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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 the Company, 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)

**CONTINUING CONNECTED TRANSACTION
AND MAJOR TRANSACTION
UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK
AGREEMENT WITH THE GROUP FINANCE COMPANY**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 22 and 23 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 24 to 50 of this circular.

The Company will convene the second extraordinary general meeting in 2015 at 10 a.m., on Monday, 28 December 2015 at Jixian Hall, 5th Floor, Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC. Notice of the EGM was issued to Shareholders on 11 November 2015.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For H Shareholders, the proxy form should be returned to Computershare Hong Kong Investor Services Limited and for 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 EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip 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 Tuesday, 8 December 2015.

* For identification purposes only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	22
LETTER FROM ASIAN CAPITAL	24
APPENDIX I – FINANCIAL INFORMATION	51
APPENDIX II – GENERAL INFORMATION	53

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Capital Increase Agreement”	has the meaning ascribed to it in paragraph 6 of Appendix II to this Circular
“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, whose 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”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deposit Service”	the deposit service provided to the Group by the Group Finance Company pursuant to the Renewed Financial Services Framework Agreement, which constitutes a continuing connected transaction subject to the reporting, announcement, annual review and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, and a major transaction subject to the reporting, announcement and shareholders’ approval requirements 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
“Domestic Shareholder(s)”	registered holder(s) of the Domestic Share(s)

DEFINITIONS

“EGM”	the second extraordinary general meeting for 2015 to be held by the Company at Jixian Hall, 5th Floor, Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC on Monday, 28 December 2015 in relation to the matters referred to in this circular
“Existing Financial Services Framework Agreement”	the financial services framework agreement dated 16 August 2013 entered into between the Company and the Group Finance Company, which will expire on 31 December 2015
“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, which is 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 the controlling shareholder of the Company, which is primarily engaged in the investment in and development of projects in infrastructures and pillar industries in Hebei Province, including energy, transportation, water supply and commercial real estate
“HECIC Group”	HECIC and its subsidiaries (other than the Group)
“HECIC New-energy”	HECIC New-energy Co., Ltd. (河北建投新能源有限公司), a wholly-owned subsidiary 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, which is traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“H Shareholder(s)”	registered holder(s) of the H Share(s)
“Increased Maximum Daily Balance”	has the meaning ascribed to it in section 2.4.1 of this circular

DEFINITIONS

“JEI”	Jointo Energy Investment Co., Ltd. Hebei (河北建投能源投資股份有限公司) (formerly known as Shijiazhuang International Building (Group) Co., Ltd. (石家莊國際大廈(集團)股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000600), which is controlled by HECIC and a connected person of the Company
“Independent Board Committee”	an independent board committee of the Company, comprising all of the independent non-executive Directors, namely Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew, which was formed to advise the Independent Shareholders in respect of the terms of the Deposit Service and Maximum Daily Balance
“Independent Financial Adviser” or “Asian Capital”	Asian Capital (Corporate Finance) Limited, a licensed corporation licensed to carry on types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and Independent Shareholders
“Independent Shareholders”	Shareholders other than HECIC and its associates
“Latest Practicable Date”	7 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Loan Service”	the loan and entrusted loan service provided to the Group by the Group Finance Company pursuant to the Renewed Financial Services Framework Agreement, which constitutes a continuing connected transaction exempt from the reporting, announcement, annual review 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
“Maximum Daily Balance”	the daily balance of the Group’s aggregated deposits (including accrued interest thereon) with the Group Finance Company under the Deposit Service, calculated as at the close of business for each day
“Member Company(ies)”	the companies and entities controlled by the HECIC Group and/or the Group, and the affiliates of the HECIC Group and/or the Group

DEFINITIONS

“Other Financial Services”	other financial services provided to the Group by the Group Finance Company pursuant to the Renewed Financial Services Framework Agreement, including bill discounting and acceptance services, finance lease service and settlement service and other services approved by the CBRC, which constitute continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China and, which for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Renewed Financial Services Framework Agreement”	the financial services framework agreement dated 11 November 2015 entered into between the Company and the Group Finance Company in respect of the Deposit Service, the Loan Service and the Other Financial Services
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	Domestic Share(s) and H Share(s)
“Shareholder(s)”	registered holder(s) of the 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
“Underwriting Agreement”	has the meaning ascribed to it in paragraph 6 of Appendix II to this Circular
“%”	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:

Dr. Cao Xin (*Chairman*)
Dr. Liu Zheng
Mr. Qin Gang
Ms. Sun Min
Mr. Wu Huijiang

Registered Office and Headquarters:

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

Executive Directors:

Mr. Gao Qing Yu (*President*)
Mr. Wang Hong Jun

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

11 December 2015

To the Shareholders:

Dear Sir or Madam,

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

1. INTRODUCTION

Reference is made to the announcement of the Company dated 11 November 2015 in relation to the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder. The provision of the financial services (including the Deposit

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LETTER FROM THE BOARD

Services) under the Renewed Financial Services Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Deposit Services also constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with:

- (i) further information on the details of the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders;
- (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and
- (iv) other information as required under the Listing Rules.

2. THE CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT

2.1 Background

The Company and the Group Finance Company entered into the Existing Financial Services Framework Agreement on 16 August 2013 in relation to the provision of financial services by the Group Finance Company to the Group. The Existing Financial Services Framework Agreement will expire on 31 December 2015.

On 11 November 2015, the Company and the Group Finance Company entered into the Renewed Financial Services Framework Agreement, pursuant to which the Group will, on a voluntary and non-compulsory basis, continue to 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.

2.2 Renewed Financial Services Framework Agreement

Date

11 November 2015

Parties

The Company and the Group Finance Company

Summary of Financial Services

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

LETTER FROM THE BOARD

Under the Renewed 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 Renewed Financial Services Framework Agreement shall be followed.

