

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00916)

2017年12月31日止年度業績公告

項目	2017年12月31日止年度	2016年12月31日止年度
營業收入	RMB24,592 million	RMB22,110 million
除稅前利潤	RMB5,465 million	RMB5,140 million
歸屬於權益持有人的淨利潤	RMB3,846 million	RMB3,590 million
每股盈利	RMB0.4589	RMB0.4250

The board of directors (the “**董事**”) of China Longyuan Power Group Corporation Limited* (the “**公司**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**子公司**”) for the year ended 31 December 2017, together with comparative figures for the corresponding period in 2016. The results were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements under the Hong Kong Companies Ordinance (Cap. 622).

H

FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Renminbi unless otherwise stated)

	Note	2016 RMB'000
	4	<u>22,304,055</u>
	5	<u>646,562</u>
Depreciation and amortisation		(6,342,234)
Coal consumption		(1,702,125)
Coal sales costs		(3,409,614)
Service concession construction costs		(541,208)
Personnel costs		(1,602,679)
Material costs		(216,318)
Repairs and maintenance		(641,905)
Administration expenses		(429,290)
Other operating expenses		<u>(517,725)</u>
		<u>(15,403,098)</u>
		<u>7,547,519</u>
Finance income		211,449
Finance expenses		<u>(2,985,228)</u>
	6	<u>(2,773,779)</u>
Share of profits less losses of associates and joint ventures		<u>376,163</u>
	7	5,149,903
Income tax	8	<u>(660,182)</u>
		<u>4,489,721</u>

	Note	2016 RMB'000
Items to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates		—
Available-for-sale financial assets:		
net movement in the fair value reserve		18,403
Exchange difference on translation of foreign operation		(40,562)
Exchange difference on net investment in overseas subsidiaries		(7,521)
		<u>(29,680)</u>
	9	<u>4,460,041</u>
Equity holders of the Company		
– Shareholders		3,415,378
– Perpetual medium-term note holders		133,200
Non-controlling interests		941,143
		<u>4,489,721</u>
Equity holders of the Company		
– Shareholders		3,348,142
– Perpetual medium-term note holders		133,200
Non-controlling interests		978,699
		<u>4,460,041</u>
(RMB cents)	10	<u>42.50</u>

AT 31 DECEMBER 2017
(Expressed in Renminbi unless otherwise stated)

	Note	2016 RMB'000
Property, plant and equipment		105,598,261
Investment properties		4,244
Lease prepayments		2,136,798
Intangible assets		8,798,494
Goodwill		61,490
Investments in associates and joint ventures		4,482,852
Other assets		4,095,386
Deferred tax assets		150,592
		<u>125,328,117</u>
Inventories		1,039,850
Trade debtors and bills receivable	11	5,901,031
Prepayments and other current assets		3,644,222
Tax recoverable		179,310
Other financial assets		634,887
Restricted deposits		28,054
Cash at banks and on hand		1,905,222
		<u>13,332,576</u>

	Note	2016 RMB'000
Current liabilities		
Borrowings		44,472,149
Trade creditors and bills payable	12	2,549,737
Other current liabilities		8,570,547
Obligations under finance leases		39,000
Tax payable		175,975
		<u>55,807,408</u>
Non-current liabilities		(42,474,832)
		<u>82,853,285</u>
Equity		
Borrowings		31,326,998
Obligations under finance leases		461,000
Deferred income		1,684,507
Deferred tax liabilities		138,085
Other non-current liabilities		1,456,444
		<u>35,067,034</u>
		<u>47,786,251</u>
Share capital		8,036,389
Perpetual medium-term notes		2,991,000
Reserves		29,862,388
		<u>40,889,777</u>
		<u>6,896,474</u>
		<u>47,786,251</u>

1

These consolidated financial statements set out in this report have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”), which collective term includes all applicable International Financial Reporting Standards, International Accounting Standards (“IAS”) and interpretations promulgated by the International Accounting Standards Board (the “IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

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

2

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company.

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2017 amounting to RMB30,037,241,000. The directors of the Company are of the opinion that, based on a review of the forecasted cash flows, the Group will have sufficient liquid funds to finance its operation and capital expenditure.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale or as trading securities and derivative financial instruments are stated at their fair value.

The Group manages its businesses by divisions, which are organised by types of business. Consistently with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments:

- Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.
- Coal power: this segment constructs, manages and operates coal power plants and generates electric power for sale to external power grid companies and coal trading business.

The Group combined other business activities that are not reportable in "All others". Revenue included in this category is mainly from the manufacturing and sale of power equipment, provision of consulting services, maintenance and training services to wind power plants, and other renewable power generation.

() 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in associates and joint ventures, available-for-sale investments, unquoted equity investments, other financial assets, deferred tax assets, tax recoverable and other corporate assets. Segment liabilities include trade creditors, bills payable, other payables and bank borrowings managed directly by the segments. Segment liabilities do not include deferred tax liabilities, tax payable and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates and joint ventures, net finance expenses, service concession construction revenue and cost and unallocated corporate expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

– 31 December 2017

Revenue from external
customers

- Sales of electricity
- Others

Subtotal

Inter-segment revenue

– 31 December 2017

– 31 December 2016
(– 31 December 2015)

Depreciation and amortisation
before inter-segment
elimination

(Provision)/reversal of
impairment losses of trade
and other receivables

Provision of impairment
losses of property, plant
and equipment and lease
prepayments

Interest income

Interest expense

– 31 December 2017

Expenditures for reportable
segment non-current assets
during the year

– 31 December 2017

Revenue from external
customers

- Sales of electricity
- Others

Subtotal

Inter-segment revenue

Revenue from external
customers

Revenue from external
customers
(Revenue from external
customers)

Depreciation and amortisation
before inter-segment
elimination

Reversal of impairment losses
of trade and other receivables

(Provision)/reversal of
impairment losses of property,
plant and equipment and lease
prepayments

Interest income

Interest expense

Revenue from external
customers

Expenditures for reportable
segment non-current assets
during the year

Revenue from external
customers

()

		2016 RMB'000
Reportable segment revenue		22,351,148
Service concession construction revenue		541,208
Elimination of inter-segment revenue		<u>(588,301)</u>
Consolidated revenue		<u><u>22,304,055</u></u>
Reportable segment profit		7,672,940
Elimination of inter-segment profits		<u>14,096</u>
		7,687,036
Share of profits less losses of associates and joint ventures		376,163
Net finance expenses		(2,773,779)
Unallocated head office and corporate expenses		<u>(139,517)</u>
Consolidated profit before taxation		<u><u>5,149,903</u></u>

	2016 RMB'000
Reportable segment assets	145,670,723
Inter-segment elimination	(8,522,130)
	137,148,593
Investments in associates and joint ventures	4,482,852
Available-for-sale investments	47,382
Unquoted equity investments	726,273
Other financial assets	634,887
Tax recoverable	179,310
Deferred tax assets	150,592
Unallocated head office and corporate assets	55,865,742
Elimination	(60,574,938)
	138,660,693
Reportable segment liabilities	107,024,955
Inter-segment elimination	(8,213,110)
	98,811,845
Tax payable	175,975
Deferred tax liabilities	138,085
Unallocated head office and corporate liabilities	52,323,475
Elimination	(60,574,938)
	90,874,442

() - - - - -

As the Group does not have material operations outside the People's Republic of China ("PRC"), no geographic segment reporting is presented.

() - - - - -

Revenue from the PRC government controlled power grid companies amounted to RMB19,388,696,000 for the year ended 31 December 2017 (2016: RMB17,170,077,000). All the service concession construction revenue is from the PRC government.

4 七

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

	2016 RMB'000
Sales of electricity	17,367,133
Sales of steam	503,825
Service concession construction revenue	541,208
Sales of electricity equipment	25,218
Sales of coal	3,532,313
Others	334,358
	<u>22,304,055</u>

5 八

	2016 RMB'000
Government grants	502,812
Rental income from investment properties	5,697
Net profit/(loss) on disposal of plant, property and equipment and lease prepayments	(1,314)
Penalty income from wind turbine suppliers	114,811
Others	24,556
	<u>646,562</u>

	2016 RMB'000
Interest income on financial assets	136,440
Foreign exchange gains	36,618
Dividend income from other investments	38,391
Net realised and unrealised gains on trading securities	—
Finance income	<u>211,449</u>
Less:	
Interest on bank and other borrowings wholly repayable within five years	2,290,664
Interest on bank and other borrowings repayable more than five years	745,349
Finance charges on obligations under finance leases	23,207
Less: Interest expenses capitalised into property, plant and equipment and intangible assets	<u>(321,203)</u>
	<u>2,738,017</u>
Foreign exchange losses	<u>197,766</u>
Net realised and unrealised losses on trading securities	<u>22,560</u>
Net unrealised losses on derivative financial instruments	<u>(66,429)</u>
Bank charges and others	<u>93,314</u>
Finance expenses	<u>2,985,228</u>
Net finance expenses recognised in profit or loss	<u><u>(2,773,779)</u></u>

The borrowing costs have been capitalised at rates of 3.92% to 4.89% per annum for the year ended 31 December 2017 (2016: 2.85% to 6.55%).

Profit before taxation is arrived at after charging:

()

	2016 RMB'000
Salaries, wages and other benefits	1,408,270
Contributions to defined contribution retirement plan	194,409
	<u>1,602,679</u>

()

	2016 RMB'000
Amortisation	
– lease prepayment	78,373
– intangible assets	458,218
Depreciation	
– investment properties	317
– property, plant and equipment	5,805,326
Provision/(reversal) of impairment losses	
– property, plant and equipment	(87,931)
– lease prepayments	(4,161)
– trade and other receivables	(11,534)
Auditors' remuneration	
– annual audit service	20,100
– interim review service	6,500
Operating lease charges	
– hire of plant and equipment	1,932
– hire of properties	27,219
Cost of inventories	5,497,533

Pursuant to CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, certain subsidiaries of the Group, which are set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating year.

