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

If you have sold or transferred all your shares in China Suntien Green Energy Corporation Limited*, you should at once hand this circular and the relevant proxy forms and reply slips to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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China Suntien Green Energy Corporation Limited* 新天綠色能源股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 00956)

(1) PROPOSED ISSUANCE OF NEW H SHARES
(2) PROPOSED ISSUANCE OF DEBT FINANCING INSTRUMENTS IN THE PRC
(3) CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH THE GROUP FINANCE COMPANY
AND
(4) PROPOSED CHANGE OF THE PRC AUDITORS

A letter from the Board of China Suntien Green Energy Corporation Limited is set out on pages 5 to 26 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 27 and 28 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 49 of this circular.

The Company will convene the first Domestic Shareholders class meeting in 2013, the first H Shareholders class meeting in 2013 and the EGM in 2013 at 9:00 a.m., at 9:30 a.m., and at 10:00 a.m. respectively, on Tuesday, 8 October 2013 at the Jixian Hall, 5th Floor, Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC. Notices of the Domestic Shareholders class meeting, the H Shareholders class meeting and the EGM were issued on 23 August 2013, respectively.

If you intend to appoint a proxy to attend the Shareholders Class Meetings or the EGM, you are required to complete and return the accompanying proxy forms in accordance with the instructions printed thereon. For the H Shareholders, the proxy form should be returned to Computershare Hong Kong Investor Services Limited and for the Domestic Shareholders, the proxy form should be returned to the Company's registered office and headquarters in the PRC in person or by post but in any event not less than 24 hours before the time fixed for holding the Shareholders Class Meetings and the EGM or any adjourned meeting thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the Shareholders Class Meetings and the EGM or at any other adjourned meeting should you so wish.

If you intend to attend the Shareholders Class Meetings and the EGM in person or by proxy, you are required to complete and return the reply slip(s) to Computershare Hong Kong Investor Services Limited (for H Shareholders) or to the Company's registered office and headquarters in the PRC (for Domestic Shareholders) on or before Wednesday, 18 September 2013.

* For identification purpose only

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DEFINITIONS

In this circular, the following terms shall have the following meaning unless the context otherwise requires:

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| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors of the Company |
| “CBRC” | China Banking Regulatory Commission (中國銀行業監督管理委員會) |
| “Company” | China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司), a joint stock company incorporated in the PRC with limited liability on 9 February 2010, and its H Shares are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “continuing connected transaction” | has the meaning ascribed to it in the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it in the Listing Rules |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Deposit Service” | deposit service provided to the Group by the Group Finance Company pursuant to the Financial Services Framework Agreement, which constitutes a continuing connected transaction subject to the reporting, announcement and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, and a discloseable transaction subject to reporting and announcement requirements, but exempt from shareholders’ approval requirement under Chapter 14 of the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in RMB by PRC citizens and/or PRC incorporated entities |
| “Domestic Shareholder(s)” | registered holder(s) of the Domestic Share(s) |

DEFINITIONS

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| “EGM” | the first extraordinary general meeting for the year 2013 to be held by the Company at the Jixian Hall, 5th Floor, Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC on Tuesday, 8 October 2013 in relation to matters referred to in this circular |
| “Financial Services Framework Agreement” | Financial Services Framework Agreement dated 16 August 2013 entered into between the Company and the Group Finance Company |
| “Group” | the Company and its subsidiaries |
| “Group Finance Company” | HECIC Group Finance Company Limited (河北建投集團財務有限公司), a limited liability company established in PRC, a non-banking financial institution under the supervision of the CBRC, and a wholly-owned subsidiary of HECIC |
| “HECIC” | Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司), a wholly state-owned enterprise incorporated in the PRC, and one of the promoters and the controlling shareholder of the Company, primarily engaging in the investment in and development of projects in the foundation industries, infrastructures and pillar industries of Hebei Province, including energy, transportation, water supply and commercial real estate etc. |
| “HECIC Water” | HECIC Water Investment Co., Ltd. (河北建投水務投資有限公司), a wholly-owned subsidiary of HECIC, and one of the promoters and the substantial shareholder of the Company |
| “HKD” or “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “H Share(s)” | overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange |
| “H Shareholder(s)” | registered holder(s) of the H Share(s) |

DEFINITIONS

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|---|---|
| “Independent Board Committee” | an Independent Board Committee comprising all independent non-executive Directors, namely Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew, in order to advise the Independent Shareholders in respect of the terms of the Deposit Service and proposed caps |
| “Independent Financial Adviser” or “Asian Capital” | Asian Capital (Corporate Finance) Limited |
| “Independent Shareholders” | Shareholders of the Company other than HECIC, HECIC Water and their associates |
| “Latest Practicable Date” | 29 August 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular |
| “Loan Service” | loan and entrusted loan service provided to the Group by the Group Finance Company pursuant to the Financial Services Framework Agreement, which constitutes a continuing connected transaction exempt from reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time |
| “NAFMII” | National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) |
| “Other Financial Services” | other financial services provided to the Group by the Group Finance Company pursuant to the Financial Services Framework Agreement, including bill discounting and acceptance services, finance lease services and settlement services and other services approved by the CBRC, which constitute continuing connected transactions exempt from reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules |
| “Placing Share(s)” | H Share(s) to be issued in the share capital of the Company under the Proposed Placing |
| “PBOC” | The People’s Bank of China (中國人民銀行), the central bank of the PRC |

DEFINITIONS

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| “PRC” | The People’s Republic of China and, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan |
| “Proposed Placing” | the proposed placing(s) of no more than 476,725,396 new H Shares (based on the total number of H Shares issued as at the Latest Practicable Date) to qualified overseas institutional investor(s) and other qualified investor(s) which are to be listed on the Stock Exchange |
| “Reanda” | Reanda Certified Public Accountants (利安達會計師事務所) |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SASAC” | State-owned Assets Supervision and Administration Commission of the People’s Government of Hebei Province (河北省人民政府國有資產監督管理委員會) |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| “Shares” | Domestic Share(s) and H Share(s) |
| “Shareholders Class Meetings” | the respective class meetings of the H Shareholders and the Domestic Shareholders to be held by the Company at the Jixian Hall, 5th Floor, Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC on Tuesday, 8 October 2013 in relation to matters referred to in this circular |
| “Shareholder(s)” | registered holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiaries” | has the meaning ascribed to it in the Listing Rules |
| “Supervisor(s)” | supervisor(s) of the Company |
| “U.S.” | the United States of America |
| “Zhong Lei” | Zhong Lei Certified Public Accountants Co., Ltd. (中磊會計師事務所有限公司) |
| “%” | percentage |

LETTER FROM THE BOARD



China Suntien Green Energy Corporation Limited*
新天綠色能源股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 00956)

Board of Directors:

Non-executive Directors:

Mr. Zhao Hui Ning
Mr. Xiao Gang (*Vice Chairman*)
Mr. Ma Guo Qing (*Vice Chairman*)

Registered Office and Headquarters:

9th Floor, Block A, Yuyuan Plaza
No. 9 Yuhua West Road
Shijiazhuang City
Hebei Province
PRC

Executive Directors:

Dr. Cao Xin (*Chairman*)
Mr. Gao Qing Yu (*President*)
Mr. Wang Hong Jun
Mr. Zhao Hui (*Vice President*)

Principal place of business in Hong Kong:
Suite 2103, 21st floor, Prudential Tower
The Gateway, Harbour City
Kowloon, Hong Kong

Independent Non-executive Directors:

Mr. Qin Hai Yan
Mr. Ding Jun
Mr. Wang Xiang Jun
Mr. Yue Man Yiu Matthew

5 September 2013

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ISSUANCE OF NEW H SHARES**
(2) PROPOSED ISSUANCE OF DEBT FINANCING INSTRUMENTS IN THE PRC
(3) CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH THE GROUP FINANCE COMPANY
AND
(4) PROPOSED CHANGE OF THE PRC AUDITORS

I. INTRODUCTION

Reference is made to the announcements of the Company dated 16 August 2013 and 22 August 2013 relating to the following matters:

- (a) The Board has approved the proposed issuance of no more than 476,725,396 new H Shares, representing no more than 35.0% of the total issued 1,362,279,000 H Shares and no more than 14.7% of the total issued 3,238,435,000 Shares,

* For identification purpose only

LETTER FROM THE BOARD

including Domestic Shares and H Shares, in each case as at 16 August 2013. The issuance of the Placing Shares and other relevant issues will be subject to the approvals by certain authorities, including the CSRC and the SASAC, as well as the approvals of the Shareholders at the Shareholders Class Meetings and the EGM by way of special resolutions;

- (b) On 16 August 2013, the Company and the Group Finance Company entered into the Financial Services Framework Agreement, pursuant to which the Group will, on a voluntary and non-compulsory basis, use the financial services provided by Group Finance Company, including (i) the Deposit Service, (ii) the Loan Service and (iii) Other Financial Services. According to the Listing Rules, each financial service (including the Deposit Service) under the Financial Services Framework Agreement constitutes a continuing connected transaction of the Company, and the Deposit Service also constitutes a discloseable transaction of the Company and is subject to Independent Shareholders' approval at the EGM; and
- (c) The Company has received the resignation of Zhong Lei as the PRC auditors of the Company for the year 2013 and the Board proposes to, subject to the Shareholders' approval at the EGM, appoint Reanda as the PRC auditors of the Company for the year 2013 for a term up to the conclusion of the 2013 annual general meeting of the Company.

Further, in order to strengthen capital operation by best leveraging the bond market in the PRC, and to reduce the finance costs of the Company, the Company proposes to issue debt financing instruments in the PRC by private placement with an aggregate principal amount of up to RMB1 billion. The proposed issuance of debt financing instruments is subject to Shareholders' approval at the EGM.

This circular aims to provide you with, among others, (i) further information on the proposals of the Proposed Placing, the proposed issuance of debt financing instruments, the Financial Service Framework Agreement and the proposed caps of the Deposit Service, and the change of the PRC auditors for the year 2013; (ii) the letter of recommendation from the Independent Board Committee in respect of the Financial Services Framework Agreement and the proposed caps of the Deposit Service; (iii) the letter of advice from the Independent Financial Adviser in respect of the Financial Services Framework Agreement and the proposed caps of the Deposit Service, together with other information as required by the Listing Rules, to enable you to make an informed decision to vote for or against the relevant resolutions at the Shareholders Class Meetings and the EGM (as the case may be).

II. PROPOSAL TO ISSUE THE PLACING SHARES

1. The Proposed Placing

In order to further develop the clean energy business of the Company which mainly comprises of the wind power generation and natural gas businesses and to strengthen the Company's leading industry position, the Company proposes to issue the Placing Shares. The Company considers that the Proposed Placing represents an opportunity to raise capital for the Company while broadening its shareholder base and optimizing its capital structure. Accordingly, the Directors are of the view that the

LETTER FROM THE BOARD

Proposed Placing is in the interests of the Company and its Shareholders as a whole, and the Board has approved the Proposed Placing on 16 August 2013 (subject to all necessary regulatory and Shareholders' approvals).

The Proposed Placing will be subject to the approvals by the relevant PRC authorities, including the CSRC and the SASAC, as well as the approvals of the Shareholders at the Shareholders Class Meetings and the EGM by way of special resolutions.

Details of the Proposed Placing are as follows:

1.1 Class of Shares

The Placing Shares are new H Shares and shall rank pari passu with the existing H Shares and, save as otherwise provided for in applicable laws, rules and regulations and the articles of association of the Company, will rank pari passu with the existing Domestic Shares in all respects.

