Disposals	–	72	–	–	–	–	72
Exchange realignment	–	(400)	(15,562)	–	–	–	(15,962)
At 31 December 2017	(17,104)	(66,384)	(356,844)	–	(19,066)	–	(459,398)
Net carrying amount:							
At 31 December 2017	1,919	113,575	242,925	87,362	875,206	933,571	2,254,558
At 1 January 2017	3,179	89,443	174,188	65,543	443,451	–	775,804

16. OTHER INTANGIBLE ASSETS (continued)

	Year ended 31 December 2016					
	Technology licence RMB'000	Office software RMB'000	Patents and technology know-how RMB'000	Development costs RMB'000	Water treatment 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	–	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 2015	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

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	
	2017 RMB'000	2016 RMB'000
Share of net assets	1,800,963	828,105
Goodwill on acquisition	8,627	8,627
	1,809,590	836,732
Provision for impairment	(6,996)	(22,602)
	1,802,594	814,130

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	
	2017 RMB'000	2016 RMB'000
At beginning of year	22,602	6,362
Impairment losses recognised (note 6)	–	16,050
Impairment written off	(16,050)	–
Exchange realignment	444	190
At end of year	6,996	22,602

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Share of the joint ventures' profit for the year	144,911	149,349
Share of the joint ventures' other comprehensive income	179,422	–
Share of the joint ventures' total comprehensive income	324,333	149,349

17. INVESTMENTS IN JOINT VENTURES (continued)

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	**1,802,594**	814,130

18. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Share of net assets	**588,151**	493,832

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	
	2017	2016
	RMB'000	RMB'000
Share of the associates' profit for the year	**65,400**	42,403
Share of the associates' other comprehensive income	**(11,496)**	(37,616)
Share of the associates' total comprehensive income	**53,904**	4,787

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	**588,151**	493,832

19. AVAILABLE-FOR-SALE INVESTMENTS

		As at 31 December	
		2017	2016
		RMB'000	RMB'000
Listed equity investment, at fair value	(i)	**439,118**	502,059
Unlisted equity investments, at cost	(ii)	**729,092**	689,266
Other financial assets	(iii)	**1,050,000**	750,000
		2,218,210	1,941,325
Portion classified as non-current assets		**(1,168,210)**	(1,191,325)
Current portion		**1,050,000**	750,000

(i) During the year, the net gain in respect of the listed equity investment recognised in other comprehensive gain amounted to RMB28,063,000. In 2016, the net loss in respect of the listed equity investment recognised in other comprehensive loss amounted to RMB40,766,000.

(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 2017 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 the banks. The principals of the above wealth management products are guaranteed by banks with repayment due date. Anticipated yield for the aforementioned products, which could only be redeemed upon maturity, varies from 1.10% to 4.75%.

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 2017 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 2017

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 2017	166,258	33,492	692,349	11,246	584,553	29,493	1,517,391
Deferred tax charged/(credited) to profit or loss during the year (note 9)	35,972	9,932	13,694	7,277	14,743	(1,582)	80,036
Deferred tax generated from acquisition of subsidiaries (note 37)	–	–	–	–	–	3,958	3,958
At 31 December 2017	202,230	43,424	706,043	18,523	599,296	31,869	1,601,385

Deferred tax liabilities

	Excess of fair values of identifiable assets 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 2017	57,309	21,108	14,569	7,880	100,866
Deferred tax charged/(credited) to profit or loss during the year (note 9)	(9,803)	7,059	898	2,348	502
Deferred tax generated from acquisition of subsidiaries (note 37)	309,650	–	–	47,271	356,921
Exchange realignment	(4,971)	–	(898)	–	(5,869)
At 31 December 2017	352,185	28,167	14,569	57,499	452,420

20. DEFERRED TAX (continued)

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	–	–	–	–	–	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 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	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)

The Group has tax losses arising in Mainland China of RMB58,630,000 (2016: RMB48,449,000) 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 of RMB224,192,000 (2016: RMB226,828,000) that is 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	
	2017	2016
	RMB'000	RMB'000
Bond of Xinjiang New Energy (Group) Co., Ltd.	**49,996**	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 maturing in 2021 with an 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	
	2017	2016
	RMB'000	RMB'000
Raw materials	**1,166,360**	1,130,342
Work in progress, finished and semi-finished goods	**2,857,965**	2,058,015
Construction contract,low-value consumables and others	**58,687**	3,923
	4,083,012	3,192,280

23. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables	**14,540,687**	13,613,120
Bills receivable	**2,046,938**	2,198,844
Retention money receivables	**3,842,951**	3,599,536
Provision for impairment	**(1,058,213)**	(808,014)
	19,372,363	18,603,486
Portion classified as non-current assets (i)	**(2,324,143)**	(1,857,030)
Current portion	**17,048,220**	16,746,456

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 2017 and 2016.

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	
	2017	2016
	RMB'000	RMB'000
Within 3 months	**7,822,649**	6,200,020
3 to 6 months	**3,330,321**	1,966,881
6 months to 1 year	**2,296,535**	2,747,218
1 to 2 years	**2,316,191**	4,674,265
2 to 3 years	**1,863,915**	1,500,497
Over 3 years	**1,742,752**	1,514,605
	19,372,363	18,603,486

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	
	2017	2016
	RMB'000	RMB'000
At beginning of year	**808,014**	605,386
Impairment losses recognised (note 6)	**448,430**	353,094
Impairment losses reversed (note 6)	**(195,151)**	(140,977)
Amounts written off as uncollectible	**(5,556)**	(11,700)
Acquisition of a subsidiary	**4,339**	–
Disposal of a subsidiary	**(693)**	–
Exchange realignment	**(1,170)**	2,211
At end of year	**1,058,213**	808,014

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB222,912,000 (31 December 2016: RMB186,381,000) with a carrying amount before provision of RMB278,080,000 (31 December 2016: RMB273,019,000).

