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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

If you have sold or transferred all your shares in Xinjiang Goldwind Science & Technology Co., Ltd., you should at once hand this circular together with the accompanying revised proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**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**

### CONTINUING CONNECTED TRANSACTIONS

#### (1) EXCEEDED ANNUAL CAP FOR 2020 AND

#### (2) PROPOSED REVISION OF ANNUAL CAPS FOR 2020 AND 2021

#### AND

### SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Advisors to**

**the Independent Board Committee and the Independent Shareholders**



信溢投資策劃有限公司  
CHALLENGE CAPITAL MANAGEMENT LIMITED



中國通海企業融資有限公司  
CHINA TONGHAI CAPITAL LIMITED

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A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 16 to 17 of this circular.

A letter from Challenge Capital and Tonghai Capital, the Independent Financial Advisors, containing their recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 39 of this circular.

A supplemental notice convening the EGM of Xinjiang Goldwind Science & Technology Co., Ltd. which is to be held at Conference Room, No. 8, Bo Xing Yi Road, Economic & Technological Development District, Beijing, the PRC at 2:30 p.m. on Tuesday, 22 December 2020 is set out on pages 45 to 46 of this circular.

A revised proxy form for use at the general meeting is enclosed and has been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). Whether or not you are able to attend the EGM, please complete and return the enclosed revised proxy form in accordance with the instructions printed thereon as soon as possible and in any event not later than 24 hours before the time designated for holding the general meeting or any adjournment thereof, as the case may be. Completion and return of revised proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

4 December 2020

\* For identification purposes only

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

|                                 |  |
|---------------------------------|--|
| “A Shares”                      | ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed and traded on the SZSE;  |
| “Articles of Association”       | the articles of association adopted by the Company, as amended from time to time;  |
| “associate”                     | has the meaning ascribed to it under the Listing Rules;  |
| “Board”                         | the board of directors of the Company;   |
| “Centralized”                   | the wind power generator units of the same wind farm are linked by one or several substations, then connected to the grid for power supply and transmitted to multiple power end users;  |
| “Challenge Capital”             | Challenge Capital Management Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO;                                   |
| “China Three Gorges”            | 中國長江三峽集團公司 (China Three Gorges Corporation), a company established under the laws of the PRC and the parent company of China Three Gorges New Energy;  |
| “China Three Gorges New Energy” | 中國三峽新能源(集團)股份有限公司 (China Three Gorges Renewables (Group) Co., Ltd.), a limited liability company established under the laws of the PRC and one of the substantial shareholders of the Company;   |
| “close associates”              | has the meaning ascribed to it under the Listing Rules;  |
| “Company”                       | 新疆金風科技股份有限公司 (Xinjiang Goldwind Science & Technology Co., Ltd.), a joint stock limited liability company established by conversion in the People’s Republic of China on 26 March 2001, the H Shares of which are listed and traded on the Main Board of the Stock Exchange and the A Shares of which are listed on the SZSE; |

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## DEFINITIONS

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|---|--|
| “connected person”                          | has the meaning ascribed to it under the Listing Rules;  |
| “Connected Persons Group”                   | a group of connected persons of the Company, comprising China Three Gorges New Energy, Xinjiang Wind Power and their respective associates;  |
| “Directors”                                 | the directors of the Company;  |
| “Extraordinary General Meeting”<br>or “EGM” | the extraordinary general meeting to be held at Conference Room, No. 8, Bo Xing Yi Road, Economic & Technological Development District, Beijing, the PRC at 2:30 p.m. on Tuesday, 22 December 2020, the notice of which is set out on pages 45 to 46 of this circular;   |
| “Group”                                     | the Company and its subsidiaries;  |
| “H Shares”                                  | ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange;  |
| “Hong Kong”                                 | the Hong Kong Special Administrative Region of the PRC;  |
| “Independent Board Committee”               | an independent board committee, comprising all independent non-executive directors of the Company, namely, Dr. Tin Yau Kelvin Wong, Mr. Wei Wei and Ms. Yang Jianping;   |
| “Independent Financial Advisors”            | Challenge Capital and Tonghai Capital, being the joint independent financial advisors appointed to advise the Independent Board Committee and the Independent Shareholders of the Company on the fairness and reasonableness of the Continuing Connected Transactions and the proposed annual caps;                    |
| “Independent Shareholders”                  | the Shareholders other than China Three Gorges New Energy and Xinjiang Wind Power and their associates who will abstain from voting on the resolutions with respect to the Product Sales Framework Agreement (2019-2021) and the transactions contemplated thereunder (including the respective proposed annual caps); |

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## DEFINITIONS

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|---|--|
| “Latest Practicable Date”                       | 30 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;  |
| “Listing Rules”                                 | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;  |
| “PRC”   | the People’s Republic of China. References in this circular to the “PRC” exclude Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan;   |
| “Product Sales Framework Agreement (2019-2021)” | the product sales framework agreement entered into by the Group and Connected Persons Group on 26 October 2018 in respect of the sale of WTGs by the Company to Connected Persons Group for the three years ending 31 December 2021;   |
| “Red Alert Regions”                             | areas where wind power development and construction are suspended. The construction of approved wind power projects will be postponed, the approval of wind power projects that have been included in the planning and listed in the annual implementation plan but have not been approved will be suspended. Grid companies will refuse the applications for grid connection of postponed and suspended approved projects. There will be no plan for new parity-grid and low-price grid projects for local consumption. The transmission channels that have been put into operation or under construction in the red alert regions will prioritize the consumption of the wind power projects in stock; |
| “RMB”   | Renminbi, the lawful currency of the PRC;  |
| “SFO”   | the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (as amended, supplemented or otherwise modified from time to time);   |
| “Shareholder(s)”                                | shareholder(s) of the Company;   |
| “Stock Exchange”                                | The Stock Exchange of Hong Kong Limited;   |

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## DEFINITIONS

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|                       |  |
|-----------------------|--|
| “subsidiary”          | has the meaning as ascribed in the Listing Rules;  |
| “SZSE”                | Shenzhen Stock Exchange;   |
| “Tonghai Capital”     | China Tonghai Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO; |
| “WTG”                 | wind turbine generator; and  |
| “Xinjiang Wind Power” | 新疆風能有限責任公司 (Xinjiang Wind Power Co., Ltd.), a state-owned enterprise established under the laws of the PRC and one of the substantial shareholders of the Company.               |

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## LETTER FROM THE BOARD

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**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**

**Directors:**

*Executive Directors:*

Wu Gang (*Chairman*)

Cao Zhigang

Wang Haibo

*Non-executive Directors:*

Gao Jianjun

Lu Hailin

Dong Zhenyu

*Independent Non-executive Directors:*

Tin Yau Kelvin Wong

Wei Wei

Yang Jianping

**Registered Office:**

No. 107, Shanghai Road

Economic & Technological

Development District

Urumqi

Xinjiang Uygur Autonomous Region

China

**Principal Place of Business**

**in Hong Kong:**

33/F, Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

4 December 2020

*To the Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
(1) EXCEEDED ANNUAL CAP FOR 2020 AND  
(2) PROPOSED REVISION OF ANNUAL CAPS FOR 2020 AND 2021  
AND  
SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

References are made to the announcement of the Company dated 16 November 2020, in relation to the revision of annual caps for 2020 and 2021 for Continuing Connected Transactions under the Product Sales Framework Agreement (2019-2021).

\* For identification purposes only

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## LETTER FROM THE BOARD

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The purpose of this circular is to (1) provide you with further details of the revised annual caps; (2) set out the letter from the Independent Board Committee in respect of the revised annual caps; and (3) set out the letter of advice from the Independent Financial Advisors to the Independent Board Committee and the Independent Shareholders in respect of the revised annual caps. This circular also aims at requesting you to consider and approve the relevant resolutions at the EGM.

### **II. MAJOR TERMS OF PRODUCT SALES FRAMEWORK AGREEMENT (2019-2021)**

For details of major terms of Product Sales Framework Agreement (2019-2021), please refer to the announcement dated 26 October 2018 and the circular dated 14 January 2019 of the Company.

### **III. EXCEEDED THE ANNUAL CAP FOR 2020**

During the course of reviewing the historical transaction information for the nine months ended 30 September 2020 of the Company at the end of October 2020, the Company noted that the Continuing Connected Transactions under the Product Sales Framework Agreement (2019-2021) have exceeded the annual cap for 2020. The Resolution on Adjustment to the Exemption Amount of the Continuing Connected Transactions (H Share) for 2020 and 2021 was considered at a Board meeting convened on 13 November 2020 and a report was made to the Board with respect to the exceeding of the existing annual cap for 2020. Based on the unaudited consolidated management accounts of the Company, as of 31 October 2020, the Group has sold products totaling approximately RMB2,872.55 million to the Connected Persons Group, exceeding the annual cap of RMB2,127.31 million which had been previously set by the Company. It was mainly due to the fact that (a) as a result of changes in national subsidy policies, the Company's operating revenue amounted to RMB42,344.57 million for the ten months ended 31 October 2020, representing a year-on-year increase of 48.65%, which includes a year-on-year increase of 38.00% in operating revenue of the Company to the Connected Persons Group; the Company's external sales totaled 9,584.81MW for the ten months ended 31 October 2020, representing a year-on-year increase of 57.25% which includes a year-on-year increase of 30.45% in sales of the Company to the Connected Persons Group, (b) certain sales to the Connected Persons Group arose from finance leases by the Connected Persons Group to independent customers for their purchase of WTGs from the Company, and (c) as a result of the impact of the national subsidy policy and the increase in the business volume of the Connected Persons Group, the amount of products sold by the Group to the Connected Persons Group rose rapidly in September 2020 and the amount of products sold in September reached RMB1,001.65 million. The Company's collection and review of historical transaction information regarding the Continuing Connected Transactions between the Group and the Connected Persons Group required considerable time, and the connected transactions were not timely monitored on a rolling basis. As a result, in late October 2020, the Company discovered that the aggregated amount of Continuing Connected Transactions under the Product Sales Framework Agreement (2019-2021) had exceeded the annual cap for 2020.



