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GOLDWIND

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*

新疆金風科技股份有限公司

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

Stock Code : 02208

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10B of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

The board of directors (the “**Board**”) of Xinjiang Goldwind Science & Technology Co., Ltd. (the “**Company**”) hereby enclose the announcement entitled the “*Announcement Regarding the Reply to the Inquiry Letter from Shenzhen Stock Exchange*” which has been published by the Company on the website of Shenzhen Stock Exchange for your reference.

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

Beijing, 20 November 2019

As of the date of this announcement, the executive directors of the Company are Mr. Wu Gang, Mr. Cao Zhigang, and Mr. Wang Haibo; the non-executive directors are Ms. Gu Hongmei, Mr. Gao Jianjun and Mr. Lu Hailin; and the independent non-executive directors are Dr. Tin Yau Kelvin Wong, Mr. Wei Wei and Ms. Yang Jianping.

** For identification purpose only*

**XINJIANG GOLDWIND SCIENCE& TECHNOLOGY CO., LTD.
ANNOUNCEMENT REGARDING
THE REPLY TO THE INQUIRY LETTER FROM SHENZHEN
STOCK EXCHANGE**

The company and all members of the board of directors warrant that information contained herein is true, accurate and complete, and this announcement does not contain false or misleading misrepresentation or material omission.

Xinjiang Goldwind Science & Technology Co., Ltd. (the “**Company**” or “**Goldwind**”) received the *Inquiry Letter to Xinjiang Goldwind Science & Technology Co., Ltd.* (SME Board Inquiry Letter [2019] No. 375) from Shenzhen Stock Exchange. The Company announcements the reply as follows:

1. Upon this transaction, Beijing Tianrun and ABC Investment will respectively hold 51% and 49% of the equity interests in the target companies. You consider that the target companies will become jointly controlled entities between you and ABC Investment and will no longer be included in the consolidated financial statements. Please explain whether the basis on which you determine that you and ABC Investment exercise common control over the target companies complies with the accounting standards, with reference to the arrangement on board nomination rights, appointment of senior management, decision-making and profit sharing mechanisms of the target companies.

Reply by the Company:

As agreed between both parties:

I. The boards of directors of the target companies are each comprised of five directors, including three directors nominated by Beijing Tianrun and two directors nominated by ABC Investment. Matters which fall within the terms of reference of the boards of directors shall come into effect only with the unanimous consent of all directors;

II. General managers and heads of the financial department are appointed by Beijing Tianrun where the general managers shall be responsible to the boards of directors and be in charge of the management of the overall production and operation of the target companies; deputy chief operations officers and chief financial officers are appointed by ABC Investment who shall conduct professional management of the power generation assets and financial matters of the target companies;

III. All annual profit sharing plans for the remaining operation period (2019-2037) of the target companies are subject to review in

annual general meetings and in accordance with the decision-making mechanism of the general meeting, matters which fall within the terms of reference of the general meeting shall come into effect only with the unanimous consent of all shareholders;

In view of the above, no shareholders of any party may individually exercise control over the target companies in respect of their board nomination, appointment of senior management, decision-making mechanism and profit sharing arrangement. As such, the Company considers that Beijing Tianrun and ABC Investment exercise common control over the target companies. For the sake of prudence, the Company delivered the agreement related to this transaction to Ernst & Young before signing the agreement, and Ernst & Young raised no objection to the determination about common control based on the contents of the agreement.

2. The counterparty is mainly engaged in debt-to-equity conversion and ancillary supporting business without any experience in development and management of wind power projects. Please specifically explain the purpose of this transaction and how you and ABC Investment will achieve effective management of the target companies.

Reply by the Company:

I. Purpose of this transaction

This transaction represents a financial-industrial cooperation. Given its relatively high debt-to-asset ratio, Goldwind Science & Technology needs to lower its high asset-liability ratio and hopes to optimize its overall asset structure. ABC Investment, as a financial asset management company under Agricultural Bank of China Limited responsible for external investment, intends to enter the clean energy sector. However, due to its lack of expertise in the wind power industry, it has chosen Goldwind Science & Technology, the leader of the wind power industry, as its business partner. The asset transaction between ABC Investment and Beijing Tianrun satisfies the demands of both parties.