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	
	2017	2016
	RMB'000	RMB'000
Neither past due nor impaired	**10,359,112**	8,810,463
Less than 6 months past due	**3,988,974**	4,413,572
	14,348,086	13,224,035

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	
	2017	2016
	RMB’000	RMB’000
A shareholder holding a 13.74% interest in the Company	**739**	504
Joint ventures	**75,489**	36,130
Associates	**131,313**	284,040
	207,541	320,674

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	
	2017	2016
Effective interest rate	**4.80%**	4.80%

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 2017, the Group’s trade receivables, amounting to RMB3,036,028,000 (31 December 2016: RMB986,173,000), were pledged to secure certain of the Group’s bank loans (note 31).

As at 31 December 2017, bills receivable amounting to RMB364,300,000 were pledged to bank loans (31 December 2016: RMB338,343,000) (note 31).

24. FINANCIAL RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Receivables for service concession agreements	**1,611,967**	878,041
Receivables for finance lease services	**3,422,260**	1,909,653
	5,034,227	2,787,694
Portion classified as non-current assets	**(4,536,746)**	(2,451,312)
Current portion	**497,481**	336,382

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 customers and were recognised to the extent that the Group has the right to collect rental income from customers.

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 customers 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 2017, the Group's financial receivables amounting to RMB380,719,000 (31 December 2016: RMB487,428,000) were pledged to secure certain of the Group's bank loans (note 31).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Advances to suppliers	**734,513**	677,776
Prepayments	**210,915**	196,593
Deductible VAT	**2,018,523**	1,749,497
Deposits and other receivables	**1,252,131**	955,250
Provision for impairment of deposits and other receivables	**(10,192)**	(6,696)
	4,205,890	3,572,420
Portion classified as non-current assets (i)	**(1,555,448)**	(1,594,871)
Current portion	**2,650,442**	1,977,549

(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 2017 and 2016.

Movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of year	**6,696**	21,422
Impairment losses recognised (note 6)	**4,654**	5,920
Impairment losses reversed (note 6)	**–**	(15,651)
Amounts written off as uncollectible	**(1,020)**	(5,000)
Exchange realignment	**(138)**	5
At end of year	**10,192**	6,696

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB10,192,000 (31 December 2016: RMB6,696,000) with a carrying amount before provision of RMB31,364,000 (31 December 2016: RMB25,672,000).

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	
	2017	2016
	RMB'000	RMB'000
Joint ventures	**17,394**	23,819
Associates	**34,659**	24,481
	52,053	48,300

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	
	2017	2016
	RMB'000	RMB'000
Cash and bank balances	**5,431,994**	5,848,561
Time deposits	**2,410,675**	2,702,424
	7,842,669	8,550,985
Less: Pledged time deposits – pledged for:		
– Bank loans (note 31)	**(3,387)**	(136,915)
– Letters of credit	**(10,032)**	(12,102)
– Guarantee issued	**(470,000)**	(590,148)
– Provision for risk (note 31)	**(103,136)**	(276,618)
– Others	**(500,000)**	(1,031)
	(1,086,555)	(1,016,814)
Cash and cash equivalents in the consolidated statement of financial position	**6,756,114**	7,534,171
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(9,931)**	(7,708)
Cash and cash equivalents in the consolidated statement of cash flows	**6,746,183**	7,526,463
Pledged deposits	**1,086,555**	1,016,814
Portion classified as non-current assets	**(103,136)**	(276,618)
Current portion	**983,419**	740,196
Cash and cash equivalents and pledged deposits denominated in:		
– RMB	**4,938,940**	6,271,906
– United States dollar	**2,266,629**	1,766,550
– Euro	**313,967**	313,817
– Hong Kong dollar	**109,336**	48,465
– Australian dollar	**177,929**	136,453
– Other currencies	**35,868**	13,794
	7,842,669	8,550,985

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

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.

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 thirty days and ninety-five days 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 agreements, Beijing Tianrun will lost the control over the above subsidiaries upon completion of the transaction. The transaction has been 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 has been 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 2017 RMB'000	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.

The net carrying amount of construction in progress which was classified as held for sale included capitalised interest of approximately RMB7,761,000 charged for the year 2016 prior to being transferred to buildings, machinery, vehicles and equipment.

28. TRADE AND BILLS PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables	**11,475,753**	10,348,261
Bills payable	**4,665,722**	4,879,121
	16,141,475	15,227,382
Portion classified as non-current liabilities (i)	**(884,593)**	(754,661)
Current portion	**15,256,882**	14,472,721

(i) The non-current portion of trade payables mainly represented retention amounts held by the Group as at 31 December 2017 and 2016.

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.