1.2 Nominal value of each Placing Share

The nominal value of each Placing Share is RMB1.00.

1.3 Size of issuance

As at the date of this circular, the existing general mandate granted by the Shareholders at the last annual general meeting of the Company held on 6 June 2013 has not been utilised.

As the maximum number of the Placing Shares under the Proposed Placing exceeds the number of H Shares which may be further allotted and issued under the existing general mandate, the Board has resolved to convene the Shareholders Class Meetings and the EGM to seek a special mandate from the Shareholders to issue no more than 476,725,396 new H Shares, representing no more than 35.0% of the total issued 1,362,279,000 H Shares and no more than 14.7% of the total issued 3,238,435,000 Shares, including Domestic Shares and H Shares, in each case as at the Latest Practicable Date. The size of issuance will be determined based on the issue price at the time of the issuance of the Placing Shares.

If there were any change to the share capital of the Company as a result of any dividend of Shares or capitalisation before the issuance, the maximum number of the Placing Shares to be issued will not be more than 35.0% of the total number of issued H Shares after the latest change.

1.4 Issuance method

Private placement to no less than six (6) and no more than ten (10) target investors.

LETTER FROM THE BOARD

1.5 Target investors

Target investors of the issuance of the Placing Shares shall be qualified institutional buyers outside the PRC as such term is defined under Rule 144A under the U.S. Securities Act of 1933, as amended and other qualified investors outside the PRC who are not U.S. persons as such term is defined under Regulation S under the U.S. Securities Act of 1933, as amended. Such qualified institutional buyers and other qualified investors shall be independent from the Company and its connected persons and shall not be a connected person (as defined under the Listing Rules) of the Company.

1.6 Pricing

1.6.1 The issue price of the Placing Shares will be determined by fully taking the interests of the Company and its existing Shareholders into account and in accordance with the international practice, regulatory requirements as well as international capital market conditions and shall not be issued at a discount of more than 20% to:

- (a) the closing price of H Shares on the date of the relevant placing agreement or other agreement involving the Proposed Placing; and
- (b) the average of the closing prices of H Shares during the five trading days immediately prior to the earliest of:
 - (i) the date of announcement to be published upon signing of the placing agreement or any other agreement involving the Proposed Placing;
 - (ii) the date of the placing agreement or any other agreement involving the Proposed Placing; and
 - (iii) the date on which the issue price is fixed.

1.6.2 Issue price per share shall not be less than the latest audited net asset value per share of the Company attributable to the equity shareholder.

1.6.3 The issue price should also be referenced to the trend of the market price of the H Shares prior to the issuance of the Placing Shares and the trading performance and trading multiples of comparable listed companies engaged in similar businesses before the issuance.

The proposed pricing mechanism of the Proposed Placing has been determined after due and careful consideration by the Directors, which is in line with market practice, and will taking into account the trading price of the H Shares, the performance and trading multiples of comparable listed companies in

LETTER FROM THE BOARD

the same industry, as well as the international capital market conditions prior to the issuance. The Directors are of the view that the proposed pricing mechanism is fair and reasonable and in the interests of the Shareholders as a whole.

The closing price of H Shares on 16 August 2013, the date on which the Board approved the Proposed Placing, was HK\$2.44 and the average of the closing prices of the H Shares during the five trading days immediately prior to 16 August 2013 was HK\$2.52. The closing price of H Shares on the Latest Practicable Date was HK\$2.24 and the average of the closing prices of the H Shares during the five trading days immediately prior to the Latest Practicable Date was HK\$2.22.

1.7 Use of proceeds

The net proceeds raised from the Proposed Placing will be used to fund the investment in the Company's wind farms and the development of the Company's natural gas businesses in the PRC, as well as to replenish the Company's working capital, to ensure the Company's continuous growth. In light of the Company's net gearing ratio (i.e. net liabilities divided by the sum of net liabilities and equity) which stood at 53.6% as of 30 June 2013, the Proposed Placing is expected to further optimise the Company's capital structure and reduce financing costs.

Assuming that all the 476,725,396 Placing Shares are issued under the Proposed Placing with an indicative placing price of approximately HK\$2.20 per new H Share (being the closing price of the H Share on 16 August 2013 with a discount of 10%), the expected gross proceeds of the Proposed Placing of the new H Shares will be approximately HK\$1,046.9 million. However, the actual gross proceeds of the Proposed Placing could only be determined upon signing of the placing agreement between the relevant parties.

Investors should note that the final amount of proceeds raised under the Proposed Placing may vary from the above estimate as the actual number of Placing Shares to be placed and the actual issue price will only be ascertained upon signing of the placing agreement between the relevant parties.

It is intended that the net proceeds from the Proposed Placing will be applied in the following manner:

- (i) approximately 70% to be used for investing in wind power generation projects in the PRC;
- (ii) approximately 20% to be used for developing the Company's natural gas businesses in the PRC, including but not limited to natural gas pipelines, city gas projects, liquefied natural gas project and compressed natural gas filling stations; and

LETTER FROM THE BOARD

- (iii) approximately 10% to be used for replenishing the Company's working capital.

The Company is in the progress of applying for the required regulatory approvals and certificates for some of its potential investment projects. Such approvals and certificates need to be obtained for the potential investment projects as a prerequisite to the CSRC application process, which in turn is a condition for the completion of the Proposed Placing. Once the potential investment projects are approved by the PRC regulators, the Company will invest in such projects using the net proceeds from the Proposed Placing. As the Company is confident to secure all PRC approvals and certificates for the investment projects as planned, the Company is seeking the shareholders' approval for the Proposed Placing at the EGM in order to make timely investments to carry out its business plans. It is expected that the Company will utilize the net proceeds of the Proposed Placing as contemplated under the proposed use of proceeds over a period of up to two years from the date of completion of the Proposed Placing.

1.8 Accumulated undistributed profit

The accumulated undistributed profit of the Company prior to the issuance of the Placing Shares shall be shared by all the Shareholders, including holders of the Placing Shares.

1.9 Validity period of the resolutions of Shareholders' meetings

The resolutions of Shareholders' meetings in respect of the issuance of the Placing Shares will be valid for 12 months from the date on which the resolutions are passed at the Shareholders Class Meetings and the EGM, or any adjournment thereof.

The Proposed Placing is subject to approval from the SASAC and the CSRC in the PRC. In particular, the Company is required to obtain the following approvals and certificates as a prerequisite to the CSRC application process:

- (i) approvals from local provincial reform and development commission where the potential investment projects are located;
- (ii) certificates of tax payment of the Company and all of its subsidiaries from the local tax bureaus at district or country level;
- (iii) approvals for environmental impact assessment from local provincial environmental bureau where the potential investment projects are located; and
- (iv) certificates of environmental compliance from the local environmental bureaus at country level or above where the potential investment projects are located.

LETTER FROM THE BOARD

Based on the Company's experience, it is estimated that the whole approval process will take at least five to seven months.

Upon obtaining all requisite approvals, the Company intends to launch the Proposed Placing when there is a suitable market window to maximize the interests of the Shareholders. Subject to the abovementioned approval process and the market conditions, the Company is of the view that a validity period of 12 months after the EGM for the specific mandate is fair and reasonable and in the interests of the Shareholders.

1.10 Matters relating to authorisation in connection with the issuance of the Placing Shares

To ensure the smooth implementation of the Proposed Placing, a special resolution will be proposed at the Shareholders Class Meetings and the EGM to authorise the Board, and the Board will then delegate its authority to the executive Directors Dr. Cao Xin, Mr. Gao Qing Yu and Mr. Zhao Hui, to exercise full power, individually or jointly, to handle matters relating to the issuance of the Placing Shares under the framework and principles as approved by the Shareholders at the Shareholders Class Meetings and the EGM, or any adjournment thereof, and within the validity period of the Shareholders' resolutions in respect of the issuance of the Placing Shares, including but not limited to those set out below:

- 1.10.1 submit all the applications, reports and other documents in relation to the issuance of the Placing Shares to the relevant PRC and overseas authorities and deal with all the procedures to obtain and/or procure all the relevant approvals and registration;
- 1.10.2 engage professional intermediaries and sign relevant engagement letters;
- 1.10.3 pursuant to the terms and principles as approved by the Shareholders at the Shareholders Class Meetings and the EGM, determine the timing of the issuance, number of Placing Shares to be issued, target investors and issue price as well as other specific arrangements for the purpose of implementation of the issuance of the Placing Shares;
- 1.10.4 appropriately amend the articles in relation to registered capital and share structure in the articles of association of the Company according to the result of the issuance of Placing Shares and deal with the registration procedure for the change of registered capital and the amendments to the articles of association of the Company;
- 1.10.5 do any and all acts as they think necessary, fit or appropriate for the purpose of the issuance of Placing Shares, or carry out or authorize to carry out any and all matters as they think necessary, fit or

LETTER FROM THE BOARD

appropriate for the purpose of the issuance of Placing Shares (including affixing company seal on relevant documents or agreements), or make any relevant arrangement; and

- 1.10.6 for the purpose of any of the above matters, propose to the general meeting to confirm, approve and authorize the Board and the authorized persons of the Board (Dr. Cao Xin, Mr. Gao Qing Yu and Mr. Zhao Hui) to authorize other persons in writing to implement the specified work within the scope of authorization aforementioned.

The Proposed Placing will be submitted to the Shareholders Class Meetings and the EGM for consideration and approval. The application of the issuance of the Placing Shares shall be made to the Stock Exchange for the listing of, and permission to deal in, such H Shares on the Stock Exchange.

The Shareholders and potential investors should be aware that the Proposed Placing is subject to the obtaining of various approvals as set out above, as well as various factors including market conditions, and therefore the Proposed Placing may or may not proceed. Accordingly, you are advised to exercise caution when dealing in the Shares.

2. CHANGES TO THE SHARE CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING THE ISSUANCE OF THE PLACING SHARES

Upon issuance of the Placing Shares, there would be an increase in the number of H Shares held by the public. As the maximum number of the Placing Shares to be issued under the Proposed Placing exceeds the number of H Shares which may be further allotted and issued under the existing general mandate, the Board resolved to convene the Shareholders Class Meetings and the EGM to seek the grant of a specific mandate from the Shareholders to issue no more than 476,725,396 new H Shares, representing no more than 35.0% of the total issued 1,362,279,000 H Shares and no more than 14.7% of the total issued 3,238,435,000 Shares, including Domestic Shares and H Shares, in each case as at the Latest Practicable Date. If there were any change to the share capital of the Company as a result of any dividend of Shares or capitalisation before the issuance, the maximum number of the Placing Shares to be issued will not be more than 35.0% of the total number of issued H Shares after the latest change.

For reference and illustrative purposes only, the tables below set out the possible changes in the Company's share capital and shareholding structure under the following scenarios. Certain amounts and percentage figures included in the below table have been subject to rounding adjustments, and any discrepancies in any table between the total shown and the sum of the amounts listed are due to rounding.