As an investment platform for the wind power projects of Goldwind Science & Technology, Beijing Tianrun has been promoting standardization and commercialization of its asset transaction business in the course of operation. Business solutions including 100% equity transfer and partial equity transfer are offered to achieve liquidity of assets and investment gains, resulting in win-win effect with the business partners.

ABC Investment wishes to engage in the clean energy sector through equity investment, in which it will strictly control and manage the invested assets together with its business partners. It does not act merely

as a financial investor, but an industry investment partner which is financial in nature. Working with this kind of industry investment partners, Beijing Tianrun adopts a common control business model, which can introduce capital from the business partners while satisfying the needs for co-management at the same time. Leveraging on ABC Investment's advanced and rigorous financial management and asset management knowhow in the financial sector, Beijing Tianrun can provide the best professional technological and financial management to the subject assets after the transaction, and create better investment gains for shareholders.

II. Management of the target companies in the future

The management of the target companies will be jointly appointed by both parties and will be responsible for the daily financial management and operations management of the companies.

ABC Investment has a competitive edge in financial management. The financial teams of Beijing Tianrun are responsible for the financial accounts of the target companies, whereas the chief financial officers appointed by ABC Investment control major financial decisions.

With regard to management of power generation assets, although Beijing Tianrun is now responsible for the assets, both parties have agreed that, after the completion of the transfer of equity interests, an operation and management service provider specialized in power generation assets will be introduced by the target companies through public tender, with an aim to introduce a third party with appropriate industrial qualification to manage the power generation assets. Meanwhile, ABC Investment intends to recruit professional talents to take up the position of deputy chief operations officer. Shareholders of both parties will work together with a professional operation and management team to further protect and enhance the operations of the subject assets.

In short, the cooperation between Beijing Tianrun and ABC Investment will enable the best professional technological and financial management of the subject assets and a more effective management of the target companies.

3. In accordance with the valuation results issued by a third party valuation agency as of 31 July 2019, the fair value of 100% equity interests of the target companies was valued at approximately RMB1,604 million whereas the consideration of the transaction amounts to RMB667 million, which is approximately RMB119 million lower than the value of 49% equity interests of the target companies. In accordance with the Profit Sharing Agreement, for each year from the payment date to 2037, the portion of distributable profits not exceeding the agreed profit benchmark will be shared

between ABC Investment and Beijing Tianrun in proportion to their respective shareholding, while the portion exceeding the agreed profit benchmark will be shared between ABC Investment and Beijing Tianrun on a 20 (ABC Investment): 80 (Beijing Tianrun) basis. It is expected that Beijing Tianrun will receive RMB123 million of excess profit.

(1) Please disclose the relevant valuation report (including the valuation description) in full, and analyze and explain the reasonableness of selection of relevant valuation approach, valuation assumptions and valuation parameters with reference to the historical operation and order backlog of the subject of this transaction;

Reply by the Company:

I. Selection of valuation approach:

After discussing and analyzing the operations of the target companies with the management of the Company, United Asia Assets Appraisal and Advisory Limited (“United Appraisal”) considered three valuation approaches, namely market approach, income approach and cost approach, and it believed that it is more suitable to use the income approach for the valuation of the target companies.

United Appraisal believed that the market approach is not applicable to the valuation of the target companies. As the target companies have a fixed estimated operation period and a single business of wind power generation, it is difficult to find another comparable listed company which is of the same type and has the same estimated operation period.

United Appraisal believed that the cost approach is also not applicable to the valuation of the target companies, primarily because the cost approach does not take into account the contribution by the inflow of future economic benefit to the equity.