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	
	2017	2016
	RMB'000	RMB'000
Within 3 months	**10,909,780**	10,382,690
3 to 6 months	**3,038,854**	2,351,574
6 months to 1 year	**461,290**	799,971
1 to 2 years	**807,451**	913,097
2 to 3 years	**489,493**	370,553
Over 3 years	**434,607**	409,497
	16,141,475	15,227,382

28. TRADE AND BILLS PAYABLES (continued)

The amounts due to the Group's associates included in the trade and bills payables are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Associates	**213,289**	1,191,540

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	
	2017	2016
Effective interest rate	**4.95%**	5.23%

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	
	2017	2016
	RMB'000	RMB'000
Advances from customers	**4,658,157**	3,225,053
Accrued salaries, wages and benefits	**629,000**	667,335
Other taxes payable	**124,163**	367,296
Others	**987,101**	876,173
	6,398,421	5,135,857
Portion classified as non-current liabilities (i)	**(38,541)**	(109,638)
Current portion	**6,359,880**	5,026,219

(i) The non-current portion of other payables mainly represented guaranteed amounts held by the Group as at 31 December 2017 and 2016.

The amounts due to the Group's joint ventures and associates included in other payables and accruals are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Joint ventures	**12,293**	2,927
Associates	**642**	5,360
	12,935	8,287

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Assets		
Forward currency contracts, current portion	**–**	25,937
Contingent consideration, current portion	**12,640**	–
	12,640	25,937
Interest rate swap, non-current portion	**18**	1,986
Power price swap contract, non-current portion	**16,052**	–
	16,070	1,986

The Group had entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts were not designated for hedge purposes and were 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 in the year 2016. These forward currency contracts were ended in the year 2017.

According to the disposal agreements with Apple mentioned in Note 27, a contingent consideration was contained in the purchase price based on the actual performance of the wind farm projects during the one year period after the commencement of commercial operations. It was related to meteorological and performance data for the wind projects and was to be settled in a future date. The fair value of the contingent consideration was RMB12,640,000 as at 31 December 2017

Power price swap contract is designated as hedging instruments in respect of forecast future power price to which the Group has firm commitments. The power price swap contract balance varys with the expected power price in the power market. The terms of the power price swap contract match the terms of the commitments. The power price swap contract was assessed to be highly effective and fair value change of RMB16,052,000 were included in other comprehensive income.

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 2017			As at 31 December 2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short-term bank loans:						
– Unsecured	2.65- 1 month LIBOR+1.5	2018	1,524,767	2.65-3.70	2017	1,565,000
– Secured	4.20-5.22	2018	530,159	4.20-4.65	2017	238,654
Current portion of long-term bank loans:						
– Unsecured	1.20- 6 months LIBOR+3.5	2018	76,631	1.20-4.90	2017	23,162
– Secured	2.85-6.00	2018	1,214,551	1.68-6.15	2017	662,016
Corporate bonds (i):						
– Unsecured	2.50-4.98	2018	2,440,957	–	–	–
– Secured	3.60	2018	211,958	3.40	2017	183,237
			5,999,023			2,672,069
Non-current						
Long-term bank loans:						
– Unsecured	1.20-5.94	2019-2030	2,072,881	1.20-4.90	2018-2026	543,427
– Secured	1.68-6.00	2019-2035	13,003,160	1.68-6.15	2018-2035	11,323,118
Corporate bonds (i):						
– Unsecured	–	–	–	2.50-4.98	2018	2,530,536
– Secured	3.90-4.50	2019-2021	809,769	3.60-4.50	2018-2021	1,021,957
			15,885,810			15,419,038
			21,884,833			18,091,107
Interest-bearing bank and other borrowings are denominated in:						
– RMB			17,192,819			15,015,587
– Euro			81,009			83,733
– United States dollar			4,603,090			2,991,787
– Australian dollars			7,915			–
			21,884,833			18,091,107

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 was officially listed in Shanghai Stock Exchange on 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 principal 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 is paid once each six months, and the expected return on each maturity date is paid with the principal. The Special Plan is 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 2017 and 2016 is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**3,346,108**	2,488,832
In the second year	**1,364,409**	1,737,118
In the third to fifth years, inclusive	**5,537,493**	3,330,554
Above five years	**8,174,139**	6,798,874
	18,422,149	14,355,378
Corporate bond repayable:		
Within one year	**2,652,915**	183,237
In the second year	**249,828**	2,742,494
In the third to fifth years, inclusive	**559,941**	809,998
	3,462,684	3,735,729
	21,884,833	18,091,107

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Group's bank loans of approximately RMB15,029,681,000 (31 December 2016: RMB12,524,629,000) were secured or guaranteed by the following:

(a) Certain of the Group's bank loans amounting to approximately RMB13,844,858,000 (31 December 2016: RMB11,427,063,000) as at 31 December 2017 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	
	2017	2016
	RMB'000	RMB'000
Property, plant and equipment	**11,634,661**	12,090,992
Prepaid land lease payments	**154,109**	155,151
Bank deposits	**235**	746
Trade and bills receivables under the electricity charge rights	**2,714,431**	1,205,706
Bank deposits for provision for risk	**103,136**	101,556
	14,606,572	13,554,151

(b) Certain of the bank loans of the Company's subsidiaries, amounting to EUR10,383,000 (equivalent to approximately RMB81,009,000) (31 December 2016: EUR11,460,000, equivalent to approximately RMB83,733,000) as at 31 December 2017 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 2017, the carrying value of these secured property, plant and equipment amounted to RMB4,166,000 (31 December 2016: RMB9,288,000) and the bank deposits amounted to approximately RMB3,152,000 (31 December 2016: RMB2,918,000).