LETTER FROM THE BOARD

2.1 As at the Latest Practicable Date:

| | Number of Shares | As a percentage of total issued of Shares |
|--|-----------------------------|--|
| Existing Domestic Shareholders (namely HECIC and HECIC Water) | 1,876,156,000 | 57.9% |
| Existing H Shareholders | <u>1,362,279,000</u> | <u>42.1%</u> |
| Total | <u><u>3,238,435,000</u></u> | <u><u>100%</u></u> |

2.2 Immediately after the completion of the full exercise of the specific mandate to issue 35.0% of the total H Shares:

| | Number of Shares | As a percentage of total issued of Shares |
|--|-----------------------------|--|
| Existing Domestic Shareholders (namely HECIC and HECIC Water) | 1,876,156,000 | 50.5% |
| Existing H Shareholders | 1,362,279,000 | 36.7% |
| Holder of the newly issued H Shares | <u>476,725,396</u> | <u>12.8%</u> |
| Total | <u><u>3,715,160,396</u></u> | <u><u>100%</u></u> |

3. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activities by way of issue of equity securities in the past 12 months before the Latest Practicable Date.

III. PROPOSED ISSUANCE OF DEBT INSTRUMENTS

In order to satisfy the needs of funding for the two major business segments of the Group, the Company intends to issue debt financing instruments by private placement with an aggregate principal amount of up to RMB1 billion, proceeds of which will be used for the construction of wind power project. Details of the proposed issuance are as follows:

- (1) Amount to be registered: RMB1 billion
- (2) Term: Five years and can be optionally extended for the other two years, i.e. the instruments will either be repaid or extended for two years upon its five-year maturity at the option of the issuer

LETTER FROM THE BOARD

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| (3) Date of issuance: | To be issued within the valid term, being two years after registration with the NAFMII, in one batch or revolving batches |
| (4) Issue price: | To be issued at par (RMB100) and to be subscribed at multiples of RMB10 million |
| (5) Issue method: | Through book building, centralized placement |
| (6) Coupon rate: | Determined with reference to the actual term and the market capital, and based on the weekly rate announced by the NAFMII. Coupon rate shall not higher than 90% of the base lending rate for long term loans announced by the PBOC. Actual coupon rate shall be as determined in the announcement in respect of such issue |
| (7) Target investors: | Institutional investors participating in the National Inter-bank Bond Market (excluding investors prohibited by state laws and regulations) |
| (8) Underwriter and method of underwriting: | An underwriting syndicate organized by underwriters, with the lead underwriter to underwrite the outstanding balance |
| (9) Payment of interest and principal: | The interest will be paid in simple rate, and principal and interest will be repaid upon maturity |
| (10) Guarantee: | No guarantee |
| (11) Use of proceeds: | Including but not limited to the adjustment to debt structure and used for the Company's working capital in wind power generation business |
| (12) Mandate validity period: | 24 months from the date of approval at the EGM |

To ensure successful completion of the issue and listing of the debt financing instruments, it is proposed at the EGM to generally and unconditionally authorize the Board and its authorized persons in appropriate circumstances, pursuant to the applicable laws, regulations and market conditions to deal with all such matters relating to the registration and issue of the aforementioned debt financing instruments for the best interest of the Company, including but not limited to:

- (a) to determine and adjust, according to the actual needs of the Company and market conditions prevailing at the time of issue, the issue timing, the issue scale, the issue method, the batches to be issued and the interval of interest rate;
- (b) to approve, amend, execute and announce (if applicable) such agreements, announcements, circulars and all the other requisite documents (including but not limited to, reports issued by the Company, the prospectus, the underwriting agreement, the engagement letters entered into with the relevant qualified professional agents, the registration and deposit agreement and all the related announcements); and

LETTER FROM THE BOARD

- (c) to delegate the authorization mentioned in items (a) and (b) above to the authorized person of the Board of the Company.

Subject to the Shareholders' approval at the EGM, the Company shall apply for registration with NAFMII and circulation of the issued debt financing instruments in the inter-bank bond market after the issue of such debt financing instruments.

In order to execute the Company's business and investment plans and achieve its business objectives, the Company continues to identify potential projects to be developed in the near future. For each of such projects, the Company completes substantial feasibility studies, in which it assesses the total investment, development timetable, as well as the anticipated economic benefits of the project, in line with industry practice. The Company will then determine the development plan and financing plan of the projects, with an aim to maximizing economic returns while optimizing the allocation of resources. Currently, the Company does not have any specific acquisition targets in relation to the natural gas and wind power generation businesses. However, the Company will continue to evaluate potential acquisition opportunities and is prepared to contemplate investment on acquisitions, should the potential targets fulfill the Company's investment criteria and are aligned with its business strategies.

The Company intends to fund its capital needs to support continuous growth while optimizing its capital structure and reducing financing costs. It plans to achieve such objectives by taking various financing channels available to it into consideration, including but not limited to both equity and debt financing. The Proposed Placing will help optimise the Company's capital structure by reducing leverage and financing costs while the proposed debt issuance will provide further financing for the Company without further diluting the stake of the existing Shareholders. Taking into consideration of the capital needs of the Company, the Directors are of the view that the proposed issuance of the RMB1 billion and the Proposed Placing are fair and reasonable means to raise capital of the Company.

IV. THE CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

1. Background

On 16 August 2013, the Company and the Group Finance Company entered into the Financial Services Framework Agreement, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilize the financial services provided by the Group Finance Company, including (i) the Deposit Service, (ii) the Loan Service and (iii) Other Financial Services.

2. Financial Services Framework Agreement

Date

16 August 2013

LETTER FROM THE BOARD

Parties

The Company and the Group Finance Company

Major terms

The Group Finance Company will provide financial services to the Group pursuant to the Financial Services Framework Agreement, including (i) the Deposit Service, (ii) the Loan Service and (iii) Other Financial Services.

Under the Financial Services Framework Agreement, the Group Finance Company has undertaken to the Company that whenever it provides financial services to the Group, the terms thereof shall neither be less favorable than those offered to other members of HECIC, nor be less favorable than those offered by any commercial banks or other financial institutions for comparable services.

The Group will utilize the financial services of the Group Finance Company on a voluntary and non-compulsory basis and is not obliged to engage the Group Finance Company for any particular service.

The Group Finance Company may, from time to time, enter into separate individual financial service agreements with the Group for the provision of specific financial services, provided that the principles as agreed in the Financial Services Framework Agreement shall be followed.

Pricing Policy

Fees and charges payable by the Group to the Group Finance Company under the Financial Services Framework Agreement are determined on the following basis:

- (1) Deposit Service: interest rates shall not be lower than (i) the lower limits of the interest rates promulgated by the PBOC from time to time for the same category of deposits; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of deposits; and (iii) the interest rates offered to the Group by commercial banks for the same category of deposits, whichever is higher.
- (2) Loan Service: interest rates shall not be higher than (i) the upper limits of the interest rates promulgated by the PBOC from time to time for the same category of loans; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of loans; and (iii) the interest rates offered to the Group by commercial banks for the same category of loans, whichever is lower.

LETTER FROM THE BOARD

- (3) Other Financial Services: the interests or service fees charged for Other Financial Services shall (i) comply with the standard rates as promulgated by the PBOC or the CBRC from time to time (if applicable); (ii) not be higher than the interests or service fees charged by commercial banks for comparable services; and (iii) not be higher than the interests or service fees charged by the Group Finance Company for comparable services to other members of HECIC.

Term

The Financial Services Framework Agreement will take effect from the date on which the Independent Shareholders' approval for the Financial Services Framework Agreement (including the proposed caps of the Deposit Service) is obtained and will remain valid until 31 December 2015.

The term of any separate individual financial service agreement between the Group and the Group Finance Company in accordance with the Financial Services Framework Agreement shall not exceed the term of the Financial Services Framework Agreement.

3. Proposed caps and basis of determination

Proposed caps

There has been no historical transaction between the Company and the Group Finance Company with respect to the provision of any financial services by the Group Finance Company to the Company.

For the purpose of the Deposit Service under the Financial Services Framework Agreement, the Company estimates that the maximum daily balance of the deposits placed with the Group Finance Company by the Group for each of the three years ending 31 December 2013, 2014 and 2015 is as follows:

| Period | Maximum daily balance of the Deposit Service RMB (in million) |
|--|--|
| Period from effective date to 31 December 2013 | 1,000 |
| Year ending 31 December 2014 | 1,150 |
| Year ending 31 December 2015 | 1,350 |

Basis of determination of the proposed caps

The proposed caps are estimated from the unrestricted funds of the Group in the PRC, which is the balance of all cash and cash equivalent and total balance of other financial assets excluding (1) the overseas unsettled funds, which are deposited outside the PRC; (2) the proceeds of issue of debt securities, which will

LETTER FROM THE BOARD

be utilized in capital expenditure and will not be deposited with the Group Finance Company; and (3) the restricted funds, which represent the entrusted payment funds and other funds pledged for receivables that must be placed with designated banks in the PRC.

In determining the above caps, the Directors have considered the following factors:

- fund management strategy of the Group, namely to benefit from the scale economy by centralizing its unrestricted funds in the PRC with higher liquidity in certain selected financial institutions, including the Group Finance Company;
- the year-end balances and proportions of restricted funds and unrestricted funds in the PRC of the Group in the past three years; and
- the increasing trend of deposit balances in respect of the restricted funds and the unrestricted funds in the PRC of the Group in the past three years.

The estimation of the proposed caps is based on the following assumptions:

- the growth rate of the deposit balances in respect of the restricted and unrestricted funds in the PRC, maintains at around 20% in 2013, which is based on the historical performance in the past three financial years ended 31 December 2010, 2011 and 2012 and the 6-month period ended 30 June 2013. Such balances represent the amount excludes the impact of the Company's financing activities. It is expected that the deposit balance will continue to increase in the second half of 2013 as a result of the increase of the Group's operational activities and, therefore, such annual growth rate will slightly increase to and remain at 23% for the two years ending 31 December 2014 and 2015.
- according to the historical financial data, the percentage of restricted funds over the deposit balances in respect of the restricted funds and unrestricted funds in the PRC is approximately 15%, and thus the Company expects that such percentage rate for restricted fund will remain at 15% for the three years ending 31 December 2013, 2014 and 2015.

LETTER FROM THE BOARD

4. Reasons for and benefits of entering into the financial services framework agreement

The Company entered into the Financial Services Framework Agreement with the Group Finance Company for the following key reasons:

- the interest rates of the Deposit Service and Loan Service and relevant handling fee of Other Financial Services offered by the Group Finance Company to the Group are the same as or more favorable than (on case by case basis) those interest rates or handling fees offered by any third party to the Group;
- the PRC laws prohibit direct intercompany loans among group companies (including subsidiaries and associated companies) other than legitimate financial institutions. Loans must be provided through a legitimate financial institution or agency. The Group Finance Company, regulated by the PBOC and the CBRC, is a non-banking financial institution authorized to provide various types of financial services, including deposit and loan services;
- the Group may utilize the Group Finance Company as a medium to allocate the funds between the members of the Group more effectively, increase the degree of liquidity of the Group's funds and enhance the overall solvency of the Group; and
- as the Group Finance Company is familiar with the Group's operation, it can provide service in a quicker and more efficient way than commercial banks in the PRC, from which the Group is expected to benefit.