In view of the above, United Appraisal believed that the income approach considers both the target companies’ distinctive feature of a fixed estimated operation period and future economic benefit inflows. As such, it adopted the income approach for valuation of the target companies.

In accordance with the agreement entered into between Beijing Tianrun and ABC Investment, Beijing Tianrun and ABC Investment are entitled to the profits of the target companies in different proportions as they respectively hold 51% and 49% equity interests in the target companies, and the details are as follows:

The agreement specifies that the undistributed profits as at the end of each year from 2019 to 2037 (the “Undistributed Profits after Payment Date”) shall be distributed pursuant to the following two plans:

First profit distribution plan (applicable when the undistributed profits in the audited financial statements of the previous year does not exceed profit benchmark A)

When the undistributed profits in the audited financial statements of the previous year does not exceed profit benchmark A, the undistributed profits as of the end of the previous year shall be shared between ABC Investment and Beijing Tianrun in proportion to their then respective shareholding.

Second profit distribution plan (applicable when the undistributed profits in the audited financial statements of the previous year exceeds profit benchmark A)

When the undistributed profits in the audited financial statements of the previous year exceeds profit benchmark A:

1、 The distributable profits for the first level of profit sharing benchmark shall be shared between ABC Investment and Beijing Tianrun in proportion to their then respective shareholding, where:

distributable profits for the first level of profit sharing benchmark = profit benchmark A;

2、 The distributable profits for the second level of profit sharing benchmark shall be shared between ABC Investment and Beijing Tianrun on a 20:80 basis, where:

distributable profits for the second level of profit sharing benchmark = undistributed profits at the end of the previous year - distributable profits for the first level of profit sharing benchmark.

Profit benchmark A (Unit: RMB'0,000)

No.	Time of data	Net profit	No.	Time of data	Net profit
1	2019.12.31	3189.67	2	2020.12.31	13176.22
3	2021.12.31	14893.62	4	2022.12.31	13901.73
5	2023.12.31	14119.58	6	2024.12.31	14529.64
7	2025.12.31	14943.24	8	2026.12.31	15567.63
9	2027.12.31	15943.52	10	2028.12.31	16315.55
11	2029.12.31	16678.88	12	2030.12.31	16853.28
13	2031.12.31	17195.81	14	2032.12.31	17206.76
15	2033.12.31	17206.76	16	2034.12.31	17206.76
17	2035.12.31	17206.76	18	2036.12.31	14558.5
19	2037.12.31	4887.38			

Based on the above agreement, United Appraisal adopted the free cash flow to equity model under the income approach to calculate the cash flows from the 51% equity interests held by Beijing Tianrun (“Beijing Tianrun’s Equity Interests”) and the cash flows from the 49% equity interests held by ABC Investment (“ABC Investment’s Equity Interests”) respectively. The above cash flows were capitalized by using

cost of equity as the discount rate. The capitalized values were taken as the fair values of Beijing Tianrun's Equity Interests and ABC Investment's Equity Interests.

II. Reasonableness analysis of the valuation assumptions, parameters and selection basis:

Assumption of operation period: The target companies operate three wind farms, namely Phase I, Phase II and Phase III Projects. Shuozhou Pinglu Tianshi Wind Power Co., Ltd.* (朔州市平魯區天石風電有限公司) operates Phase I and Phase III Projects, and Shuozhou Pinglu Tianrun Wind Power Co., Ltd.* (朔州市平魯區天潤風電有限公司) operates Phase II Project. Phase I and Phase II Projects were completed and achieved grid connection in 2016, while Phase III Project was completed and achieved grid connection in 2017. Taking into account the designed service life of wind turbine generators and the term of national subsidies, the Projects were determined to have an estimated operation period of 20 years.

Assumption of operating income: The assumption on long-term future incomes was made after taking into consideration the actual operational circumstances including the tariff approved by the National Development and Reform Commission as well as the transactions in the power market, and with reference to the anticipated power generation volume based on the local wind resource data and power generation history. According to the analysis made on the basis of their operational history, the target companies have been basically under normal operation and their short-term fluctuations are within a reasonable scope.