(c) Certain of the bank loans of the Company's subsidiaries amounting to RMB143,845,000 (31 December 2016: RMB28,375,000) were secured by the pledge of the trade receivables amounting to RMB26,708,000 (31 December 2016: RMB2,150,000) and financial receivables amounting to RMB267,019,000 (31 December 2016: RMB103,479,000) under the water treatment contracts.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(d) Certain of the bank loans of a subsidiary, amounting to RMB48,000,000 (31 December 2016: RMB61,019,000) were secured by the pledge of the trade receivables amounting to RMB4,498,000 (31 December 2016: RMB10,403,000) and financial receivables amounting to RMB113,700,000 (31 December 2016: RMB238,345,000) under the water treatment contracts. 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 RMB530,158,000(31 December 2016: RMB238,654,000) as at 31 December 2017 were secured by the pledge of the Group's trade receivables amounting to RMB651,551,000 (31 December 2016: RMB106,257,000). The short-term bank loans as at 31 December 2016 were secured by financial receivables amounting to RMB145,604,000.

(f) Certain of the bank loans of a subsidiary, UEP Penonome S.A., amounting to US$55,492,000 (equivalent to approximately RMB384,945,000) as at 31 December 2016 were secured by pledge of the equity interest held by Goldwind International Holdings (HK) in UEP Penonome S.A., bank deposits amounting to approximately RMB133,251,000 and a guarantee by Goldwind International Holdings (HK) in the form of a letter of credit which is amounting to RMB37,446,000. UEP Penonome S.A. is a subsidiary of Goldwind International Holdings (HK). Such loans were paid off as at 31 December 2017.

(g) Certain of the bank loans of the Company's subsidiaries, amounting to approximately US$10,237,000 (equivalent to approximately RMB209,748,000) (31 December 2016: US$32,700,000, equivalent to approximately RMB226,840,000), and RMB53,000,000 (31 December 2016: RMB54,000,000) as at 31 December 2017 were guaranteed by the Company.

(h) Certain of the Company's bank loans amounting to approximately RMB19,000,000 (31 December 2016: RMB20,000,000) as at 31 December 2017 were guaranteed by a subsidiary.

(i) Certain of the bank loans of the Company's subsidiaries, amounting to RMB100,000,000 (31 December 2016: Nil) as at 31 December 2017 were secured by the pledge of the trade receivables amounting to RMB3,140,000 (31 December 2016: Nil) and prepaid land lease payments amounting to RMB11,493,000 (31 December 2016: Nil) under the water treatment contracts.

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	
	2017	2016
	RMB'000	RMB'000
At beginning of year	**3,965,881**	3,492,911
Additional provision (note 6)	**1,584,518**	1,556,632
Reversal of unutilised amounts (note 6)	**(625,134)**	(208,203)
Amounts utilised during the year	**(1,055,508)**	(873,626)
Exchange realignment	**424**	(1,833)
At end of year	**3,870,181**	3,965,881
Portion classified as current liabilities	**(1,773,288)**	(1,599,111)
Non-current portion	**2,096,893**	2,366,770

The carrying amount of the Group's provision approximates to its fair value.

33. GOVERNMENT GRANTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Government grants	**339,109**	304,770

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 2017 RMB'000	2016 RMB'000
At beginning of year	**304,770**	270,101
Additions	**84,799**	40,597
Recognised as income during the year	**(44,972)**	(11,162)
Exchange realignment	**(5,488)**	5,234
At end of year	**339,109**	304,770

34. SHARE CAPITAL

	As at 31 December 2017 Number of shares '000	2017 Value RMB'000	2016 Number of shares '000	2016 Value RMB'000
Shares				
Issued and fully paid:				
A shares of RMB1.00 each	**2,906,142**	**2,906,142**	2,235,494	2,235,494
H shares of RMB1.00 each	**650,061**	**650,061**	500,047	500,047
	3,556,203	**3,556,203**	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			
	2017		2016	
	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	2,735,541	2,735,541
Bonus shares (a)	820,662	820,662	–	–
At end of year	3,556,203	3,556,203	2,735,541	2,735,541

(a) In June 2017, a distribution of 3 bonus shares per every 10 shares held by the existing shareholders of the Company was approved in annual general meeting. Accordingly 820,662,000 shares were issued as bonus shares.

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 pages 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 2017, the following entities were acquired from independent 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
Janshan Green Energy Co., Ltd.	January 2017	80%	KRW480,000,000
Yass Valley Wind Farm Pty Ltd.	February 2017	100%	AUD7,700,000
Si Chuan Haixinneng Electric Power Design Co., Ltd.	March 2017	100%	RMB9,075,000
PARQUE EóLICO LOMA BLANCA S.A	May 2017	100%	USD33,000,000
Best Blades GmbH	May 2017	100%	EURO2,000,000
Stockyard Hill Wind Farm Pty Ltd.	June 2017	100%	AUD110,000,000
Wild Cattle Hill Pty Ltd.	September 2017	100%	AUD12,000,000
Western Water Corporation	August 2017	100%	RMB714,000,000
PARQUE EóLICO LOMA BLANCA VI S.A	September 2017	100%	USD10,000,000
PARQUE EóLICO MIRAMAR S.A.	September 2017	100%	USD12,000,000
Guilin Biyuan Environmental Co., Ltd.	October 2017	90%	RMB47,250,000
Susong Hongyuan Water Service Co., Ltd.	December 2017	100%	RMB70,386,000
Liaocheng Chengnan Water Service Co., Ltd.	December 2017	90%	RMB48,600,000
Liaocheng high technology Water Service Co., Ltd.	December 2017	90%	RMB9,000,000
Yanggu Bihai Guohuan Water Service Co., Ltd.	December 2017	90%	RMB900,000