The Directors also believe that the risk profile of the Group Finance Company, as a provider of financial services to the Company, is not any greater than those of independent commercial banks in PRC. The Directors have considered the following factors when assessing relevant financial risks:

- the Group Finance Company is regulated by the PBOC and the CBRC and it must comply with the relevant rules and operational requirements of the above regulatory authorities, including capital risks guidelines and requisite capital adequacy ratios, of the above regulatory authorities;
- the Group Finance Company has not defaulted on any of its credit obligations or (to the knowledge of the Company) breached any rule or operational requirement of the above regulatory authorities and has implemented stringent internal control and risk management measures;
- under the relevant rules of the PBOC and the CBRC, the clients of the Group Finance Company are restricted to HECIC and its subsidiaries (including the Group). The Group Finance Company Finance is hence exposed to a lower level of potential risk than the entities soliciting external clients;

LETTER FROM THE BOARD

- pursuant to the Financial Services Framework Agreement, if the Group is unable to collect any deposit and accrued interests placed with the Group Finance Company under the Financial Services Framework Agreement, the Group is entitled to offset the same with any unpaid loans and accrued interests payable to the Group Finance Company;
- pursuant to the Financial Services Framework Agreement, the Group Finance Company shall promptly notify the Company when any matter that may affect its ordinary operation occurs, including material structural change, credit ratings, equity transaction or operational risk, and the Company is entitled to suspend or terminate the services provided by the Group Finance Company;
- pursuant to the Financial Services Framework Agreement, the Group Finance Company shall (1) provide the Company with the copies of each regulatory report submitted to the CBRC by the Group Finance Company; (2) provide the Company with the financial statement of the Group Finance Company for the previous month on the tenth day of each month; and (3) provide the Company with a monthly statement containing the balance of deposits placed with the Group Finance Company by the Group on the third day of each month.

To secure shareholders' interests, the Company will apply the following internal control procedures and corporate governance measures for utilizing the financial services provided by the Group Finance Company:

- before the Company or any of its subsidiaries enter into any agreement in relation to the Deposit Service, Loan Service or Other Financial Services with the Group Finance Company, the Company will obtain at least three quotes from independent financial institutions for similar deposit and/or loan services of the same duration or any other service of the same nature (as the case may be). The Company will compare such quotes against the offer from the Group Finance Company and decide whether to take up the offer of the Group Finance Company;
- all borrowings from the Group Finance Company will be conducted in accordance with the terms approved by the president or the Board, as appropriate;
- when there is any change in the fees for the services provided by the Group Finance Company, or there will be transactions between the Group and the Group Finance Company, the Group Finance Company will provide the Company via email with the pricing information in relation to the comparable services it provides to other member companies of HECIC, and the relevant audit departments will verify or examine the updated pricing information;

LETTER FROM THE BOARD

- the financial department of the Company will closely monitor the transactions under the Financial Services Framework Agreement, and review the above regulatory report, monthly financial statement and monthly balance statement provided by the Group Finance Company immediately after receiving the same. Any problems identified will be immediately reported to the management and the Board;
- the financial department of the Company will, on a quarterly basis, report to the independent non-executive Directors the following items:
 - (i) the relevant transactions under the Financial Services Framework Agreement of each quarter together with information on the comparable quotes obtained from the independent commercial banks; and
 - (ii) any changes in the credit ratings of the Group Finance Company in each quarter.
- the Company will appoint external auditors to examine the internal controls, risk management, completeness and impartiality of the operational system of the Group Finance Company in respect of the transactions under the Financial Services Framework Agreement, and the auditors shall provide relevant risk management report to the Company on a yearly basis;
- the audit and regulatory department of the Company will review the appropriateness of the system of internal controls and report the results of the review to the management on a yearly basis;
- in the event of any changes in the credit ratings of the Group Finance Company during the term of the Financial Services Framework Agreement, such change shall be forthwith reported by the Group Finance Company to the Company; and
- the Group Finance Company undertakes that it will strictly comply with the risk monitoring indicators for finance companies issued by the CBRC, and the major monitoring indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.

For the above reasons, the Directors are of the view that the Financial Services Framework Agreement is entered into after arm's length negotiations and on normal commercial terms, and the terms of the transactions under such agreement and the proposed caps for the Deposit Service are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

5. General

Information of the Company and the Group

The Company is one of the leading clean energy companies in Northern China. Its scope of business includes investment in exploration and utilization projects of natural gas, coalbed methane and coal-based natural gas, etc.; investment in the development of new energy projects such as wind power and solar power, etc.; development of new energy technology and technical services. The Group is the largest distributor of natural gas in Hebei Province. Currently, the Group owns two long-distance natural gas transmission pipelines, four high pressure branch pipelines, 19 city gas projects, two CNG primary filling stations and two refilling stations. The sales volume of natural gas of the Group was 726 million cubic meters for the first half of 2013. As at 30 June 2013, the Group controlled and operated 23 wind farms, the consolidated installed capacity was 1,346.3MW and the attributable installed capacity was 1,193.6MW. In the first half of 2013, the gross power generation of the Group amounted to 1,610 million KWh. In addition, the Group operates a 1MW solar model project, which provides experience for industrialization of solar power generation in the future.

The Group Finance Company

The Group Finance Company is a non-banking financial institution regulated by the PBOC and the CBRC. Its scope of business includes: (i) arrangement of financial and financing advisory, credit authentication and relevant consulting and agency services for member companies of HECIC; (ii) assistance in collection and payment of transaction money for member companies of HECIC; (iii) approved insurance agency business; (iv) provision of guarantees for member companies of HECIC; (v) entrusted loan and entrusted investment services among member companies of HECIC; (vi) bills discounting and acceptance for member companies of HECIC; (vii) money transfer and settlement and design of relevant settlement and clearance structure among member companies of HECIC; (viii) acceptance of money deposit from member companies of HECIC; (ix) arrangement of lending and finance lease for member companies of HECIC; (x) interbank market transactions; and (xi) other businesses as approved by the CBRC.

6. Implication under the Listing Rules

HECIC is the controlling shareholder of the Company and directly and indirectly holds approximately 57.9% equity interest in the Company in aggregate, and is, therefore, a connected person of the Company. The Group Finance Company is a non-wholly owned subsidiary of HECIC, and is also a connected person of the Company. As such, the Group Finance Company providing financial services to the Group pursuant to Financial Services Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of Listing Rules.

LETTER FROM THE BOARD

As one or more of the percentage ratios (other than the profits ratio) of maximum daily balance under the Deposit Service exceeds 5%, the Deposit Service (including its proposed caps) is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as one or more of the percentage ratios of maximum daily balance under the Deposit Service exceeds 5% but is less than 25%, the Deposit Service also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements, but is exempt from shareholders' approval requirement.

The Loan Service constitutes a financial assistance provided by a connected person for the benefit of the Group. As the Loan Service is carried out on normal commercial terms (or better to the Group) and the Group will not grant any security over its assets for the Loan Service, the Loan Service constitutes a continuing connected transaction exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of Other Financial Services, all applicable percentage ratios are less than 0.1%. Therefore, Other Financial Services constitute continuing connected transactions exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. PROPOSED CHANGE OF THE PRC AUDITORS

The Board proposes to appoint Reanda as the PRC auditors of the Company for the year 2013, for a term up to the conclusion of the next annual general meeting of the Company. The appointment of Reanda is subject to and will be effective upon shareholders' approval at an extraordinary general meeting of the Company.

As the Guangxi branch of Zhong Lei issued an inaccurate audit report in an A-share listing project in the PRC, the CSRC revoked Zhong Lei's securities practitioner qualification. As a result, Zhong Lei has resigned as the PRC auditors of the Company for the year 2013 with effect from 16 August 2013. As far as the Board is aware, CSRC revoked Zhong Lei's securities practitioner qualification only for the reason of dereliction of duty by the practising team of its Guangxi branch.

The Board has considered the following key factors in its proposal to engage Reanda: (1) Reanda has the audit qualification for securities and future businesses as approved by the Ministry of Finance of the PRC and the CSRC, and has years of experience in the audit work for listing companies; and (2) the team of Reanda to be in charge of the audit work for the Company is familiar with the business of the Company and is capable of providing quality auditing service to the Company.

For the above reasons, the Directors are of the view that the appointment of Reanda as the PRC auditors of the Company for the year 2013 is in the best interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

The Company has received a confirmation letter from Zhong Lei confirming that there are no other matters in relation to its resignation that need to be brought to the attention of the Shareholders or creditors of the Company. The Board also confirms that there are no other matters that need to be brought to the attention of the Shareholders or creditors of the Company in relation to the proposed change of the PRC auditors.

Ernst & Young remains as the international auditors of the Company for the year 2013. The change of the PRC auditors of the Company will not affect the publication of the results and annual report of the Company for the year ending 31 December 2013.

VI. SHAREHOLDERS CLASS MEETINGS AND THE EGM

In order to determine the shareholders who are eligible to attend and vote at the Shareholders Class Meetings and the EGM, the register of members of the Company will be closed from Sunday, 8 September 2013 to Tuesday, 8 October 2013, both days inclusive. To be eligible to attend and vote at the Shareholders Class Meetings and the EGM, unregistered shareholders of the Company shall lodge relevant share transfer documents with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the H Shareholders) or to the Company's registered office and headquarters in the PRC (for the Domestic Shareholders) for registration not later than 4:30 p.m. on Friday, 6 September 2013.

Shareholders intending to attend the Shareholders Class Meetings and the EGM must return the reply slips of the Shareholders Class Meetings and the EGM to the Company's registered office and headquarters in the PRC by hand and by post (for the Domestic Shareholders), or return the reply slips of the Shareholders Class Meetings and the EGM to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by hand or by post (for the H Shareholders) on or before Wednesday, 18 September 2013.

To be valid, the proxy forms for the EGM and the Shareholders Class Meetings must be lodged with 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 the H Shareholders) or the Company's registered office and headquarters in the PRC (for the Domestic Shareholders) within 24 hours prior to the holding of the Shareholders Class Meetings and the EGM. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointer, this power of attorney or other authorisation documents must be notarised. The notarised power of attorney or other authorisation documents shall, together with the instrument appointing the proxy, be deposited at the specified place at the time set out in such instrument.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the Shareholders Class Meetings and the EGM will therefore demand a poll for every resolution put to the vote of the Shareholders Class

LETTER FROM THE BOARD

Meetings and the EGM pursuant to article 80 of the articles of association of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed in the paragraph below, none of the Shareholders shall abstain from voting for/against any proposals in the Shareholder Class Meetings and the EGM.

In accordance with the requirements under the Listing Rules, the Deposit Service under the Financial Services Framework Agreement is subject to the Independent Shareholders' approval and the Shareholders and their associates who have material interests in the transactions will abstain from the voting. Therefore, HECIC, HECIC Water and their associates will abstain from the voting in respect of the continuing connected transaction and discloseable transaction under the Financial Services Framework Agreement at the EGM. As far as the Company and the Directors are aware, as of the Latest Practicable Date, HECIC, as the controlling shareholder of the Company, directly and indirectly (through HECIC Water) holds approximately 57.9% equity interests in the Company in total.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same manner.

VII. RECOMMENDATIONS

On 16 August 2013, the Company convened a Board meeting and approved the resolutions in relation to, among other things, the issue of Placing Shares, issue of debt financing instruments in PRC and change of the PRC auditors. At the same Board meeting, the resolutions in relation to the continuing connected transaction (including the proposed caps of the Deposit Service) under the Financial Services Framework Agreement and the proposed caps of the Deposit Service were passed unanimously by the independent Directors, while Mr. Zhao Hui Ning, Mr. Xiao Gang, Mr. Ma Guo Qing and Dr. Cao Xin, who are the connected Directors, abstained from the voting. Save as disclosed above, no Director has material interests in the above transactions. The Directors are of the view that the resolutions in relation to the issue of Placing Shares are in the interests of the Company and Shareholders as a whole and recommend the Shareholders to vote in favor of the resolutions to be proposed at the Shareholders Class Meetings and the EGM.

