GOLDWIND

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 People's Republic of China)

Stock Code : 02208

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Annual Results for the year ended 31 December 2017

The Board of the Company hereby announces the audited financial results of the Group for the financial year ended 31 December 2017 (the "**Reporting Period**") (collectively, the "**2017 Annual Results**"). The 2017 Annual Results have been audited by Ernst & Young.

** For identification purpose*

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	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	4	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	6	(817,782)	(686,650)
Share of profits and losses of:			
Joint ventures		144,911	149,349
Associates		65,400	42,403
PROFIT BEFORE TAX	5	3,490,556	3,551,956
Income tax expense	7	(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
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		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		(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 -Effiective 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)	9	0.84	0.83

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
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		22,838,479	19,478,691
Investment properties		67,904	70,801
Prepaid land lease payments		302,092	292,332
Goodwill		497,601	474,429
Other intangible assets		2,254,558	775,804
Investments in joint ventures		1,802,594	814,130
Investments in associates		588,151	493,832
Available-for-sale investments		1,168,210	1,191,325
Deferred tax assets		1,601,385	1,517,391
Held-to-maturity investments		49,996	49,995
Trade receivables	10	2,324,143	1,857,030
Financial receivables		4,536,746	2,451,312
Prepayments, deposits and other receivables		1,555,448	1,594,871
Derivative financial instruments		16,070	1,986
Pledged deposits	11	103,136	276,618
Total non-current assets		39,706,513	31,340,547
CURRENT ASSETS			
Inventories		4,083,012	3,192,280
Trade and bills receivables	10	17,048,220	16,746,456
Financial receivables		497,481	336,382
Prepayments, deposits and other receivables		2,650,442	1,977,549
Available-for-sale investments		1,050,000	750,000
Derivative financial instruments		12,640	25,937
Pledged deposits	11	983,419	740,196
Cash and cash equivalents	11	6,756,114	7,534,171
		33,081,328	31,302,971
Assets of disposal groups classified as held for sale		-	1,793,649
Total current assets		33,081,328	33,096,620
CURRENT LIABILITIES			
Trade and bills payables	12	15,256,882	14,472,721
Other payables, advance from customers and accruals		6,359,880	5,026,219
Interest-bearing bank and other borrowings		5,999,023	2,672,069
Tax payable		211,244	242,759
Provision		1,773,288	1,599,111
		29,600,317	24,012,879
Liabilities directly associated with the assets classified as held for sale		-	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

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XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
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	12	884,593	754,661
Other payables		38,541	109,638
Interest-bearing bank and other borrowings		15,885,810	15,419,038
Deferred tax liabilities		452,420	100,866
Provision		2,096,893	2,366,770
Government grants		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		3,556,203	2,735,541
Reserves		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

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Wu Gang
Director

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Wang Haibo
Director

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2017

	Attributable to owners of the parent											
	Share capital RMB'000	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	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	-	-	-	-	-	-	-	-	-	-	21,383	21,383
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(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.

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
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	6	817,782	686,650
Bank interest income	4	(75,042)	(77,412)
Share of profits of joint ventures		(144,911)	(149,349)
Share of profits of associates		(65,400)	(42,403)
Depreciation	5	1,066,701	861,366
Amortisation of prepaid land lease payments	5	7,159	5,580
Amortisation of other intangible assets	5	50,279	57,549
Loss on disposal of items of property, plant and equipment and other intangible assets, net	5	2,942	2,386
Gain on disposal of subsidiaries	4	(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	4	(309,416)	-
Gain on disposal of investments in associates and joint ventures, net	4	(136,652)	(196,997)
Gain on disposal of available-for-sale investments	4	(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	4	(4,297)	-
Dividend income from available-for-sale investments	4	(21,698)	(68,094)
Interests from other investments		(15,169)	(6,925)
Fair value gains, net:			
– Derivative financial instruments	4	(12,640)	(23,624)
Gain on disposal of derivative instruments:			
Derivative instruments			
– transactions not qualifying as hedges	4	(15,244)	-
Impairment of trade and other receivables	5	257,933	202,386
Reversal of write-down of inventories to net realisable value	5	(9,956)	(6,565)
Impairment of investments in a joint venture	5	-	16,050
Impairment of property, plant and equipment	5	11,186	-
Government grants and deferred revenue		(45,797)	(12,150)
		4,376,502	4,642,315
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

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XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
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	(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	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)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	8,139,078	8,709,944
Repayment of bank and other borrowings	(3,327,343)	(2,946,815)
Increase in amount due to the non-controlling shareholders	2,216	16,278
Interest paid	(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	(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.