Hero Asia Investment Limited and Hero Asia (BVI) Company Limited, being overseas enterprises controlled by a PRC enterprise, are considered as the PRC tax residents in accordance with GuoShuiFa [2009] No. 82. Accordingly, they are subject to the PRC income tax at 25%, and dividends receivable by these two companies are exempted from the PRC dividend withholding tax.

	2016 RMB'000
Profit before taxation	5,149,903
Effect of differential tax rate of certain subsidiaries of the Group	(630,106)
Notional tax on profit before taxation	1,286,961
Tax effect of non-deductible expenses	4,881
Tax effect of share of profits less losses of associates and joint ventures	(94,041)
Tax effect of non-taxable income	(9,598)
Use of unrecognised tax losses in prior years	(22,134)
Tax effect of unused tax losses and timing differences not recognised	111,659
Under provision in respect of prior years	13,303
Others	(743)
Income tax	660,182

		2016 RMB'000
Available-for-sale financial assets:		
Net movement in fair value reserve		24,538
Tax expense		<u>(6,135)</u>
Net of tax amount		<u>18,403</u>
Exchange differences on translation of foreign operation		<u>(40,562)</u>
Share of other comprehensive income of associates		<u>—</u>
Exchange difference on net investment in overseas subsidiaries		
– Before and net of tax amount		<u>(7,521)</u>
Other comprehensive income		<u><u>(29,680)</u></u>

10 基本每股收益

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year ended 31 December 2017 of RMB3,688,053,000 (2016: RMB3,415,378,000) and the number of shares in issue during the year ended 31 December 2017 of 8,036,389,000 (2016: 8,036,389,000).

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

		2016 RMB'000
Amounts due from third parties		5,870,888
Amounts due from fellow subsidiaries		22,940
Amounts due from associates		<u>17,634</u>
		5,911,462
Less: allowance for doubtful debts		<u>(10,431)</u>
		<u><u>5,901,031</u></u>

()

The ageing analysis of trade debtors and bills receivable of the Group, based on the invoice date and net of provisions, is as follows:

	2017 '000	2016 RMB'000
Within 1 year	7,147,267	5,883,250
Between 1 to 2 years	2,2 0	7,219
Between 2 to 3 years	5,801	5,921
Over 3 years	<u>10, 88</u>	<u>15,072</u>
	7,166,346	5,911,462
Less: allowance for doubtful debts	<u>(11,830)</u>	<u>(10,431)</u>
	<u><u>7,154,516</u></u>	<u><u>5,901,031</u></u>

The Group's trade debtors are mainly wind power and other renewable energy electricity sales receivable from local grid companies. Generally, the debtors are due within 15 to 30 days from the date of billing, except for the tariff premium, representing 15% to 80% of total electricity sales collected by certain power projects. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which consequently takes a relatively long time for settlement.

Pursuant to CaiJian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (《可再生能源電價附加補助資金管理暫行辦法》) jointly issued by the Ministry of Finance, the National Development and Reform Commission (“ ”) and the National Energy Administration (“ ”) in March 2012, standardised procedures for the settlement of the tariff premium have come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 31 December 2017, most of the operating projects have been approved for the tariff premium and certain projects are in the process of applying for the approval.

() 減 損 允 許 金 的 計 量 和 計 算

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account.

The movements in the allowance for doubtful debts are as follows:

	2017 '000	2016 RMB'000
As at January	10,431	6,002
Impairment losses recognised	5,3	6,643
Reversal of impairment losses	(4,000)	(2,214)
As at 31 December	<u>11,830</u>	<u>10,431</u>

As at 31 December 2017, the Group's trade debtors and bills receivable of RMB11,830,000 (2016: RMB10,431,000) were individually determined to be impaired. The individually impaired receivables relate to balances that the management assessed to be not recovered based on available information. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

()

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

	2017 '000	2016 RMB'000
Neither past due nor impaired	7,131, 7	5,878,855
Past due within 1 year	10,343	3,198
Past due between 1 and 2 years	2,000	7,219
Past due between 2 and 3 years	5,558	277
Past due over 3 years	4,636	11,482
	<u>7,154,516</u>	<u>5,901,031</u>

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 management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

12

	2016 RMB'000
Bills payable	1,925,791
Creditors and accrued charges	191,225
Amounts due to associates	399,378
Amounts due to fellow subsidiaries	33,343
	<u>2,549,737</u>

The ageing analysis of trade payables based on invoice date is as follows:

	2017	2016
	'000	<i>RMB'000</i>
Within 1 year	1,7 2,843	2,499,454
Between 1 to 2 years	53,070	46,089
Between 2 to 3 years	40,800	3,000
Over 3 years	4,1 4	1,194
	<u>1,8 0, 07</u>	<u>2,549,737</u>

As at 31 December 2017 and 2016, all trade creditors and bills payable are payable and expected to be settled within one year.

13

	2016
	<i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB0.0918 per share (2016: RMB0.0850)	<u>683,093</u>

The directors of the Company resolved on 12 March 2018 that a dividend of RMB0.0918 per share is to be distributed to the shareholders for 2017, subject to approval of the shareholders at the forthcoming Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

1. **Operating performance**

In 2017, China's economy maintained sound growth momentum since the 18th CPC National Congress, progressing amid overall stability and gaining encouraging achievements. China's electricity supply and demand were roughly balanced on the whole. The power consumption across the country was 6,307.7 billion kWh, representing a year-on-year increase of 6.6%, 1.6 percentage points higher than that of 2016; and the total power generation across the country was 6,417.9 billion kWh, representing a year-on-year increase of 6.5%, 1.6 percentage points higher than that of 2016. In particular, grid-connected wind power generation amounted to 305.7 billion kWh, representing a year-on-year increase of 26.3%, and up by 0.7 percentage point over last year in terms of the percentage in nationwide power generation; hydropower generation amounted to 1,194.5 billion kWh, representing a year-on-year increase of 1.7%, and accounting for 18.6% of nationwide power generation, down by 0.9 percentage point over last year; coal power generation amounted to 4,551.3 billion kWh, representing a year-on-year increase of 5.2%, and accounting for 70.9% of nationwide power generation, down by 0.9 percentage point over last year; nuclear power and grid-connected solar power generation amounted to 248.3 billion kWh and 118.2 billion kWh respectively, representing a year-on-year increase of 16.5% and 75.4% respectively, and up by 0.3 percentage point and 0.7 percentage point over last year in terms of the percentage in nationwide power generation. As at the end of 2017, the total power generation installed capacity across the country was 1,777 GW, representing a year-on-year increase of 7.6%, of which grid-connected capacity of wind power amounted to 164 GW, accounting for 9.2% of the total installed capacity. The average utilisation hours of power generation facilities across the country in 2017 were 3,786 hours, representing a decrease of 11 hours year-on-year, of which wind power utilisation hours were 1,948 hours, up by 203 hours year on year. The average utilisation hours of coal power facilities were 4,209 hours, up by 23 hours year on year.

In February 2017, the NEA issued the Notice on Guiding Opinions on Energy Work in 2017 (2017年能源工作指導意見的通知), proposing to steadily promote the construction of wind power projects and setting out its plan to commence construction of wind power projects with an aggregate capacity of 25,000 MW and add installed capacity of 20,000 MW in the year. Pursuant to the notice, efforts would be made to promote the preliminary work of wind power projects with an aggregate capacity of 25,000 MW in certain areas; the layout of wind power construction and development would be optimised by allocating the majority of the newly-added capacity to the central-eastern and southern regions; new power-grid connections in regions with severe wind power curtailment would be subject to strict control; and the development and exploitation of offshore wind power would be quickened.

In March 2017, the NDRC and the NEA issued the Notice on Orderly Liberalization of the Planning for Power Generation and Utilisation (關於有序放開發用電計劃的通知), setting out that power generation from clean energy sources, such as existing large hydropower, wind power and solar energy projects covered by the national plan, would be protected through planning prioritised power generation.

In April 2017, the SGCC issued the Notice on Arrangement for Promoting Consumption of New Energy in 2017 (2017年促進新能源消納工作安排的通知), proposing to set up a yellow warning system for new energy investment, further reduce the constraints of the annual power generation plans of coal-fired power generation facilities in the regions with severe wind and solar power curtailment such as Jilin, Heilongjiang, Xinjiang and Gansu and reserve sufficient room for new energy power generation.

In April 2017, the NDRC, the Ministry of Finance and the NEA jointly issued the Notice on Liquidation of Additional Subsidies for Electricity Tariff of Renewable Energy (關於開展可再生能源電價附加補助資金清算工作的通知), pursuant to which the new energy subsidies listed in the batches one to six of the subsidy funds for electricity tariff of renewable energy should be reviewed and liquidated. The implementation of the policy will further facilitate the recovery of subsidies for wind power enterprises.

In May 2017, the NDRC and the State Oceanic Administration issued the 13th Five-Year Plan for National Marine Economic Development (全國海洋經濟發展‘十三五’規劃), proposing to strengthen the research and development of high-power offshore wind power equipment of 5 MW, 6 MW and above, rationalise the distribution of offshore wind power projects, encourage the construction of deep-sea offshore wind farms, adjust the policy for the grid connection of wind power, and improve the technical standard system and the standards for use of oceans for offshore wind power sector.

In May 2017, the Comprehensive Department of the NEA issued the Notice on Implementation of Demonstration for Grid Parity of Wind Power Generation (關於開展風電平價上網示範工作的通知), proposing to carry out demonstration activities for grid parity of wind power generation across the country, thus guiding and promoting the sustainable and healthy development of renewable energy industry and enhancing the market competitiveness of wind power.