Pricing Policy

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

- (i) Deposit Service: the 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.
- (ii) Loan Service: the 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.
- (iii) Other Financial Services: the interest rates 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 interest rates or service fees charged by the Group Finance Company for comparable services to other members of HECIC.

LETTER FROM THE BOARD

Term

The Renewed Financial Services Framework Agreement will be for a period of three years and will take effect from 1 January 2016 and end on 31 December 2018.

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

2.3 Historical Amounts

2.3.1 Deposit Service

In respect of the Deposit Services, the Maximum Daily Balance of the deposits placed with the Group Finance Company by the Group for the two years ended 31 December 2014 and the nine-month period ended 30 September 2015 were as follows:

Period	Maximum Daily Balance of the Deposit Service <i>RMB (in million)</i>	Actual Maximum Daily Balance of the Deposit Service <i>RMB (in million)</i>
Year ended 31 December 2013	1,000	472.4
Year ended 31 December 2014	1,150	1,144.8
Nine-month period ended 30 September 2015	1,350	1,340.3

The Company expects that the Maximum Daily Balance of the deposits placed by the Group during the remaining term of the Existing Financial Services Framework Agreement will not exceed the cap amount for the year ending 31 December 2015.

2.3.2 Other Financial Services

The historical transaction amounts of the Other Financial Services for the two years ended 31 December 2014 and the nine-month period ended 30 September 2015 were as follows:

Period	Amount <i>RMB (in million)</i>
Year ended 31 December 2013	4.0
Year ended 31 December 2014	Nil
Nine-month period ended 30 September 2015	Nil

LETTER FROM THE BOARD

2.4 Proposed Caps and Basis of Determination of the Proposed Caps

2.4.1 Deposit Service

For the purpose of the Deposit Service, 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 2018 are as follows:

Period	Maximum Daily Balance of the Deposit Service RMB (in million)
Year ending 31 December 2016	3,170
Year ending 31 December 2017	3,350
Year ending 31 December 2018	3,570

The Directors determined the above caps based on the deposit balance of RMB1,300 million with the Group Finance Company as at 31 October 2015, taking into account the cash flow generated from the increase in wind power capacity between 2016 and 2018, plus the interest income receivable from the Group Finance Company and the loans to be obtained by the Group during the three years from 2016 to 2018, and minus the capital expenditure, operating costs, repayments of loans and interest and payments of dividends, details of which are set out below:

- As part of the Group's fund management strategy to benefit from the enlarged scale economy by centralizing its funds with higher liquidity in certain selected financial institution with better interest rates, the Group plans to deposit most of its cash balance in the Group Finance Company, which has undertaken to the Group that its deposit interest rates shall not be lower than the interest rates offered to the Group by any commercial banks for the same category of deposit. Given that the Group Finance Company was established in early 2013, the Company only deposited part of its unused fund into the Group Finance Company in the past two years given its relatively short operating history. However, in view of the improved business expansion and development of the Group Finance Company and the consistent quality services that it had provided to the Group since its inception, the Company has gained more confidence of the Group Finance Company's capability and decided to deepen the cooperation with the Group Finance Company for the benefit of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

- In considering the increased Maximum Daily Balance from 2015 to 2018 by approximately RMB2,220 million (the “**Increased Maximum Daily Balance**”), the Company has taken into account the following factors:
 - according to the Group’s current wind power business expansion plan, the Group plans to increase its wind power capacity between 2016 and 2018. Such an increase in capacity will cause the Group to increase its net cash inflow by RMB100 million per annum on average, representing approximately 4.5% of the Increased Maximum Daily Balance in aggregate;
 - the increase in the Group’s wind power projects will lead to an additional demand for wind power project loans which will cause the Group to increase its scale in debt financing as well as its cash balance. As at 31 October 2015, the Group had eight wind power projects under construction that have entered into loan agreements with financial institutions. Given that the Group will utilize such project loans in accordance with the project development plans and may not fully utilize such loans after they are credited to the Group’s account, it is expected that there will be a temporary unused fund of up to approximately RMB700 million which is proposed to be deposited with the Group Finance Company, representing approximately 31.5% of the Increased Maximum Daily Balance;
 - the Company issued additional H Shares in 2014, the net proceeds of which were approximately HK\$1,564 million (equivalent to approximately RMB1,251 million). As at 31 October 2015, approximately HK\$940 million (equivalent to approximately RMB752 million) of the net proceeds have been utilized by the Company and the remaining balance of approximately HK\$624 million (equivalent to approximately RMB500 million) is still unused and has been deposited with third party commercial banks resulting in fund precipitation, representing approximately 22.5% of the Increased Maximum Daily Balance;
 - HECIC New-energy, a wholly-owned subsidiary of the Company, issued its first tranche of the short-term debenture in a principal amount of RMB500 million on 22 October 2015, representing approximately 22.5% of the Increased Maximum Daily Balance of the Deposit Service;
 - the unused fund of RMB400 million currently deposited with commercial banks, representing approximately 18% of the Increased Maximum Daily Balance; and

LETTER FROM THE BOARD

- the accrued interest arising from the opening deposit balance (being the cash balance of the Company at the beginning of a financial year on a consolidated basis) during 2016 to 2018.

2.4.2 Other Financial Services

The proposed annual caps for the Other Financial Service for each of the three years ending 31 December 2018 are as follows:

Period	Annual cap <i>RMB (in million)</i>
Year ending 31 December 2016	200
Year ending 31 December 2017	200
Year ending 31 December 2018	200

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

- the historical amount of financial service fees paid by the Group to the relevant financial service providers; and
- the future business development plans and financial services needs of members of the Group for the three years ending 31 December 2018.