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## LETTER FROM THE BOARD

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### IV. PROPOSED REVISION OF ANNUAL CAPS FOR 2020 AND 2021 OF THE CONTINUING CONNECTED TRANSACTIONS

The existing annual caps and historical transaction amounts of product sales and utilization of the annual cap under the Product Sales Framework Agreement (2019-2021) are set out as follows:

*Unit: RMB million*

|                      | <b>For the year<br/>ended<br/>31 December<br/>2019</b> | <b>For the year<br/>ending<br/>31 December<br/>2020</b> | <b>For the ten<br/>months ended<br/>31 October<br/>2020</b> |
|----------------------|--|---|---|
| Existing annual caps | 2,946.94   | 2,127.31  | –   |
| Product Sales        | 2,633.37   | –   | 2,872.55  |
| Utilization (%)      | 89.36  | –   | 135.03  |

Based on the aforesaid, the existing annual caps for product sales under the Product Sales Framework Agreement (2019-2021) for the years ending 31 December 2020 is unable to meet the business needs of the Company, and the existing annual caps for product sales under the Product Sales Framework Agreement (2019-2021) for the years ending 31 December 2021 will not be able to meet the business needs of the Company. Thus, on 13 November 2020, the Board resolved to propose revision of the annual caps for product sales under the Product Sales Framework Agreement (2019-2021) for the years ending 31 December 2020 and 31 December 2021 as follows:

*Unit: RMB million*

|                                      | <b>For the year<br/>ending<br/>31 December<br/>2020</b> | <b>For the year<br/>ending<br/>31 December<br/>2021</b> |
|--------------------------------------|---|---|
| Product Sales (existing annual caps) | 2,127.31  | 2,427.07  |
| Proposed increase                    | 2,828.42  | 1,567.80  |
| Product Sales (revised annual caps)  | 4,955.73  | 3,994.87  |

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## LETTER FROM THE BOARD

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The proposed revised annual caps for the years ending 31 December 2020 and 31 December 2021 are determined with reference to the following factors:

- (a) the unaudited actual transaction amount of products sales under the Product Sales Framework Agreement (2019-2021) for the ten months ended 31 October 2020;
- (b) the contracts and bidding agreements signed between the Company and the Connected Persons Group in 2020 and the previous years;
- (c) the bidding agreements signed with the Connected Persons Group in relation to the product sales in 2021, the bids submitted to the Connected Persons Group and potential bidding requirements;
- (d) the plan on delivery of the WTGs and related spare parts by the Company to the Connected Persons Group; and
- (e) sales to the Connected Persons Group arising from finance leases by the Connected Persons Group to independent customers for their purchase of WTGs from the Company.

The revised annual cap for the year ending 31 December 2020 was determined by the Company taking into account the following: (i) the amount of products sold by the Company to the Connected Persons Group for the 10 months ended 31 October 2020 was RMB2,872.55 million; (ii) the Company proposed to sell products to the Connected Persons Group pursuant to signed contracts with a transaction amount of RMB2,083.18 million for the two months ending 31 December 2020, all of which are planned to be executed by the end of 2020; (iii) pursuant to the delivery demands as confirmed by the Company with the Connected Persons Group for the two months ending 31 December 2020, the Company has carried out corresponding production and transportation arrangements, and the Connected Persons Group confirmed it would be able to take delivery in accordance with its project construction status.

The revised annual cap for the year ending 31 December 2021 was also determined taking into account the following: (i) the Company's contracts and bidding agreements signed with the Connected Persons Group in relation to the product sales in 2021; (ii) the bids submitted to the Connected Persons Group and potential bidding requirements, with reference to the historical tender success rates of the Company to the Connected Persons Group in 2017, 2018 and 2019, and the estimated amount of product sales in 2021; (iii) pursuant to the product sales plan for 2021 with the Connected Persons Group, the Company has made arrangements for the production plan and delivery plan based on its production capacity, which can fully meet the demand plan of the Connected Persons Group in 2021.

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## LETTER FROM THE BOARD

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The pricing policies for the revised annual caps for the years ending 31 December 2020 and 31 December 2021 are:

- (a) as all members of the Connected Persons Group are state-owned enterprises, the price of WTGs being sold to the Connected Persons Group by the Company is determined during the tendering and bidding process; and
- (b) the price for the sales of spare parts from the Company to the Connected Persons Group is determined by the Company with reference to general commercial terms and market prices of the same or similar products sold to third parties in the ordinary and usual course of business.

### **V. REASONS FOR AND BENEFITS OF THE PROPOSED REVISION OF ANNUAL CAPS FOR 2020 AND 2021 OF THE CONTINUING CONNECTED TRANSACTIONS**

On 21 May 2019, the National Development and Reform Commission (NDRC) issued the *Notice on Completing the On-grid Electricity Price Policy for Wind Power* (the “**Notice**”) ([https://www.ndrc.gov.cn/xxgk/zcfb/tz/201905/t20190524\\_962453.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz/201905/t20190524_962453.html)) which specifies tariffs policy of newly approved onshore and offshore wind power projects in 2019 and 2020, and changes on on-grid tariffs of onshore and offshore to a guided price. The Notice also stipulates that on-grid tariffs for newly approved centralized onshore and offshore wind power projects shall be determined by way of competitive bidding, and that tariffs shall not be higher than the guided price in the resource areas where projects are located. The Notice also sets on-grid connection deadline for both onshore and offshore wind projects:

Onshore wind power in 2020: for onshore projects approved before the end of 2018 but not completed the grid connection before the end of 2020, the government will no longer provide subsidies;

Onshore wind power in 2021: for onshore projects approved between 1 January 2019 and the end of 2020 but not completed the grid connection before the end of 2021, the government will no longer provide subsidies; and since 1 January 2021, the newly approved onshore wind power projects will achieve grid-parity connection and the government will no longer provide subsidies;

Offshore wind power in 2021: for offshore projects which were approved before the end of 2018 and completed the grid connection of all of their turbines before the end of 2021, on-grid tariffs will be implemented at the time of offshore projects’ approval. For offshore projects completed the grid connection of all of their turbines in 2022 and beyond, on-grid tariffs will implement the guidance on-grid tariffs for wind power of that year.

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## LETTER FROM THE BOARD

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Affected by the above policy, 2020 is the last year for onshore wind power projects to enjoy subsidies, resulting in 2020 becoming the year of rush to install onshore wind power projects. As shown in the statistics from the China Electricity Council, during the ten months ended 31 October 2020, wind power projects in the PRC reached investment amount of RMB183.5 billion, representing a year-on-year increase of 127%. Changes in the industry drove the growth of the Company's WTG sales capacity and operating income. The Group's operating revenue amounted to RMB42,344.57 million for the ten months ended 31 October 2020, representing a year-on-year increase of 48.65%, which includes a year-on-year increase of 38.00% in sales of the Company to the Connected Persons Group; the Company's operating revenue totaled 9,584.81MW for the ten months ended 31 October 2020, representing a year-on-year increase of 57.25% which includes a year-on-year increase of 30.45% in sales of the Company to the Connected Persons Group.

At the end of 2018, the Company formulated the existing annual caps for 2020 and 2021 in accordance with the current forecast for future market. Except for the Notice as mentioned above, the NDRC, the Ministry of Finance, National Energy Administration and other government departments have issued various policies in respect of industrial development, protection of power consumption and supervision and management to promote the consumption of renewable energy and adjustment of energy structure since 2019. And with the expected impact of the newly installed capacity of wind farms in the 14th Five-Year Plan, the Company expects that the installation capacity of onshore and offshore wind farms will increase substantially in 2020, which includes an increase in the annual caps of sales of the Company's products to the Connected Persons Group in respect of onshore wind power business and offshore wind power business by 256% and 94%, respectively.

The annual caps of the product sales of onshore wind power and offshore wind power under the Product Sales Framework Agreement (2019-2021) as at 31 December 2020 and 31 December 2021 are as follows:

*Unit: RMB million*

| Product for sale    | For the year ending<br>31 December 2020 |                        | For the year ending<br>31 December 2021 |                        |
|---------------------|---|------------------------|---|------------------------|
|                     | Existing<br>annual caps                 | Revised<br>annual caps | Existing<br>annual caps                 | Revised<br>annual caps |
| Onshore Wind Power  | 509.00                                  | 1,813.91               | 509.00                                  | 1,196.99               |
| Offshore Wind Power | 1,618.31                                | 3,141.82               | 1,918.07                                | 2,797.88               |

*Note:* The above information is the Company's internal budget and is provided for the purpose of assisting Shareholders in understanding the Company's sales of offshore wind power products and onshore wind power products, and does not constitute sub-caps of the annual caps for the years ending 31 December 2020 and 31 December 2021.

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## LETTER FROM THE BOARD

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### (a) Onshore Wind Power Business

According to the latest results on *2020 Wind Power Investment Monitoring and Warning* issued by the National Energy Administration ([http://zfxgk.nea.gov.cn/2020-03/30/c\\_138944089.htm](http://zfxgk.nea.gov.cn/2020-03/30/c_138944089.htm)), several provinces in northern China have lifted out of the Red Alert Regions. More and more large-scale base projects have also started the procedures of approval, bidding and construction. Meanwhile, the installed capacity in the northern region will recover due to more ultra-high voltage (UHV) power transmission channels built by grid companies. In 2021, the Connected Persons Group will vigorously promote the development of onshore wind power with a focus on large-scale base projects. The estimated sales amount of onshore large-scale base projects between the Company and the Connected Persons Group accounts for 61% (2020: 0%) of the total amount of onshore wind power under the proposed annual cap for 2021 between the Company and the Connected Persons Group. Meanwhile, the Company recently launched GW150-2.8~3.0MW, GW155-4.5MW, GW165-3.6MW, GW165-4.0MW and GW165-5.XMW units, which satisfied the needs of large-scale bases for affordable grid projects.

It is estimated that the product sales of the Company to the Connected Persons Group in respect of onshore wind power business in 2021 will decrease by 34% compared to that of 2020 taking into account of grid-parity connection since 2021.