In June 2017, for the purpose of improving the utilisation efficiency of distributed wind resources and optimising the layout of wind power development, the NEA officially issued the Notice on Requirements in relation to Acceleration of Construction of Distributed Wind Power Connection 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), requiring greater efforts to ensure the construction of distributed wind power connection projects during the “13th Five-Year Plan” period. Pursuant to the notice, distributed wind power connection projects would not be restricted by the annual guided scale, the competent energy authorities at provincial level are encouraged to study and formulate measures for simplifying the approval procedures for the distributed wind power projects approved and covered by their plans, and the regions subject to red warnings should focus on solving the problem of consumption of power generated by existing wind power projects and suspend the construction of new distributed wind power projects. The issue and implementation of the above policies will facilitate the healthy and rapid development of the wind power and renewable energy sectors.

In July 2017, the NEA released the Guiding Opinions on Implementation of the 13th 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), which mainly covers strengthening target achievements and monitoring and assessment of renewable energy; enhancing the guiding role of planning for development of renewable energy; creating better conditions for grid access and market consumption; promoting technological progress and cost reduction through innovating development mode; optimising the mechanism for managing the construction scale of wind power and photovoltaic power projects; strengthening and standardising the management of biomass power generation; taking multiple measures to expand funding sources for subsidies; and increasing policy support.

In August 2017, the State Power Scheduling and Control Center (國家電力調度控制中心) and Beijing Power Exchange Center (北京電力交易中心) jointly issued the Pilot Rules on Cross-Provincial Spot Trading of Surplus Renewable Energy Power (Trial Implementation) (跨區域省間富餘可再生能源電力現貨試點規則(試行)). Spot trading aims to give full play to the decisive role of the market in allocating resources, utilise the surplus

power transmission capacity of trans-provincial transmission lines to the maximum extent and effectively promote the trans-provincial transmission of surplus renewable energy, thereby creating a new channel for wind power consumption and further alleviating the wind power curtailment caused by insufficient demand.

In August 2017, the NDRC issued the Consultation on Management Measures for Planning Prioritised Power Generation and Purchase (關於徵求優先發電優先購電計劃有關管理辦法意見的函), indicating that the management measures for planning prioritised power generation and purchase have been included in the key regulatory documents for 2017 and renewable energy sources such as wind energy are included in the category A of prioritised power generation.

In August 2017, the NEA issued the Notice on Reducing the Tax Burden of Enterprises Engaging in Renewable Energy Business (關於減輕可再生能源領域涉企稅費負擔的通知), setting out the tax relief policy for renewable energy enterprises.

In September 2017, the NDRC released the Notice regarding Better Protection of Coal, Electricity, Oil and Gas (關於做好煤電油氣保障工作的通知), stating that it is necessary to effectively promote power generation from clean energy sources via prioritised access to grid-connection and power grid enterprises should optimise the operation mode of thermal power generating units while ensuring safety so as to make space for clean energy to get grid-connected.

In November 2017, the NDRC and the NEA jointly issued the Implementation Plan for Solving Hydro, Wind and Solar Power Curtailment (解決棄水棄風棄光問題實施方案), requiring that hydro, wind and solar power curtailment in the regions where power generation from renewable energy sources was severely restricted be significantly alleviated in 2017, with wind power curtailment rate reducing to about 30% in Gansu and Xinjiang and about 20% in Jilin, Heilongjiang and Inner Mongolia. The annual utilisation hours of wind power and photovoltaic power farms in other regions should reach the minimum guaranteed purchased utilisation hours of wind power and photovoltaic power farms on an annual basis set by the NEA in 2016 or keep wind power curtailment rate lower than 10% and solar power curtailment rate lower than 5%.

As the development philosophy of harmonious coexistence between man and nature was highlighted and put forward at the 19th CPC National Congress in 2017, developing renewable energy has become a strategic choice for coping with global climate change, protecting ecological environment and creating a favourable production and living environment for people. This is

closely in line with the Company's commitment to developing wind power and other renewable energy sources. In order to fulfil its commitments to the international community and the binding targets of emission reduction, China released a series of policies and regulatory measures this year to support and encourage the consumption of power generated from renewable energy sources, with a view to addressing wind, hydro and solar power curtailment. Wind power, photovoltaic power and other renewable energy will become the mainstream alternative energy in the "13th Five-Year Plan" period. Meanwhile, with the rapid technological upgrading of wind turbine generators, the performance of power generation has been increasing year by year, and the increasingly wide application of large-sized blades, higher turbine towers, new material technologies and digital control has brought new profit drivers to the sustainable development of wind power sector. Hence, the wind power sector in China is still in a period full of opportunities for development.

1. Production and operation management

In 2017, the Group adhered to problem-solving orientation and adopted a benchmarking approach to deepen refined management. The Group continued to maintain industry-leading position in terms of wind power generation and utilisation hours. Further efforts were made in promoting the standardisation of production so as to ensure production safety and stable operation. While implementing the management approach of "Three Measures and One Scheme (三措一案)" to oversee on-site maintenance and repair, the Group strove to devise an industry-specific support system for technical supervision and fault diagnosis, aimed at enhancing the reliability of equipment and putting an end to personal injury incidents. Furthermore, the Group continued to deepen "lean maintenance" of equipment and promoted the group-wide construction of fault-free wind farms. Individualized and preventive "lean maintenance" plans were designed for all wind turbine generators and electrical equipment, the management and control modes of "Advanced Maintenance Cost Evaluation Standards" were adopted for different models of generators, with a view to establishing a first-class management and control system for production and operation. In addition, an innovative assessment and incentive mechanism was adopted to achieve informatization management. Through statistical analysis and accurate reporting of key performance indicators of production and management at all levels, the Group was able to conduct monthly performance appraisal on all employees from the headquarters to lowest-level teams as the responsibilities of each post and each employee were well-defined. During the process, dynamic incentives and effectiveness were underscored. The Group also

strengthened control over economic operation and promoted the construction of smart wind farms. The operation and maintenance modes of wind power enterprises were optimised by applying information technology to traditional wind farms to further enhance on-site management and continue to improve the safe and economic operation and profitability of existing wind farms.

In 2017, the Group further strengthened the management of grid curtailment through real-time monitoring of output and workload, enhancing on-duty system for power curtailment and marketing during major holidays, strict implementation of “grid curtailment limit and rate” dual controls and adopting a reporting and assessment system for monthly grid curtailment benchmarking. Meanwhile, despite the ever-expanding scale of wind power trading, the Group adhered to industry self-regulation and rejected ineffective market transactions to maximise the benefits of the Group.

In 2017, the Group generated a cumulative gross electricity output of 45,583 GWh, of which electricity generated from our wind power segment amounted to 34,448 GWh, representing a year-on-year increase of 14.97%, mainly attributable to the increase in installed capacity and the decrease in grid curtailment rate. In 2017, the average utilisation hours of the wind power business was 2,035 hours, up by 134 hours as compared with that of 2016, which was primarily attributable to the decrease in grid curtailment rate.

In 2017, the consolidated gross power generation from coal power segment of the Group was 10,515 GWh, representing an increase of 5.35% as compared with 9,981 GWh in 2016. This was mainly due to (i) Tianshenggang Company (天生港公司) was granted incentives of 179 GWh power generation in place of Xinxing Heat and Power (新興熱電); and (ii) the year-on-year increase of 2.70 million GJ in the heat supply of two coal-fired power generation enterprises due to their efforts in exploring heat market and securing additional power generation based on the principle of dispatch of electricity to be correlated with steam generation. The average utilisation hours of the Group’s coal power segment in 2017 was 5,608 hours, representing an increase of 285 hours as compared with 5,323 hours in 2016.

2.

In 2017, the Group continued to further optimise the layout of wind power development according to market conditions and national planning objectives and the development concept of “nationwide presence and provincial dispersion”, focusing mainly on the central-eastern and southern regions and keeping a close eye on wind-power development in the “Three North” areas to ensure adequate resource reserves.

In 2017, the Group's 36 projects with an aggregate capacity of 1,935 MW were included in the developing plan for the second batch of wind power projects under the 13th Five-Year Plan released by the provincial agencies of the NEA, which represented the Group's best level of incremental assets in the recent three years. During the year, 32 wind power projects with an aggregate capacity of 1,788 MW were approved, over 97% of which were located in the regions not subject to grid curtailment, further expanding the Group's regional coverage. The development of the project in Henan Province indicates that the Group has expanded its presence to all provinces, municipalities and autonomous regions in China other than Hong Kong, Macao and Taiwan. As at the end of 2017, the Group had wind power projects of 7.3 GW approved but not yet put into operation, which would be sufficient to meet the sustainable development requirement of the Group during the "13th Five-Year Plan" period.

In 2017, in response to the complicated external conditions and environment, the Group maintained its crisis awareness and innovative spirit, pursuing technological progress, adhering to problem-solving orientation and coping with problems and challenges with new ideas and approaches. In this regard, key efforts made by the Group included: (1) Enhancing high-quality resource reserves: the Group continued to further optimise wind-power development layout according to the development concept of "nationwide deployment and provincial dispersion", focusing mainly on the central-eastern and southern regions and keeping a close eye on wind-power development in the "Three North" areas to ensure adequate resource reserves. (2) Innovating management mechanism: the Group kept abreast of on changes in wind-power development policy and market and cutting-edge technological innovations, dynamically optimised top-level design and overall planning of the preliminary work, and built a professional "wind power development technology management system". (3) Emphasizing the quality of preliminary work: the Group adhered to the principle of "quality first, benefit first", fully tapped the potentials of project resources and determined the conditions for commencement of construction through strengthening quality management of wind resources data, analysing the most suitable turbine models, power grid transmission and the impact of grid curtailment to improve the quality of preliminary work in every respect, thereby preventing investment risks and ensuring project profitability.