In addition, the Independent Board Committee comprising all independent non-executive Directors of the Company has been formed to advise the Independent Shareholders in respect of the Financial Services Framework Agreement and the proposed caps of the Deposit Service. Asian Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such respect.

The Directors are of the view that the Financial Services Framework Agreement (including the proposed caps of the Deposit Service) is entered into on normal commercial terms, is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors

LETTER FROM THE BOARD

recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Financial Services Framework Agreement (including the proposed caps of the Deposit Service).

The Independent Board Committee, having taking into account of the term of the Financial Services Framework Agreement and the advice of the Independent Financial Adviser, considers that the Financial Services Framework Agreement (including the proposed caps of the Deposit Service) is entered into on normal commercial terms, is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Financial Services Framework Agreement (including the proposed caps of the Deposit Service).

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 27 to 28 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the entering into of the Financial Services Framework Agreement (including the proposed caps of the Deposit Service); and (ii) the letter from the Independent Financial Adviser set out on pages 29 to 49 of this circular containing the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as well as the principal factors and reasons considered in respect of the Financial Services Framework Agreement.

By order of the Board of
China Suntien Green Energy Corporation Limited
Cao Xin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



China Suntien Green Energy Corporation Limited* **新天綠色能源股份有限公司**

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 00956)

5 September 2013

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH THE GROUP FINANCE COMPANY

We refer to the circular (the “Circular”) dated 5 September 2013 to the Shareholders by the Company, of which this letter forms part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless specified otherwise.

In accordance with the requirements of the Listing Rules, we have been appointed to advise the Independent Shareholders in relation to the Financial Services Framework Agreement, which constitutes a continuing connected transaction under the Listing Rules, as well as the proposed caps agreed thereunder for the Deposit Service. For such purpose, Asian Capital has been appointed as the Independent Financial Adviser to advise whether the terms and conditions of the Financial Services Framework Agreement (including the proposed caps of the Deposit Service) are entered into on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Details of the Financial Services Framework Agreement, the reasons for entering into the same and the basis of proposed caps of the Deposit Service are set out on the letter from the Board on pages 15 to 23 in the Circular.

We, having taking into account of the term of the Financial Services Framework Agreement and the advice of the Independent Financial Adviser to us and the Independent Shareholders, consider that the Financial Services Framework Agreement (including the proposed caps of the Deposit Service) is entered into on normal commercial terms, is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. Therefore, we recommend the Independent

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Financial Services Framework Agreement (including the proposed caps of the Deposit Service).

Yours faithfully,
Independent Board Committee of
China Suntien Green Energy Corporation Limited
Qin Hai Yan, Ding Jun, Wang Xiang Jun and Yue Man Yiu Matthew
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Asian Capital (Corporate Finance) Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



*To the independent board committee and the independent shareholders of
China Suntien Green Energy Corporation Limited*

5 September 2013

Dear Sirs or Madam,

CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise whether the Financial Services Framework Agreement dated 16 August 2013 between the Company and the Group Finance Company is on normal commercial terms and the terms of the Deposit Service (including its proposed caps) under the Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Relevant details of the transaction are set out in the circular of the Company dated 5 September 2013 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context indicates otherwise.

On 16 August 2013, the Company and the Group Finance Company entered into the Financial Services Framework Agreement, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilize the financial services provided by the Group Finance Company, including (i) the Deposit Service, (ii) the Loan Service and (iii) the Other Financial Services, with a term commencing from the date on which the Independent Shareholders’ approval for the Financial Services Framework Agreement (including the proposed caps of the Deposit Service) is obtained and will remain valid until 31 December 2015.

HECIC is the controlling shareholder of the Company and directly and indirectly holds approximately 57.9% equity interest in the Company in aggregate, and is, therefore, a connected person of the Company. The Group Finance Company is a non-wholly owned subsidiary of HECIC, and is also a connected person of the Company. As such, the Group Finance Company providing financial services to the Company pursuant to the Financial Services Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the percentage ratios (other than the profits ratio) of maximum daily balance under the Deposit Service exceeds 5%, the Deposit Service constitutes a non-exempt continuing connected transaction of the Company and the Deposit Service (including its proposed caps) is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as one or more of the percentage ratios of maximum daily balance under the Deposit Service exceeds 5% but is less than 25%, the Deposit Service under the Financial Services Framework Agreement also constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements but is exempt from shareholders' approval requirement. HECIC, HECIC Water and their associates are required to abstain from voting ordinary resolutions on approving the Deposit Service (including its proposed caps) at the EGM.

The Independent Board Committee comprising independent non-executive Directors Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew has been formed to advise the Independent Shareholders whether the terms of the Deposit Service (including its proposed caps) are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

We are not connected with the Company or any of its substantial Shareholders or any person acting or deemed to be acting in concert with any of them and accordingly, are considered eligible to give independent advice on the Deposit Service (including its proposed caps). Apart from a normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any of its substantial Shareholders or any person acting or deemed to be acting in concert with any of them.

In forming our opinion in relation to the Deposit Service (including its proposed caps), we consider that we have reviewed sufficient relevant information and documents and have taken reasonable steps as specified under Rule 13.80 of the Listing Rules (including its notes) to reach an informed view and to make our recommendation on a reasonable basis. We relied on information provided and statements and opinions made by the Company, its Directors, advisers and representatives, for which they take full responsibilities. We assumed that all relevant information and statements were true, accurate and complete at the time they were given or made and continue to be so as at the date of the Circular. We also assumed that all views, opinions and statements of intention provided by the Directors, advisers and representatives of the Company had been arrived at after due and careful enquiries. The Company confirmed that there were no other material facts not contained in the information provided to us the omission of which would make any statement or opinion contained in the Circular misleading.

We have no reason to suspect that any material fact or information has been omitted or withheld from the information or opinions provided to us by the Company, its Directors, advisers or representatives, or to doubt the truth, accuracy or completeness of the information and representations or reasonableness of the opinions provided to us by them. We have not, however, conducted any independent verification on the information provided

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to us by the Company, its Directors, advisers or representatives, nor have we conducted any independent investigation into the business and affairs or the prospects of the Group. We therefore do not guarantee the accuracy or completeness of any of such information.

PRINCIPLE FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Service (including its proposed caps) contemplated under the Financial Services Framework Agreement, we have considered the following principle factors:

1. Background of the Group

The Company is one of the leading clean energy companies in Northern China. Its scope of business includes investment in exploration and utilization projects of natural gas, coalbed methane and coal-based natural gas, etc.; investment in the development of new energy projects such as wind power and solar power, etc.; development of new energy technology and technical services. The Group is the largest distributor of natural gas in Hebei Province, the PRC. Currently, the Group owns two long-distance natural gas transmission pipelines, four high pressure branch pipelines, 19 city gas projects, two CNG primary filling stations and two refilling stations. The sales volume of natural gas of the Group was 726 million cubic meters for the first half of 2013. As at 30 June 2013, the Group controlled and operated 23 wind farms, the consolidated installed capacity was 1,346.3MW and the attributable installed capacity was 1,193.6MW. In the first half of 2013, the gross power generation of the Group amounted to 1,610 million KWh. In addition, the Group operates a 1MW solar model project, which provides experience for industrialization of solar power generation in the future.

According to its prospectus dated 30 September 2010 in relation to the listing of its H shares on the Stock Exchange, the Company is engaged in the business of natural gas distribution and wind farm development and operation, which require a significant amount of capital for investment into infrastructure in order to increase operating incomes and profits. According to the Company's annual reports, other than the proceeds of its initial public offering and over-allotment of H shares on the Stock Exchange on 13 October and on 2 November 2010 with a total amount of HKD3.294 billion (equivalent to approximately RMB2.722 billion), the Group's principle sources of fund are bank borrowings, issuance of bonds and cash flows generated by operating activities of the Group.

To further expand the Company's financing channels, provide stable long-term fund support for its development, enhance capital utilization efficiency and gain certain investment incomes to realize its strategic goals, the Company, together with HECIC and 3 other subsidiaries of HECIC, established the Group Finance Company by way of capital injection on 2 November 2012. After preparation, the Group Finance Company was officially established on 18 January 2013.

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Financial information of the Group

The following is a summary of the consolidated cash and borrowing balances and their ratios to total assets of the Group as at 31 December 2010, 2011 and 2012, and 30 June 2013, respectively, extracted from the 2010, 2011 and 2012 annual reports of the Company, and the interim results announcement of the Company dated 16 August 2013 for the 6-month period ended 30 June 2013.

| | | As at 31 December | | | As at |
|--|----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2010 | 2011 | 2012 | 30 June |
| | | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | | <i>Million</i> | <i>Million</i> | <i>Million</i> | <i>Million</i> |
| | | <i>(audited)</i> | <i>(audited)</i> | <i>(audited)</i> | <i>(unaudited)</i> |
| Cash and cash equivalents and other financial assets <i>(note)</i> | <i>(a)</i> | 2,474.91 | 1,247.69 | 960.76 | 1,492.56 |
| Interest-bearing bank and other borrowings | <i>(b)</i> | <u>5,018.91</u> | <u>6,750.57</u> | <u>7,499.97</u> | <u>7,731.78</u> |
| Total assets | <i>(c)</i> | <u><u>11,712.09</u></u> | <u><u>14,059.14</u></u> | <u><u>15,262.61</u></u> | <u><u>15,963.39</u></u> |
| Cash and cash equivalents and other financial assets/total assets | <i>(a)/(c)</i> | 21.13% | 8.87% | 6.29% | 9.35% |
| Interest-bearing bank and other borrowings/total assets | <i>(b)/(c)</i> | 42.85% | 48.02% | 49.14% | 48.43% |

Note: Other financial assets represent corporate financial products purchased by the Group from certain banks. The principals of the above products are guaranteed by banks and should be repaid within the term.

As shown in the above table, although the total value of cash and cash equivalents and other financial assets (item (a)) and its ratios to total assets of the Group (item (a)/(c)) decreased by year along with business development and increasing capital expenditures after the successful listing of its H shares on the Stock Exchange in October 2010, the absolute value in the respective years is still a considerable sum. On the other hand, as both interest-bearing bank and other borrowings (item (b)) and its ratios to total assets (item (b)/(c)) increased correspondently by year, it is important to manage and utilize the working capital

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effectively so as to cope with the increasing liabilities of the Group. This may result in an enhancement of risk tolerance and operational efficiency of the Group.

As advised by the Company, the Group intends to obtain additional means to optimize its fund management through the Financial Services Framework Agreement. Pursuant to terms of the Deposit Service, the Group Finance Company has undertaken that whenever it provides financial services to the Group, the terms thereof shall neither be less favorable than those offered to other members of HECIC, nor be less favorable than those offered by any commercial banks or other financial institutions for comparable services. As advised by the Company, the average deposit interest rate offered by the Group Finance Company to its existing clients (namely, other members of HECIC) is 10% higher than the RMB deposit benchmark interest rate for the same term as published by the PBOC.