Assumption of costs and expenses: The costs of the target companies mainly include depreciation, amortization and operating costs and expenses of the wind farms. The depreciation and amortization costs were calculated based on the amount of assets that in fact form the wind farms; the assets of the companies have been operated and managed by external parties through outsourcing, which covers services such as operation and maintenance, overhaul and technological upgrade. Hence, the operating costs and expenses of the wind farms were calculated based on the package of estimated future entrustment fees. There were no obvious anomalies upon analysis.

Assumption of finance costs: The finance costs were calculated based on the loan contracts and repayment schedules. There were no obvious anomalies upon analysis of the relevant assumptions and parameters.

Assumption of enterprise income tax: According to paragraph 2 of article 27 of the Enterprise Income Tax Law of the People's Republic of China, the target companies will be entitled to enterprise income tax

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exemption for the first year to third year commencing from the taxable year in which operating income is first generated from the project and a 50% reduction of enterprise income tax for the fourth year to sixth year.

(2) Please explain the determination basis for the above profit benchmark and whether it is in line with the relevant values in the valuation. If not, please specify the reason and the reasonableness;

Reply by the Company:

It is the first equity-based cooperation between ABC Investment and Goldwind, and ABC Investment has different requirements on rate of return on equity investment as compared with traditional industrial investors. ABC Investment suggested a “current + installment” model, under which ABC Investment shall pay the profit benchmark value (i.e. value A) in the current period and the layered profit sharing mechanism applies to the portion in excess of the profit benchmark value A. ABC Investment provided its estimated profit benchmark value A. Upon negotiation, both parties confirmed to adopt the “current + installment” model and believed this business model would encourage Goldwind Science & Technology and Beijing Tianrun to give full play to its expertise in the wind power sector and at the same time satisfy needs of the parties for investment returns. The values adopted by the valuation report are in line with the above profit benchmark value A provided by ABC Investment and the profit sharing plan confirmed by both parties through negotiation.

(3) According to the valuation report of the third party valuation agency, United Asia Assets Appraisal and Advisory Limited, from the payment date to 2037, the total profit to be received by Beijing Tianrun in excess of its shareholding is valued at RMB123 million. Please explain the basis for calculation of the above total profit, annual amounts, cash value of the RMB123 million and its achievability. If the relevant excess profits cannot be realized, does your Company have corresponding measures in place to protect fairness of the transaction and interests of your company?

Reply by the Company:

I. Calculation Basis, annual amounts, cash value and achievability

Impact of the profit benchmark on valuation:

In order to reasonably estimate the impact of profit benchmark on the value of the respective equity interests, United Asia calculated the respective cash flow and adopted an appropriate discount rate to calculate the respective fair values according to special profit distribution plan. ABC Financial Asset Investment Co., Ltd. is not

entitled to 29% of the profits (“29% profits”) exceeding the profit benchmark (to which Beijing Tianrun is entitled), resulting in the possibility that the distribution ratio of future cash flow of Beijing Tianrun and ABC Investment does not equal to the nominal shareholding ratio (i.e. 51% & 49%). The fair value of the respective equity shares on the basis of the value of 100% equity interests can be expressed as follows for analysis and understanding:

	Beijing Tianrun	Remarks:
Fair value of 100% equity interests	1,604 million	<i>A</i>
Nominal shareholding ratio	51%	<i>B</i>
Nominal value of 51% equity interests	818 million	$C = A \times B$
Fair value of 29% profits	123 million	<i>D</i>
Fair value of 51% equity interests	941 million	$E = C + D$

	ABC Investment	Remarks:
Fair value of 100% equity interests	1,604 million	<i>A</i>
Nominal shareholding ratio	49%	<i>B</i>
Nominal value of 49% equity interests	786 million	$C = A \times B$
Fair value of 29% profits	123 million	<i>D</i>
Fair value of 49% equity interests	663 million	$E = C - D$