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

- With the development and growth of business of the Group Finance Company, and the further development of cooperation between the Group Finance Company and the Group, it is expected that the Group will increasingly utilize additional financial services provided by the Group Finance Company and accordingly, a larger amount of funds of the Company may be involved in future.
- As disclosed in section 2.5 of this circular below, the Group Finance Company is not subject to any regulatory restrictions on taking deposits from the Member Companies and has established an accountable fund settlement and auditing system, covering all types of business with the Member Companies, and has entered into cooperation agreements with a number of commercial banks in the PRC, which facilitates its ability to make fund arrangements according to the Member Companies' instructions on a timely basis. Therefore, the Group Finance Company has sufficient capacity to handle the increasing business volume with the Group.

In the event that the Independent Shareholders do not grant approval for the Deposit Services at the EGM, the Group will not continue to utilize the Deposit Services provided by the Group Finance Company upon expiry of the Existing

LETTER FROM THE BOARD

Financial Services Framework Agreement, but the other services contemplated under the Renewed Financial Services Framework Agreement, including the loan services and other financial services, will continue to proceed.

2.5 Reasons for and Benefits of Entering into the Renewed Financial Services Framework Agreement

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

- While the Maximum Daily Balance of Deposit Service and the annual caps of the Other Financial Services are set, the Company can withdraw deposit from its accounts with the Group Finance Company and use services provided by other financial institutions according to the Company's business needs, which is not subject to any restrictions imposed by the Group Finance Company. Apart from the Group Finance Company, the Group has business cooperation with a number of financial institutions, which can provide timely financial services to the Group as and when needed.
- The interest rates of the Deposit Service and Loan Service and relevant handling fees of the Other Financial Services offered by the Group Finance Company to the Group are the same as or more favorable than (on a case by case basis) those interest rates or handling fees offered by any third party to the Group. As a result, the total interest income of the Company may increase.
- 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, which is 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 members of the Group more effectively, which increases the degree of liquidity of the Group's funds and enhance the overall solvency of the Group.
- The Group will continue to use various services of the Group Finance Company, including the Deposit Service, Loan Service and Other Financial Services according to the Renewed Financial Services Framework Agreement. Such arrangement will enhance the bargaining power of the Group when negotiating the same or similar services with third party commercial banks, which may lower the financing costs of the Group.

LETTER FROM THE BOARD

- The Group Finance Company is limited to serving the needs and requests of the Member Companies and it is familiar with the Group's operation. Therefore, the Group Finance Company can provide its services on a prioritized and more efficient manner than commercial banks in the PRC, from which the Group is expected to benefit.
- As the Company holds a 10% equity interest in the Group Finance Company, it is expected that the Company may benefit from the profits generated by the Group Finance Company's profits.

The Directors also believe that the risk profile of the Group Finance Company, as a provider of financial services to the Company, is not 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 is required to comply with the relevant rules and operational requirements of the above regulatory authorities, including capital risks guidelines and requisite capital adequacy ratios. To the best of the Directors' knowledge, information and belief, the Group Finance Company has established a sound system of internal control and risk management in compliance with the regulatory requirements, and has also made requisite deposit reserves with the PBOC.
- The Group Finance Company has expanded its businesses rapidly since its establishment. As disclosed in section 2.7 of this circular below, the Group Finance Company is permitted to provide a wide range of services to the Member Companies. As at the Latest Practicable Date, 166 Member Companies are customers of the Group Finance Company, representing an increase of approximately 52.23% from 109 customers as at 31 December 2014. As at 31 December 2014, the loans granted by the Group Finance Company to the Member Companies amounted to approximately RMB2,090 million, representing an increase of approximately 118.4% from approximately RMB957 million as at 31 December 2013; and the total corporate deposits taken from the Member Companies amounted to approximately RMB6,956 million, representing an increase of approximately 71.4% from approximately RMB4,059.1 million as at 31 December 2013. The fund stability of the Group Finance Company was enhanced as a result of its increased deposit volume, while its business capability is strengthened by its enhanced lending capability.
- To the best of the Directors' knowledge, information and belief, the Group Finance Company has not defaulted on any of its credit obligations or breached any material rule or operational requirement of the PBOC and the CSRC, and has implemented stringent internal control and risk management measures.

LETTER FROM THE BOARD

- The Group Finance Company upholds the principle of prudent operation, and has promulgated fund settlement policies and mechanism to secure the safety of the funds of the Member Companies.
- There is no direct regulatory restrictions on the deposit volume of the Group Finance Company.
- The Group Finance Company has an accountable fund settlement and auditing system which covers all types of business with the Member Companies.
- The Group Finance Company has entered into cooperation agreements with a number of third party commercial banks in the PRC, which facilitates its ability to make timely transfer of cash to the Member Companies' designated bank accounts when withdrawing deposits or receiving loans by the Member Companies, or to any payees as instructed by the Member Companies' for other financial services.
- Under the relevant rules of the PBOC and the CBRC, the clients of the Group Finance Company are restricted to the Member Companies. The Group Finance Company is hence exposed to a lower level of potential risk than the entities soliciting external clients.
- To ensure the capital liquidity, the board of directors of HECIC, the controlling shareholder of the Company and the Group Finance Company, has undertaken in the articles of association of the Group Finance Company that, HECIC will provide funding to the Group Finance Company to satisfy its capital needs in the event that the Group Finance Company experiences any urgent payment difficulties.