In 2017, the Group gradually shifted from pursuing business scale to pursuing quality and efficiency. Based on business circumstances, the Company adjusted its development plan and optimised the project development sequence by prioritising the investment and development of projects that had good conditions for power transmission and consumption and higher tariffs, so as to ensure the simultaneous growth of business scale and benefits.

3. Upholding the “One, Five and Five” strategy and upholding the general business guidelines of “making progress and optimisation in a steady way”, steadily pushing ahead with the construction of wind power projects.

In 2017, the Group stuck to the “One, Five and Five” strategy and upheld the general business guidelines of “making progress and optimisation in a steady way”, steadily pushing ahead with the construction of wind power projects. In the year, the Group put into operation 10 wind power projects with an aggregate capacity of 1,026.5 MW, of which 552 MW was attributable to offshore wind power projects. Among the projects put into operation, the two-phase wind farm project of 244.5 MW in South Africa was grid-connected and commenced operation, becoming the first overseas project that was independently invested, built and operated by the Group. The 48 MW Huanglianshan Wind Power Project in Baokang, Hubei Province was put into operation, marking the zero breakthrough of wind power installed capacity for the Company in Hubei Province. In addition, the Jiangsu Dafeng Offshore Wind Power Project succeeded in building the first separable transformer station in the world, solving the difficulty of transport in the intertidal zone during the construction of offshore transformer stations, and applied the large cross-section connector-free cable production techniques adopting the world’s first 33-km long 220 kV sea cable with a cross-section of 1,600 mm², thereby effectively reducing operation risks of the project and driving the development of domestic high-voltage sea cable industry.

Project construction was carried out under stable safety environment without any construction or equipment-related safety accident. Project construction quality management was further optimised and the problems identified were timely coordinated and addressed through scientifically optimised design, strengthened supervision and emphasizing construction quality, thereby effectively reducing potential quality problems and ensuring project quality. The project cost management measures were further revised to strictly control each cost component, effectively controlling project cost.

In response to overcapacity and slowing economic growth in China, the Group upheld the concept of “making profits in virtue of quality assurance” and further cemented its competitive edges in the wind power market by constructing “top-notch” wind farms featuring health, high-efficiency, intelligence and safety. Facing the increasingly prominent environmental problems and the growing emphasis laid by competent authorities in China, the Group strictly complied with construction work procedures in the course of construction, and procured the fulfillment of the procedures related to forest and land requisition, ensuring the legal and regulatory compliance of project construction. Meanwhile, the Group procured the fulfillment of the procedures of environmental inspection for acceptance for all completed projects in China and made the Qixin Weichang project in Hebei an

ecological demonstration project to drive the ecological construction of wind farms in China. By adopting a series of strategic measures for sustainable development, the Group fulfilled its social responsibility of building a resource-saving and environment-friendly enterprise, practiced its business philosophy of protecting environment and benefiting future generations, and gradually rolled out green development projects to be well-positioned for future development.

As at 31 December 2017, the consolidated installed capacity of the Group was 20,520 MW, among which, the consolidated installed capacity of the wind power, coal power and other renewable energy segments were 18,395 MW, 1,875 MW and 250 MW, respectively.

4.

The average on-grid tariffs for overall power generation segments of the Group for 2017 amounted to RMB530 per MWh (value-added tax (“VAT”) inclusive), the same as the average on-grid tariffs of RMB530 per MWh (VAT inclusive) in 2016. The average on-grid tariffs for wind power amounted to RMB566 per MWh (VAT inclusive), representing a decrease of RMB4 per MWh as compared with RMB570 per MWh (VAT inclusive) in 2016, which was due to the year-on-year increase in the sales volume of wind power in the regions with lower tariffs brought by the improvement of grid curtailment. The average on-grid tariffs for coal power amounted to RMB384 per MWh (VAT inclusive), representing an increase of RMB4 per MWh as compared with the average on-grid tariffs for coal power of RMB380 per MWh (VAT inclusive) in 2016, which was mainly because the benchmark on-grid tariffs of coal power enterprises in Jiangsu Province was increased in July 2017.

In 2017, with the goal of “maximizing overall benefits”, the Group conducted an in-depth analysis of market trading rules, selectively participated in high-quality transactions in accordance with the policies, historical transactions and actual power generation of each province or region while ensuring synergy between sales volume and prices, thereby increasing power sales revenue. In the meantime, the Group highly emphasized the collection of tariffs by focusing on historical issues and continuing to follow up the payments of items included in the subsidy catalogue, ensuring tariff collection was carried out in a steady way. The Group has applied as planned and obtained approval for its 33 projects (with a total capacity of 2,160 MW) to be included in the seventh batch of the Catalogue of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金補助目錄) and is now waiting for the announcement of competent authorities, laying a solid foundation for full collection of subsidized power tariffs.

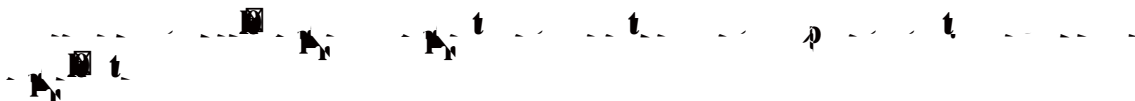
5. 2017 年，在嚴峻的國內外匯率市場環境下，集團繼續加強資金管理，提高現金比率，並制定整體運營計劃，以優化區域資本配置，有效降低資本成本。集團繼續加強資本計劃管理，以實現準確的資金分配，減少資金沉淀，並提前還款。通過利用資本管理計劃和直接由總部協調的機制，加強了資本計劃管理，並繼續提高資本利用效率，以最大限度地發揮資金的时间價值，從而顯著降低財務費用。在融資方面，集團密切關注國內和國外資本市場，進一步擴大融資渠道和品種，成功獲得綠色公司債券（綠色公司債券）、綠色企業債券（綠色企業債券）的發行批准，並確保資金的安全。截至 2017 年，集團已成功發行八期超短期債務融資工具，一期綠色公司債券，一期綠色企業債券和一期永續中長期票據，使集團在資本成本方面保持領先優勢。集團充分利用了債券市場的融資優勢，獲得了“優秀發行人”和“創新企業”獎項，在中國債券市場建立了良好的企業形象。

6. 2017 年，集團進一步加強了科學技術研發工作，並加強了科學技術研發功能。集團的科學技術研發工作和研發工作旨在促進業務發展和生產安全，主要重點是開發一套支持 offshore 風電場在斑岩海床水域（如福建）的技術。集團的六個科學研究項目被列入了前古迪安集團的 2018 年科學技術項目指南（“古迪安集團 2018 年科學技術項目指南”）；兩個前瞻性研究項目被列入了前古迪安集團的種子基金項目；八個行業技術標準的制定和維護工作已由集團起草，並成功通過了專家評審；六個風電行業標準已獲得國家能源局（NEA）的批准。2017 年，集團共獲得 20 項科學技術獎項，數量幾乎是前一年的兩倍，其中 10 項為發明專利。此外，集團還獲得了 20 項科學技術獎項，數量幾乎是前一年的兩倍，其中 10 項為發明專利。此外，集團還獲得了 20 項科學技術獎項，數量幾乎是前一年的兩倍，其中 10 項為發明專利。

In 2017, the Group further increased efforts in scientific and technological innovation and reinforced scientific and technological function. The Group’s scientific and technological efforts and research and development are aimed at facilitating business development and production safety with a primary focus on developing complete set of technologies for supporting development of offshore wind power farms in batholite-seabed waters such as Fujian. Six scientific research projects of the Group were included in the 2018 Guide for Science and Technology Projects of the former Guodian Group Corporation (“古迪安集團 2018 年科學技術項目指南”); two prospective research projects were included in the Seed Fund Projects of the former Guodian Group; eight industry technical standards for operation and maintenance of wind power projects drafted by the Group have successfully passed expert review; and six wind-power industry standards have been given the green light by the NEA. The total number of intellectual property rights obtained in 2017 nearly doubled over the previous year, with 10 new invention patents added. Furthermore, the Group received a total of 20 science and technology awards at provincial, industry and group levels.

In 2017, the Group adopted the construction scheme of modular design and separable installation and successfully installed the first offshore separable transformer station in the world, representing a significant breakthrough in respect of critical technology for development of offshore wind power and offering a new technical option for the construction of offshore transformer stations. The Group carried out and succeeded in the engineering practice of 220 kV single core high-voltage sea cable in batholite-seabed waters for the first time. The success of the project solved the technical bottleneck of transmission engineering, filled the domestic gap of such projects, indicating that the Group has acquired the complete sets of technologies for exploration, design, construction, operation and maintenance of high-voltage output cable in batholite-seabed waters, thus laying a solid technological foundation for the large scale development of offshore wind farms. The construction of the world's first "embedded" rock-socketed single pile foundation was successfully completed, and the vertical accuracy of the pile was far better than design requirement, marking a major breakthrough in rock-socketed single pile construction technology. "Longyuan Zhenhua No. 3 (龍源振華叁號)", with a lifting capacity of 2,000 tons, is the world's largest platform for offshore wind power construction and was officially launched. With the largest lifting capacity in the world, the platform is capable of satisfying the installation and construction requirements of high-power offshore wind power generating units.

7.



In 2017, the Group, based on the former Guodian Group's general strategy for overseas business development during the "13th Five-Year Plan" period, focused on the countries along the "Belt and Road" and key regions with political and economic stability, sound laws, development potentials and offering certain investment return rate, screened, analysed and assessed potential wind power investment opportunities in countries and regions such as Central and Eastern Europe, Australia and North America. Extra effort was made to develop wind power greenfield projects in such countries as Poland, Serbia, Kazakhstan, Canada and the United States.