### (b) Offshore Wind Power Business

The wind power business of the Connected Persons Group is mainly offshore wind power business. The Company continued to independently innovate offshore products. GW154-6.7MW and GW171-6.45MW WTGs of GW6S/8S platform has been delivered in batches and GW175-8.0MW turbine has completed prototype testing in June 2020. With the development of large-capacity offshore WTGs, the Company can better meet the requirements of the customers including the Connected Persons Group for offshore WTGs. Offshore wind projects are characterized by long development and delivery cycles, huge impact on project income as to whether subsidy is available and so on, and the Connected Persons Group's purchase demand for offshore large-capacity WTGs grew since 2020, the product sales of offshore wind power business to the Connected Persons Group recorded a year-on-year increase of 74% in terms of capacity, of which the bulk delivery in the fourth quarter accounted for 43% of the total delivery volume for that year. The unit price of offshore large-capacity WTGs is much higher than that of onshore WTGs. For the six months ended June 30, 2020, the average unit price of GW6S/8S platform WTGs was RMB5,542.37/KW, while the average unit price of GW2S platform WTGs was RMB3,237.66/KW. The high unit price of offshore WTGs contributed to the increase in revenue of offshore wind power business, it is expected that the Company's product sales of offshore power business to the Connected Persons Group for 2020 will increase by 88% compared to that of 2019.

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## LETTER FROM THE BOARD

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In summary, the Company intends to increase the existing annual caps for 2020 and 2021 to the new annual caps for the purpose of satisfying the needs from the Connected Persons Group on the products of the Company.

### VI. INTERNAL CONTROL MEASURES

In order to avoid the reoccurrence of incident that the previously approved annual cap is exceeded, the Company will adopt the following monitoring measures:

- (i) the Company will organize regular training for its employees to promote their familiarity with the Listing Rules, as well as raise their awareness towards compliance with relevant internal control procedures of Continuing Connected Transactions of the Group;
- (ii) the Company will closely monitor the Continuing Connected Transactions contemplated under the Product Sales Framework Agreement (2019-2021) on a monthly basis. Where the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 50% of the annual cap at any time during the year, the president and the chief financial officer of the Company will re-estimate the annual transaction amount immediately to determine if the annual cap will be exceeded, and will consider to implement appropriate measures; where the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 70% of the annual cap at any time during the year, the president and the chief financial officer of the Company will seek advice from the audit committee of the Company and the Board will consider to take appropriate measures accordingly, including but not limited to the issue of any announcement for the increase of annual cap, if applicable. Based on the Company's business progress, the president and the chief financial officer of the Company believe that a transacted amount equivalent to approximately 50% of the annual cap will generally complete delivery over the course of four to five months. Thus, it is reasonable for the president and the chief financial officer of the Company to re-evaluate the annual transaction amount only when the transacted amount and the estimated amount in the next month in aggregate reaches approximately 50% of the annual cap;
- (iii) the audit and supervisory department of the Company will monitor the effectiveness and adequacy of internal control measures, and will report their review results to the audit committee of the Company regularly;

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## LETTER FROM THE BOARD

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- (iv) the independent non-executive Directors and auditors of the Company will perform annual review on the Continuing Connected Transactions and provide annual confirmation in accordance with the Listing Rules, to confirm that the transactions are entered into and conducted in accordance with normal commercial terms and relevant regulatory agreements; and
- (v) the Company will engage a professional firm to evaluate the internal control on the Continuing Connected Transactions and provide advice and suggestions to the Board. The Company will improve the internal control mechanism for Continuing Connected Transactions based on professional opinions provided by them.

The Board is of the view that the above monitoring measures are reasonable and could prevent the occurrence of this kind of incident to the greatest extent possible. By providing training to raise awareness amongst employees of compliance with relevant internal control procedures of continuing connected transactions, and monitoring the effectiveness and adequacy of internal control measures by the audit and supervisory department and the audit committee, the Company will be able to identify early any possibility of the transaction amounts exceeding annual caps in a timely manner. In addition, the president and the chief financial officer of the Company will reconsider immediately whether the transaction amount for the year will exceed the annual cap when the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 50% of the annual cap during the year, and seek advice from the audit committee and the Board as to whether appropriate measures shall be adopted when the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 70% of the annual cap during the year, including but not limited to publishing announcements on the increase of annual caps. This allows the Company sufficient buffer time to re-evaluate the sufficiency of the existing approved annual cap based on its business needs and if insufficient, to comply with applicable requirements under the Listing Rules.

### VII. INFORMATION ON THE PARTIES TO THE AGREEMENT

The Group is mainly engaged in the WTGs R&D, manufacturing and sales, wind power services and wind farm investment and development.

China Three Gorges New Energy, together with its associates, are mainly engaged in investment and consulting of wind power and solar power. China Three Gorges New Energy is held as to 70% by China Three Gorges Group, which is a state-owned corporation wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Any one shareholder among the remaining shareholders holds less than 5% interests in China Three Gorges New Energy.

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## LETTER FROM THE BOARD

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Xinjiang Wind Power, together with its associates, are mainly engaged in wind power generation, solar power generation, and electronic engineering contracting. Xinjiang Wind Power is held as to 43.33% by China Three Gorges New Energy and 56.67% by Xinjiang Xinye State-owned Assets Management (Group) Co., Ltd.\* (新疆新業國有資產經營(集團)有限責任公司). Xinjiang Xinye State-owned Assets Management (Group) Co., Ltd.\* (新疆新業國有資產經營(集團)有限責任公司) is wholly-owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Xinjiang Uygur Autonomous Region.

### VIII. LISTING RULES IMPLICATIONS

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

In accordance with Rule 14A.54 of the Listing Rules, the Company shall comply with the announcement and Shareholders' approval requirements before exceeding the annual caps. The Company did not comply with Rule 14A.54 of the Listing Rules at the relevant time.

As one or more of the applicable percentage ratios for the highest annual cap for the years ending 31 December 2020 and 31 December 2021 in respect of the Continuing Connected Transactions contemplated under the Product Sales Framework Agreement (2019-2021) are more than 5%, the Continuing Connected Transactions thereunder are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will convene a general meeting for the purpose of obtaining the Independent Shareholders' approval on revising annual caps for product sales.

Mr. Lu Hailin, a Director of the Company, will abstain from voting at the board meeting in respect of the above transaction due to his position as the chief accountant and general counsel and secretary of the board of China Three Gorges New Energy. Mr. Gao Jianjun, a Director of the Company, will also abstain from voting at the board meeting in respect of the above transaction due to his position as the chairman of Xinjiang Wind Power.



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## LETTER FROM THE BOARD

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### IX. EXTRAORDINARY GENERAL MEETING

Pursuant to Rule 14A.36 of the Listing Rules, any connected person and any shareholder and their associates with a material interest in connected transactions are required to abstain from voting on the relevant resolutions at an extraordinary general meeting. Therefore, China Three Gorges New Energy, Xinjiang Wind Power and their respective associates (holding a total of 1,026,557,754 A Shares as at the Latest Practicable Date, representing 24.30% in the Company's issued share capital) are required to abstain from voting on the resolutions in this respect at the EGM.

The EGM is proposed to be held at Conference Room, No. 8, Bo Xing Yi Road, Economic & Technological Development District, Beijing, the PRC at 2:30 p.m. on Tuesday, 22 December 2020, at which, among other things, the motion on the proposed revision of annual caps for the continuing connected transaction will be considered and, if thought fit, approved by Shareholders.

### X. RECOMMENDATION

For the purpose of the EGM, the Board has established the Independent Board Committee, which is formed by all the independent non-executive Directors, to provide Independent Shareholders with opinions on the revision of annual caps of product sales. The letter of advice from the Independent Board Committee is set out on pages 16 to 17 of this circular.

The Company has appointed Challenge Capital and Tonghai Capital as the Independent Financial Advisors of the Company to provide the Independent Board Committee and Independent Shareholders with opinions in this respect. The letter of advice from the Independent Financial Advisors to the Independent Board Committee and Independent Shareholders is set out on pages 18 to 39 of this circular.

The Directors (including the independent non-executive Directors, having taken into account the advice of the Independent Financial Advisors) are of the view (i) the transactions under Product Sales Framework Agreement (2019-2021) are entered into and conducted in the ordinary and usual course of business of the Group and are on normal commercial terms; (ii) the transactions under Product Sales Framework Agreement (2019-2021) will be subject to the proposed Revised Annual Caps and are in the interests of the Company and the Shareholders as a whole; and (iii) the proposed revision of annual caps for 2020 and 2021 are fair and reasonable. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed in the EGM.

Yours faithfully,

For and on behalf of the Board

**Xinjiang Goldwind Science & Technology Co., Ltd.**

**WU Gang**

*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**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**

4 December 2020

**Independent Board Committee:**

*Independent Non-executive Directors:*

Tin Yau Kelvin Wong

Wei Wei

Yang Jianping

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
(1) EXCEEDED ANNUAL CAP FOR 2020 AND  
(2) PROPOSED REVISION OF ANNUAL CAPS FOR 2020 AND 2021**

Reference is made to the circular of the Company (the “**Circular**”) dated 4 December 2020 of which this letter forms part. Terms defined in the Circular have the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the proposed revision of annual caps for 2020 and 2021, and to advise the Independent Shareholders as to whether, in our opinion, the proposed revision of annual caps for 2020 and 2021 is fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole. Challenge Capital and Tonghai Capital have been appointed as the Independent Financial Advisors to advise the Independent Board Committee and the Independent Shareholders in this respect.

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 15 of the Circular which contains, *inter alia*, detailed information about the proposed revision of annual caps for 2020 and 2021, and the “Letter from the Independent Financial Advisors” set out on pages 18 to 39 of the Circular which contains its advice in respect of the proposed revision of annual caps for 2020 and 2021.

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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As members of the Independent Board Committee, we have discussed with the management of the Company the reasons for the proposed revision of annual caps for 2020 and 2021 under the Products Sales Framework Agreement (2019-2021) and the basis for pricing. We have also considered the principal factors and reasons taken into account by the Independent Financial Advisors in arriving at its opinion regarding the proposed revision of annual caps for 2020 and 2021 for Continuing Connected Transactions as set out in the letter from the Independent Financial Advisors contained in this Circular, which we urge you to read carefully.

Having considered the advice given by the Independent Financial Advisors, we consider that (i) the transactions under Product Sales Framework Agreement (2019-2021) are entered into and conducted in the ordinary and usual course of business of the Group and are on normal commercial terms; (ii) the transactions under Product Sales Framework Agreement (2019-2021) will be subject to the proposed Revised Annual Caps and are in the interests of the Company and the Shareholders as a whole; and (iii) the proposed revision of annual caps for 2020 and 2021 are fair and reasonable. We, therefore, recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the proposed revision of annual caps for 2020 and 2021 under the Products Sales Framework Agreement (2019-2021) to be proposed at the EGM.