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The following is a summary of the loan arrangement and finance costs of the Group for each of the three years ended 31 December 2010, 2011 and 2012, and the 6-month period ended 30 June 2013, respectively, extracted from the 2010, 2011 and 2012 annual reports of the Company, and the interim results announcement of the Company dated 16 August 2013 for the 6-month period ended 30 June 2013.

| | | As at 31 December | | | As at |
|--------------------|----------------|-------------------|------------------|------------------|--------------------|
| | | 2010 | 2011 | 2012 | 30 June |
| | | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | | <i>Million</i> | <i>Million</i> | <i>Million</i> | <i>Million</i> |
| | | <i>(audited)</i> | <i>(audited)</i> | <i>(audited)</i> | <i>(unaudited)</i> |
| Total | | | | | |
| interest-bearing | | | | | |
| bank and other | | | | | |
| borrowings | <i>(a)</i> | 5,018.91 | 6,750.57 | 7,499.97 | 7,731.78 |
| Amounts repayable | | | | | |
| within one year | <i>(b)</i> | 1,442.66 | 636.08 | 971.35 | 618.57 |
| Ratio | <i>(b)/(a)</i> | 28.74% | 9.42% | 12.95% | 8.00% |
| Amounts repayable | | | | | |
| in the second year | | | | | |
| <i>(note 1)</i> | <i>(c)</i> | 263.95 | 303.75 | 363.32 | – |
| Ratio | <i>(c)/(a)</i> | 5.26% | 4.50% | 4.84% | 0.00% |
| Amounts repayable | | | | | |
| in the third to | | | | | |
| fifth year, | | | | | |
| inclusive | | | | | |
| <i>(note 1)</i> | <i>(d)</i> | 714.37 | 1,174.24 | 3,649.48 | 4,597.38 |
| Ratio | <i>(d)/(a)</i> | 14.23% | 17.39% | 48.66% | 59.46% |
| Amounts repayable | | | | | |
| beyond five years | | | | | |
| <i>(note 1)</i> | <i>(e)</i> | 2,597.93 | 4,636.51 | 2,515.83 | 2,515.83 |
| Ratio | <i>(e)/(a)</i> | 51.76% | 68.68% | 33.54% | 32.54% |

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| | | For the year ended 31 December | | | For the six months ended 30 June |
|--|---------|--------------------------------|------------------|------------------|---|
| | | 2010 | 2011 | 2012 | 2013 |
| | | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | | <i>Million</i> | <i>Million</i> | <i>Million</i> | <i>Million</i> |
| | | <i>(audited)</i> | <i>(audited)</i> | <i>(audited)</i> | <i>(unaudited)</i> |
| Total interest expenses | (f) | 251.50 | 317.00 | 438.47 | 224.94 |
| Average interest-bearing bank and other borrowings | (g) | 4,021.86 | 5,884.74 | 7,125.27 | 7,615.88 |
| Total interest expenses/average interest-bearing bank and other borrowings | (f)/(g) | 6.25% | 5.39% | 6.15% | 2.95% (Note 4) |
| RMB lending benchmark interest rate of financial institutions | | | | | |
| <i>(note 3):</i> | | | | | |
| Three to five years (including five years) | | 5.98% | 6.56% | 6.65% | 6.40% |
| Beyond five years | | 6.16% | 6.71% | 6.8% | 6.55% |
| Profit before tax | (h) | 489.87 | 700.79 | 803.44 | 555.33 |
| Finance costs | (i) | 168.07 | 244.92 | 353.62 | 185.36 |
| Finance costs/profit before tax | (i)/(h) | 34.31% | 34.95% | 44.01% | 33.38% |

Note 1: Since the maturity profile of the interest-bearing bank and other borrowings is not available from the interim results announcement of the Company for the 6-month period ended 30 June 2013 and such interim reporting date from the financial year end of 2012 is not long, the amounts repayable beyond five years as at 30 June 2013 are assumed to be the same as that as at 31 December 2012 and all the non-current interest-bearing bank and other borrowings after deducting the amounts payable beyond five years are deemed as the amounts repayable in the third to fifth year.

Note 2: Being the average of the balance of interest-bearing bank and other borrowings at the beginning and the end of each year or period.

Note 3: As the benchmark interest rate for RMB lending as published by the PBOC was frequently adjusted between 2010 to 2012, the above table presents merely the simple average of applicable interest rates in the respective year for reference. As at the

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Latest Practicable Date, the prevailing RMB lending benchmark interest rate for a RMB loan with a tenure between three to five years (including five years), was 6.40% and for a RMB loan with a tenure beyond five years was 6.55%, as published by the PBOC on 6 July 2012.

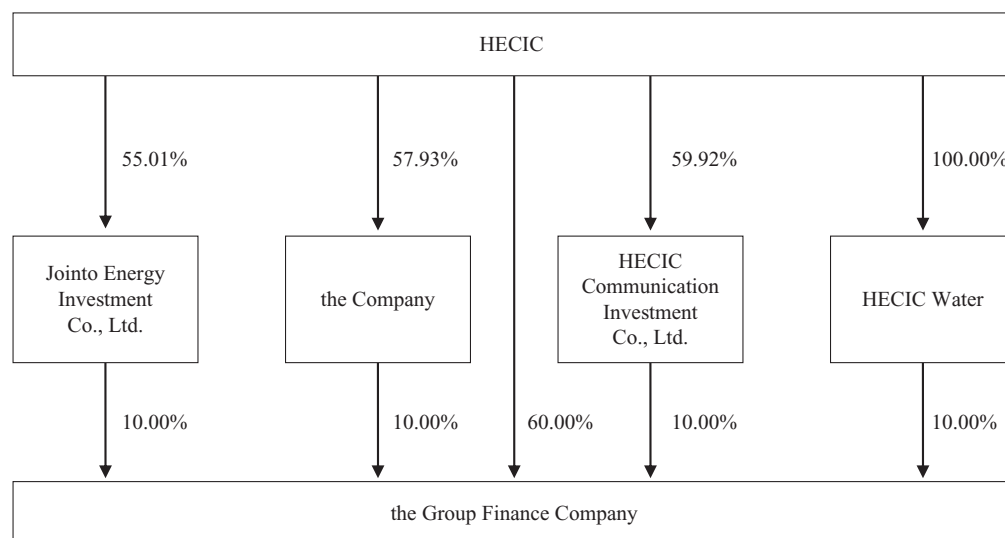
Note 4: For simplicity, nominal annual percentage rate (i.e. $2.95\% \times 2 = 5.9\%$) is used for comparison below.

According to the annual reports of the Company, finance costs represented all interest expenses after deducting interest capitalized to items of property, plant and equipment. The ratio of total interest expenses to average interest-bearing bank and other borrowings (item(f)/(g)) can therefore better reflect direct borrowing costs of the Group. Given that the ratios of interest-bearing bank and other borrowings beyond five years to total borrowings of the Group (item (e)/(a)) were approximately 51.76%, 68.68%, 33.54% and 32.54% at the end of 2010, 2011, 2012 and 30 June 2013 respectively and approximately half of the interest-bearing bank and other borrowings were due in the third to fifth year (inclusive) (item (d)/(a)) at 31 December 2012 and 30 June 2013, the interest expenses ratios (item (f)/(g)) of the Group showed that the borrowing costs of the Group were lower than the correspondent RMB lending benchmark interest rates as published by the PBOC except in 2010. However, we understand that the average interest rate for the RMB loan offered by the Group Finance Company to the member companies of HECIC since its commencement of loan services and till 30 June 2013 was 5.8%, which was lower than both the average annualized borrowing cost of the Group of 5.9% in 2013 and all the prevailing RMB lending benchmark interest rates for financial institutions for a RMB loan with a tenure beyond 6 months. Therefore, it is likely that the Group can reduce its borrowing cost by entering into the Financial Service Framework Agreement. According to the ratio of finance costs to profit before tax (item (i)/(h)), the profitability is likely to improve by lower borrowing cost.

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2. Background of the Group Finance Company

The Group Finance Company was established on 18 January 2013, with a registered capital of RMB500,000,000 (equivalent to approximately HKD628,614,534) and the shareholding structure is as follows:



The Group Finance Company is a non-banking financial institution regulated by the PBOC and the CBRC. Its scope of business includes: (i) arrangement of financial and financing advisory, credit authentication and relevant consulting and agency services for member companies of HECIC; (ii) assistance in collection and payment of transaction money for member companies of HECIC; (iii) approved insurance agency business; (iv) provision of guarantees for member companies of HECIC; (v) entrusted loan and entrusted investment services among member companies of HECIC; (vi) bills discounting and acceptance for member companies of HECIC; (vii) money transfer and settlement and design of relevant settlement and clearance structure among member companies of HECIC; (viii) acceptance of money deposit from member companies of HECIC; (ix) arrangement of lending and finance lease for member companies of HECIC; (x) interbank market transactions; and (xi) other businesses as approved by the CBRC.

The Group Finance Company established a board of directors, a supervisory committee, a risk and management committee, an audit committee and a credit review committee, where Mr. Zhao Hui, an executive Director and the vice-president of the Company, serves as the director of the Group Finance Company. We noted that all four directors and an employee director of the Group Finance Company also served at the HECIC or its subsidiaries, with an average term of service of 21 years, and all of them have experience of risk management and fund management. The two independent directors are qualified for accounting or legal affairs and have more than 20 years of experience. Each of the department managers holds a bachelor's degree or a higher degree in finance or management and has working experience in credit-related work in four major state-owned banks or in internal financial management work in HECIC and its subsidiaries (the "HECIC Group"). According to the information provided by the

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Company and information available to public, we have no reason to doubt that the management of the Group Finance Company does not have sufficient experience and qualification to provide the Company with services as specified under the Financial Services Framework Agreement.

Financial information of the Group Finance Company

Given that the Group Finance Company was established on 18 January 2013, it does not have any audited financial statements yet and its latest unaudited financial statements, which were provided by the Company, are summarized as follows:

| | As at 30 June 2013 |
|---|------------------------------------|
| Balance sheet | <i>RMB million (unaudited)</i> |
| Cash and deposit at the central bank | 136.33 |
| Cash and balances at other financial institutions | 732.72 |
| Loans to companies of the Group | 0 |
| Loans to companies of the HECIC Group (other than the Group) | 585.00 |
| Other assets | <u>8.50</u> |
| Total assets | <u><u>1,462.59</u></u> |
| | |
| Deposit from companies of the Group | 0.00 |
| Deposits from companies of the HECIC Group (other than the Group) | 945.53 |
| Deposit from other financial institutions | 0.00 |
| Other liabilities | 10.02 |
| Liabilities | 955.54 |
| Equity | 507.05 |
| | |
| Capital adequacy ratio | 68.93% |

Note: Capital adequacy ratio is a measurement of capital position of a financial institution in respect of its exposure to risks such as credit risk, market risk and operational risk, and is defined as the financial institution's capital base divided by its risk-weighted assets.

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| | For the six months ended 30 June 2013 <i>RMB million</i> <i>(unaudited)</i> |
|--|--|
| Profit and loss accounts | |
| Operating income | 19.44 |
| Net interest income | 17.55 |
| Net handling fee and commission income | 0.02 |
| Other operating income | 0.00 |
| Operating profit | 9.39 |
| Profit before taxation | 9.39 |
| Profit after taxation | 7.05 |

As advised by the Company, the Group Finance Company commenced operation in January 2013 and currently only provides deposit services, loan services and settlement services to the member companies of HECIC (other than the Group). HECIC carries out its business through subsidiaries operating in different regions and cities of Hebei Province, the PRC, and have different financial positions and capital needs. The above services provided by the Group Finance Company can therefore adjust effectively any imbalance of internal fund and help enhance the efficiency of fund operation of the HECIC Group. According to the estimation by the Group Finance Company, such services have generated a profit of RMB3.38 million for the HECIC Group.