HECIC is a state-owned enterprise established and approved by the People's Government of Hebei Province, which is primarily engaged in the investment in and development of projects in the infrastructures and pillar industries in Hebei Province, including energy, transportation, water supply and commercial real estate. To the best of the Directors' knowledge, information and belief, as at 30 June 2015, HECIC has a net asset of approximately RMB49,829.4 million and cash and cash equivalent of approximately RMB6,868.7 million (including bank deposit of approximately RMB6,735.2 million). The Directors believe that HECIC is able to provide funding to the Group Finance Company if the Group Finance Company encounters any urgent payment difficulties.

To the best of the Directors' knowledge, information and belief, the Group Finance Company has not encountered any payment difficulties since its incorporation, and HECIC has not provided any funding to satisfy the Group Finance Company's urgent capital needs as at the Latest Practicable Date.

LETTER FROM THE BOARD

- Each Member Company will provide detailed monthly fund utilization plan to the Group Finance Company for its financial arrangements and settlements through the Group Finance Company in the forthcoming calendar month. The Group Finance Company will make fund allocations and settlement arrangements in accordance with the aforesaid plan so as to satisfy the funding needs of each Member Company.
- Under articles of association of the Group Finance Company, the board of directors of the Group Finance Company comprises seven directors, including (i) two directors nominated by HECIC, (ii) one director nominated by the Company, (iii) one director nominated by JEI, a subsidiary of HECIC, (iv) one employee representative director elected by the employees of the Group Finance Company, and (v) two external directors appointed pursuant to the PRC regulatory requirements and not related to the HECIC Group or the Group. Ms. Fan Weihong (范維紅) is the director nominated by the Company to the board of directors of the Group Finance Company and participates in the decision making process for important business development strategies and other matters to be approved by the board of directors of the Group Finance Company in accordance with the articles of association of the Group Finance Company. In addition, a risk management committee under the board of directors of the Group Finance Company has been established to examine and approve loans extended to the Member Companies with a single loan amount over RMB80 million. The risk management committee comprises three members, who are nominated by the chairman of the board of directors, or one third of the directors, of the Group Finance Company, and elected by the board of directors of the Group Finance Company. Ms. Fan Weihong is a member of the risk management committee.
- Pursuant to the Renewed Financial Services Framework Agreement, if the Group is unable to collect any deposits and accrued interests placed with the Group Finance Company under the Renewed 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 Renewed 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 Renewed Financial Services Framework Agreement, the Group Finance Company shall (i) provide the Company with the copies of each regulatory report submitted to the CBRC by the Group Finance Company; (ii) provide the Company with the financial statement of the Group Finance Company for the previous month on the tenth day of each

LETTER FROM THE BOARD

month; and (iii) 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 the interests of Shareholders, 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, the Loan Service or the 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.
- All borrowings from the Group Finance Company will be conducted in accordance with the terms approved by the president of the Company or the Board, as appropriate and on a case-by-case basis.
- If there is any change in the fees for the financial services provided by the Group Finance Company, or there is any proposed transaction between the Group and the Group Finance Company, the Group Finance Company will provide the Company with the pricing information in relation to the comparable services it provides to other Member Companies, 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 Renewed 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 (including manager of the finance department, chief accountant, vice presidents and president) 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 Renewed 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.

LETTER FROM THE BOARD

- The Company will appoint an external auditor 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 Renewed Financial Services Framework Agreement, and the auditor 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 Renewed Financial Services Framework Agreement, such change shall be forthwith reported by the Group Finance Company to the Company.
- The Group Finance Company has undertaken to the Company 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 and will also comply with the requirements of the CBRC.

For the above reasons, the Directors (including the independent non-executive Directors) are of the view that the Renewed Financial Services Framework Agreement is entered into on an arm's length basis and on normal commercial terms, and the terms of the transactions under such agreement and the proposed caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2.6 Implication under the Listing Rules

HECIC is the controlling shareholder of the Company holding approximately 50.5% equity interest in the Company as at the date of this circular, 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. Accordingly, the provision of financial services by the Group Finance Company to the Company pursuant to the Renewed Financial Services Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of Listing Rules.

As one or more of the applicable percentage ratios of the Maximum Daily Balance of the Deposit Service exceed 5%, the Deposit Service (including the Maximum Daily Balance) is subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as one or more of the applicable percentage ratios of the Maximum Daily Balance of the Deposit Service exceed 25% but are less than 100%, the Deposit Service also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

LETTER FROM THE BOARD

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 on terms which are better than those provided by third parties) and the Group will not grant any security over its assets for the Loan Service, the Loan Service is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Other Financial Services, as one or more of the applicable percentage ratios exceeds 0.1% but are less than 5%, the Other Financial Services are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2.7 General

Information of the Company

The Company is one of the leading clean energy companies in Northern China. Its scope of business includes: (i) investment in exploration and utilization projects of natural gas, coalbed methane and coal-based natural gas; (ii) investment in the development of new energy projects such as wind power and solar power; and (iii) development of new energy technology and technical services.

Information of 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; (ii) assistance in collection and payment of transaction money for Member Companies; (iii) approved insurance agency business; (iv) provision of guarantees for Member Companies; (v) entrusted loan among Member Companies; (vi) bills discounting and acceptance for Member Companies; (vii) money transfer and settlement and design of relevant settlement and clearance structure among Member Companies; (viii) acceptance of money deposit from Member Companies; (ix) arrangement of lending and finance lease for Member Companies; (x) interbank market transactions; (xi) provision of entrusted investment services among the Member Companies; (xii) underwriting corporate bonds issued by the Member Companies; and (xiii) investment in negotiable securities. Service items (i) to (x) were approved by the CBRC upon the incorporation of the Group Finance Company, and service items (xi) to (xiii) were recently approved by the CBRC in October 2015.