Fair value of 29% profits is calculated as follows:

Shuozhou Pinglu Tianrun Wind Power Co., Ltd.*(朔州市平魯區天潤風電有限公司)：

Forecast period	2019	2020	2021	2022	2023
Profits of Tianrun under no special arrangement	1,907	6,723	6,154	5,445	5,610
Profits of Tianrun under special profits distribution	2,426	8,269	7,041	6,237	6,431
29% profits	519	1,545	888	792	821
Discount factor	0.98	0.91	0.81	0.72	0.64
Present value of profits (RMB'0,000)	509	1,404	719	571	528
Forecast period	2024	2025	2026	2027	2028
Profits of Tianrun under no	5,773	5,930	6,084	6,227	6,369

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special arrangement					
Profits of Tianrun under special profits distribution	6,624	6,809	6,953	7,121	7,289
29% profits	851	878	869	895	920
Discount factor	0.57	0.51	0.45	0.41	0.36
Present value of profits (RMB'0,000)	488	448	395	363	333
Forecast period	2029	2030	2031	2032	2033
Profits of Tianrun under no special arrangement	6,510	6,543	6,543	6,543	6,543
Profits of Tianrun under special profits distribution	7,454	7,496	7,459	7,459	7,459
29% profits	945	953	916	916	916
Discount factor	0.32	0.29	0.26	0.23	0.20
Present value of profits (RMB'0,000)	304	273	234	209	186
Forecast period	2034	2035	2036		
Profits of Tianrun under no special arrangement	6,543	6,543	2,127		
Profits of Tianrun under special profits distribution	7,459	7,459	2,127		
29% profits	916	916	0		
Discount factor	0.18	0.16	0.14		
Present value of profits (RMB'0,000)	166	148	0		
Total present value of profits (RMB'0,000)	7,277				

Shuozhou Pinglu Tianshi Wind Power Co., Ltd.* (朔州市平魯區天石風電有限公司) :

Forecast period	2019	2020	2021	2022	2023
Profits of Tianrun under no special arrangement	1,288	4,862	4,423	4,371	4,392
Profits of Tianrun under special profits distribution	1,661	6,083	5,231	5,129	5,164
29% profits	373	1,221	807	758	772
Discount factor	0.98	0.91	0.81	0.72	0.64
Present value of profits (RMB'0,000)	366	1,109	653	547	496
Forecast period	2024	2025	2026	2027	2028
Profits of Tianrun under no special arrangement	3,846	3,974	4,099	4,220	4,340

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Profits of Tianrun under special profits distribution	4,251	4,395	4,505	4,641	4,777
29% profits	405	420	406	422	438
Discount factor	0.57	0.51	0.45	0.41	0.36
Present value of profits (RMB'0,000)	232	215	185	171	158
Forecast period	2029	2030	2031	2032	2033
Profits of Tianrun under no special arrangement	4,453	4,544	4,620	4,628	4,628
Profits of Tianrun under special profits distribution	4,905	5,008	5,065	5,075	5,075
29% profits	452	464	445	446	446
Discount factor	0.32	0.29	0.26	0.23	0.20
Present value of profits (RMB'0,000)	146	133	114	102	91
Forecast period	2034	2035	2036	2037	
Profits of Tianrun under no special arrangement	4,628	4,628	3,274	3,020	
Profits of Tianrun under special profits distribution	5,075	5,075	3,719	3,319	
29% profits	446	446	445	300	
Discount factor	0.18	0.16	0.14	0.13	
Present value of profits (RMB'0,000)	81	72	64	38	
Total present value of profits (RMB'0,000)	4,973				

Based on the valuation report, 100% equity interests and 49% equity interests of the companies are valued at RMB1,604 million and RMB786 million, respectively. As for the transaction model, the “current + installment” model has been adopted: the “current” portion has an equity transfer price of RMB667 million and the corresponding third-party valuation of RMB663 million, and the actual transaction price is RMB4 million greater than the valuation; the “installment” portion has an aggregate value of RMB123 million, which is receivable in the future operating years on a yearly basis.