On 31 May 2017, the Group entered into a share purchase agreement with a third party to acquire an additional 25% equity interest in Best Blades GmbH, a joint venture of the Group, at a cash consolidation of EUR2,000,000. The articles of association of Best Blades GmbH were revised accordingly upon the completion of the acquisition, and the Group has a total 75% of equity interest in Best Blades GmbH and has the power to govern the relevant activities of Best Blades GmbH. Therefore, On 31 May 2017, Best Blades GmbH was accounted for as a subsidiary of the Group. The Group recognised a gain of RMB4,297,000 in profit or loss as a result of remeasuring its previously held interests in Best Blades GmbH of RMB14,692,000 at the date of obtaining control to its acquisition-date fair value of RMB18,989,000.

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	Fair value recognised on acquisition RMB'000
Property, plant and equipment	12	302,537
Other intangible assets	16	1,680,815
Inventories		1,885
Deferred tax assets	20	3,958
Trade receivables		32,743
Financial receivables		604,686
Prepayments, deposits and other receivables		25,990
Cash and cash equivalents		7,282
Trade payables		(34,740)
Other payables and accruals		(126,545)
Interest-bearing bank loans		(155,497)
Deferred tax liabilities	20	(356,921)
Total identifiable net assets at fair value		1,986,193
Non-controlling interests		(21,383)
		1,964,810
Goodwill on acquisition	15	15,586
Investment in a joint venture before the step acquisition of subsidiary		(14,692)
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary	5	(4,297)
Satisfied by cash		1,961,407

37. BUSINESS COMBINATIONS (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	(1,961,407)
Other payable due to certain equity sellers	208,493
Cash and cash equivalents paid	(1,752,914)
Cash and cash equivalents paid for previous transactions	(58,385)
Cash and cash equivalents acquired	7,282
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,804,017)

Since the acquisitions, the acquired companies contributed RMB24,120,000 to the Group's revenue and RMB2,923,000 to the consolidated loss for the year ended 31 December 2017.

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 RMB25,027,628,000 and RMB3,158,849,000, respectively.

38. DISPOSAL OF SUBSIDIARIES

On 31 January 2017, the Group lost control of the Inner Mongolia Jieyuan Wind Energy Electricity Co., Ltd. ("Jieyuan"), by the capital injection from the non-controlling shareholder with an amount of RMB5,000,000, according to the new articles of association of Jieyuan. After the capital injection, the Group's equity interests decreased from 52.82% to 51.00%.

On 30 April 2017, the Group disposed of its 100% equity interest in Leishan Tianlei Wind Power Co., Ltd. to a third party for a cash consideration of RMB7,000,000.

On 31 July 2017, the Group disposed of its 70% equity interest in Fusong Xiaoqing Water Service Co., Ltd to a third party for a cash consideration of RMB81,425,000.

On 4 August 2017, 4 August 2017, 19 September 2017 and 27 September 2017 the Group disposed of its 30% equity interests in Qiaojia Tianqiao, Pinglu Sineng, Zibo Runchuan and Nanyang Runtang for a cash consideration of RMB24,106,000, RMB72,329,000, RMB25,204,000 and RMB63,245,000 respectively. Besides, a contingent consideration will be determined when an independent third party consultant complete evaluating the meteorological and performance data during the one year period after the commencement of commercial operations. Upon the completion of such disposal, the Group lost control of the these entities. The remaining interests are accounted for investments in joint ventures in the consolidated statement of financial position of the Group.

38. DISPOSAL OF SUBSIDIARIES (continued)

The net assets/liabilities of the subsidiaries disposed during the years ended 31 December 2017 were as follows:

	Notes	As at the dates of disposal RMB'000
Net assets disposed of:		
Assets of a disposal group classified as held for sale		2,086,945
Liabilities directly associated with the assets classified as held for sale		(1,818,088)
Property, plant and equipment	12	461,080
Prepaid land lease payments	14	4,792
Other intangible assets	16	254,710
Trade and bills receivables		69,982
Prepayments, deposits and other receivables		25,660
Cash and cash equivalents		51,790
Trade payables		(66,606)
Interest-bearing bank loans		(462,600)
Other payables and accruals		(195,529)
		412,136
Non-controlling interests		(83,792)
Net assets belong to the parent company		328,344
Investment in joint ventures		(752,229)
Gain on remeasurement of the remaining interests at the date of disposal of subsidiaries	5	309,416
Gain on disposal of subsidiaries	5	387,778
Satisfied by cash		273,309

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:

	RMB'000
Cash consideration	273,309
Cash and cash equivalents received for previous transactions	23,850
Cash received during the year	297,159
Cash and cash equivalents disposed of	(51,790)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	245,369

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 RMB6,989,345,000 (2016: RMB6,784,801,000).