In 2017, the Group's Dufferin Wind Farm in Canada recorded total power generation of 282,090 MWh. Longyuan Canada proactively fulfilled its social responsibility and established close relationship with the community and the government where the project is located. The project's power curve verification and noise monitoring have been successfully completed, with all indicators meeting the requirements. In respect of animal and plant monitoring, the third year's on-site monitoring has been successfully completed. As at 31 December 2017, the project maintained safe production for consecutive 1,126 days.

The Group's 244.5 MW project in De Aar, South Africa was completed on schedule and put into operation in November 2017. This project is the first wind power project in Africa that is invested, built and operated by Chinese companies, marking the first joint "Going-out" move of wind power project development and self-made wind power equipment and effectively promoting the "Belt and Road" construction. During the construction of the project, the Group, to the extent possible, engaged local contractors and purchased general equipment from local suppliers, so as to relieving local employment pressure. Meanwhile, the Group has formulated strict environmental protection strategy to promote clean and low-carbon development of local economy and actively fulfilled its social responsibility.

1. Profitability

In 2017, the net profit of the Group amounted to RMB4,550 million, representing an increase of 1.3% as compared to RMB4,490 million in 2016. Net profit attributable to equity holders of the Company amounted to RMB3,846 million, representing an increase of 8.4% as compared to RMB3,549 million in 2016. Earnings per share amounted to RMB45.89 cents, representing an increase of RMB3.39 cents as compared to RMB42.50 cents in 2016.

2. Operating revenue

Operating revenue of the Group amounted to RMB24,592 million in 2017, representing an increase of 10.3% as compared to RMB22,304 million in 2016, mainly due to: (1) electricity sales and other revenue of wind power segment increased by RMB2,048 million in 2017 as compared to 2016, mainly due to the increase in electricity sales of wind power segment as a result of new projects being put into operation and the increase in average utilisation hours as a result of the improvement in grid curtailment in the "Three-North" areas; (2) service concession construction revenue of wind power segment decreased by RMB467 million in 2017 as compared to 2016, mainly due to the decrease in the construction volume of service concession projects under construction as most of such projects scheduled to complete in the year; (3) revenue from coal sales of coal power segment increased by RMB341 million in 2017 as compared to 2016, mainly due to the fact that the increase in coal prices outstripped the decrease in coal sales volume; and (4) revenue from electricity sales of coal power segment increased by RMB192 million in 2017 as compared to 2016, mainly due to the increase in electricity sales volume of coal power segment of 501 million kWh as compared to 2016. In addition, the average selling price of coal power increased by 1.1% as compared to 2016, as the PRC made

upward adjustments to the benchmark tariff of electricity generated by desulphurization coal-fired power generating units of coal power in July 2017.

Operating revenue of each segment and their respective proportions are set out in the table below:

Segment	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Electricity sales and others of wind power segment	15,800	65.1%	13,950	62.5%
Electricity sales of coal power segment	3,202	13.0%	3,010	13.5%
Steam sales of coal power segment	620	2.5%	504	2.3%
Coal sales	3,873	15.7%	3,532	15.8%
Electricity sales of other renewable energy business	478	2.0%	466	2.1%
Construction income of concession projects	74	0.3%	541	2.4%
Sales of electricity equipment	2	0.1%	25	0.1%
Others	345	1.3%	276	1.3%
Total	24,522	100%	22,304	100%

Other net income of the Group amounted to RMB712 million in 2017, representing an increase of 10.0% as compared with RMB647 million in 2016, mainly due to (1) the increase of RMB130 million in VAT refund (part of government grants) as a result of the increase of 15.0% in revenue of electricity sales of wind power segment as compared with 2016; (2) the recognized gain of RMB115 million from penalty income from wind turbine suppliers in 2016 as compared to that of none in 2017; and (3) the increase of RMB25 million in other government grants received in 2017.

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

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Government grants	657	2.3%	503	77.7%
Others	55	7.7%	144	22.3%
	712	100%	647	100%

Operating expenses of the Group amounted to RMB16,967 million in 2017, representing an increase of 10.2% as compared to RMB15,403 million in 2016, primarily due to (1) the increase in the depreciation and amortisation expenses, the decrease in the construction cost of the service concession projects and provision for asset impairment of RMB48 million in the wind power segment; (2) the increases in the coal consumption costs and the cost of coal sales and provision for asset impairment of RMB58 million in the coal power segment; (3) the reversal of provision for asset impairment of RMB94 million according to the transfer price of certain assets in the biomass business included in other segments in the first half of 2016 while there was no such reverse in 2017; and (4) the increases in personnel costs and administrative expenses.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB6,798 million in 2017, representing an increase of 7.2% as compared to RMB6,342 million in 2016, primarily due to the increase in depreciation and amortisation expenses of wind power segment over 2016 as a result of expansion in the installed capacity of wind power projects.

Coal consumption costs

Coal consumption costs of the Group amounted to RMB2,475 million in 2017, representing an increase of 45.4% as compared to RMB1,702 million in 2016, which was mainly due to (1) an increase of approximately 35.2% in the average unit price of standard coal for power and steam generation as affected by the increase in the coal price in 2017; and (2) an increase of approximately 7.6% in the coal consumption as a result of the increase in power and steam generation.

Coal sales costs

Coal sales costs of the Group in 2017 amounted to RMB3,762 million, representing an increase of 10.3% as compared to RMB3,410 million in 2016. The main reason is that in 2017, the Group's sales volume of coal decreased by approximately 16.9%, but average procurement price of coal increased by approximately 32.9% as compared to 2016.

Service concession construction costs

The Group's service concession construction costs in 2017 amounted to RMB74 million, representing a decrease of 86.3% as compared to RMB541 million in 2016, primarily due to a decrease in the construction volume of service concession projects under construction in 2017 as compared to 2016.

Personnel costs

Personnel costs of the Group amounted to RMB1,677 million in 2017, representing an increase of 4.6% as compared to RMB1,603 million in 2016, which was mainly due to (1) an increase in headcounts as a result of the Group's expansion; and (2) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation.

Material costs

Material costs of the Group amounted to RMB233 million in 2017, representing an increase of 7.9% as compared to RMB216 million in 2016, which was primarily due to (1) the increase in the materials consumed for desulphurization and denitration as the coal power generation increased by 5.4%; and (2) the slight increase in fuel oil costs due to the increase in shipping revenue in 2017.

Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB622 million in 2017, representing a decrease of 3.1% as compared to RMB642 million in 2016, which was mainly due to (1) a significant decrease in repair expenses of the coal power segment as compared to 2016 because of the on-site safety and civilized production campaign carried out at coal power plants in 2016 while there was no such repair campaign in 2017; and (2) the increase in the repair expenses of the wind power segment with the growth of the wind power installed capacity.

Administrative expenses

Administrative expenses of the Group amounted to RMB542 million in 2017, representing an increase of 26.3% as compared to RMB429 million in 2016, which was primarily due to (1) the increase of RMB68 million in administrative expenses such as the lease fees, travelling expenses, project consultation fees and office allowance as a result of the business growth of the Group; and (2) the increase of RMB14 million in other tax expenses due to the payment of farmland occupation tax for the previous years in 2017.

Other operating expenses

Other operating expenses of the Group amounted to RMB784 million in 2017, representing an increase of 51.4% as compared to RMB518 million in 2016, which was mainly due to (1) the provision for impairment losses of RMB105 million in the wind power, coal power segments as well as other segments in 2017 and the reversal of provision for impairment losses of RMB94 million in the biomass business included in other segments in 2016. However, no reversal of provision for impairment losses was recorded in the segment in 2017; (2) an increase of RMB30 million in taxes as a result of increased revenue from power generation business; and (3) an increase in late payment penalties of RMB30 million in the wind power segment as compared to 2016 due to tax inspection in 2017.

Operating profit

Operating profit of the Group amounted to RMB8,337 million in 2017, representing an increase of 10.5% as compared to RMB7,548 million in 2016, which was mainly due to (1) an increase of RMB1,306 million in operating profit from sales of electricity as a result of installed capacity expansion and average utilisation hours increase of the wind power segment; (2) a decrease of RMB446 million in the operating profit of coal power segment as compared to 2016 as a result of higher coal price; and (3) the reversal of provision for impairment of RMB94 million in the biomass business included in other segments in 2016 and no such reversal of provision for impairment was recorded in the segment in 2017.

Net finance expenses

Net finance expenses of the Group amounted to RMB3,215 million in 2017, representing an increase of 15.9% as compared to RMB2,774 million in 2016. Excluding an increase of RMB283 million in the losses on changes in fair value of the cross-currency exchange contracts and interest rate swap contracts as compared to 2016 and an increase of RMB42 million in net realized and unrealized gains recognized in 2017 from trading securities held as compared to 2016, net finance expenses of the Group increased by RMB200 million as compared to 2016. The main reasons are as follows: (1)

the interest expenses increased by RMB294 million in 2017 as compared to the corresponding period in 2016 as a result of the year-on-year increase in average balance of borrowings; (2) interest income generated from financial assets decreased by RMB87 million, which was mainly due to the decrease in interest income due from associates and joint ventures as a result of the repayment of interest-bearing borrowings of RMB2,022 million by associates and joint ventures to the Group in 2016; and (3) the Group's net foreign exchange gain (the foreign exchange gain net of foreign exchange loss) in 2017 increased by RMB191 million as compared to 2016.

· · · · ·

The Group's share of profits less losses of associates and joint ventures amounted to RMB344 million in 2017, representing a decrease of 8.5% as compared to RMB376 million in 2016, which was mainly due to the substantial decrease in the share of net profits of Jiangsu Nantong Power Generation Co., Ltd. (江蘇南通發電有限公司), a joint venture, in 2017 as affected by the increased coal prices.