Certainly, this investment continues for nearly 20 years and there will be uncertainty in the investment process. According to the requirements of accounting standards, the Company needs to appraise the fair value of the 51% equity interests held each year and the fair value change will be reflected in the accounting statements for the coming years.

II. Measures for guaranteeing receipt of installments

1. The target companies will monitor and evaluate the equipment status and on-site operation through a system of comprehensive equipment management indicators covering quality, efficiency and loss; at the same time, the operation and management standards and corresponding operational guidelines will be optimized continuously, coupled with external and internal tendering mechanism, to better facilitate on-site operation and management as well as proper power generation by the wind farm.

2. The target companies will replace the traditional wind power asset management model with a digitalized one in order to improve their ability and efficiency in asset management services during the operation period by means of data. In addition, capitalizing on the global monitoring system + single turbine warning system of Goldwind Science & Technology, the target companies may maximize the preventive maintenance for equipment operation; and the target companies may improve the utilization rate of wind farms, which provides a strong technical support to profit realization.

3. The target companies will leverage the whole machine technology owned by Goldwind Science & Technology to comprehensively apply the power enhancement and waste reduction technologies; and at the same time adopt new operation technologies, such as the combined model of drone + human patrol, to push up defect detection percentage and reduce electricity loss.

4. Beijing Tianrun has established an electricity sales company in Shanxi to deploy an early layout for the target companies and emphasize the load side electricity market corresponding to the power generation volume of the target companies in the long run. The purpose is to effectively hedge the risk arising from market price, guarantee the power volume and tariff of the project and fully cover the risks at each stage along the entire life cycle of the wind farm.

5. Pursuant to the Notice on Confirmation of the Wind Power Development Plans in the Northern Shanxi Wind Power Base in 2017-2018 Shanxi Province (Jin Fa Gai Xin Neng Yuan Han [2018] No.67), the target companies will be consolidated into the Northern Shanxi Wind Power Base. The electricity generated from the Wind Power Base will be transmitted to the Eastern China Power Grid for consumption through the Northern Shanxi- Nanjing, Jiangsu 800 KV High Voltage Direct Current Electricity Transmission Project.

In view of the above, Beijing Tianrun has over ten years of experience in wind farm management and has developed a high level of technology management, cost control and electricity transaction management. Through standardizing the operation of wind power assets, improving informationalized management, applying advanced

technologies and other measures, the revenue of the wind farm under the “current + installment” payment model is guaranteed with an opportunity to secure greater revenues.

(4) The announcement revealed that the above valuation excludes the balance sheet of the Taiyuan Branch of Target Company II as at 31 July 2019. The transfer price of the assets to be stripped of the Taiyuan Branch will not be lower than the carrying value of the owner's equity as stated in the balance sheet at the time of disposal or transfer, and ABC Investment is not entitled to the disposal proceeds generated from the stripping of assets. Please describe the progress of the asset stripping process of the Taiyuan Branch and whether such asset stripping will have any influence on the subsequent production operation of the Target Company II.

Reply by the Company:

Taiyuan Branch was established in 2015 and is not a wind farm asset. Currently, the accounts of Taiyuan Branch mainly include properties and surveillance equipment of the branch, all of which are not within the scope of the valuation and transaction.

After communicating with ABC Investment, the two parties agreed to strip the properties and surveillance equipment from the target company as a post-investment matter for the management. Taiyuan Branch is planned to be deregistered after the stripping of the aforesaid assets. The stripping of assets involves procedures such as assessment, industrial and commercial filing changes, tax filing changes, etc., which generally takes more than half a year. The relevant work is currently in the process of preparation.

The business and asset scope, bank account and financial ledgers of the Taiyuan Branch are independent. The stripping of assets will not affect the operating activities of the target company.

