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Goldwind Australia Pty Ltd - Wind Tower Price Analysis

We refer to our engagement by Goldwind Australia Pty Ltd ("GWA") to prepare an analysis comparing estimated prices from various manufacturers for the production of wind turbines for use in the Gullen Range Wind Farm project.

Outlined below is a summary of the analysis and the conclusions that were reached in respect of this analysis.

Information provided

GWA put out a request for tender in relation to the manufacture of GW 100/2.5MW and GW 82/1.5MW towers for the Gullen Range Wind Farm project.¹ Various manufacturers provided GWA with quotations to secure the work for the Gullen Range Wind Farm project. The manufacturers included the following Chinese suppliers:

- TSP (the ultimate winner of the 2.5 MW tower contract);
- [Redacted]; and
- [Redacted]

And the following Australian suppliers:

- Keppel Prince Engineering ("KPE") (winner of the 1.5 MW tower contract); and²
- [Redacted]

¹ 56 towers with 2.5MW capacity and 17 towers with 1.5MW capacity were required.

² In relation to the 1.5 MW towers, we note that KPE reduced its initial quote after negotiation. Both the initial quote and the final price from KPE are included in our analysis.



GWA also provided the tender price received from a related party, [REDACTED] in relation to the 2.5 MW towers for the Gullen Range Wind Farm project,³ as well as prices for wind towers sold in relation to various Chinese domestic wind farm projects in 2012.⁴

Our analysis is therefore based upon price information and other data provided by GWA, as received by GWA from both related and third parties.

KPMG analysis

The data provided was compared and contrasted with the various quotations received from Chinese manufacturers and Australian manufacturers with Chinese domestic prices.

To perform our analysis, a number of adjustments were made to the data provided for both 2.5 MW and 1.5 MW specifications to ensure comparability between the estimated prices of Australian sourced wind towers, the Chinese sourced wind towers exported to Australia, and the Chinese manufactured wind towers that were sold in the domestic Chinese market. These comparability adjustments are described in detail below.

Comparability adjustments

Adjustments were made to the estimated prices of the wind towers received for different projects to ensure consistency when comparing the various data points. These include:

Tower heights/weights

The wind towers for Chinese domestic projects had different heights and weights when compared with the wind towers used for the Gullen Range Wind Farm project. As the main raw material used is steel, different weights mean that a different amount of steel is used in manufacturing the towers, which affects the tower cost. In order to eliminate the variation of tower weight, a calculation and comparison was undertaken for the wind towers based on price per ton basis to ensure comparability between the tower prices.

Exchange rate

The Chinese domestic prices provided were in RMB. Accordingly, the monthly average AUD/RMB exchange rate as published by the RBA was used to convert the price from RMB to AUD. The exchange rate used was the month in which the price was quoted, or where available the month in which the final contract was agreed. This adjustment was made to ensure that the prices of all the wind towers can be compared in the same currency.

³ We understand that the [REDACTED] is based on the TSP price, marked up to reflect additional value added services provided by [REDACTED]

⁴ The China domestic projects consist of both 2.5 MW and 1.5 MW towers with original currencies in Renminbi ("RMB"). This information was provided to enable a comparison to be made between the prices of Chinese manufactured wind towers sold in the domestic Chinese market and the prices of Chinese manufactured wind towers sold in Australia.



For example, in respect of the estimated price provided by [REDACTED] to GWA, the November 2012 AUD [REDACTED] exchange rate of [REDACTED] was used to construct a price in AUD.

Relevant price components

As the prices for the Chinese sourced wind towers did not include the cost of [REDACTED] this price component was excluded for all wind towers to ensure comparability when evaluating price comparisons.

In relation to the TSP quote, the price includes the transport cost to the port of loading to ensure it was valued at an ex-works price basis, which is comparable to the ex-works price provided for KPE.

The value-added-tax ("VAT") component is excluded from the constructed TSP price to ensure comparability with the other prices presented in the analysis. The Chinese domestic price was therefore discounted by 17% to eliminate the VAT component to ensure comparability.

Use of weighted average

The China domestic price is calculated as the weighted average of various bid prices, based on the number of towers in each project.

Results

Based on the above adjustments, we constructed the following prices per wind tower and per ton:

Table 1: Constructed prices for 2.5MW wind towers

AUD	Price per set	Price per ton
KPE Price (Initial Quote)	[REDACTED]	[REDACTED]
TSP --> GWA Price - Gullen Range	[REDACTED]	[REDACTED]
[REDACTED] > GWA Price - Gullen Range	[REDACTED]	[REDACTED]
China Domestic Bid Price (Wt. Av.)	[REDACTED]	[REDACTED]

Table 2: Constructed prices for 1.5MW wind towers

AUD	Price per set	Price per ton
KPE Price (Initial Quote)	[REDACTED]	[REDACTED]
KPE Price (After Negotiation)	[REDACTED]	[REDACTED]
TSP --> GWA Price - Gullen Range	[REDACTED]	[REDACTED]
China Domestic Bid Price (Wt. Av.)	[REDACTED]	[REDACTED]

Conclusion

The results of our comparability analysis indicate that the price per ton of the Chinese manufactured wind towers sold into the Australian market are higher than the price per ton of



the Chinese manufactured wind towers sold into the domestic Chinese market. For example, the TSP price per ton is [REDACTED] higher than the Chinese domestic price for the 2.5M wind towers and [REDACTED] higher for the 1.5M wind towers.

As the allegation of dumping from the Australian wind tower manufacturers against the Chinese manufactured wind towers was based on the argument that the prices of the Chinese manufactured wind towers in Australia were lower than the equivalent domestic Chinese prices, our analysis appears to provide evidence to refute those claims.

Disclaimer

Our advice is based on current law as at the date our advice is provided. You will appreciate that the law is frequently being changed, both prospectively and retrospectively. Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the customs legislation, case law, rulings and determinations issued by the Chief Executive Officer of Customs or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

These comments are made specifically in response to your request for advice on behalf of GWA. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or company other than GWA for any errors or omissions in the advice given, however caused.

Our analysis is based upon price information and other data provided by GWA. We disclaim any liability for advice based on incorrect or inaccurate information provided to us relating to GWA and its related entities.

Should you have any questions in relation to the information included in this letter please contact Leonie Ferretter on (02) 9455 9330 or Michael Smith on (03) 9288 5895.

Yours sincerely

Leonie Ferretter
Director

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Michael Smith
Director