(b) Changes in liabilities arising from financing activities

	Bank loans and other borrowings RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2017	14,355,377	50,000	91,077
Changes from financing cash flows	4,811,735	(654,646)	(802,514)
Interest expense	–	–	865,363
Final 2016 dividend declared	–	547,108	–
Dividend declared to non-controlling	–	36,538	–
Distribution of other equity instruments	–	71,000	–
Foreign exchange movement	(28,511)	–	(58,349)
Increase arising from acquisition of subsidiaries	155,497	26,388	–
Decrease arising from disposal of subsidiaries	(462,600)	–	–
Decrease arising from held for sale	(409,349)	–	–
At 31 December 2017	18,422,149	76,388	95,577

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	
	2017	2016
	RMB'000	RMB'000
Letters of credit issued	**55,400**	199,438
Letters of guarantee issued	**15,102,615**	11,320,064
Guarantees given to banks in connection with bank loans granted to:		
An associate	**315,754**	30,094
A third party	**296,487**	299,579
Compensation arrangement in connection with the bank loans of the Group's customers	**–**	332,282
	15,770,256	12,181,457

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, in the case where Chifeng Xinneng fails to repay the bank loans on schedule, Beijing Tianrun shall repurchase the entire share interest in Chifeng Xinneng, and the consideration equals a certain percentage of the net assets of Chifeng Xinneng at that time. Up to 31 December 2017, Chifeng Xinneng operated well, and the risk exposure from the above repurchase clause was insignificant.

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when the management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

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 five years.

At 31 December 2017 and 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	**3,842**	1,809
In the second to fifth years, inclusive	**8,375**	–
	12,217	1,809

(b) As lessee

At 31 December 2017 and 2016, 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	
	2017	2016
	RMB'000	RMB'000
Within one year	**9,831**	17,455
In the second to fifth years, inclusive	**9,061**	6,620
After five years	**446**	421
	19,338	24,496

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	
	2017	2016
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment and land use rights	**3,134,131**	2,167,479

44. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with related parties during the year:

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Continuing transactions			
A shareholder holding a 13.74% interest in the Company:			
Sales of spare parts	(i)	**832**	–
Associates:			
Sales of wind turbine generators and spare parts	(i)	**356,986**	637,528
Sales of construction services	(i)	**702,773**	–
Purchases of spare parts	(ii)	**196,888**	2,360,333
Purchases of processing services	(ii)	**195,687**	248,794
Provision of technical services	(ii)	**1,166**	39,026
Provision of operating lease of buildings	(ii)	**–**	1,667
Others	(ii)	**4,095**	2,759
Joint ventures:			
Sales of wind turbine generators	(i)	**626**	6,139
Purchases of services	(ii)	**2,897**	–
Provision of technical services	(i)	**14,215**	8,832

Notes:

(i) The sales to all related parties above were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from all related parties above were made according to the published prices and conditions offered to the major customers of the related parties above.

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 2018 and 2019, which have been contracted as at 31 December 2017, are as follows:

	Year ended 31 December	
	2018	2019
	RMB'000	RMB'000
Continuing transactions		
Associates:		
Sales of spare parts	**7,139**	–
Purchases of spare parts	**496,689**	482,842
	503,828	482,842
Joint ventures:		
Provision of technical services	**16,863**	16,863

(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.

44. RELATED PARTY TRANSACTIONS (continued)

(d) Guarantee for a related party

Guarantee	Year ended 31 December 2017 RMB'000	2016 RMB'000	Guarantee period
An associate	**315,754**	30,094	From 21 June 2016 to 21 June 2018

(e) Compensation of key management personnel of the Group

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Short-term employee benefits	**47,675**	47,733
Pension scheme contributions	**469**	434
Total compensation paid to key management personnel	**48,144**	48,167

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	
	2017	2016
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss:		
Held-for-trading:		
Derivative financial instruments	**28,710**	27,923
Held-to-maturity investments	**49,996**	49,995
Loans and receivables:		
Trade and bills receivables	**19,372,363**	18,603,486
Financial receivables	**5,034,227**	2,787,694
Financial assets included in prepayments, deposits and other receivables	**1,241,939**	948,554
Pledged deposits	**1,086,555**	1,016,814
Cash and cash equivalents	**6,756,114**	7,534,171
	33,491,198	30,890,719
Available-for-sale investments	**2,218,210**	1,941,325
	35,788,114	32,909,962
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**16,141,475**	15,227,382
Financial liabilities included in other payables, advances from customers and accruals	**987,101**	876,173
Interest-bearing bank and other borrowings	**21,884,833**	18,091,107
	39,013,409	34,194,662

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 amounts As at 31 December		Fair values As at 31 December	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Pledged deposits, non-current portion	**103,136**	276,618	**103,136**	276,618
Available-for-sale investments	**1,489,118**	1,252,059	**1,489,118**	1,252,059
Derivative financial instruments	**28,710**	27,923	**28,710**	27,923
Held to maturity investments	**49,996**	49,995	**49,996**	49,995
Trade and bills receivables, non-current portion	**2,324,143**	1,857,030	**3,111,298**	1,972,837
Financial receivables, non-current portion	**4,536,746**	2,451,312	**4,536,746**	2,451,312
Financial assets included in prepayments, deposits and other receivables, non-current portion	**255,115**	131,620	**255,115**	131,620
	8,786,964	6,046,557	**9,574,119**	6,162,364
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	**15,885,810**	15,419,038	**15,871,023**	15,629,502
Trade and bills payables, non-current portion	**884,593**	754,661	**899,002**	794,435
Financial liabilities included in other payables, advance from customers and accruals, non-current portion	**38,541**	109,638	**30,337**	108,138
	16,808,944	16,283,337	**16,800,362**	16,532,075

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, advances 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 2017 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 several derivative financial instruments with the financial institutions and counterparties. Derivative financial instruments, including forward currency contracts, an interest rate swap and a power price swap contract, 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, interest rate curves and power price trend. The carrying amounts of the derivative financial instruments are the same as their fair values.