Upon completion of the transfer of the equity interest in the target company, the future monitoring and control of the wind farm will be carried out by an operation and management service provider specialized in power generation assets which is to be introduced through public tender.

(5) Please further explain the reasonableness of the pricing of this transaction in light of the above. The independent directors are requested to verify the evaluation methods, evaluation assumptions, evaluation parameters and its selection basis, the pricing method and the reasonableness of the price, and express their opinions thereto and fully explain the reasons.

Reply by the Company:

The valuation report of this transaction was verified by independent directors of the Company, Mr. Tin Yau Kelvin Wong, Mr. Wei Wei and Ms. Yang Jianping and their independent opinion was as follows:

1. Rationality of the valuation method

The purpose of this valuation is to determine the fair value of the subject assets on the reference date of the valuation. The valuation agency adopted the discounted cash flow approach to assess the fair value of the target companies as of the reference date. The valuation agency used cost of capital as the discount rate, where the cost of capital was obtained from the capital asset pricing model. As for the reason why the valuation agency did not adopt other valuation methods (such as market approach and cost approach), the valuation agency believed that the target companies have an expected finite operation period, and it is difficult to find a trustworthy, traceable and comparable subject company with such similar operation period in the market, so that the market approach is not applicable for the valuation of the target companies. The valuation agency believed that the cost approach was not applicable because such approach does not take into account the contribution by the inflow of future economic benefits to the target companies.

Upon due and careful analysis, we believe that the valuation agency has followed the appropriate principles in selecting the approach, and the approach it chose is scientific and reasonable.

2. Rationality of the valuation assumptions and valuation parameters

(1) Assumption of operation period:

The target companies operate three wind farms, namely Phase I, Phase II and Phase III Projects. Phase I and Phase II Projects were completed and achieved grid connection in 2016, while Phase III Project was completed and achieved grid connection in 2017. The management estimated the operation period based on the designed service life of the wind farm to be 20 years. We believe that this assumption is in line with the operations of the target companies and the general industry practices.

(2) Assumption of operating income:

The management estimated the revenue from power generation in the remaining future period with reference to the power generation volume based on local wind resource data and power generation history, after taking into consideration the actual operational circumstances including the tariff approved by the National Development and Reform Commission as well as the transactions in the power markets. We believe the calculation method of revenue is reasonable and well-grounded. We have not identified any major unreasonableness in comparison to the past. We believe that the estimation of operating income is reasonable.

(3) Assumption on operating cost and expense:

The management estimated that The costs of the target companies

mainly include depreciation, amortization and operating costs and expenses of the wind farms. The depreciation and amortization costs were calculated based on the amount of assets that in fact form the wind farms; the operating costs and expenses of the wind farms were calculated based on the package of estimated future entrustment fees. We have not identified any major unreasonableness in comparison to the historical amounts.

(4) Assumption of finance cost:

The finance costs were calculated based on the loan contracts and repayment schedules. There were no obvious anomalies upon analysis of the relevant assumptions and parameters.

(5) Assumption of enterprise income tax

According to the Enterprise Income Tax Law of the People's Republic of China, we enjoy a "3-Year Free and 3-Year Half" preferential treatment policy, which complies with the laws.

Based on the above analysis, we believe the valuation assumption of the relevant valuation report of subject assets and the selection of the valuation parameters are in line with the requirements of the industry practice, and conform to the actual situation of the valuation subjects. The selection of the valuation assumptions and valuation parameters is reasonable.

3. Approach to evaluation pricing and fairness of price

In the course of this valuation, the United Appraisal carried out necessary valuation procedures based on the principles of independence, objectivity and fairness. The valuation methods were appropriate and the valuation results objectively and fairly reflected the actual situation of the valuation subjects on the valuation reference date. The result of this valuation is fair. The pricing of the subject assets is based on the valuation values and the transaction price is fair and reasonable.

4. The announcement revealed that the choice of July 31 as the reference date of this asset disposal is expected to affect the Company's profit and loss by 803 million. Please further disclose the calculation process of the above income and the arrangement of profits, etc. during the income period and the transition period.