As at the Latest Practicable Date, each of the Company, HECIC, HECIC Water Investment Co., Ltd., HECIC Communications Investment Co., Ltd. and JEI holds a 10%, 60%, 10%, 10% and 10% equity interest in the Group Finance Company, respectively. HECIC Water Investment Co., Ltd., HECIC Communications Investment Co., Ltd. and JEI are all subsidiaries of HECIC.

LETTER FROM THE BOARD

3. THE EGM

The business to be considered at the EGM is described in the notice of EGM issued on 11 November 2015. Ordinary resolution will be proposed at the EGM to consider and approve the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

The proxy form and the reply slip of the EGM were despatched to the Shareholders on 11 November 2015. If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For H Shareholders, the proxy form should be returned to Computershare Hong Kong Investor Services Limited and for Domestic Shareholders, the proxy form should be returned to the Company's registered office and headquarters in the PRC by hand or by post not less than 24 hours before the time fixed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the accompanying reply slip 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 Tuesday, 8 December 2015.

4. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed resolution at the EGM.

In view of HECIC's interests in the Renewed Financial Services Framework Agreement, HECIC and its associates are required to abstain and shall abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, there are no connected person of the Company or Shareholder or their respective associates with a material interest in the resolution to be proposed at EGM which is required to abstain from voting at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between

LETTER FROM THE BOARD

any Shareholder's beneficial shareholding interest in the Company and the number of Shares in the Company in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM.

5. RECOMMENDATIONS

On 11 November 2015, the Company convened a Board meeting and passed the resolution unanimously in relation to the continuing connected transactions under the Renewed Financial Services Framework Agreement and the proposed caps of the Deposit Service and the Other Financial Service. As Dr. Cao Xin, Mr. Qin Gang, Ms. Sun Min and Mr. Wu Huijiang, being the Directors, hold positions in HECIC, they are deemed to have material interests in the transactions under the Renewed Financial Services Framework Agreement and accordingly have abstained from the voting on the relevant Board resolution. Furthermore, one of our non-executive Directors, Dr. Liu Zheng, has also abstained from the voting on the Board resolution in relation to the approval for the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder given his resignation as a non-executive Director as set out in the Company's announcement dated 13 October 2015. The resignation of Dr. Liu Zheng is effective upon the appointment of a new non-executive Director to fill his vacancy. Save as disclosed above, none of the other Directors has or is deemed to have a material interest in the transactions under the Renewed Financial Services Framework Agreement.

In addition, the Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Deposit Service under the Renewed Financial Services Framework Agreement and the Maximum Daily Balance. 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 (excluding the independent non-executive Directors) are of the view that the Renewed Financial Services Framework Agreement is entered into on normal commercial terms, and the terms of the transactions under the Renewed Financial Services Framework Agreement and the proposed caps are 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 (excluding the independent non-executive Directors) recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

The Independent Board Committee, having taking into account of the terms of the Renewed Financial Services Framework Agreement and the advice of the Independent Financial Adviser, considers that the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement 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

LETTER FROM THE BOARD

vote in favor of the resolution to be proposed at the EGM to approve the Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement; and (ii) the letter from the Independent Financial Adviser set out on pages 24 to 50 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 Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

By order of the Board of
China Suntien Green Energy Corporation Limited
Gao Qing Yu
Executive Director/President



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)

11 December 2015

To the Independent Shareholders:

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND MAJOR TRANSACTION
UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK
AGREEMENT WITH THE GROUP FINANCE COMPANY**

We refer to the circular dated 11 December 2015 (the “**Circular**”) 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 consider and advise the Independent Shareholders as to whether the Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement are conducted by the Company in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. For such purpose, Asian Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of, and the reasons for, the Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement are contained in the letter from the Board set out on pages 5 to 21 in the Circular.

We have also discussed with the management of the Company regarding the terms of the Renewed Financial Services Framework Agreement and the basis upon which the proposed annual caps for the three years ending 31 December 2018 are determined.

Having considered (i) the terms of the Renewed Financial Services Framework Agreement, (ii) the discussions with the management of the Company about the background to and nature of the Renewed Financial Services Framework Agreement, (iii) reasons for the proposed annual caps and the basis upon which the proposed annual caps have been

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

determined and (iv) the advice of Asian Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we consider that the Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement are conducted by the Company in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

We therefore recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Deposit Services (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2018.

Yours faithfully,

Independent Board Committee of

China Suntien Green Energy Corporation Limited

Qin Hai Yan

Ding Jun

Wang Xiang Jun

Yue Man Yiu Matthew

Independent Non-executive Directors

LETTER FROM ASIAN CAPITAL

The following is the text of a letter from Asian Capital (Corporate Finance) Limited to the Independent Shareholders and the Independent Board Committee prepared for the purpose of incorporation in this circular:



Suite 601, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

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

11 December 2015

Dear Sirs,

CONTINUING CONNECTED TRANSACTION UNDER THE RENEWED 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 Renewed Financial Services Framework Agreement dated 11 November 2015 between the Company and the Group Finance Company is on normal commercial terms and the terms of the Deposit Service (including the Maximum Daily Balance) under the Renewed 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 11 December 2015 (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 11 November 2015, the Company and the Group Finance Company entered into the Renewed Financial Services Framework Agreement, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilise the financial services provided by the Group Finance Company, including (i) the Deposit Service, (ii) the Loan Service and (iii) the Other Financial Services, for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.

HECIC is the controlling shareholder of the Company and holds approximately 50.5% equity interest in the Company as at the Latest Practicable Date, 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

LETTER FROM ASIAN CAPITAL

Finance Company providing financial services to the Company pursuant to the Renewed Financial Services Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the percentage ratios of Maximum Daily Balance of the Deposit Service exceeds 5%, the Deposit Service (including the Maximum Daily Balance) is subject to the reporting, announcement, annual review 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 exceed 25% but are less than 100%, the Deposit Service also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements.