Yours faithfully,

**Independent Board Committee**

**Tin Yau Kelvin Wong**

*Independent non-executive  
director*

**Wei Wei**

*Independent non-executive  
director*

**Yang Jianping**

*Independent non-executive  
director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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*The following is the full text of a letter of advice from Challenge Capital and Tonghai Capital, the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of annual caps under the Product Sales Framework Agreement (2019-2021), which has been prepared for the purpose of incorporation in this circular.*



4 December 2020

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS REVISION OF ANNUAL CAPS FOR 2020 AND 2021

#### INTRODUCTION

We refer to our appointment as the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of annual caps in respect of the sales of WTGs and related spare parts to the Connected Persons Group under the Products Sales Framework Agreement (2019-2021) (the “**Connected Sales**”) for each of the two financial years ending 31 December 2020 and 2021, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 4 December 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 26 October 2018 and the circular of the Company dated 14 January 2019 in respect of, among other things, the Product Sales Framework Agreement (2019-2021) entered into among Xinjiang Wind Power, China Three Gorges New Energy and the Company and the relevant annual caps for the Connected Sales for each of the three years ending 31 December 2021 (the “**Existing Annual Caps**”). During the course of reviewing the historical transaction information of the Group for the nine months ended 30 September 2020 at the end of October 2020, the Company noted that the Connected Sales had exceeded the Existing Annual Cap 2020. In addition, it is expected by the Company that the Connected Sales will increase in the remaining of 2020 and 2021. The Company proposed to revise the annual caps for the Connected Sales for each of the two years ending 31 December 2020 and 2021 (the “**Revised Annual Caps**”) for the purpose of satisfying the needs from the Connected Persons Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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Each of Xinjiang Wind Power and China Three Gorges New Energy is a connected person of the Company by virtue of being a substantial Shareholder. Xinjiang Wind Power is also an associate of China Three Gorges New Energy as China Three Gorges New Energy holds more than 30% of its issued share capital. Accordingly, the Connected Sales contemplated under the Product Sales Framework Agreement (2019-2021) with any member of the Connected Persons Group which comprises Xinjiang Wind Power, China Three Gorges New Energy and each of their respective associates constitute continuing connected transactions of the Company.

In accordance with Rule 14A.54 of Listing Rules, the Company must comply with the announcement and shareholders' approval requirements before exceeding an annual cap.

As one or more of the applicable percentage ratios for the Revised Annual Caps are more than 5%, the Connected Sales are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The EGM will be convened and held for the purpose to consider and, if thought fit, to obtain the Independent Shareholders' approval on the Revised Annual Caps. Xinjiang Wind Power, China Three Gorges New Energy and their respective associates will abstain from voting at the EGM with respect to the resolution approving the Revised Annual Caps. Save as disclosed above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholders or any of their respective associates has a material interest in the transactions and hence, no other Shareholders would be required to abstain from voting on the relevant resolution to be proposed at the EGM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Dr. Tin Yau Kelvin Wong, Mr. Wei Wei and Ms. Yang Jianping, each of whom has no interests in the Connected Sales, has been appointed by the Board to consider and advise the Independent Shareholders in respect of the Revised Annual Caps. We have been appointed as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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As at the Latest Practicable Date, each of Challenge Capital and Tonghai Capital was independent from and not connected with the Company, Xinjiang Wind Power and China Three Gorges New Energy or any of their respective associates which could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and each of Challenge Capital and Tonghai Capital other than the current appointment in relation to the Revised Annual Caps. Apart from normal professional fees paid or payable to us in connection with this appointment as the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, no arrangements exist whereby we shall receive any fees or benefits from the Company, Xinjiang Wind Power, China Three Gorges New Energy or any of their respective associates. Accordingly, each of Challenge Capital and Tonghai Capital are considered eligible to give independent advice in respect of the Revised Annual Caps.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on, among other things, (i) the information, facts and representations contained or referred to in the Circular; (ii) the information, facts and representations provided by the Company; (iii) the beliefs, opinions and intentions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all the information and facts provided and representations and beliefs, opinions and intentions expressed to us or contained or referred to in the Circular are true, accurate and complete in all respects as at the date thereof and continue to be so until and including the date of the EGM and may be relied upon. We have also assumed that all statements contained and information, facts and representations made to us or referred to in the Circular are true at the time they were made and continue to be true as at the EGM and all statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information, representations, beliefs, opinions and intentions provided to us by the Directors and the Management which have been made after due and careful enquiries. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information, representations, beliefs, opinions and intentions provided to us or contained or referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until and including the date of the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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We consider that we have reviewed sufficient information currently available to reach an informed view so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, representations made or belief, opinions and intentions expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Group, Xinjiang Wind Power, China Three Gorges New Energy and their respective associates.

In arriving at our recommendation, we have considered the following principal factors and reasons:

### **1. Background of the Revised Annual Caps**

On 26 October 2018, the Company, Xinjiang Wind Power and China Three Gorges New Energy entered into the Product Sales Framework Agreement (2019-2021) for a term of three years commencing on 1 January 2019. The circular dated 14 January 2019 issued by the Company set out, among other things, details of the Product Sales Framework Agreement (2019-2021). The then independent Shareholders approved, at the extraordinary general meeting of the Company convened on 1 March 2019, the Product Sales Framework Agreement (2019-2021) and the Existing Annual Caps. The Connected Sales are sales of WTGs and related spare parts to the Connected Persons Group.

As stated from the Letter from the Board, during the course of reviewing the historical transaction information of the Group for the nine months ended 30 September 2020 at the end of October 2020, the Company noted that the amount of the Connected Sales had exceeded the Existing Annual Cap 2020, which was mainly due to the fact that (i) as a result of changes in national subsidy policies, the Connected Sales increased substantially for the ten months ended 31 October 2020 on a year-on-year basis; (ii) certain sales to the Connected Persons Group arose from finance leases by the Connected Persons Group to independent customers for their purchase of WTGs from the Group; and (iii) as a result of the impact of the national subsidy policies and the increase in the business volume of the Connected Persons Group, the amount of products sold by the Company to the Connected Persons Group rose rapidly in September 2020, and the amount of products sold in September reached RMB1,001.65 million, and the collection and review of historical transaction information regarding the continuing connected transactions between the Group and the Connected Persons Group required considerable time, and the connected transactions were not subject to timely monitoring on a rolling basis given that relevant departments of the Group did not consolidate the information in a timely manner. The Company expected that the Connected Sales will increase in the remaining of 2020 and 2021. Therefore, the Board approved the resolution in relation to the Revised Annual Caps on 13 November 2020. The Revised Annual Caps are subject to the approval of the Independent Shareholders. Xinjiang Wind Power, China Three Gorges New Energy and their respective associates will abstain from voting at the EGM with respect to the resolution to approve the Revised Annual Caps.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

### 2. Information of the Group

The principal activities of the Group comprise research and development, manufacture and sale of WTGs, the provision of wind power services and wind farm investment and development.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2017, 2018 and 2019, the six months ended 30 June 2019 and the six months ended 30 June 2020 as extracted from the annual reports of the Company for the three years ended 31 December 2017, 2018 and 2019 and the interim reports of the Company for the six months ended 30 June 2019 and 2020, respectively:

|  | For the year ended<br>31 December |                           |                           | For the six months ended<br>30 June |                             |
|--|-----------------------------------|---------------------------|---------------------------|-------------------------------------|-----------------------------|
|  | 2017                              | 2018                      | 2019                      | 2019                                | 2020                        |
|  | (Audited)                         | (Audited)                 | (Audited)                 | (Unaudited)                         | (Unaudited)                 |
| (RMB million)  |                                   |                           |                           |                                     |                             |
| Revenue  | 24,971                            | 28,590                    | 37,878                    | 15,700                              | 19,366                      |
| – WTG manufacturing<br>including the Connected Sales<br>(Approximate % of WTG manufacturing) | 19,346<br>246<br>(1.3%)           | 22,169<br>2,048<br>(9.2%) | 28,857<br>2,633<br>(9.1%) | 11,636<br><br>Not disclosed         | 14,566<br><br>Not disclosed |
| – Wind power services  | 2,057                             | 1,648                     | 3,571                     | 1,437                               | 2,228                       |
| – Wind farm investment and development   | 3,247                             | 3,904                     | 4,257                     | 2,238                               | 2,101                       |
| – Others   | 321                               | 870                       | 1,193                     | 389                                 | 472                         |
| Net profit   | 3,149                             | 3,283                     | 2,230                     | 1,212                               | 1,289                       |

It is noted that the Group's revenue was primarily generated in China. Revenue from WTG manufacturing was mainly generated through sales of WTGs and related spare parts. Revenue from wind power services was mainly generated through engineering, procurement and construction of wind farm, maintenance, and other services. Revenue from wind farm investment and development was mainly generated from the sales of electricity produced by wind farms under operation. Revenue from other business segments include revenue from lease financing and from water treatment services.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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It is noted that the Group's revenue increased by approximately 14.5% from approximately RMB24,971 million for the year ended 31 December 2017 ("FY2017") to RMB28,590 million for the year ended 31 December 2018 ("FY2018") and such increase in revenue for FY2018 was primarily due to the increase from revenue derived from WTG manufacturing from approximately RMB19,346 million for FY2017 to approximately RMB22,169 million for FY2018. According to the annual report of the Company for FY2018, the increase in revenue of the Group was mainly attributable to: (i) the steady development of China's wind power industry in 2018 and the high market recognition of the Group's products drove the growth of the sales volume of WTG; (ii) with the increase of wind farms capacity of the Group officially entering the operation stage, and the situation of curtailment of wind power was improved, the revenue produced from power generation increased significantly; and (iii) as the Group's investment in the field of innovation business continued to increase, the investment effect had been initially apparent; and (iv) sales revenue of water business increased significantly during FY2018. The Group recorded a slight increase of approximately 4.3% in net profit for FY2018 as compared to that for FY2017, which was mainly attributable to (i) the increase of other income and gains; (ii) the decrease of selling and distribution expenses; and (iii) the increase in share of profits and losses of joint ventures for FY2018.