· · · · ·

Income tax of the Group amounted to RMB916 million in 2017, representing an increase of 38.8% as compared to RMB660 million in 2016, which was mainly due to (1) a year-on-year increase in profit before tax in 2017; (2) higher tax rate in 2017 as compared to that in 2016 as a result of the end of tax holiday for certain wind power projects; and (3) the supplementary payment of income taxes of RMB58 million for previous years as a result of tax check conducted during the year.

· · · · ·

In 2017, the net profit of the Group amounted to RMB4,550 million, representing an increase of 1.3% as compared to RMB4,490 million in 2016, mainly attributable to: (1) the increase of RMB1,306 million in operating profit of wind power segment as compared to that in 2016; (2) the decrease of RMB446 million in operating profit of coal power segment as compared to that in 2016; (3) the reversal of impairment losses of RMB94 million in respect of the biomass business included in other segments in 2016 while there was no such reversal this year; (4) the year-on-year increase of RMB441 million in finance expenses in 2017 as compared to that of 2016; (5) the decrease of RMB32 million in the share of profits less losses of associates and joint ventures in 2017 as compared to that of 2016; (6) the year-on-year increase of RMB256 million in income tax expenses as compared to that of 2016; and (7) the year-on-year increase of RMB6 million in the 2017 net profit of the photovoltaic business included in other segments as compared to that of 2016.

2017年归属于普通股股东的净利润较2016年增加8.4%，主要系风电业务净利润增加所致。

In 2017, net profit attributable to equity holders of the Company amounted to RMB3,846 million, representing an increase of 8.4% as compared to RMB3,549 million in 2016, mainly attributable to the increase in net profit from wind power segment, most equity interests of which were held by equity holders of the Company.

2. 经营业绩分析

经营收入

Operating revenue

In 2017, the operating revenue of the wind power segment of the Group amounted to RMB16,072 million, representing an increase of 10.9% from RMB14,491 million in 2016, primarily due to the increase in electricity sales revenue derived from growing electricity sales of wind power segment led by the increase of installed capacity and average utilisation hours of wind power business.

Operating revenue of the wind power segment and proportions are set out in the table below:

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Revenue from electricity sales	15,811	98.4%	13,891	95.9%
Service concession construction revenue	74	0.5%	541	3.7%
Others	17	0.1%	59	0.4%
Total	16,072	100%	14,491	100%

Operating profit

In 2017, the operating profit of the wind power segment of the Group amounted to RMB7,915 million, representing an increase of 19.8% as compared to RMB6,609 million in 2016. In 2017, the growth of revenue from electricity sales outpaced that of the costs, as a result of the increase in average utilisation hours of power equipment.

Operating revenue

In 2017, the operating revenue of the coal power segment of the Group amounted to RMB7,990 million, representing an increase of 9.9% as compared to RMB7,270 million in 2016, primarily attributable to: (1) the increase in revenue from electricity sales due to an increase of 501 million kWh or 5.4% in electricity sales volume of coal power segment and an increase of 1.1% in the selling price in 2017 as compared to the corresponding period of 2016; and (2) the increase in the revenue from coal trading as a result of much faster growth rate in the selling price of coal than the decrease rate of the sales volume in spite of the year-on-year decrease in coal trading volume in 2017 as compared to 2016.

Operating revenue of the coal power segment and proportions are set out in the table below:

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Revenue from electricity sales	3,202	40.1%	3,010	41.4%
Revenue from sales of steam	620	7.7%	504	6.9%
Revenue from coal trading	3,873	48.5%	3,532	48.6%
Others	25	3.7%	224	3.1%
Total	7,990	100%	7,270	100%

Operating profit

In 2017, operating profit of the coal power segment of the Group amounted to RMB450 million, representing a decrease of 49.8% as compared to RMB896 million in 2016, which was mainly attributable to the decrease in the gross profit margin of sales of electricity and steam as compared to 2016 due to higher price for coal purchasing.

Operating profit of the coal power segment and proportions are set out in the table below:

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Sales of electricity and steam and others	3	88.7%	832	92.9%
Coal trading business	51	11.3%	64	7.1%
Total	450	100%	896	100%

Operating revenue

In 2017, the operating revenue of other segments of the Group amounted to RMB905 million, representing a decrease of 20.1% as compared to RMB1,132 million in 2016, which was mainly due to the combination effect of the decrease in the order amount for design consultancy services and the increase in revenue from solar power generation as a result of the increased output.

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

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Revenue from electricity sales	478	52.8%	466	41.2%
Revenue from EPC	257	28.4%	211	18.6%
Revenue from other sales	114	12.6%	65	5.7%
Others	56	6.2%	390	34.5%
Total	905	100%	1,132	100%

Operating profit

In 2017, the operating profit of other segments of the Group amounted to RMB107 million, representing a decrease of 35.9% as compared to RMB167 million in 2016, which was primarily due to the reversal of provision for impairment of assets of RMB94 million in the biomass business included in other segments in 2016 and no such reversal of provision for impairment in the segment in 2017.

3. 资产、负债及净资产

As at 31 December 2017, total assets of the Group amounted to RMB145,635 million, representing an increase of RMB6,974 million as compared with total assets of RMB138,661 million as at 31 December 2016. This was primarily due to: (1) an increase of RMB3,789 million in current assets including receivables and cash at bank and on hand; and (2) an increase of RMB3,185 million in non-current assets including property, plant and equipment.

As at 31 December 2017, total liabilities of the Group amounted to RMB92,336 million, representing an increase of RMB1,462 million as compared to total liabilities of RMB90,874 million as at 31 December 2016. This was primarily due to an increase of RMB10,293 million in long-term borrowings and a decrease of RMB8,648 million in current liabilities including short-term borrowings.

As at 31 December 2017, equity attributable to equity holders of the Company amounted to RMB46,126 million, representing an increase of RMB5,236 million as compared with RMB40,890 million as at 31 December 2016 which was mainly incomes from normal earnings in the year.

Details of assets and liabilities are set out in the table below:

	2017 (人民币千元)	2016 (RMB million)
资产		
Property, plant and equipment	10,473	105,598
Investment properties and lease prepayments	2,175	2,141
Intangible assets and goodwill	8,754	8,860
Other non-current assets	8,111	8,729
Current assets	17,122	13,333
总资产	<u>145,635</u>	<u>138,661</u>

	2017 (人民币千元)	2016 (RMB million)
负债及净资产		
Long-term borrowings	41,620	31,327
Deferred income and deferred tax liabilities	1,716	1,823
Obligations under finance leases and other non-current liabilities	1,841	1,917
Current liabilities	47,15	55,807
总负债	<u>2,336</u>	<u>90,874</u>

Current assets

As at 31 December 2017, current assets of the Group amounted to RMB17,122 million, representing an increase of RMB3,789 million as compared with RMB13,333 million as at 31 December 2016, which was mainly attributable to the increase in current assets including receivables and cash at bank and on hand.

Current assets by item and proportions are set out in the table below:

Current assets	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Trade debtors and bills receivable	7,155	41.8%	5,901	44.3%
Prepayments and other current assets	3,62	21.2%	3,644	27.3%
Cash at bank and on hand	5,105	29.8%	1,933	14.5%
Others	1,233	7.2%	1,855	13.9%
Total	17,122	100%	13,333	100%

As at 31 December 2017, current liabilities of the Group amounted to RMB47,159 million, representing a decrease of RMB8,648 million as compared with RMB55,807 million as at 31 December 2016, which was mainly due to repayment of ultra-short-term financial bonds and the bonds of USD500 million issued by the Hero Asia Investment Limited in the year.

Current liabilities by item and proportions are set out in the table below:

Current liabilities	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Borrowings	35,774	75.9%	44,472	79.7%
Trade creditors and bills payable	1,81	4.0%	2,550	4.6%
Obligations under finance leases and other current liabilities	265	1.6%	8,609	15.4%
Tax payable	22	0.5%	176	0.3%
Total	47,15	100%	55,807	100%

As at 31 December 2017, net current liabilities of the Group amounted to RMB30,037 million, representing a decrease of RMB12,437 million as compared with RMB42,474 million as at 31 December 2016. The liquidity ratio was 0.36 as at 31 December 2017, representing an increase of 0.12 as compared with the liquidity ratio of 0.24 as at 31 December 2016, which was mainly attributable to the increase in current assets including receivables and cash at bank and on hand and the decrease in current liabilities including short-term borrowings in the year.

Restricted deposits amounted to RMB33 million, mainly including deposits for issuance of the letter of credit.

As at 31 December 2017, the Group's balance of the borrowings and bills payable amounted to RMB78,761 million, representing an increase of RMB604 million as compared with the balance of the borrowings and bills payable of RMB78,157 million as at 31 December 2016. As at 31 December 2017, the Group's outstanding borrowings and bills included short-term borrowings and bills payable of RMB37,141 million (including long-term borrowings due within one year of RMB2,410 million and bills payable of RMB1,367 million) and long-term borrowings amounting to RMB41,620 million (including debentures payable of RMB19,042 million). The abovementioned borrowings included borrowings denominated in Renminbi of RMB71,952 million, borrowings denominated in U.S. dollars of RMB3,350 million and borrowings denominated in other foreign currencies of RMB2,092 million. As at 31 December 2017, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB3,638 million and corporate bonds with fixed interest rates of RMB19,042 million. As at 31 December 2017, the balance of bills payable issued by the Group amounted to RMB1,367 million.