As at 31 December 2017, 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 2017

	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	439,118	–	–	439,118
Other financial assets	–	1,050,000	–	1,050,000
	439,118	1,050,000	–	1,489,118
Derivative financial instruments:				
Interest rate swap	–	18	–	18
Power price swap contract	–	16,052	–	16,052
Contingent consideration	–	–	12,640	12,640
	–	16,070	12,640	28,710
	439,118	1,066,070	12,640	1,517,828

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

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

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 2016.

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 (2016: Nil).

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 31 December 2017

	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	–	103,136	–	103,136
Held-to-maturity investment	–	49,996	–	49,996
Trade and bills receivables, non-current portion	–	3,111,298	–	3,111,298
Financial receivables, non-current portion	–	4,536,746	–	4,536,746
Financial assets included in prepayments, deposits and other receivables, non-current portion	–	255,115	–	255,115
	–	8,056,291	–	8,056,291

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 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)

Liabilities for which fair values are disclosed:

As at 31 December 2017

	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	–	15,871,023	–	15,871,023
Trade and bills payables, non-current portion	–	899,002	–	899,002
Financial liabilities included in other payables and accruals, non-current portion	–	30,337	–	30,337
	–	16,800,362	–	16,800,362

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

47. TRANSFERRED FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

(a) At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB982,402,000 (2016: RMB667,526,000) 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 RMB982,402,000 (2016: RMB667,526,000) as at 31 December 2017.

(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 values of the trade receivables and financial receivables transferred under the Arrangement that have not been settled as at 31 December 2017 were RMB651,551,000 (2016: RMB106,257,000) and nil (2016: RMB145,604,000), respectively. The carrying amount of the assets that the Group continued to recognise as at 31 December 2017 was RMB651,551,000 (2016: RMB251,861,000) and that of the associated liabilities as at 31 December 2017 was RMB530,158,000 (2016: RMB238,654,000).

47. TRANSFERRED FINANCIAL ASSETS (continued)

Transferred financial assets that are derecognised in their entirety

At 31 December 2017, 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 RMB5,846,892,000 (2016: RMB6,117,275,000). 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 2017, 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.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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 2017, after taking into account the effect of the interest rate swap, approximately 23% (2016: 36%) 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 RMB168,752,000 (2016: RMB116,622,000) for the year ended 31 December 2017, 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 2017 and 2016 are as follows:

	As at 31 December					
	2017			2016		
	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	51,245	5,702	–	2,363	44,136	–
Prepayments, deposits and other receivables	22,518	686	–	7,620	34,767	–
Cash and cash equivalents	25,342	186,193	59,713	7,432	293,078	7,329
Trade payables	(70,223)	(10,617)	–	(87,472)	(22,473)	–
Other payables and accruals	–	(15,711)	–	(72)	(29,589)	–
Interest-bearing bank and other borrowings	–	(2,268,625)	–	–	(2,380,002)	–
	28,882	(2,102,372)	59,713	(70,129)	(2,060,083)	7,329

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
2017			
If RMB weakens against Euro	**5%**	**932**	**50,023**
If RMB strengthens against Euro	**(5%)**	**(932)**	**(50,023)**
If RMB weakens against United States dollar	**5%**	**(80,440)**	**(8,045)**
If RMB strengthens against United States dollar	**(5%)**	**80,440**	**8,045**
If RMB weakens against Australian dollar	**5%**	**2,535**	**19,458**
If RMB strengthens against Australian dollar	**(5%)**	**(2,535)**	**(19,458)**
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)

The sensitivity analysis above has been determined assuming that the change in foreign currency rates had occurred on 31 December 2017 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 2017					
Trade and bills payables	**15,256,882**	**189,725**	**489,982**	**275,426**	**16,212,015**
Financial liabilities included in other payables and accruals	**948,560**	**2,942**	**14,011**	**21,503**	**987,016**
Interest-bearing bank and other borrowings	**6,002,064**	**1,614,409**	**6,092,493**	**8,174,139**	**21,883,105**
Interest payments on bank and other borrowings	**945,219**	**783,490**	**1,629,432**	**1,272,616**	**4,630,757**
	23,152,725	**2,590,566**	**8,225,918**	**9,743,684**	**43,712,893**
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

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 2017 and 31 December 2016.

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	
	2017	2016
	RMB'000	RMB'000
Trade and bills payables	**16,141,475**	15,227,382
Financial liabilities included in other payables and accruals	**987,101**	876,173
Interest-bearing bank and other borrowings	**21,884,833**	18,091,107
Less: Cash and cash equivalents	**(6,756,114)**	(7,534,171)
Pledged deposits, current portion	**(983,419)**	(740,196)
Net debt	**31,273,876**	25,920,295
Equity attributable to owners of the parent	**22,686,693**	19,976,152
Capital and net debt	**53,960,569**	45,896,447
Gearing ratio	**57.96%**	56.48%