It is noted that the Group's revenue increased by approximately 32.5% from approximately RMB28,590 million for FY2018 to RMB37,878 million for the year ended 31 December 2019 ("FY2019") and such increase in revenue for FY2019 was primarily due to the increase from WTG manufacturing from approximately RMB22,169 million for FY2018 to approximately RMB28,857 million for FY2019. According to the annual report for FY2019, the increase in operating revenue of the Group was mainly attributable to (i) the steady development of China's wind power industry in 2019 and the high market recognition of the Group's products drove the WTG sale growth; (ii) as a result of the development of market strategies, revenue from wind power services had a substantial growth; and (iii) the Group's growing investment in innovation businesses achieved positive effect, the revenue from water business increased significantly. In addition, the Group recorded a decrease of approximately 32.1% in net profit for FY2019 as compared to that for FY2018, which was mainly attributable to (i) the increase of cost of sales and (ii) the increase of selling and distribution expenses during the year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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It is noted that, the Group's revenue increased by approximately 23.4% from approximately RMB15,700 million for the six months ended 30 June 2019 ("1H2019") to approximately RMB19,366 million for the six months ended 30 June 2020 ("1H2020"). According to the unaudited interim report of the Company for 1H2020, revenue increased mainly due to: (i) the accelerating development of China's wind power industry and the high market recognition of the Group's products during 1H2020 leading to sales growth of WTG; (ii) the growth opportunity for wind power services as a result of the steady increase in the installed capacity in wind power industry and the Group's market planning in wind power service industry leading to significantly increased revenue from wind power service as compared with 1H2019; (iii) the development of Group's diversification strategy leading to the growth in revenue for both water treatment and finance lease services.

Based on the third quarterly report of the Company for the nine months ended 30 September 2020, the Group's revenue increased by approximately 95.6% from approximately RMB9,002 million for the three months ended 30 September 2019 to approximately RMB17,606 million for the three months ended 30 September 2020. The Group recorded an increase of approximately 103.8% in net profit for the three months ended 30 September 2020 as compared to that for the three months ended 30 September 2019, which was mainly attributable to (i) the increase of investment income; (ii) the increase in gains arising from disposal of assets; and (iii) the increase in gains in changes in fair values during the period.

Based on the third quarterly report of the Company for the nine months ended 30 September 2020, the Group's revenue increased by approximately 49.7% from approximately RMB24,735 million for the nine months ended 30 September 2019 to approximately RMB37,031 million for the nine months ended 30 September 2020 mainly due to the increase in sales capacity of WTGs. In addition, the Group recorded an increase of approximately 30.3% in net profit for the nine months ended 30 September 2020 as compared to that for the nine months ended 30 September 2019, which was mainly attributable to (i) the increase of investment income; (ii) the increase in gains arising from disposal of assets; and (iii) that the selling and administrative expenses decreased as a percentage to revenue. The external sales capacity of WTGs increased from 5,244.75MW for the nine months ended 30 September 2019 to 8,315.52MW for the nine months ended 30 September 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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Sale of WTGs and related spare parts is one of the principal businesses of the Group and accounted for over 75% of the total turnover for each of the three years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020. The Connected Sales accounted for approximately 1.3%, 9.2% and 9.1% of the turnover derived from WTG manufacturing for each of the year ended 31 December 2017, 2018 and 2019, respectively. Based on the above historical financial information, it is noted that both the sales of WTGs and the Connected Sales have been on an increasing trend in recent years. In addition, it is noted that the revenue derived from WTG manufacturing of the Group increased by approximately 30.2% for the year ended 31 December 2019 as compared to that for the year ended 31 December 2018, which was more than the increment of the Connected Sales of approximately 28.6% for the same period. The growth rate of revenue derived from WTG manufacturing was also more than the growth rate of the Connected Sales for the 10 months ended 31 October 2020 as compared to the same period in 2019.

### 3. Information of Xinjiang Wind Power and China Three Gorges New Energy

#### ***China Three Gorges New Energy***

China Three Gorges New Energy, together with its associates, is mainly engaged in investment and consulting of wind power and solar power. China Three Gorges New Energy is held as to 70.00% by China Three Gorges, which is a state-owned corporation held by the State-owned Assets Supervision and Administration Commission of the State Council. Any one shareholder among the remaining shareholders holds less than 5% interests in China Three Gorges New Energy.

As at the Latest Practicable Date, China Three Gorges New Energy directly held approximately 12.89% of the issued A Shares. Under the SFO, other than the directly holding interests in the Company, China Three Gorges is deemed to be interested in the A Shares held by Xinjiang Wind Power. Above all China Three Gorges is deemed to be interested in 29.74% in the total issued A Shares. China Three Gorges New Energy did not own any H shares.

#### ***Xinjiang Wind Power***

Xinjiang Wind Power, together with its associates, is mainly engaged in wind power generation, solar power generation, and electronic engineering contracting. Xinjiang Wind Power is held as to 43.33% by China Three Gorges New Energy and 56.67% by Xinjiang Xinye State-owned Assets Management (Group) Co., Ltd.\* (新疆新業國有資產經營(集團)有限責任公司) (“**Xinjiang Xinye**”). Xinjiang Xinye is wholly-owned by State-owned Assets Supervision and Administration Commission of the People’s Government of Xinjiang Uygur Autonomous Region.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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As at the Latest Practicable Date, Xinjiang Wind Power owned approximately 16.85% of the issued A Shares. Xinjiang Wind Power did not own any H Shares.

#### 4. Wind power industry policies

China has promoted new energy security strategies, focused on green and low-carbon transformation, and continuously optimised the structure of power sources. The government has issued various policies to promote the healthy and orderly development of the renewable energy industry. Based on our discussion with the Management, the subsidy policies set out in the NDRC Notice (as defined below) have driven the sales growth of WTGs in China recently.

On 21 May 2019, the National Development and Reform Commission (the “**NDRC**”) issued the Notice on Improving the Policy on On-grid Tariffs for Wind Power (關於完善風電上網電價政策的通知)(the “**NDRC Notice**”), which became effective in July 2019. In order to guide investments in renewable energy and promote the healthy and sustainable development of the wind power industry, government subsidy on onshore wind power and offshore wind power will be phased out, details of which are set out below:

- For onshore wind power projects, there would be no subsidy on (i) projects that were approved before the end of 2018 but have not completed grid connection before the end of 2020; and (ii) projects that were approved between 2019 and 2020 but have not completed grid connection before the end of 2021. From 1 January 2020, the newly approved onshore wind power projects will achieve grid-parity connection and the government will no longer provide subsidies.
- For offshore wind power projects that were approved before the end of 2018 and completed grid connection before the end of 2021, on-grid tariffs will be implemented at the time of offshore projects’ approval. For offshore projects completed the grid connection of all of their turbines in 2022 and beyond, on-grid tariffs will implement the guidance on-grid tariffs for wind power of that year.

As a result of the NDRC Notice, there is a strong incentive to complete the grid connection of wind power projects before the aforesaid on-grid connection deadlines in order to enjoy the government subsidies. This in turn drives the demand of WTGs.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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In addition, the Company acknowledged that there are a number of other policies released by the relevant authorities since 2019 that would also have contributed to the increased demand of WTGs. The Notice on Publishing Grid Parity Projects for Wind Power Generation in 2020 (國家發展改革委辦公廳國家能源局綜合司關於公布2020年風電、光伏發電平價上網項目的通知) issued by the NDRC and the National Energy Administration of China (the “NEA”) which, became effective in July 2020, proposed to accelerate the development and construction of grid parity projects for wind power generation with the first batch of such projects in 2019 and 2020 to be approved and started construction before the end of 2020. Except for reasons of grid connection consumption, wind power projects must accomplish grid connection before the end of 2022. Grid parity for wind power projects that have not accomplished grid connection within the prescribed time will be removed from the first batch of 2019 and 2020 grid parity for wind power projects. It is noted that this policy will accelerate the progress of the first batch of grid parity projects for wind power in 2019 and 2020, which will likely increase the sales volume of wind power related products including the WTGs.

In March 2020, the NEA issued the Notice of the National Energy Administration on Implementing the Spirit of Reform of the “Release Management Service” and Optimizing the Matters Related to the Management of Electric Power Business (國家能源局關於貫徹落實「放管服」改革精神優化電力業務許可管理有關事項的通知), which simplified the requirements for power generation business license, particularly renewable energy power generation projects including wind power with installed capacity of less than 6MW that is not included in the scope of power business license management to have exemptions to obtain such license. The Company acknowledged that this would stimulate the market vitality and development of renewable energy through lowering the threshold for permit entry and simplifying permit application materials, which would stimulate the development of wind power related industries including the demand for WTGs.

In May 2020, the NDRC issued the Report on the Implementation of the National Economic and Social Development Plan in 2019 and the Draft National Economic and Social Development Plan in 2020 (關於2019年國民經濟和社會發展計劃執行情況與2020年國民經濟和社會發展計劃草案的報告), which clarifying (i) the promotion of non-fossil energy to become an incremental main body and reasonable development of wind power and (ii) the improvement of long-term mechanism of renewable energy power consumption and utilisation and promotion of the new local consumption model. The Company acknowledged that this would facilitate the stable and sustainable development of wind power related markets and hence the demand for related products including WTGs through improving the consumption and utilisation of renewable energy.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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In May 2020, the Central Committee of the Chinese Communist Party and the State Council issued the Guiding Opinions of the State Council on the New Era to Promote the Development of the Western Region (中共中央、國務院關於新時代推進西部大開發形成新格局的指導意見), which proposed to (i) accelerate the local consumption of wind power and continue to increase the construction of key power transmission channels across provinces and regions, such as west-to-east power transmission and (ii) enhance renewable power transmission capacity and strengthen the peak-shaving capacity of the power grid to effectively solve the problem of wind curtailment. It is noted that such policy would accelerate the local consumption of wind power, which is conducive to the long-term development of wind power industry.

The aforementioned policies which have been issued since 2019 are considered by the Management to be supplementary to the direct impact brought by the NDRC Notice on the wind power industry, and are favourable to the development of the wind power industry as a whole as positive signs reflecting the support from the government and have also contributed to the increasing demand in wind power related markets including the demand for WTGs.