Reply by the Company:

I. Transaction model of the asset transfer

Based on the valuation report, 100% equity interests and 49% equity interests of the subject companies are valued at RMB1,604 million and RMB786 million, respectively. The "current + installment" model has been adopted for the transaction: the price of the "current" portion amounts to RMB667 million (actual valued amount is RMB663 million),

and the “installment” portion amounts to RMB123 million. The aggregate transaction price of 49% equity interests amounts to RMB790 million. The “installment” portion of RMB123 million is the present value of the profits receivable every year during the future operating period based on the profit sharing principle discounted to the time of the transaction. Therefore, the price of 49% equity under this transaction is approximate to the valued amount.

There are three possibilities with respect to the difference between the value actually acquired from the 49% equity of the target companies throughout the entire operation period in the future (the “final value”) and the equity transfer price of RMB790 million calculated based on the consideration and valued amount in this transaction (the “equity transfer price”):

1. Final value equal to equity transfer price: The revenue received by Beijing Tianrun is equal to the revenue calculated in the valuation;

2. Final value greater than equity transfer price: The revenue received by Beijing Tianrun exceeds RMB790 million, and revenue received by ABC Investment is also greater than what is expected, resulting in a win-win situation between the two parties; the profit in excess of the valued amount will be allocated on a 80% (Beijing Tianrun) : 20% (ABC Investment) basis as agreed in the Profit Sharing Agreement;

3. Final value lower than equity transfer price: 1) If the final value is lower than value A, Beijing Tianrun can still receive a consideration of RMB667 million; 2) If the final value is between value A and the equity transfer price, the portion in excess of 29% of value A received by Beijing Tianrun will be less than the installment amount of RMB123 million, but the RMB667 million of consideration received by Beijing Tianrun includes 20% of valued profit in excess of value A; and the profit in excess of value A will be allocated on a 80% (Beijing Tianrun) : 20% (ABC Investment) basis as agreed in the Profit Sharing Agreement;

Based on the above three scenarios, the adoption of the “current + installment” payment model for this transaction will not affect the interests of Beijing Tianrun and can help Beijing Tianrun give full play to its expertise in the wind power sector and its full-cycle business solutions. On the premise of realizing estimated revenue, we hold tight to the opportunity to obtain more income than expected and secure greater revenues.

II. Estimation on incomes

The impact on the Company's profit and loss is expected to consist of two parts :

(1) The valuation reference date of the assets disposal is 31 July 2019 and the net assets corresponding to 49% of the equity interest on the

reference date was RMB393 million, which is transferred to the ABC Investment for RMB667 million, recognising an investment income of RMB273 million for the transfer of 49% equity interest.

(2) The fair value of the 51% equity interest of the target companies held by the Company is estimated to be RMB940 million. The net assets corresponding to 51% equity interest on the reference date is RMB410 million, and the corresponding income of 51% equity interest is RMB530 million;

Among the above: the value of RMB940 million corresponding to 51% equity interest comprises 3 parts: 1) equity value of RMB602 million corresponding to the part of benchmark value A; 2) equity value of RMB216 million for the part of 51% equity interest exceeding benchmark value A; 3) equity value of RMB123 million corresponding to 29% of the part exceeding benchmark value A; the total appraised value of the first and second part is RMB818 million; and the third part represents the RMB123 million profits exceeding value A.

The combined effect of the above matters to the Company's profit and loss is expected to be RMB803 million.

III. Transitional profit distribution

Transitional profit distribution: As of 31 July 2019, the undistributed profit was allocated by Beijing Tianrun and ABC Investment in accordance to the ratio of 51:49. For the period from 1 August 2019 to the end of the calendar month preceding the date on which the transferee pays the purchase price, the profit generated by the operation of the target companies is attributable to Beijing Tianrun.

Announcement is hereby given.

The Board of
Xinjiang Goldwind Science & Technology Co., Ltd.
20 November 2019