We understand that all other financial services provided by the Group Finance Company to the Group under the Renewed Financial Services Framework Agreement are exempt from the Independent Shareholders' approval requirements pursuant to the relevant exemption provisions under Chapter 14A of the Listing Rules.

In view of HECIC's interests in the Renewed Framework Financial Service Agreement, HECIC and its associates are required to abstain and shall abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Deposit Services (including the Maximum Daily Balance) under the Renewed Framework Financial Service Agreement.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely 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 the Maximum Daily Balance) 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

In formulating our opinion and recommendation, we have considered, among other things, (i) the audited annual reports of the Company for the years ended 31 December 2013 and 2014, and the interim report of the Company for the six months ended 30 June 2015 (together the "**Reports**"); (ii) the audited annual reports of the Group Finance Company for the years ended 31 December 2013 and 2014, and the unaudited interim report of the Group Finance Company for the six months ended 30 June 2015 (together the "**Group Finance Company Reports**"); (iii) the Renewed Financial Services Framework Agreement; (iv) the internal control documents of the Company and the Group Finance Company in respect of the Deposit Service; (v) the Circular; and (vi) other available public information. We have also relied on all relevant information, opinions and representations made to us by the Directors and the representatives of the Company.

We were appointed by the Company as the Independent Financial Adviser to give independent advice on the Existing Financial Services Framework Agreement, details of which are set out in the Company's announcements dated 16 August 2013 and 22 August 2013 and the Company's circular dated 5 September 2013.

LETTER FROM ASIAN CAPITAL

Save as disclosed above, 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 the Maximum Daily Balance). 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 the Maximum Daily Balance), 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 have relied on information provided and statements and opinions made by the Company, its Directors, advisers and representatives, for which they take full responsibilities. We assume 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 assume that all views, opinions and statements of intention provided by the Directors, advisers and representatives of the Company have been arrived at after due and careful enquiries. The Company has 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 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. We have no obligation to update our advice and opinion to take into account circumstances and events occurring after the date of this letter. As a result, circumstances and events could occur prior to the approval of the Renewed Financial Services Framework Agreement that, if known to us at the time when we had rendered our advice and opinion, would have altered our advice and opinion.

LETTER FROM ASIAN CAPITAL

PRINCIPAL 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 the Maximum Daily Balance) contemplated under the Renewed Financial Services Framework Agreement, we have considered the following principal factors:

1. Background about the parties involved

(i) *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; investment in the development of new energy projects such as wind power and solar power; development of new energy technology and technical services. The sales volume of natural gas of the Group was 612 million cubic meters for the first half of 2015. As at 30 June 2015, the Group controlled and operated 27 wind farms, the consolidated installed capacity was 1,696.8MW. In the first half of 2015, the gross power generation of the Group amounted to 1,874 GWh.

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 2012, 2013 and 2014, and 30 June 2015, respectively, as extracted from the Reports:

		As at 31 December			As at
		2012	2013	2014	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>)	(a)	960.76	1,819.59	3,397.42	3,300.39
Interest-bearing bank and other borrowings	(b)	7,499.97	8,903.56	11,025.99	12,463.19
Total assets	(c)	15,262.61	17,413.99	21,610.36	23,276.62
Cash and cash equivalents and other financial assets/total assets	(a)/(c)	6.29%	10.45%	15.72%	14.18%
Interest-bearing bank and other borrowings/total assets	(b)/(c)	49.14%	51.13%	51.02%	53.54%

LETTER FROM ASIAN CAPITAL

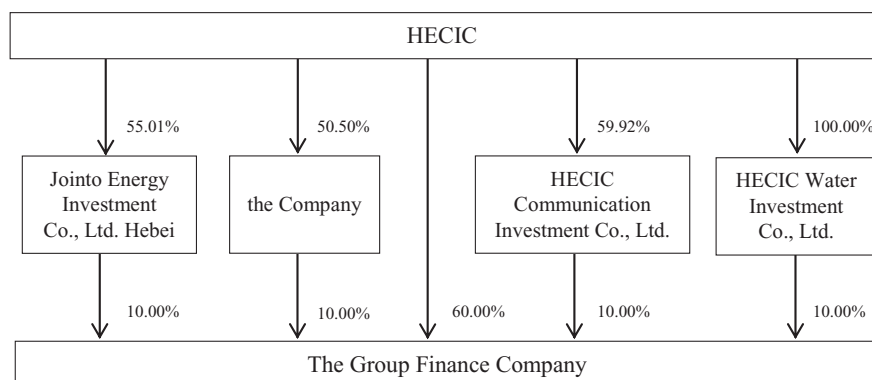
Note: Other financial assets represent corporate financial products purchased by the Group from certain banks. The principals of the above products are guaranteed by banks and should be repaid upon maturity falling within one year of the relevant balance sheet date.

As shown in the above table, the total value of cash and cash equivalents and other financial assets (item (a)) and its ratio to total assets of the Group (item (a)/(c)) were generally on an upward trend from 2012 to 2014 along with the Group's business development, which improved the Group's cash generating ability and strengthened its cash position available for deposits for the coming years. On the other hand, as both interest-bearing bank and other borrowings (item (b)) and its ratio to total assets (item (b)/(c)) also roughly increased correspondently, it is important for the Company to manage and utilise the Group's working capital 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.

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 rates offered by the Group Finance Company to its existing clients (namely, the Group and other members of HECIC) from October 2013 to March 2014 and from April 2014 to the Latest Practicable Date were at least 5% and 10% higher than the corresponding RMB deposit benchmark interest rates for the same terms as published by the PBOC during the relevant period respectively.