After discussion with the Company and examination of the deposit and lending certificates between members of the HECIC Group and the Group Finance Company and notices from the PBOC in relation to RMB deposit benchmark interest rates and RMB lending benchmark interest rates, we noted that the deposit interest rate offered to the HECIC Group by the Group Finance Company and the lending interest rate charged by the Group Finance Company on the loans to the HECIC Group are comparable with the relevant RMB benchmark interest rates as published by the PBOC, an independent third party to the Company as confirmed by the Directors. Among these, the lending interest rate charged by the Group Finance Company is more favorable than the corresponding RMB lending benchmark interest rate while the deposit interest rate is no lower than the corresponding RMB deposit benchmark interest rate. Therefore, we concur with the view of the Directors that the pricing policy of the Financial Services Framework Agreement is fair and reasonable.

3. Principle terms of the Financial Services Framework Agreement

On 16 August 2013, the Company and the Group Finance Company entered into the Financial Services Framework Agreement, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilize the financial services provided by the Group Finance Company, including (i) the Deposit Service, (ii) the Loan Service and (iii) the Other Financial Services, with a term commencing from the date on which the

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Independent Shareholders' approval for the Financial Services Framework Agreement (including the proposed caps of the Deposit Service) is obtained and will remain valid until 31 December 2015.

Under the Financial Services Framework Agreement, the Group Finance Company has undertaken to the Company that whenever it provides financial services to the Group, the terms thereof shall neither be less favorable than those offered to other members of HECIC, nor be less favorable than those offered by any commercial banks or other financial institutions for comparable services.

The Group will utilize the financial services of the Group Finance Company on a voluntary and non-compulsory basis and is not obliged to engage the Group Finance Company for any particular service.

The Group Finance Company may, from time to time, enter into separate individual financial service agreements with the Group for the provision of specific financial services, provided that the principles as agreed in the Financial Services Framework Agreement shall be observed.

4. Reasons and benefits of entering into the Financial Services Framework Agreement

As advised by the Company in the Letter from the Board in the Circular, the Company entered into the Financial Services Framework Agreement with the Group Finance Company for the following key reasons:

1. the interest rates of the Deposit Service and Loan Service and relevant handling fee of the Other Financial Services offered by the Group Finance Company to the Group are the same as or more favorable than (on case by case basis) those interest rates or handling fee offered by any third party to the Group;
2. the PRC laws prohibit direct intercompany loans among group companies (including subsidiaries and associated companies) other than legitimate financial institutions. Loans must be provided through a legitimate financial institution or agency. The Group Finance Company, regulated by the PBOC and the CBRC, is a non-banking financial institution authorized to provide various types of financial services, including deposit and loan services;
3. the Group may utilize the Group Finance Company as a medium to allocate the funds between the members of the Group more effectively, increase the degree of liquidity of the Groups' funds and enhance the overall solvency of the Group; and
4. as the Group Finance Company is familiar with the Group's operation, it can provide service in a quicker and more efficient way than commercial banks in the PRC, from which the Group is expected to benefit.

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Pursuant to the related regulations of the PRC, no loan may be provided by any company incorporated in the PRC other than a licensed financial institution to any other company, including any company of the same group, unless it is an entrusted loan through a licensed financial institution as an agent or a financial intermediate of the same corporate group.

Pursuant to “Measures for the Administration of Financial Companies of Corporate Groups” (《企業集團財務公司管理辦法》, the “Measures”) as promulgated by the PRC government, HECIC, together with its subsidiaries, established the Group Finance Company. As announced by the Company on 14 November 2012, the establishment of the Group Finance Company can further broaden the financing channels of the Company, provide the long-term and stable capital support for the development of the Company and increase the capital utilization efficiency of the Company while enabling the Company to obtain certain investment gains, which is conducive to the realization of the strategic goals of the Company.

As a company subject to supervision of the PBOC and the CBRC, services provided by the Group Finance Company should be in accordance and compliance with the ordinances and operational requirements as determined by such regulatory authorities. Services of the Group Finance Company are thus restricted to members of the HECIC Group, including the Group. Compared with other financial institutions, the Group Finance Company may reduce and better manage its or the Group’s financial risk.

As at 30 June 2013, the Group’s cash balance amounted to approximately RMB1.1 billion and its total borrowings amounted to approximately RMB7.7 billion. The Group intends to enhance efficiency and effectiveness of its cash management.

Pursuant to the proposed Financial Services Framework Agreement, the interest rates of the Deposit Service and Loan Service offered by the Group Finance Company to the Group are the same as or more favorable than those offered by any third party for the same services. The handling fee of Other Financial Services offered by the Group Finance Company to the Group is the same as or more favorable than that offered by any third party under the same conditions. Since its commencement of operation and as at the Latest Practicable Date, the Group Finance Company has been providing settlement services to members of the HECIC Group with no fee charged.

After having reviewed (1) the relevant regulations in the PRC in respect of the financial services and the Measures; (2) the terms of the Financial Services Framework Agreement and the relevant announcement of the Company dated 16 August 2013; (3) the published financial information of the Company; (4) the announcement of the Company dated 14 November 2012 in relation to the investment in the Group Finance Company; (5) the unaudited financial information of the Group Finance Company and samples of deposit and lending certificates between the Group Finance Company and the member companies of HECIC provided by the Company; and (6) the internal control procedures of the Company in relation to the obtaining services from the Group Finance Company pursuant to the Financial Services Framework Agreement, amongst others, the mechanism of comparing the price offered by the Group Finance Company

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with at least three quotes from independent financial institutions for similar services (as described below), we concur with the view of the Directors that the terms of the Financial Services Framework Agreement, including those of the Deposit Service, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

5. Proposed annual caps of the Deposit Service and basis of determination

For the purpose of the Deposit Service under the Financial Services Framework Agreement, the Company estimates that the maximum daily balance of the deposits placed with the Group Finance Company by the Group for each of the three years ending 31 December 2015 is as follows:

| Period | Maximum daily balance of the Deposit Service RMB (in million) |
|--|--|
| Period from the effective date to 31 December 2013 | 1,000 |
| Year ending 31 December 2014 | 1,150 |
| Year ending 31 December 2015 | 1,350 |

The proposed caps are estimated from the unrestricted funds of the Group in the PRC, which is the balance of all cash and cash equivalent and total balance of other financial assets excluding (1) the overseas unsettled funds, which are deposited outside the PRC; (2) the proceeds of issue of debt securities, which will be utilized in capital expenditure and will not be deposited with the Group Finance Company; and (3) the restricted funds, which represent the entrusted payment funds and other funds pledged for receivables must be placed with designated banks in the PRC.

In the course of assessing the reasonableness of the annual caps, we have discussed with the management of the Group basis of determination and assumptions of the proposed caps and understand that the proposed annual caps have taken into account (i) fund management strategy of the Group, namely to benefit from the scale economy by centralizing its unrestricted funds in the PRC with higher liquidity in certain selected financial institutions, including the Group Finance Company; (ii) the year-end balances and proportions of restricted funds and unrestricted funds in the PRC of the Group in the past three years; (iii) the increasing trend of deposit balances in respect of the restricted funds and the unrestricted funds in the PRC of the Group in the past three years.

As disclosed in the Letter from the Board in the Circular, the estimation of the proposed caps is based on the following assumptions:

- 1) the growth rate of the deposit balances in respect of the unrestricted and restricted funds in the PRC, maintains at around 20% in 2013, which is based on the historical performance in the past three financial years ended

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31 December 2010, 2011 and 2012 and the 6-month period ended 30 June 2013. Such balances represent the amount excludes the impact of the Company's financing activities. It is expected that the deposit balances will continue to increase in the second half of 2013 as the result of the increase of the Group's operational activities and, therefore, such annual growth rates will slightly increase to and remain at 23% for the two years ending 31 December 2014 and 2015.

- 2) according to the historical data, the percentage of restricted funds over the deposit balances in respect of the restricted funds and the unrestricted funds in the PRC is approximately 15%, and thus the Company expects that such percentage rate for restricted fund will remain at 15% for the three years ending 31 December 2013, 2014 and 2015.

The historical year-end balance data is not the maximum amount of average daily deposit balance. However, it is the intention of the Directors to make estimation on such conservative basis and have certain reservation in determining the proposed caps for the Deposit Service with rounding the estimated available funds. As there has been no historical transaction between the Company and the Group Finance Company, estimations based on historical year-end data of unrestricted funds of the Group in the PRC are made by the best efforts of the Directors.

The proposed caps for the Deposit Service represent the highest daily amount that the Group may place with the Group Finance Company, which, however, do not oblige the Group to deposit such amounts. As suggested by the management of the Company, the proposed caps of the Deposit Service under the proposed Financial Services Framework Agreement will provide more flexibility to the Group, and such caps are at a reasonable level and will fulfill the Group's needs of fund management. After having reviewed and analyzed all the relevant historical data of the Group, and taking into account the above factors, we are of the view that the proposed caps of the Deposit Service are fair and reasonable so far as the Shareholders are concerned.

6. Risk and compliance management

Internal Control Procedures and Corporate Governance of the Group

To secure shareholders' interests, the Company will apply the following internal control procedures and corporate governance measures for utilizing the financial services provided by the Group Finance Company:

- before the Company or any of its subsidiary enter into any agreement in relation to the Deposit Service, Loan Service or Other Financial Services with the Group Finance Company, the Company will obtain at least three quotes from independent financial institutions for similar deposit/loan services of the same duration or any other service of the same nature (as the case may be). The Company will compare such quotes against the offer from the Group Finance Company and decide whether to take up the offer of the Group Finance Company;

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- all borrowings from the Group Finance Company will be conducted in accordance with the terms approved by the president or the Board, as appropriate;
- when there is any change in the fees for the services provided by the Group Finance Company, or there will be transactions between the Group and the Group Finance Company, the Group Finance Company will provide the Company via email with the pricing information in relation to the comparable services it provides to other member companies of HECIC, and the relevant audit departments will verify or examine the updated pricing information;
- the financial department of the Company will closely monitor the transactions under the Financial Services Framework Agreement, and review the above regulatory report, monthly financial statement and monthly balance statement provided by the Group Finance Company immediately after receiving the same. Any problems identified will be immediately reported to the management and the Board;
- the financial department of the Company will, on a quarterly basis, report to the independent non-executive Directors the following items:
 - (i) the relevant transactions under the Financial Services Framework Agreement of each quarter together with information on the comparable quotes obtained from the independent commercial banks; and
 - (ii) any changes in the credit ratings of the Group Finance Company in each quarter.
- the Company will appoint external auditors to examine the internal controls, risk management, completeness and impartiality of the operational system of the Group Finance Company in respect of the transactions under the Financial Services Framework Agreement, and the auditors shall provide relevant risk management report to the Company on a yearly basis;
- the audit and regulatory department of the Company will review the appropriateness of the system of internal controls and report the results of the review to the management on a yearly basis; and
- in the event of any changes in the credit ratings of the Group Finance Company during the term of the Financial Services Framework Agreement, such change shall be forthwith reported by the Group Finance Company to the Company.