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. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

<u>Basis of consolidation</u>
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.

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.

(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.

3. 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;

(a) 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

(b) 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.

3. 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

3. 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
Impariment 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.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2017 RMB'000	2016 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 RMB'000	2016 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.

4. 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	
	2017	2016
	RMB'000	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	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 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	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

5. 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		1,063,804	858,470
Investment properties		2,897	2,896
		1,066,701	861,366
Amortisation of prepaid land lease payments (note (b))		7,159	5,580
Amortisation of other intangible assets (note (b))		50,279	57,549
		57,438	63,129
Impairment of trade receivables	10	448,430	353,094
Reversal of impairment of trade receivables	10	(195,151)	(140,977)
		253,279	212,117
Impairment of other receivables		4,654	5,920
Reversal of impairment of other receivables		-	(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		11,186	-
Impairment of an investment in a joint venture		-	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
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

5. PROFIT BEFORE TAX (continued)

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
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	1,584,518	1,556,632
Reversal of unutilised provision	(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 subsidiar	(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)

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).

5. PROFIT BEFORE TAX (continued)

Notes: (continued)

(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.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest on bank loans and other borrowings	865,363	717,723
Less: Interest capitalised	(47,581)	(31,073)
	817,782	686,650

7. 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	(79,534)	(157,559)
Tax charge for the year	341,749	446,224

7. 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

8. 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.

9. 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 thoughout the year, as adjusted to reflect the bonus share of 820,662,300 on 24 August 2017.

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.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT(continued)

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.

10. 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.

10. TRADE AND BILLS RECEIVABLES (continued)

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

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 5)	448,430	353,094
Impairment losses reversed (note 5)	(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.

10. 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 .

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December 2017 RMB'000	As at 31 December 2016 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	(3,387)	(136,915)
- Letters of credit	(10,032)	(12,102)
- Guarantee issued	(470,000)	(590,148)
- Provision for risk	(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

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.

12. 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

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.

Management Discussion and Analysis

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 RMB 82.71 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 Norther 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.

MAIN BUSINESS ANALYSIS

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.

BUSINESS REVIEW

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		
Model	**Unit Sold**	**Capacity Sold (MW)**	Unit Sold	Capacity Sold (MW)	Change in 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 RMB 1.108 billion (including RMB 0.873 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 3,868 MW 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'a 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 1.2 GW, including Australia's 720 MW (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 421 MW of installed capacity, 124.1 MW of equity capacity, 690 MW of wind power capacity under construction, and 690 MW 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 17 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 RMB 161.70 million, representing an increase of 70.73% as compared with the same period of last year and a net profit of RMB 81.33 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	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	0.00	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 RMB 26,173.89 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 RMB 3,002.98 million for the financial year ended 31 December 2016. The Group reported basic earnings per share of RMB 0.84.

The following table provides Group's major financial indicators:

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

◆ 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 RMB 26,173.89 million for the financial year ended 31 December 2016. Details are set out below:

Unit: RMB thousand

	Year ended 31 December		Amount	Percentage
	2017	2016	Change	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		Amount	Percentage
	2017	2016	Change	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):