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

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Bank loans	52,815	67.0%	39,360	50.4%
Loans from other financial institutions	41	0.1%	41	0.1%
Loans from Guodian Group and fellow subsidiaries	451	0.6%	430	0.6%
Corporate bonds	24,087	30.6%	35,968	45.9%
Bills payable	1,367	1.7%	2,358	3.0%
Total	78,761	100%	78,157	100%

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

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Within 1 year	37,141	47.1%	46,830	59.9%
1–2 years	4,844	6.2%	2,346	3.0%
2–5 years	22,136	28.1%	19,476	24.9%
Over 5 years	14,500	18.6%	9,505	12.2%
Total	78,761	100%	78,157	100%

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

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Bills payable	1,367	1.7%	2,358	3.0%
Fixed rate borrowings	31,806	40.5%	36,286	46.4%
Floating rate borrowings	45,488	57.8%	39,513	50.6%
Total	78,761	100%	78,157	100%

4. Capital expenditures

The capital expenditures of the Group amounted to RMB10,654 million in 2017, representing a decrease of 18.4% as compared with RMB13,061 million in 2016, among which, the expenditures for the construction of wind power projects amounted to RMB10,309 million, and the expenditures for the construction of other renewable energy projects amounted to RMB111 million. The sources of funds mainly included self-owned funds and external borrowings.

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

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Wind power projects	10,30	6.8%	12,453	95.3%
Other renewable energy projects	111	1.0%	241	1.9%
Others	234	2.2%	367	2.8%
Total	10,654	100%	13,061	100%

5. Net gearing ratio

As at 31 December 2017, the net gearing ratio of the Group, which is calculated by dividing net debt (total borrowings less cash and cash equivalents) by the sum of net debt and total equity, was 57.73%, representing a decrease of 3.16 percentage points from 60.89% as at 31 December 2016. This was primarily due to the decrease of net debt and the increase in total equity in 2017 as a result of increase in retained earnings this year.

6. Major investments

The Group made no major investment in 2017.

7. Material acquisitions and disposals

The Group did not have any material acquisitions and disposals in 2017.

8. Pledged equipment

As at 31 December 2017, the Group had no pledged equipment to secure bank loans.

As at 31 December 2017, the Group provided a guarantee of RMB58 million for bank loans of an associate, and issued a counter-guarantee of no more than RMB9 million to the controlling shareholder of an associate. As at 31 December 2017, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB4 million.

10.

As at 31 December 2017, cash and cash equivalent held by the Group amounted to RMB5,072 million, representing an increase of RMB3,171 million as compared with RMB1,901 million as at 31 December 2016, which was mainly attributable to the year-on-year increase in the borrowings for the year as compared to last year and the increase in revenue in the year. The principal sources of funds of the Group mainly include self-owned funds and external borrowings. The Group mainly used the funds for capital turnovers and the construction of projects.

The net cash inflow of the Group's operating activities amounted to RMB12,131 million in 2017, representing a decrease of RMB1,402 million as compared with that of RMB13,533 million in 2016, mainly due to (1) the increase in receivables in the year; and (2) the increase in the purchase of coal arising from the rise in coal price.

The net cash outflow from investing activities of the Group for 2017 was RMB8,614 million. The cash outflow for investment activities were mainly used for the construction of wind power projects.

The net cash outflow from financing activities of the Group for 2017 was RMB352 million. The cash inflow from financing activities was mainly generated from the issue of corporate bonds and bank loans. The cash outflow for financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

Cash inflows from financing activities and cash outflows from financing activities are set out in the table below:

	2017		2016	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Proceeds from matured cross-currency exchange contracts	245	0.3%	–	–
Proceeds from borrowings	71,436	3.3%	52,993	99.7%
Capital contributions	273	0.4%	147	0.3%
Total cash inflows from financing activities	71,954	100%	53,140	100%
Repayment of borrowings	67,872	3.8%	51,701	91.6%
Dividends paid	1,277	1.8%	1,306	2.3%
Interests paid	3,133	4.3%	3,417	6.1%
Acquisition of non-controlling interests	4	0.1%	–	–
Total cash outflows from financing activities	72,306	100%	56,424	100%

1. **Renewable energy**

Firstly, the transaction volume of renewable energy continued to expand, which resulted in the lower price of renewable energy power than the previous prices. Secondly, there was increased uncertainty in the speed of subsidy collection. Although subsidies for renewable energy shall be appropriated uniformly by the Ministry of Finance in batches, projects on the subsidy catalog would continue to face problems including rising arrearages and electricity tariffs being settled in a sluggish manner as subsidy applications of the Ministry of Finance had not been received by the grid companies in each province. In addition, since the implementation of green certificate transactions, the subsidies had been preferred to be granted in a market-based manner rather than at the fixed sum mandated by the government. Nonetheless, there was still uncertainty in the prices as a result of the insufficient particulars for relevant policies, implementing rules and regulatory measures and the significant correlation between the green certificate prices and the electricity tariffs. At present, it is obvious that the accumulated national subsidy gap cannot be filled solely by voluntary subscription for green certificate electricity. The Group will continue to keep abreast of relevant government policies and put forward our own aspirations

in various ways so as to safeguard our own interests in respect of new energy.

2. 气候风险

The major climatic risk confronted by the wind power industry is the annual fluctuation of wind resources, which is represented by the higher power generation in years of high wind speed and the lower power generation in years of low wind speed than that in normal years. On the vast territory of the PRC which covers a wide span of areas, there is a great variation in climate conditions in different regions. To be specific, the regions have different climate characteristics of the years of high and low wind speeds in the same period. In 2017, as the annual average wind speed in most provinces (including municipalities and autonomous regions) was around the average for previous years, the power generation remained at normal standards. In response to different climate conditions in different regions, the Company carried out the nationwide dispersed layout to reduce investment risks. As at the end of 2017, following the progress of projects in Sichuan and Henan, the Company had substantial projects in 32 provinces (districts and cities), covering all regions except for Hong Kong, Macau and Taiwan and formulating an increasingly optimized and rational project layout. In the future, we will further balance the project development ratio in the regions subject to the impact of different monsoons.

3. 电网接入与消纳

In 2017, the nationwide grid curtailment tended to be promising on the whole. Due to the unreasonable grid connection structure and sluggish growth of power load in certain districts, the situation of grid curtailment remained not optimistic. The Group will continue to study the future characteristics and absorption of wind power, accurately judge the changing trends of policies and make full use of national policies to cope with the grid curtailment. In addition, it will enhance proactive communication with the government and grid companies, and take the initiative to capture market share of power generation.

4. 融资成本

The Group is principally engaged in domestic investment in wind farms, which requires enormous capital expenditure and a large amount of loan fund. Therefore, any changes in interest rate will have certain impacts on the Group's cost of funds. With sound performance and credibility, a stable debt structure and diversified financing channels, the financing interest rate incurred always remains lower than the average level among the peers. Meanwhile, the Group will, through active participation in direct financing

markets within and outside the PRC, innovate financing products in order to effectively avert interest rate risks. In addition, the Group will pay close attention to changes of policy in the domestic and international financial markets, timely adopt a targeted financing model during fluctuation of interest rate so as to partially offset the impacts on financial costs brought by changes in interest rates.

5. 主要风险 (Major Risks)

The business of the Group is mainly situated in mainland China where most of its revenue as well as expenses are denominated in Renminbi. Meanwhile, a certain portion of the Group's investments are carried out abroad and a certain amount of its loans are denominated in foreign currencies. Therefore, fluctuations in the Renminbi exchange rate will result in foreign exchange losses or gains of the Group in those transactions denominated in foreign currencies. The Group attaches great importance to monitoring and analysis of the risk in the foreign exchange rate, keeps close contact with domestic and international financial institutions in terms of businesses relating to exchange rate and designs appropriate means to use foreign currencies and other approaches to improve risk management of the currency exchange rate.

6. 煤炭价格波动 (Coal Price Fluctuation)

As the relevant state ministries and commissions have formulated policies and measures such as accelerating the release of advanced coal production capacity, implementing direct purchasing and direct selling, entering into medium and long-term contracts and stabilizing and curbing commodity prices in response to the special situation in the coal market since 2017, the coal price in 2018 is expected to be lower than that in 2017. The two coal power plants will enhance analysis and judgment of the coal market in a continuous manner, keep abreast of the trends of coal and transportation as well as the changes in prices in a timely manner, work out and implement coal purchasing strategies, maintain reasonable coal inventory, and constantly improve the capability to comprehend the operating law of the coal market and to control fuel costs and ensure supplies, thus minimizing the risk in fuel prices.

1. $u_t \in \mathbb{R}^n$ is a vector of size n at time t and $\mathbf{P}_N$ is a matrix of size $n \times n$.

Domestically, the NDRC published the 13th Five-Year Plan for the Development of Wind Power Sector at the end of 2016, which specifies that by the end of 2020, the cumulative grid-connected installed capacity of wind power across the country will exceed 210 GW, in which the grid-connected installed capacity of offshore wind power projects will reach at least 5,000 MW; and the annual power generation of wind power should reach 420 billion kWh, representing approximately 6% of the total power generation in the PRC. Targeted at the goal, each province has formulated its own 13th Five-year Plan for the Development of Wind Power Sector in succession and the relevant supporting policies. The wind power sector is embracing a new window of opportunities for prosperous development.

In order to achieve the development goals of the 13th Five-year Plan, favorable policies were promulgated by the central government and each province successively in 2017, which reconfirmed the priority of renewable energy power generation. Competent state energy authorities carried out trial demonstration projects for grid parity of wind power generation, encouraged heating supply with renewable energy, guided the local consumption of distributed power resources and renewable energy, reduced taxes and charges to renewable energy enterprises and relentlessly experimented on other methods so as to solve the problems concerning wind power and photovoltaic energy curtailment. Grid companies proposed annual power generation plan on further reduction of power generation by coal-fired generating units so as to reserve sufficient room for new energy power generation. The year 2018 will witness the fruits and changes borne and brought about by such an array of measures and mark itself a year in expectation of the wind power market.