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Regulatory environment of the Group Finance Company

As a licensed financial institution in the PRC, the Group Finance Company is subject to supervisions by the PBOC and the CBRC, which includes regular examinations of the audited financial statements and other relevant materials required to be filed by the Group Finance Company as well as on-site inspections and interviews with the senior management of the Group Finance Company. According to the Measures and actual practice in execution, the Group Finance Company is required to deposit a mandatory proportion of the deposits they have received with the PBOC, and must comply with, among others, the following ratio requirements:

| | Regulatory requirements on the Group Finance Company | The Group Finance Company as at 30 June 2013 |
|---|---|---|
| Capital adequacy ratio | $\geq 10.5\%$ | 68.93% |
| Inter-bank borrowing balances shall not exceed total capital | $\leq 100\%$ | 0 |
| Total amount of outstanding guarantees shall not exceed the total capital | $\leq 100\%$ | 0 |
| Ratio of short-term securities investment to total capital | $\leq 40\%$ | 0 |
| Ratio of long-term securities investment to total capital | $\leq 30\%$ | 0 |
| Ratio of self-owned fixed assets to total equity | $\leq 20\%$ | 0.83% |

We have reviewed the relevant regulations. As shown in the table above, the Group Finance Company complied with all the ratio requirements as at 30 June 2013. We have been advised by the Directors that to their best knowledge and after making reasonable enquiry, up to the Latest Practicable Date, there is no record of non-compliance with relevant laws, rules or regulations of the PRC on the Group Finance Company. As shown above, the Group Finance Company strictly complied with the relevant requirements under the measures and other relevant rules and regulations.

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As disclosed in the Letter from the Board in the Circular, the Directors also believe that the risk profile of the Group Finance Company, as a provider of financial services to the Company, is not any greater than those of independent commercial banks in the PRC. The Directors have considered the following factors when assessing relevant financial risks:

- the Group Finance Company is regulated by the PBOC and the CBRC and it must comply with the relevant rules and operational requirements of the above regulatory authorities, including capital risks guidelines and requisite capital adequacy ratios, of the above regulatory authorities;
- the Group Finance Company has not defaulted on any of its credit obligations or (to the knowledge of the Company) breached any rule or operational requirement of the above regulatory authorities and has implemented stringent internal control and risk management measures;
- under the relevant rules of the PBOC and the CBRC, the clients of the Group Finance Company are restricted to HECIC and its subsidiaries (including the Group). The Group Finance Company Finance is hence exposed to a lower level of potential risk than the entities soliciting external clients; and
- pursuant to the Financial Services Framework Agreement, if the Group is unable to collect any deposit and accrued interests placed with the Group Finance Company under the Financial Services Framework Agreement, the Group is entitled to offset the same with any unpaid loans and accrued interests payable to the Group Finance Company.

Internal control environment and risk management function of the Group Finance Company

We are advised by the Directors that the Group Finance Company has established strict internal control measures to ensure effective risk management and compliance with the relevant laws and regulations including corporate governance structure, internal rules and policies and standard operation procedures, as well as intra-group check-and-balance mechanisms.

Pursuant to the Financial Services Framework Agreement, the Group Finance Company undertakes that it will strictly comply with the risk monitoring indicators for finance companies issued by the CBRC, and the major monitoring indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC.

Meanwhile, all fund management systems of the Group Finance Company have passed safety tests of commercial bank online banking interface and all of them have adopted a mode of certificate authentication to safeguard funds of the

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Company and its subsidiaries. Pursuant to the Financial Services Framework Agreement, ownership of funds entrusted to the Group Finance Company through the entrusted loan business will not be transferred to the Group Finance Company.

Pursuant to the Financial Services Framework Agreement, the Group Finance Company shall (1) provide the Company with the copies of each regulatory report submitted to the CBRC by the Group Finance Company; (2) provide the Company with the financial statement of the Group Finance Company for the previous month on the tenth day of each month; and (3) provide the Company with a monthly statement containing the balance of deposits placed with the Group Finance Company by the Group on the third day of each month.

Pursuant to the Financial Services Framework Agreement, the Group Finance Company shall promptly notify the Company when any matter that may affect its ordinary operation occurs, including material structural changes, credit ratings, equity transaction or operational risk, and the Company is entitled to suspend or terminate the services provided by the Group Finance Company.

We are also advised by the Directors that the Group Finance Company has implemented regular internal audit procedures to review the execution and compliance with the internal rules and policies. Since its establishment, there were no major issues on the Group Finance Company raised by the CBRC. We have reviewed the corporate governance structure, internal rules and policies and standard operational procedures of the Group Finance Company, and are of the view that there exist appropriate internal control measures in the Group Finance Company to safeguard the interest of the Company and its Shareholders as a whole.

Annual review of the continuing connected transactions

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the continuing connected transactions are subject to the following requirements:

- (i) each year the independent non-executive Directors will review the continuing connected transactions and confirm in the annual report and accounts that they have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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- (ii) each year the auditors of the Company will provide a letter to the Board confirming that the continuing connected transactions:
 - (a) have received the approval of the Directors;
 - (b) are in accordance with the pricing policies of the Group if the transactions involving provision of goods and services by the Group;
 - (c) have been entered into in accordance with the relevant agreement governing the continuing connected transactions; and
 - (d) have not exceeded the cap disclosed in previous announcement(s).

The Directors must state in the annual report whether the auditors have confirmed the above matters;

- (iii) the Company shall allow, and shall procure the relevant counterparties to the continuing connected transactions to allow, the auditors of the Company sufficient access to their records for the purpose of reporting on the continuing connected transactions as set out in paragraph (ii) above; and
- (iv) the Company will promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in (i) and/or (ii) respectively.

As the conduct of the transactions contemplated under the Financial Services Framework Agreement will be subject to annual review by the independent non-executive Directors and auditors of the Company, we are of the view that there exist appropriate measures to govern the future execution of such transactions and to safeguard the interest of the Company and its Shareholders as a whole.

7. Discussion and analysis

The Group Finance Company was established pursuant to the relevant PRC laws and regulations governing the establishment of “group finance company” to enhance the centralised management and utilisation of funds among members of the HECIC Group, including the Group. The Financial Services Framework Agreement was accordingly entered into between the Group Finance Company and the Group, to allow the Group Finance Company to provide various financial services at terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

In summary, under the Financial Services Framework Agreement, the Group Finance Company provides an additional choice of financial services for the Group to choose from and the Company is not obliged to engage the Group Finance Company

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for any particular services, based on the fact that the Group Finance Company is to provide its services on a non-exclusive basis and a number of safeguards are in place to ensure the risk of the Group's deposits to be placed with the Group Finance Company is properly mitigated with.

Based on the above, we consider it in the interest of the Independent Shareholders to approve the terms of the Financial Services Framework Agreement, the Deposit Service contemplated thereunder and its caps so as to enable the Group to enjoy the potential benefits that may be brought by the services to be provided by the Group Finance Company under the Financial Services Framework Agreement.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we concur with the Directors' view that the Financial Services Framework Agreement is entered into on normal commercial terms, and that the terms of the Deposit Service under the Financial Services Framework Agreement, including the proposed caps, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolutions in relation to the Deposit Service and the proposed caps to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Asian Capital (Corporate Finance) Limited
Larry CHAN
Executive Director

1. 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, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests and Short Positions of Directors, Supervisors and Senior Management in the Shares, Underlying Shares and Debentures**

As at the Latest Practicable Date, none of the Directors, Supervisors or senior management of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Competing and Other Interests of Directors

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them were a controlling shareholder).

(c) Material interests of the Directors in the transactions

As Mr. Zhao Hui Ning, Mr. Xiao Gang, Mr. Ma Gao Qing and Dr. Cao Xin hold positions in HECIC, the controlling shareholder of the Company, they are deemed to have material interests in the Financial Services Framework Agreement and the transactions contemplated thereunder and thus, they have abstained from the voting on the Board resolution in relation to the approval for the Financial Services Framework Agreement and the transactions contemplated thereunder.

3. POSITIONS HELD BY THE DIRECTORS IN THE CONTROLLING SHAREHOLDER

The following table sets forth the positions held by the Directors in HECIC as at the Latest Practicable Date:

| Name of Director | Position(s) held in the Company | Other position(s) |
|-------------------------|--|--|
| Dr. Cao Xin | Chairman and Executive Director | Member of the Party Committee of HECIC |
| Mr. Zhao Hui Ning | Non-executive Director | Chairman of HECIC |
| Mr. Xiao Gang | Vice Chairman and Non-executive Director | Deputy general manager of HECIC |
| Mr. Ma Guo Qing | Vice Chairman and Non-executive Director | Full-time member of the board of directors and chief investment officer of HECIC |

4. INTERESTS HELD BY THE DIRECTORS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

So far as the Company and Directors are aware after making reasonable enquiries, as at the Latest Practicable Date, none of the Directors or Supervisors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of or leased by any member of the Group, or are proposed to be acquired or disposed of or leased by any member of the Group.

So far as the Company and Directors are aware after making reasonable enquiries, as at the Latest Practicable Date, none of the Directors or Supervisors was materially interested, either directly or indirectly, in any significant contract or arrangement entered into by the Group that is relevant to the business of the Group and is still valid as at the Latest Practicable Date.

5. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors has or is proposed to have any service contract with any member of the Group that is not determinable within one year without payment of compensation (other than statutory compensation).

6. SUMMARY OF MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the Group's ordinary course of business) within the two years preceding the date of this circular, which are or may be material:

- (a) a capital contribution agreement dated 1 November 2011 entered into between the Company, HECIC, HECIC Water, Jointo Energy Investment Co., Ltd. and HECIC Communications Investment Co., Ltd. in relation to the establishment of the HECIC Group Finance Company Limited and the articles of association of the Group Finance Company Limited signed on 2 November 2012. For the details, please refer to the announcement of the Company dated 14 November 2012 titled "Connected Transaction-Establishment of a Joint Venture Company"; and
- (b) a joint venture contract dated 16 October 2011 entered into between Hebei Natural Gas Company Limited, a subsidiary of the Company, and PetroChina Company Limited and Beijing Enterprises Group Company Limited. For the details, please refer to the announcement of the Company dated 17 October 2011 titled "Discloseable Transaction-Establishment of a Joint Venture Company".

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012 (being the date to which the latest published audited accounts of the Group were made up).

8. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given its opinion or advice which is contained in this circular:

| Name | Qualification |
|---|--|
| Asian Capital (Corporate Finance) Limited | a licensed corporation to carry out Types 1 (dealing in Securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO |

Asian Capital (Corporate Finance) Limited has confirmed that it:

- (a) has given and has not withdrawn its written consent to the issue of circular dated 5 September 2013 with the inclusion of its letter and the reference to its name in the form and context in which it appears;
- (b) as at the Latest Practicable Date, did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

- (c) as at the Latest Practicable Date, did not have any direct or indirect interest in any assets which have been, since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- (a) In any event of inconsistency, the English text of this circular shall prevail over the Chinese text.
- (b) The Company's H share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of Latham & Watkins at 18/F, Exchange Square, Central, Hong Kong within 14 days from the date of this circular (excluding Saturdays and public holidays):

- (a) the articles of association of the Company;
- (b) the prospectus of the Company dated 30 September 2010;
- (c) the annual reports of the Company for the two years ended 31 December 2011 and 2012;
- (d) the material contracts summarised under the section headed "Summary of Material Contracts" in this appendix;
- (e) the Financial Services Framework Agreement;
- (f) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 27 to 28 of this circular;
- (g) the letter of from the Independent Financial Adviser, the text of which is set out on pages 29 to 49 of this circular;
- (h) written consent of the Independent Financial Adviser as mentioned in the paragraph 8 in this Appendix;
- (i) the confirmation letter from Zhong Lei in respect of its resignation as the PRC auditors of the Company; and
- (j) this circular.