### **5. Reasons for and benefits of the Revised Annual Caps**

The Existing Annual Caps 2020 and 2021 were determined by the Company at the end of 2018 based on the then circumstances. As discussed with the Management, various renewable energy policies have been announced by the government since 2019.

According to the Letter from the Board, the amount of the Connected Sales for the 10 months ended 31 October 2020 have exceeded the Existing Annual Cap 2020 of RMB2,127.31 million. This was mainly due to the increase in the Connected Sales as a result of changes in national subsidy policies. As disclosed in the Letter from the Board, under the NDRC Notice as set out in the section headed “4. Wind power industry policies” above, 2020 is the last year for onshore wind power projects to enjoy government subsidies, causing 2020 to be the year of rush installation for onshore wind power projects. With reference to the statistics from the China Electricity Council, a non-profit and self-disciplinary national trade association joined by China’s power enterprises and institutions on a voluntary basis, the investment of wind power projects in China amounted to approximately RMB183.5 billion for the ten months ended 31 October 2020, represented a year-on-year increase of approximately 127%. As set out in the Letter from the Board, such key changes to the industry have driven the Group’s WTG’s sales capacity and operating income. The Group’s sales increased, on a year-on-year basis, by approximately 48.65% for the 10 months ended 31 October 2020 compared to that for the 10 months ended 31 October 2019, this included a year-on-year increase of approximately 38.00% in the Connected Sales. The Group’s sales totaled 9,584.81MW for the 10 months ended 31 October 2020, representing a year-on-year increase of approximately 57.25% which includes a year-on-year increase of 30.45% in the Connected Sales.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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As set out in the section headed “4. Wind power industry policy” above, the NDRC Notice set out two crucial deadline dates (being (i) 31 December 2020 applicable to onshore wind power projects approved before the end of 2018, and (ii) 31 December 2021 applicable to both onshore wind power projects approved between 2019 and 2020 and offshore wind power projects) for the wind power enterprises to complete not only their respective projects but also accomplish grid connection. According to our discussions with the Management, as such crucial deadline dates draw nearer, some customers have requested the Group to deliver as early as possible which the Group is doing its best to achieve and accommodate as much as possible, noting that for offshore wind power projects with a crucial deadline date of 31 December 2021 which, as mentioned in the Letter from the Board, is characterised by long development and delivery cycles, high uncertainty of project construction, huge impact on project income as to whether subsidy is available in comparison with onshore wind power projects.

The Group has developed various products that meet different requirements of its customers including the Connected Persons Group. As stated in the Letter from the Board, in 2021, the Connected Persons Group will vigorously promote the development of onshore wind power with a focus on large-scale base projects between the Group and the Connected Persons Group. With the estimated amount of the Connected Sales for such onshore large-scale base projects would account for approximately 61% of the total amount of onshore wind power under the proposed annual cap between the Company and the Connected Persons Group for the year ended 31 December 2021 (for the year ended 31 December 2020: 0%). It is also noted that the Company upgraded and optimised the existing R&D platforms and products and recently launched GW150-2.8~3.0MW, GW155-4.5MW, GW165-3.6MW, GW165-4.0MW and GW165-5.XMW units, which satisfy the needs of large-scale bases for affordable grid projects. The Connected Persons Group is committed to expanding offshore wind power business in southern China and their purchase demand for offshore large-capacity wind power generator units will grow. As offshore wind projects enjoy the characteristics of long development and delivery cycles, high uncertainty of project construction, huge impact on project income as to whether subsidy is available, the Connected Persons Group expects that offshore large-capacity WIGs will be delivered as soon as possible. The Company continues to independently innovate offshore products. GW154-6.7 and GW171-6.45MW offshore turbine has been delivered in batches and GW175-8.0 has completed prototype testing in June 2020. With the development of large-capacity offshore wind power units, the Company can better meet the requirements of Connected Persons Group for offshore units.

As disclosed in the Letter from the Board, the unit price of offshore large-capacity WTGs is much higher than that of onshore WTGs. For 1H2020, the average unit price of GW6S/8S platform units was RMB5,542.37/KW, while the average unit price of GW2S platform units was RMB3,237.66/KW. The high unit price of offshore WIGs contributed to the increase in revenue of offshore wind power business.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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As stated in the Letter from the Board, with the expected impact of the newly installed capacity of wind farms in the 14th Five-Year Plan, the Company expects that the installation capacity of onshore and offshore wind farms will increase substantially in 2020, which includes an increase in the Connected Sales.

Based on the aforesaid, the Existing Annual Caps 2020 and 2021 are required to be increased and the Revised Annual Caps have been proposed by the Company.

In view of the effect of the NDRC Notice, the Company expects the demand of WTGs and spare parts for onshore and offshore wind farms is expected to increase substantially in 2020 and 2021. As shown in the section headed “7. Historical figures and the Revised Annual Caps” below, the utilisation rate of the Existing Annual Cap 2020 reached 135.03% for the 10 months ended 31 October 2020. Based on the information provided by the Connected Persons Group to the Company, it is expected that their purchases of WTGs will follow the market trend and increase significantly in 2020 and 2021 compared with the previous projection formulated in late 2018 based on the then forecast for future market, which formed the basis for setting the Existing Annual Caps. The amount of the Connected Sales in 2020 and 2021 is expected to exceed the Existing Annual Caps 2020 and 2021, respectively. We are of the view that the Revised Annual Caps will allow the Group to capture the potential increase in the Connected Sales in 2020 and 2021 and, thus, increase revenue of the Group, which is beneficial to the Group.

Taking into consideration that (i) the sales of the WTGs and spare parts is one of the Group’s principal businesses; (ii) the utilisation rate of approximately 135.03% of the Existing Annual Caps for the 10 months ended 31 October 2020; and (iii) the Revised Annual Caps will allow the Group to capture the potential increase in the Connected Sales in 2020 and 2021 as a result of the increase in demand of WTGs from the Connected Persons Group, we are of the opinion that the Connected Sales are conducted in the ordinary and usual course of business of the Group and the Connected Sales that will be subject to the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole.

### **6. Principal terms of the Product Sales Framework Agreement (2019-2021)**

The Connected Sales for each of the three years ending 31 December 2021 are governed by the Products Sales Framework Agreement (2019-2021). Set out below are the major terms of the Product Sales Framework Agreement (2019-2021):

|           |  |
|-----------|--|
| Date:     | 26 October 2018  |
| Parties:  | The Company, China Three Gorges New Energy, and Xinjiang Wind Power  |
| Duration: | The Product Sales Framework Agreement (2019-2021) is for a term from 1 January 2019 to 31 December 2021 (both dates inclusive) |



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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|                         |  |
|-------------------------|--|
| Subject matter:         | Sale and purchase of WTGs and related spare parts  |
| Terms and pricing basis | <p>The terms and selling price in respect of the sales of WTGs will be determined through the tender bidding process if the sale is awarded through a public tender. The price for Connected Sales (i) shall be determined through the tender bidding process if the sale is awarded through a public tender; or (ii) where no public tender is required, shall be based on the market price at which the Group is able to sell identical or similar products to an independent third party in the ordinary and usual course of business, and the terms and price available to the member of the Connected Persons Group for such sale shall be no more favourable than those provided to independent third parties.</p> |

Based on our discussion with the Management, we understand that since members of the Connected Persons Group are state-owned enterprises, all core parts of a project i.e. the WTGs other than the related spare parts sold to the Connected Persons Group are required to be conducted through public tenders in accordance with the Tender and Bidding Law of the People's Republic of China (中華人民共和國招標投標法) issued on 30 August 1999. Members of the Connected Persons Group invite bids for the WTGs they propose to purchase, and the Group, as the tenderer, shall submit tender documents in response to the invitation to tender. According to the Product Sales Framework Agreement (2019-2021), spare parts sales, which are not conducted through tenders, shall be based on the market price at which the Group is able to sell identical or similar products to an independent third party in the ordinary and usual course of business, and the terms and price available to the member of the Connected Persons Group for such sale shall be no more favourable than those available to independent third parties. Based on the aforesaid, we consider that the Connected Sales are conducted on normal commercial terms.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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### 7. Historical figures and the Revised Annual Caps

#### *Historical figures*

Set out below the amounts of the Connected Sales for the year ended 31 December 2019 and the 10 months ended 31 October 2020:

|   | <b>For the<br/>year ended<br/>31 December<br/>2019<br/>RMB million</b> | <b>For the<br/>10 months<br/>ended<br/>31 October<br/>2020<br/>RMB million</b> |
|---|--|--|
| Connected Sales   | 2,633.40<br>(Note 1)   | 2,872.55<br>(Note 2)   |
| Existing Annual Caps  | 2,946.94   | 2,127.31   |
| Approximate % of the relevant<br>Existing Annual Cap utilised | 89.4%  | 135.0%   |

*Notes:*

1. The historical figure is extracted from the FY2019 annual report of the Company.
2. The historical figure is extracted from the unaudited consolidated management accounts of the Group for the 10 months ended 31 October 2020.

The Connected Sales in FY2019 amounted to approximately RMB2,633.40 million, representing approximately 89.4% of the Existing Annual Cap for 2019.

The Connected Sales for the 10 months ended 31 October 2020 amounted to approximately RMB2,872.55 million, representing approximately 135.0% of the Existing Annual Cap 2020. As stated in the Letter from the Board, this was mainly due to an increase in the Connected Sales as a result of changes in national subsidy policies and certain Connected Sales arose from finance leases by the Connected Persons Group to independent customers for their purchases of WTGs from the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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For the Connected Sales in FY2019 and for the 10 months ended 31 October 2020, we have randomly selected 22 sales agreements (12 sales agreements for FY2019 and 10 sales agreements for 10 months ended 31 October 2020) of the Connected Persons Group and compared selling price of WTGs to 22 sales agreements of the independent third parties. We noted that the selling prices for 15 different models of WTGs sold to the members of the Connected Persons Group are similar to those of independent third parties and the major terms of the sales agreements are no more favourable than those available to the independent third parties. In relation to the Connected Sales for the 10 months ended 31 October 2020, samples selected for the transactions are conducted in the total amount of which covered approximately 58% of the Connected Sales of such period. We compared the breakdown of sales amounts of the Connected Sales with reference to the quantity and model of WTGs delivered and there are in line with the sales agreements and delivery schedules of the Connected Sales, and no irregularities were noted. We are of the view that the terms of the selected sales agreements with the Connected Persons Group are fair and reasonable and on normal commercial terms, and were conducted in the ordinary and usual course of business of the Group.