49. EVENT AFTER THE REPORTING PERIOD

On 23 March 2018 the board of Directors proposed to distribute cash dividends of RMB2.00 (tax included) per each 10 shares with total amount of RMB711,241,000 to the shareholders. The proposed final dividends for the year are 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	
	2017	2016
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**217,437**	175,826
Investment properties	**60,665**	62,803
Prepaid land lease payments	**19,641**	20,199
Other intangible assets	**286,475**	250,052
Investments in subsidiaries	**12,072,027**	12,047,951
Investments in associates	**145,151**	66,000
Investments in joint ventures	**2,500**	–
Held-to-maturity investments	**49,996**	49,995
Available-for-sale investments	**2,400**	2,400
Deferred tax assets	**641,874**	647,932
Trade receivables	**1,365,906**	1,314,336
Prepayments, deposits and other receivables	**3,170,306**	1,226,703
Pledged deposits	**–**	175,062
Total non-current assets	**18,034,378**	16,039,259
CURRENT ASSETS		
Inventories	**1,800,842**	1,488,303
Trade and bills receivables	**11,157,046**	12,246,231
Prepayments, deposits and other receivables	**7,125,224**	6,097,945
Available-for-sale investments	**1,050,000**	750,000
Pledged deposits	**500,000**	–
Cash and cash equivalents	**2,681,768**	4,326,148
Total current assets	**24,314,880**	24,908,627
CURRENT LIABILITIES		
Trade and bills payables	**10,389,962**	10,243,684
Other payables and accruals	**8,174,410**	6,712,108
Interest-bearing bank and other borrowings	**2,375,868**	1,840,110
Tax payable	**22**	18,571
Provision	**1,367,929**	1,243,789
Total current liabilities	**22,308,191**	20,058,262
NET CURRENT ASSETS	**2,006,689**	4,850,365
TOTAL ASSETS LESS CURRENT LIABILITIES	**20,041,067**	20,889,624

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**20,041,067**	20,889,624
NON-CURRENT LIABILITIES		
Trade payables	**603,060**	590,161
Other payables and accruals	**–**	2,647
Interest-bearing bank and other borrowings	**826,769**	1,885,191
Provision	**1,648,374**	1,885,479
Government grants	**84,834**	121,392
Total non-current liabilities	**3,163,037**	4,484,870
Net assets	**16,878,030**	16,404,754
EQUITY		
Share capital	**3,556,203**	2,735,541
Reserves	**13,321,827**	13,669,213
Total equity	**16,878,030**	16,404,754

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 2016	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)
Distribution of other equity instruments	–	–	–	–	–	(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 and 1 January 2017	8,264,710	–	1,095,483	(1,568)	1,495,118	2,815,470	13,669,213
Total comprehensive income for the year	–	–	–	933	–	1,090,452	1,091,385
Final 2016 dividend declared	–	–	–	–	–	(1,367,771)	(1,367,771)
Distribution of other equity instruments	–	–	–	–	–	(71,000)	(71,000)
Profit appropriation to reserves	–	–	102,893	–	–	(102,893)	–
Transfer to special reserve	–	13,047	–	–	–	(13,047)	–
Utilisation of special reserve	–	(13,047)	–	–	–	13,047	–
At 31 December 2017	8,264,710	–	1,198,376	(635)	1,495,118	2,364,258	13,321,827

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 23 March 2018.

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				
	2013	2014	2015	2016	**2017**
REVENUE	12,196,240	17,572,601	29,845,998	26,173,892	**24,970,835**
PROFIT BEFORE TAX	505,550	2,108,986	3,246,830	3,551,956	**3,490,556**
Income tax expense	(71,914)	(255,473)	(371,439)	(446,224)	**341,749**
PROFIT FOR THE YEAR	433,636	1,853,513	2,875,391	3,105,732	**3,148,807**
Profit attributable to:					
Owners of the Company	427,646	1,829,682	2,849,497	3,002,982	**3,054,657**
Non-controlling interests	5,990	23,831	25,894	102,750	**94,150**
OTHER COMPREHENSIVE INCOME, NET OF TAX	184,072	(183,665)	(71,650)	89,174	**284,105**
TOTAL COMPREHENSIVE INCOME	617,708	1,669,848	2,803,741	3,194,906	**3,432,912**
EARNINGS PER SHARE:					
Basic and diluted (RMB/Share)	0.16	0.68	1.05	1.08*	**0.84**

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2013	2014	2015	2016	**2017**
Cash and cash equivalents	4,320,749	9,528,460	6,147,378	7,534,171	**6,756,114**
Current assets	20,268,009	28,094,889	25,286,642	33,096,620	**33,081,328**
Non-current assets	15,076,840	17,682,437	27,285,759	31,340,547	**39,706,513**
Total assets	35,344,849	45,777,326	52,572,401	64,437,167	**72,787,841**
Current liabilities	(12,512,998)	(22,319,761)	(20,958,892)	(24,662,979)	**(29,600,317)**
Non-current liabilities	(9,038,915)	(8,230,556)	(14,222,905)	(19,075,394)	**(19,712,523)**
Total liabilities	(21,551,913)	(30,550,317)	(35,181,797)	(43,738,373)	**(49,312,840)**
Net assets	13,792,936	15,227,009	17,390,604	20,698,794	**23,475,001**
Issued share capital	2,694,588	2,694,588	2,735,541	2,735,541	**3,556,203**
Reserves	10,457,371	12,073,201	14,025,905	17,240,611	**19,130,490**
Equity attributable to owners of the Company	13,367,526	14,767,789	16,761,446	19,976,152	**22,686,693**
Non-controlling interests	425,410	459,220	629,158	722,642	**788,308**

* The EPS data was not restated.

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