(ii) the Group Finance Company

The Group Finance Company was established on 18 January 2013, with a registered capital of RMB1,000,000,000 (equivalent to approximately HK\$1,257.2 million) and its shareholding structure is as follows:



LETTER FROM ASIAN CAPITAL

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; (ii) assistance in collection and payment of transaction money for Member Companies; (iii) approved insurance agency business; (iv) provision of guarantees for Member Companies; (v) entrusted loan and entrusted investment services among Member Companies; (vi) bills discounting and acceptance for Member Companies; (vii) money transfer and settlement and design of relevant settlement and clearance structure among Member Companies; (viii) acceptance of money deposit from Member Companies; (ix) arrangement of lending and finance lease for Member Companies; (x) interbank market transactions; and (xi) other businesses as approved by the CBRC. Its business model is to provide financial services to Member Companies and to benefit the Member Companies as a whole.

As advised by the management of the Company, the Group Finance Company's customers currently are limited to the Member Companies. HECIC carries out its business through subsidiaries operating in different regions and cities of the PRC, and has 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 Member Companies.

The Group Finance Company established a board of directors comprising seven directors, a supervisory committee, a risk and management committee, an audit committee and a credit review committee. We noted that Ms. Fan Wei Hong, the chief accountant of the Company, is a director of the Group Finance Company, and all directors of the Group Finance Company also served at HECIC or its subsidiaries, with an average term of service of 23 years, and all of them have a minimum of eight years of experience of risk management and fund management. Each of the managers of the fund settlement department, the loan business department, the risk management department, the financial planning department, the audit department and the general management department of the Group Finance Company 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 the Member Companies. According to the information provided by the 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 Renewed Financial Services Framework Agreement.

Furthermore, although there are overlapping roles of the directors of the Group Finance Company in the Member Companies, we understand that the day-to-day operation of the Group Finance Company is carried out at the level of the general manager's council of the Group Finance Company, the members of which are not directors or employees of the Member Companies other than the Group Finance Company, and the board of the Group Finance Company does not

LETTER FROM ASIAN CAPITAL

involve in the matters within the competence of the general manager's council of the Group Finance Company, which includes the approval of the provision of Deposit Service in any amounts, the provision of Loan Service in a single amount not higher than RMB80 million, their respective deposit and loan interest rates, and the service charges of Other Finance Services respectively. The risk management committee of the Group Finance Company is responsible for the approval of the provision of Loan Service in a single amount higher than RMB80 million.

Set out below is the selected financial information of the Group Finance Company extracted from the Group Finance Company Reports for the two years ended 31 December 2014, and for the six months ended 30 June 2014 and 2015 respectively:

	For the year ended		For the six months	
	31 December		ended 30 June	
	2013	2014	2014	2015
	<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>(unaudited)</i>	<i>(unaudited)</i>
Profit and loss accounts				
Operating income	62.38	196.94	83.22	149.15
Net interest income	62.24	196.88	83.19	148.84
Net handling fee and commission income	0.14	0.06	0.03	0.31
Operating profit	29.25	90.57	45.64	68.06
Profit after taxation	21.92	67.46	34.01	50.70

As illustrated in the figure above, the operating income of the Group Finance Company amounted to approximately RMB196.94 million for the year ended 31 December 2014, representing a significant increase of approximately 215.71% from approximately RMB62.38 million for the year ended 31 December 2013, and the operating income in the first half of 2015 also recorded a year-on-year increase of approximately 79.22%. As advised by the management of the Group Finance Company, the increase was primarily due to the increased loan granted to the Member Companies, the innovation of the financial products and the optimization of the capital structure. The profit after taxation of the Group Finance Company had been increasing over the past years, which was mainly due to the increased operating income and operating profit. As a result, the financial results of the Group Finance Company have achieved a remarkable improvement during the past years. With increasing financial transactions with the Member Companies, the profit level of the Group Finance Company is expected to be improved further in the next few years, which implies that the Group Finance

LETTER FROM ASIAN CAPITAL

Company will be in a better position to comply with the regulatory requirement imposed by CBRC and PBOC, and the Group's deposits will be better safeguarded in the future.

	As at 31 December		As at
	2013	2014	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>Million</i>	<i>Million</i>	<i>Million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Balance sheet			
Assets			
Cash	3,622.76	5,889.96	3,443.53
Interest receivable	2.41	4.34	3.43
Net loans granted	<u>957.19</u>	<u>2,090.17</u>	<u>2,676.25</u>
Total assets	<u><u>4,589.54</u></u>	<u><u>7,994.22</u></u>	<u><u>6,132.51</u></u>
Liabilities			
Deposits	4,059.14	6,956.05	5,029.14
Interest payable	<u>2.41</u>	<u>5.36</u>	<u>14.20</u>
Total liabilities	<u><u>4,067.62</u></u>	<u><u>6,974.56</u></u>	<u><u>5,048.12</u></u>
Owner's equity	<u><u>4,589.54</u></u>	<u><u>1,019.66</u></u>	<u><u>1,084.39</u></u>

As illustrated in the figure above, the Group Finance Company's net loans (gross loans less loan provisions) granted to, and deposits received from the Member Companies increased by 118.37% and 71.38% from 31 December 2013 to 31 December 2014 respectively, due to the increasing business transactions with the Member Companies. The amount of loans granted to the Member Companies as at 30 June 2015 continued to increase by 28.04% from 31 December 2014, but the amount of deposits received from the Member Companies decreased by 27.70% during the same period, mainly due to the capital expenditure requirements of the Member Companies.