### ***The Revised Annual Caps***

The Company has proposed to revise the Existing Annual Caps, which was approved on 1 March 2019, to the Revised Annual Caps.

The table below sets out the Existing Annual Caps 2020 and 2021 and the Revised Annual Caps:

|                      | <b>For the year ending 31 December</b> |                    |
|----------------------|--|--------------------|
|                      | <b>2020</b>                            | <b>2021</b>        |
|                      | <i>RMB million</i>                     | <i>RMB million</i> |
| Existing Annual Caps | 2,127.31                               | 2,427.07           |
| Revised Annual Caps  | 4,955.73                               | 3,994.87           |

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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Based on our discussions with the Management, we understand that the Revised Annual Caps were determined after taking into consideration of the following:

- (i) the Connected Sales of approximately RMB2,872.55 million for the 10 months ended 31 December 2020;
- (ii) projects supported by executed sales agreements (including those relating to finance leases provided by members of the Connected Persons Group to independent customers for their purchases of WTGs of the Group) and successful tenders with sales agreements yet to be signed with members of the Connected Persons Group (the “**Existing Projects**”);
- (iii) forecasted sales (the “**Sales Forecast**”) of the Connected Sales to be generated from potential tenders to be submitted to members of the Connected Persons Group currently anticipated by the Company (the “**Potential Projects**”) based on information provided by the Connected Persons Group; and
- (iv) the Group’s delivery plan for WTGs and related spare parts.

As stated in the Letter from the Board, the Revised Annual Cap 2020 was also determined by the Company with reference to the following: (i) the amount of products sold by the Group to the Connected Persons Group was RMB2,872.55 million; (ii) the Company proposed to sell products to the Connected Persons Group with a transaction amount of RMB2,083.18 million for the two months ended 31 December 2020. Such contracts are planned to be executed in 2020; (iii) pursuant to the delivery plan as confirmed by the Company and the Connected Persons Group for the two months ended 31 December 2020, the Company has made corresponding production plans and transportation plans, and the Connected Persons Group confirmed it would be able to take delivery in accordance with its project construction status. It also stated that the revised annual cap for the year ending 31 December 2021 was determined by the Company with reference to the following: (i) pursuant to the contracts and bidding agreements signed by the Connected Persons Group in relation to the Connected Sales in 2021, the bids submitted to the Connected Persons Group and potential bidding requirements; (ii) the bids submitted to the Connected Persons Group and potential bidding requirements; and with reference to the historical bid winning rates of the Company and the Connected Persons Group in 2017, 2018 and 2019, and the estimated amount of Connected Sales in 2021; and (iii) pursuant to the product sales plan for 2021 with the Connected Persons Group, the Company has made arrangements for the production plan and delivery plan based on the production capacity, which can fully meet the needs of the demand plan of the Connected Persons Group in 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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We have performed the following to assess the fairness and reasonableness of the Revised Annual Caps:

For the Connected Sales for the 10 months ended 31 October 2020, we have selected samples and checked the amount to the sales agreements with the members of the Connected Persons Group as well as compared the pricing and major terms of the aforesaid agreements to sales agreements of independent third parties. For details, please refer to the sub-section headed “Historical figures” above.

We have obtained the projected sales breakdown of all the Existing Projects and checked the amount of projected sales to all of the sales agreements and notices of successful tender (if sales agreements yet to be signed). We have discussed with the Management (i) the timing of execution of the sales agreements that have received notices of successful tender; (ii) production status; and (iii) delivery schedules for the Existing Projects. Based on the aforesaid, we have no reason to doubt the status of all Existing Projects to the respective production plans.

Based on our discussion with the Management, we understand that the Sales Forecast was prepared taking into consideration of the following: (i) the Potential Projects as advised by the Connected Party Group; and (ii) the tender success rate of each of the Potential Projects based on the assessment of the Management such as nature of tender and expertise in the tender. We have obtained and reviewed the documents including notices of regulatory approvals and correspondences with members of the Connected Persons Group with reference to such Potential Projects. We have also conducted internet search for the Potential Projects and did not note any contradictions in relation to project details such as location and power capacity and we noted that these potential business opportunities exist. For the selling prices of WTGs in the Sales Forecast, we have compared with the selling prices of the WTGs of the same model in the sales agreements or notices of successful tender (if sales agreements has yet to be signed) and noted that such selling prices were equivalent to historical amounts.

Based on the aforesaid, we consider the Revised Annual Caps are fair and reasonable.

Shareholders and potential investors of the Company should note that the Revised Annual Caps were determined taking into consideration of, among other things, the current production and delivery plans of the Existing Projects which could be subject to delays and changes as well as the forecasted sales of the Potential Projects which may or may not be materialised or may be delayed. Accordingly, the Revised Annual Caps shall not be considered as an indication of the actual amount of the Connected Sales for each of the two years ending 31 December 2020 and 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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### 8. Annual review of the Connected Sales

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Connected Sales are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Connected Sales every year and confirm in the annual reports that the Connected Sales have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) on normal commercial terms or better; and
  - (c) according to the Product Sales Framework Agreement (2019-2021) governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Connected Sales for each financial year of the Company and that the Company's auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Connected Sales:
  - (a) have not been approved by the Board;
  - (b) are not, in all material respects, in accordance with the pricing policies of the Group (if applicable);
  - (c) are not entered into, in all material respects, in accordance with the Product Sales Framework Agreement (2019-2021); and
  - (d) have exceeded the Revised Annual Caps;
- (iii) the Company shall allow, and shall procure the relevant counterparties to the Connected Sales to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Connected Sales as set out in paragraph (ii); and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) respectively.

We noted from the FY2019 annual report, that the independent non-executive Directors and the auditor of the Company have provided positive confirmation in respect of (i) and (ii) above, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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In light of the reporting requirements in relation to the Connected Sales, in particular, the monitoring of the Connected Sales by which the Revised Annual Caps will be subject to the ongoing review by the independent non-executive Directors and auditors of the Company of the Connected Sales, we are of the view that appropriate measures are in place to monitor the conduct of the Connected Sales and assist to safeguard the interests of the Independent Shareholders.

### **9. Internal control measures**

We note that, as stated in the Letter from the Board, in order to avoid the reoccurrence of incident that the previously approved annual cap is exceeded, the Company will adopt the following monitoring measures:

- (i) the Company will organise regular trainings for its employees to promote their familiarity with the Listing Rules, as well as raise their awareness towards compliance with relevant internal control procedures of continuing connected transactions of the Group;
- (ii) the Company will closely monitor the Connected Sales contemplated under the Product Sales Framework Agreement (2019-2021) on a monthly basis. Where the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 50% of the annual cap at any time during the year, the president and chief financial officer will re-estimate the annual transaction amount immediately to determine if the annual cap will be exceeded, and will consider to implement appropriate measures; where the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 70% of the annual cap at any time during the year, the president and chief financial officer will seek advice from the audit committee of the Company and the Board will consider to take appropriate measures accordingly, including but not limited to the issue of any announcement for the increase of annual cap, if applicable. Based on the Company's business progress, the president and chief financial officer of the Company believe that a transacted amount equivalent to approximately 50% of the annual cap will generally complete delivery over the course of four to five months. Thus, it is reasonable for the president and chief financial officer of the Company to re-evaluate the annual transaction amount only when the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 50% of the annual cap;
- (iii) the audit and supervisory department of the Company will monitor the effectiveness and adequacy of internal control measures, and will report their review results to the audit committee of the Company regularly;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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- (iv) the independent non-executive Directors and auditors of the Company will perform annual review on the continuing connected transactions and provide annual confirmation in accordance with the Listing Rules, to confirm that the transactions are entered into in accordance with normal commercial terms and relevant regulatory agreements; and
- (v) the Company will engage a professional organisation to evaluate the internal control in respect of the continuing connected transactions and provide advice and suggestions to the Board. The Company will improve the internal control mechanism for continuing connected transactions based on its professional opinions.

As stated in the Letter from the Board, the Board believes that the above monitoring measures are reasonable and could prevent the occurrence of similar incidents to the greatest extent possible. It is believed that the Company will be able to identify early any possibility of exceeding annual caps in a timely manner by (i) raising awareness amongst employees of compliance with relevant internal control procedures of continuing connected transactions through trainings; and (ii) having the audit and supervisory department and the audit committee of the Company to monitor the effectiveness and adequacy of such internal control measures. In addition, the president and chief financial officer of the Company will reconsider immediately whether the transaction amount for the year will exceed the annual cap when the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 50% of the annual cap during the year, and seek advice from the audit committee and the Board as to whether appropriate measure shall be adopted when the accumulated transacted amount and the estimated amount in the next month in aggregate reaches 70% of the annual cap during the year, including but not limited to publishing announcements for the increase of annual caps. This allows the Company sufficient buffer time to re-evaluate the sufficiency of the existing approved annual cap based on its business needs and if insufficient, to comply with applicable requirements under the Listing Rules.

As the Company will implement the aforesaid internal control measures, including monitoring the amount of the Connected Sales, we consider that the additional measures to be imposed will strengthen the internal controls of the Connected Sales so as to safeguard the interests of the Independent Shareholders.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISORS

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the Connected Sales are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms; (ii) the Connected Sales that will be subject to the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole; and (iii) the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Revised Annual Caps and we recommend the Independent Shareholders to vote in favour of the relevant resolution in this regard.

Yours faithfully,

For and on behalf of

**Challenge Capital  
Management Limited**

**Jackson Woo**  
*Managing Director*

**China Tonghai Capital  
Limited**

**Noelle Hung**  
*Managing Director*

*Mr. Jackson Woo is a Director of Challenge Capital and is licensed under the SFO as a Responsible Officer to carry out, among others, Type 6 (advising on corporate finance) regulated activity and has approximately 20 years of experience in corporate finance.*

*Ms. Noelle Hung is a Director of Tonghai Capital and is licensed under the SFO as a Responsible Officer to carry out, among others, Type 6 (advising on corporate finance) regulated activity and has approximately 20 years of experience in corporate finance.*

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that there are no other matters the omission of which would make any statement herein or this circular misleading.