	Year ended 31 December		Change
Gross Profit Margin	**2017**	2016	(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 RMB 1,631.07 million for the year as of 31 December, 2017, representing an increase of 50.31% compared with RMB 1,085.10 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 RMB 2,101.06 million, representing a decrease of 4.96% when compared with RMB 2,210.76 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 RMB 2,520.46 million, an increase of 29.89% when compared with RMB 1,940.48 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 RMB 377.24 million of other operating expenses for the year as of 31 December, 2017, representing a decrease of 15.24% compared with RMB 445.07 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 RMB 817.78 million of financial expenses for the year as of 31 December, 2017, which increased by 19.10% compared with RMB 686.65 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 RMB 341.75 million of income tax for the year as of 31 December, 2017, decreased by 23.41% compared with RMB 446.22 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 RMB 3,023.45 million of net cash acquired from operating activities for the year ended on 31 December, 2017. Cash inflow mainly included RMB 3,490.56 million of profit before tax, RMB 534.70 million of the paid income tax, which has adjusted the increase of RMB 1,914.98 million of other payable advance from customers and accruals, the increase of RMB 1,066.70 million of depreciation, the increase of RMB1,035.96 million of trade and bills payables, and the increase of RMB 817.78 million of financial costs, etc. Such cash inflow was offset by the increase of RMB1,512.61 million of financial receivables, the increase of RMB 1,286.46 million of trade and bills receivables, the increase of RMB 847.91 million of inventory, increase of RMB 387.78 million of gains on disposal of subsidiaries and increase of RMB 309.42 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 RMB 3,102.54 million of net cash acquired from operating activities for the year ended on 31 December, 2016. Cash inflow mainly included RMB 3,551.96 million of profit before tax, RMB 802.29 million of the paid income tax, which has adjusted the increase of RMB 1,012.14 million of other payable advance from customers and accruals, the increase of RMB 861.37 million of depreciation, and the increase of RMB 686.65 million of financial costs, etc. Such cash inflow was offset by the increase of RMB 1,820.13 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 RMB 72,787.84 million and RMB 64,437.17 million respectively, current assets were RMB 33,081.33 million and RMB 33,096.62 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, deposites 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 RMB 1,653.02 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 Oversea 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 earlist 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.

FINAL DIVIDEND

The Board recommends the the payment of a final dividend of RMB2 per every ten shares (including tax) from the Company's retained undistributed profit for the financial year ended 31 December 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 will be paid to the Shareholders on or before 30 August 2018. Information regarding the date of the AGM for the year of 2017, distribution of final dividend, and the relevant record dates and book close dates will be announced in due course.

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, which is to be included in its annual report for the same year.

The Company has complied with all applicable code provisions under the Corporate Governance Code during the year ended 31 December 2017.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2017 which would material affect the Group's operating and financial performance as at the date of this announcement.

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.

REVIEW OF 2017 ANNUAL RESULTS

The Audit Committee of the Company has reviewed and approved the 2017 Annual Results of the Company.

Definitions

In this announcement, 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;
"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;
"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;
"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;
"Board"	the board of directors of the Company;
"CASBE"	*China Accounting Standards for Business Enterprises*;
"China" or "PRC"	the People's Republic of China. References in this announcement to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"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;
"Corporate Governance Code"	*Corporate Governance Code* and *Corporate Governance Report*, as set out in Appendix 14 of the Listing Rules;
"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;
"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;
"GW"	gigawatt, a unit of power, 1GW equals 1,000MW;

"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;
"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*;
"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;
"Listing Rules"	the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;*
"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);
"R&D"	research and development;
"RMB"	Renminbi, the lawful currency of the PRC;
"Senior Management"	the members of the senior management of the Company;
"Shareholders"	shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning as ascribed in the Listing Rules;
"SZSE"	Shenzhen Stock Exchange;
"Three-North region"	China's Three-North region, which includes northeast, northwest and northern China;
"USD"	United States dollars, the lawful currency of the United States;
"Wind Farm Investment and Development"	the Group's Wind Farm Investment and Development business 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;

"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 annualised basis; and
"%"	percent, in this announcement, calculations of percentage shall be based on the financial data contained in the Financial Statements including the relevant notes (where applicable).

By order of the Board
Xinjiang Goldwind Science & Technology Co., Ltd.
Ma Jinru
Company Secretary

Beijing, 23 March 2018

As at the date of this announcement, the Company's executive directors are Mr. Wu Gang, Mr. Wang Haibo and Mr. Cao Zhigang; non-executive directors are Mr. Zhao Guoqing, Mr. Feng Wei and Mr. Gao Jianjun; and independent non-executive directors are Mr. Yang Xiaosheng, Mr. Luo Zhenbang, and Dr. Tin Yau Kelvin Wong.