The acknowledged declined electricity tariff and the undoubted shrunken profit margin resulting from the future grid parity of wind power generation will certainly drive the wind power developers to change their ways of thinking and proactively pave new ways to temporize with the development needs, which will certainly make for the reorganisation and modification of the wind power market, rational investment and weeding out speculators and in turn safeguard the healthy and sustained development of wind power market. Meanwhile, such practices will also relieve the Company of pressure from blind competition and reduce ineffective investments. The existing power curtailment problems resulted in fiercer scramble for resources in the central and eastern regions in 2018. Since the 19th CPC National Congress, governments at all levels will set up stricter standards for environmental protection and water conservation to maintain a green natural environment. Having made advanced arrangements for 2017, the Company conducted comprehensive self-inspection and correction in a timely manner over

environment evaluation, water conservation, forest requisition and other relevant issues for projects in commission, set up higher requirements for projects in the preliminary preparation progress and exert stringent standards on the research of relevant subjects with the view to fulfilling various tasks in a both extensive and intensive manner in line with the environment protection demands of the new era.

The advancing science and technology enhanced the competitiveness of new energy and extended the development scope of new energy in recent years. Ready for the forthcoming prosperity of domestic offshore wind power development in 2018, the Company will take initiative to increase its reserves for prime offshore wind power resources and accelerate the proceeding of preliminary work so as to maintain its leading position in respect of the offshore wind power section.

In 2018, the supply and demand of global energy will ease off on the whole, a new stage for fighting against the climate changes will kick off and a new round of energy technology reform is speeding up, all portending the progressive formation of a new global energy management mechanism. Following the intensifying renewable energy competition worldwide, preferential policies such as the fixed electricity tariff and green certificate have been phased out by the market-based electricity tariff, enterprise direct purchasing and governmental electricity tariff bidding mechanism in a growing number of countries, resulting in an increasingly fiery market competition environment. Domestically, both electricity-oriented enterprises and those prioritizing non-electricity businesses have taken a share in the new energy market one after another and thus stirred up the competition in this regard, which has imposed higher standards on the Company for its overseas business development.

In 2017, the explicit inclusion of the “Belt and Road” initiative construction into the Party Constitution at the 19th CPC National Congress brought along powerful driving force for the expansion of the overseas market. The technology progress and reduced development cost in respect of the renewable energy carried forward the ongoing development of the global new energy at a rapid pace. A number of countries short of fossil fuels have developed new energy into a competitive market force with no subsidies and gradually made it a major driver for newly installed capacity. With the continuous development of the supply-side reform concerning energy in developed countries, it has become an overwhelming phenomenon to weed out nuclear power and coal-fired power in the power generation sector. 195 countries in the world reached an agreement on the Paris Agreement on Climate Change and had established a consensus on green growth, which will usher in new room for the development of new energy. The lasting peaceful global development and the continuous development momentum of renewable energy will contribute to the irreversible energy transformation.

2. 主要業務發展策略及目標 2018

In 2018, the business guidelines of the Company are as follows: we will learn, spread and follow through the gist of the 19th CPC National Congress, hold fast to the leadership of Chinese Communist Party, strengthen Party construction and firmly uphold the general business guidelines of “making progress in a steady way” under the guidance of thoughts of socialism with Chinese characteristics led by President Xi Jinping in the new era. In the light of the new development concepts, it will comprehensively implement work arrangements of China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), vigorously carry out the “year for further corporate governance in line with the Party construction goals” and sturdily push ahead work concerning quality and efficiency enhancement so as to achieve high-quality development and promote the construction of an internationally top-notch new energy company.

To be specific, in 2018, the Company will endeavor to achieve the following objectives:

1. In line with the Party construction goals, we will comprehensively intensify the Party construction, steadily carry forward the construction of Party conduct and integrity, further advance the stringent corporate governance in accordance with the laws and steadfastly implement the comprehensive and stringent governance of the Party.
2. We will carry on the comprehensive quality and efficiency enhancement, consolidate the base for production safety and comprehensively exert more effort in “Capturing Every Single kWh of Electricity (度電必爭)”. We will reinforce assets operation and management to level up our stock assets management standards on a continued basis.
3. In adherence to the concept of high-quality development, we will steadily develop high-quality resources to roll out high-quality and competitive projects and concentrate our efforts to improve the core competitiveness of the Company.
4. Focusing on the innovation-driven development, we will innovate the management system and mechanism and strengthen the construction of first-rated teams while implementing the innovation-driven strategy so as to accelerate the progress of the construction of an internationally first-rated company.
5. Persisting in the guidance of cultural construction, we will intensify the construction of corporate culture. Meanwhile we will vigorously implement people-benefiting projects, enrich group activities and proactively launch targeted poverty alleviation so as to build a harmonious and happy Longyuan at full stretch.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

The Board recommends the distribution of a final dividend of RMB0.0918 per share (tax inclusive) in cash for the year ended 31 December 2017 to shareholders whose names appear on the Company's register of members as at Wednesday, 13 June 2018. The abovementioned dividend will be subject to shareholders' approval at the Annual General Meeting of the Company to be held on Friday, 25 May 2018, and is expected to be paid on Tuesday, 31 July 2018. Details of the dividend payment will be announced after holding of the Annual General Meeting.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, which came into force on 1 January 2008 and other relevant rules, where the Company distributes the proposed 2017 final dividend to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold and pay enterprise income tax at the rate of 10%. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise shareholders, and consequently will be subject to the withholding of the enterprise income tax. According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No. 348) and relevant laws and regulations, if the individual H-share shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these shareholders. If the individual H-share shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the relevant tax treaty. If the individual H-share shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H-share shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these shareholders.

For investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on The Stock Exchange of Hong Kong Limited (the “香港聯合交易所有限公司”), the Company has entered into the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system.

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

The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

The Company will determine the resident status of the individual H-share shareholders based on the registered address as recorded in the register of members of the Company on Wednesday, 13 June 2018 (the “最後登記日期”). If the resident status of any individual H-share shareholder is not in consistency with that indicated by the Registered Address, such individual H-share shareholder shall notify the Company’s H share registrar not later than 4:30 p.m. on Thursday, 7 June 2018, and provide relevant supporting documents to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Any individual H-share shareholder who fails to provide relevant supporting documents within the time period stated above, may either personally or appoint an agent to attend to the relevant procedures in accordance with the requirements under the tax treaty notice.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H-share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H-share shareholders or any disputes over the withholding mechanism or arrangements.

REGISTRATION OF SHAREHOLDERS FOR THE ANNUAL GENERAL MEETING

In order to determine the holders of shares who are eligible to attend and vote at the Annual General Meeting to be held on Friday, 25 May 2018, the register of members of the Company will be closed from Wednesday, 25 April 2018 to Friday, 25 May 2018, both days inclusive. To be eligible to attend and vote at the said Annual General Meeting, unregistered holders of H shares of the Company shall lodge relevant share transfer documents with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 April 2018.

In order to determine the holders of shares who are entitled to receive the abovementioned final dividend, the register of members of the Company will be closed from Friday, 8 June 2018 to Wednesday, 13 June 2018, both days inclusive. To be eligible to receive the final dividend for the year ended 31 December 2017 (subject to the approval of the Company's shareholders), unregistered holders of H shares of the Company shall lodge relevant share transfer documents with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company has been committed to maintaining a high standard of corporate governance practices. For the year ended 31 December 2017, save as disclosed below, the Company complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "CG Code").

In respect of code provision E.1.2 of the Corporate Governance Code, Mr. Qiao Baoping, the Chairman of the Company, was unable to attend the 2016 annual general meeting of the Company held on 20 June 2017 due to work reasons.

本公司已採納《上市規則》附錄十所載的《上市發行人董事進行證券交易的道德規範》（「《道德規範》」）作為本公司董事及監事在證券交易中應遵守的行為守則。本公司已對董事及監事作出具體查詢，所有董事及監事均確認，他們在2017年嚴格遵守了《道德規範》所載的標準。本公司亦已為其相關員工（如《上市規則》所定義）制定了行為守則，其嚴格程度不低於《道德規範》。本公司目前並未發現任何違反該行為守則的情況。

董事會將持續檢討公司的管治實踐及運作，以確保符合相關規定，並保障股東利益。

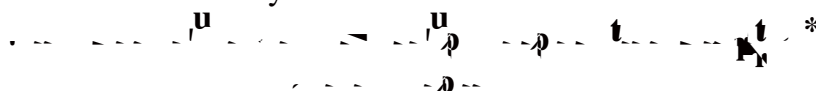
安永會計師事務所（Ernst & Young）及瑞華會計師事務所（特殊普通合夥）（Ruihua Certified Public Accountants (special general partner)）被委任為本公司的審計師，分別按照國際財務報告準則（IFRSs）及中國企業會計準則，對本公司2017年12月31日止年度的財務報表進行審計。安永會計師事務所已對本公司2017年12月31日止年度的財務報表進行審計。本公司自上市以來，一直委任瑞華會計師事務所（特殊普通合夥）為本公司的國內審計師，並委任安永會計師事務所為本公司的國際審計師，自2017年6月20日起生效。

本公司2017年年度業績及財務報表已由審計委員會審核。

此項公告已刊登於「香港交易所」的網站，網址為 <http://www.hkexnews.hk>，以及本公司的網站。

The Company's 2017 annual report containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and the Stock Exchange in due course.

By order of the Board


Chairman

Beijing, the PRC, 12 March 2018

As at the date of this announcement, the non-executive directors of the Company are Mr. Qiao Baoping, Mr. Wang Baole, Mr. Luan Baoxing and Mr. Yang Xiangbin; the executive directors are Mr. Li Enyi and Mr. Huang Qun; and the independent non-executive directors are Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang.

* For identification purpose only