**DISCLOSURE OF INTERESTS****1. Directors', supervisors' and chief executive's interests in shares**

Save as disclosed below, as at the Latest Practicable Date, according to information available to the Company, none of the Directors or chief executive of the Company has any interest or short position in the Shares, convertible securities, warrants, options or derivatives, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Long position:

| Name of Director             | Capacity         | Share Category | Number of Shares | As a Percentage of Total Number of A Shares | As a Percentage of Total Share Capital |
|------------------------------|------------------|----------------|------------------|---|--|
| Mr. Wu Gang <sup>1</sup>     | Beneficial owner | A Shares       | 62,138,411       | 1.80%                                       | 1.47%                                  |
| Mr. Cao Zhigang <sup>2</sup> | Beneficial owner | A Shares       | 12,343,283       | 0.36%                                       | 0.29%                                  |
| Mr. Wang Haibo <sup>3</sup>  | Beneficial owner | A Shares       | 672,100          | 0.02%                                       | 0.02%                                  |

Notes:

1. Mr. Wu Gang is the chairman and an executive Director of the Company.
2. Mr. Cao Zhigang is an executive Director and the president of the Company.
3. Mr. Wang Haibo is an executive Director and the executive vice president of the Company.

## 2. Substantial shareholders' and other persons' interests in shares

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons had an interest and short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO:

### A Shares:

| Name of Shareholder                             | Share Category | Number of<br>Shares Held | As a Percentage of<br>Total Number<br>of A Shares | As a Percentage of<br>Total Share<br>Capital |
|---|----------------|--------------------------|---|--|
| Xinjiang Wind Power <sup>1</sup>                | A Shares       | 581,548,837              | 16.85%  | 13.76%                                       |
| Hexie Health Insurance Co.,<br>Ltd.             | A Shares       | 570,585,542              | 16.53%  | 13.50%                                       |
| China Three Gorges New<br>Energy <sup>2,3</sup> | A Shares       | 1,026,557,754            | 29.74%  | 24.30%                                       |
| China Three Gorges <sup>4</sup>                 | A Shares       | 1,026,557,754            | 29.74%  | 24.30%                                       |

### Notes:

1. Mr. Gao Jianjun, a non-executive Director of the Company, is the chairman of the board of Xinjiang Wind Power. Mr. Luo Jun and Ms. Xiao Hong, being supervisors of the Company, are employees of Xinjiang Wind Power.
2. China Three Gorges New Energy directly holds 445,008,917 A Shares in the Company. China Three Gorges New Energy holds 43.33% of shares of Xinjiang Wind Power. Under the SFO, besides directly holding interests in the Company, China Three Gorges New Energy is deemed to be interested in the 581,548,837 A Shares held by Xinjiang Wind Power.
3. Mr. Lu Hailin, a non-executive Director of the Company, is the chief accountant and general counsel and secretary of the board of China Three Gorges New Energy. Mr. Han Zongwei, a supervisor of the Company, is an employee of China Three Gorges New Energy.
4. China Three Gorges is the holding company of China Three Gorges New Energy. Under the SFO, China Three Gorges New Energy is deemed to be interested in the 581,548,837 A Shares held by Xinjiang Wind Power and the 445,008,917 A Shares directly held by China Three Gorges New Energy.

**H Shares:**

(L) – Long Position, (S) – Short Position, (P) – Lending Pool

| Name of Shareholder  | Capacity                              | Number of<br>Shares Held | As a Percentage of |                        |
|----------------------|---------------------------------------|--------------------------|--------------------|------------------------|
|                      |                                       |                          | of H Shares        | Total Share<br>Capital |
| Schroders Plc        | Investment manager                    | 105,709,848 (L)          | 13.67%             | 2.50%                  |
| BlackRock, Inc.      | Interest of controlled<br>corporation | 44,224,912 (L)           | 5.72%              | 1.05%                  |
|                      |                                       | 1,141,800 (S)            | 0.15%              | 0.03%                  |
| JPMorgan Chase & Co. | Interest of controlled<br>corporation | 12,714,271 (L)           | 1.64%              | 0.30%                  |
|                      |                                       | 7,427,581 (S)            | 0.96%              | 0.18%                  |
| Citigroup Inc.       | Approved lending agent                | 51,931,315 (L,P)         | 6.71%              | 1.23%                  |
|                      | Interest of controlled<br>corporation | 27,071,337 (L)           | 3.50%              | 0.64%                  |
|                      |                                       | 26,926,267 (S)           | 3.48%              | 0.64%                  |
|                      | Approved lending agent                | 39,969,572 (L,P)         | 5.16%              | 0.95%                  |

Other than the information disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no other person (excluding the Directors, supervisors and chief executive of the Company) had interests or short positions in the securities of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors nor supervisors of the Company had any existing or proposed service contract with the Company or any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

**COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interest in a business which competes or is likely to compete directly or indirectly with any business of the Group.

**DIRECTORS' OR SUPERVISORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS**

None of the Directors nor supervisors of the Company had any interest in any assets which has been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors nor supervisors of the Company is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

**MATERIAL ADVERSE CHANGE**

As at the Latest Practicable date, the Directors confirmed that there was not any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited reports of the Company were made up).

**PROFESSIONAL ADVISORS**

The followings are the qualifications of the professional advisors who have given opinion or advice contained in this circular:

| <b>Name</b>       | <b>Qualification</b>  |
|-------------------|---|
| Challenge Capital | A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| Tonghai Capital   | A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO  |

As at the Latest Practicable Date, Challenge Capital and Tonghai Capital did not have any shareholding, direct or indirect, in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Challenge Capital and Tonghai Capital did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, Challenge Capital and Tonghai Capital had given and had not withdrawn their written consent to the issue of this Circular with the inclusion of its letter and references to its name and opinions in the form and context in which they were included.

The letter and recommendation given by Challenge Capital and Tonghai Capital are given as of the date of this circular for incorporation herein.

#### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Morrison & Foerster at 33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours on any business day for a period of 14 days from the date of this circular:

- (a) the letter from the Independent Board Committee dated 4 December 2020, the text of which is set out on pages 16 to 17 of this circular;
- (b) the letter from Challenge Capital and Tonghai Capital dated 4 December 2020, the text of which is set out on pages 18 to 39 of this circular;
- (c) the consent letter from Challenge Capital and Tonghai Capital referred to in the paragraph headed "Professional Advisor" in this Appendix; and
- (d) the Product Sales Framework Agreement (2019-2021) entered into by the Company on 26 October 2018 with China Three Gorges Renewables (Group) Co., Ltd. and Xinjiang Wind Power Co., Ltd., respectively.

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## SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

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**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**

## SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

**REFERENCE IS MADE** to the notice (the “**Notice**”) of Extraordinary General Meeting of Xinjiang Goldwind Science & Technology Co., Ltd. (the “**Company**”) dated 6 November 2020, which sets out the time and venue of the Extraordinary General Meeting of the Company (the “**EGM**”) and contains the details of the resolutions to be proposed at the EGM for the consideration and approval of shareholders of the Company (the “**Shareholders**”).

Pursuant to the provisions of the Articles of Association of the Company, when a general meeting is held, Shareholders who individually or together hold more than 3% of the shares of the Company are entitled to put forward temporary proposals to the Company. Therefore, China Three Gorges New Energy, a Shareholder of the Company, who directly held 445,008,917 A Shares of the Company as at the Latest Practicable Date, put forward a temporary proposal and submitted it in writing to the convener of the EGM. According to the provisions of the relevant laws and regulations and the Articles of Association of the Company, the above-mentioned temporary proposal will be submitted at the EGM of the Company for consideration.

In addition, as of 20 days prior to the EGM, based on the reply slips received by the Company from the Shareholders, the number of voting shares represented by the Shareholders who intend to attend the EGM did not exceed half of the Company's total number of shares with voting rights. Pursuant to Article 8.15 of the Articles of Association of the Company, it is required to notify the Shareholders again by way of announcement and it shall hold the meeting as scheduled.

\* *For identification purposes only*

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## SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

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In view of the above, the Company hereby announces supplemental details regarding the convening of the EGM as follows:

**SUPPLEMENTAL NOTICE IS HEREBY GIVEN** that the EGM, which will be held as scheduled at Conference Room, No. 8, Bo Xing Yi Road, Economic & Technological Development District, Beijing, the PRC at 2:30 p.m. on Tuesday, 22 December 2020, will consider, and if thought fit, pass the resolutions set out in the Notice as well as the following newly-added resolution as proposed to the board of directors of the Company (the “**Board**”) by China Three Gorges New Energy, a Shareholder of the Company (unless the context requires otherwise, terms used in this supplemental notice shall have the same meanings as defined in this circular):

### **ORDINARY RESOLUTION:**

1. To consider the motion on the proposed revision of annual caps for continuing connected transactions (H Share) for 2020 and 2021 under the Product Sales Framework Agreement (2019-2021).

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

4 December 2020

#### *Notes:*

1. A circular of the EGM detailing the above resolution has been despatched to the Shareholders on 4 December 2020.
2. This supplemental notice encloses a revised proxy form of EGM (the “**Revised Proxy Form of EGM**”) which sets out the above-mentioned resolution.

**IMPORTANT NOTICE: The Revised Proxy Form of EGM supersedes the proxy form of EGM which was enclosed with the notice of the Company dated 6 November 2020 in relation to the EGM (the “Original Proxy Form of EGM”) and has been despatched to the Shareholders. Shareholders who have duly completed and returned the Original Proxy Form of EGM shall note that the Original Proxy Form of EGM is no longer applicable to the EGM.**

Shareholders who intend to appoint a proxy to attend the EGM and vote on the resolutions set out in the Notice and this circular are requested to complete and return the Revised Form of Proxy of EGM in accordance with the instructions printed thereon. To be valid, the Revised Proxy Form of EGM, together with the power of attorney or other authorization documents (if any), must be deposited not less than 24 hours before the time appointed for holding the EGM or any of its adjournments (as the case may be) at 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 for shareholders holding H Shares. Completion and return of the proxy form will not prevent you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

3. For particulars of other resolutions to be considered at the EGM, eligibility for attending the EGM, registration procedures for attending the EGM, closure of register of members and other matters regarding the EGM, please refer to the Notice of Extraordinary General Meeting of the Company dated 6 November 2020.