2. The Renewed Financial Services Framework Agreement

In assessing whether the terms of the Renewed Financial Services Framework Agreement are in the interest of the Company and the Shareholders as a whole, we have considered the following factors:

LETTER FROM ASIAN CAPITAL

(i) Principal terms of the Renewed Financial Services Framework Agreement

Pursuant to the Renewed 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 favourable than those offered to other members of HECIC, nor be less favourable than those offered by any commercial banks or other financial institutions for comparable services.

The Group will utilise 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 Renewed Financial Services Framework Agreement shall be followed.

(ii) Long-term cooperation between the Group Finance Company and the Group

The Group Finance Company has been providing financial services to the Group for more than two years. During this period, a good relationship has been established between the Group Finance Company and the relevant departments of the Group. Compared with the external commercial banks in the PRC, with which the Group also has a long-term cooperation relationship, the Group Finance Company is more capable to provide efficient, safe, convenient, comprehensive and personalised financial services to the Group, due to the fact that as a subsidiary of HECIC, the Group Finance Company is able to gain access to the details of financial needs of the Group, and can obtain sufficient information in advance to determine the Group's requirements for financial services, the information of which is not available to external commercial banks in the PRC.

(iii) Well-established reputation of the Group Finance Company

The Group Finance Company has achieved a number of awards issued by the regulatory authorities of the PRC since its establishment. In 2013, the Group Finance Company received the “河北省無案件金融機構” (“the Financial institution of Hebei Province with no bad record”*) certificate from the Hebei CBRC. The criteria to obtain the certificate of the “Financial institution of Hebei Province with no bad record” include the implementation of internal control procedures, staff training on risk management and legal compliance, and zero non-performing loans during 2013. The Company also received the “Financial Innovation” award from the government of Hebei Province. The Group is considered to be in a relatively low risk position to place deposits with the Group Finance Company, which has a very good reputation in the financial institution industry.

LETTER FROM ASIAN CAPITAL

(iv) Review of deposit interest rates of past transactions

According to the information provided by the Company, we noted that the interest rates of all of the Group's deposits placed with the Group Finance Company from October 2013 to March 2014 were at least 5% higher than the corresponding RMB deposit benchmark interest rates for the same terms as published by the PBOC during the relevant period. We have also reviewed five sample copies of the deposit documents of the top five largest amounts in respect of the deposits placed by the Group with the Group Finance Company during the nine months ended 30 September 2015, and a breakdown of interest rates provided by the Group Finance Company, from which we noted that the deposit interest rates offered by the Group Finance Company to the Group were at least 10% higher than the corresponding RMB deposit benchmark interest rates for the same terms as published by the PBOC in 2015.

Since the relevant deposits in those sample copies of the deposit documents are the five largest amounts for the nine months ended 30 September 2015, with an aggregate value of RMB1,030 million, representing approximately 76.30% of RMB1,350 million, which is the daily maximum outstanding balances including the accrued interest in respect of the deposit services provided by the Group Finance Company to the Group as specified under the Existing Financial Services Framework Agreement for the nine months ended 30 September 2015, we are of the view that the sample size is fair and reasonable.

As a non-bank financial institution, the Group Finance Company is regulated by the CBRC and PBOC, and the interest rates offered by the Group Finance Company are subject to the interest rate requirements imposed by the PBOC. We have reviewed announcements published by PBOC on 7 June 2012, 22 November 2014, 1 March 2015 and 11 May 2015 ("**PBOC Announcements**") in which PBOC stipulated that the interest rates for deposits offered by the financial institutions in the PRC should not be 10%, 20%, 30% and 50% higher than the benchmark rate announced by the PBOC respectively. As the deposit interest rates offered by the Group Finance Company to the Group in the sample copies of deposit documents were within the range of interest rate permitted by PBOC, we concur with the view of the management of the Company that the deposit services provided by the Group Finance Company to the Group under the Existing Financial Services Framework Agreement were conducted on normal commercial terms.

We have also reviewed the latest announcement made by the PBOC on 23 October 2015, in which it stipulated that the upper limit for the interest rates for deposits offered by the financial institutions in the PRC has been removed. We had discussions with the management of the Group Finance Company regarding the effect of this policy to the Group Finance Company, and we were advised that most of the commercial banks in the PRC are slow to react to the new policy, and the current market deposit interest rates are not increasing sharply. The management of the Group Finance Company takes the view that the new policy currently does not have a material impact to the Group Finance Company's profit

LETTER FROM ASIAN CAPITAL

levels. In the future, even if the market deposit interest rates increase by a large margin, the Group Finance Company will strictly comply with the interest rate requirements imposed by PBOC from time to time, and offer the Group with preferential deposit interest rates in the market. On the other hand, the Group Finance Company will expand the revenue stream from the Other Finance Service by providing more services to the Member Companies, and optimising its capital structure by lowering its deposit to loan ratio to mitigate the impact brought by the increased deposit interest rates in the market. As a result, we concur with the management's view that the deposit interest rates offered by the Group Finance Company to the Group, which is not less favourable than those in the market, would be in the interests of the Company and the Shareholders as a whole.

In light of the above, we concur with the view of the Directors that the terms under the Renewed Financial Services Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. The Maximum Daily Balance and basis of determination

(i) Review of historical transactions with the Group Finance Company

Set out below are the historical daily maximum outstanding balances including the accrued interest in respect of the deposit services provided by the Group Finance Company to the Group (the “**Deposit Balances**”), the daily maximum outstanding balances including the accrued interest in respect of the deposit services provided by the Group Finance Company to the Group as specified under the Existing Financial Services Framework Agreement (the “**2013 Approved Maximum Balances**”), and the utilisation rates of the 2013 Approved Maximum Balances in respect of the Deposit Balances for the two years ended 31 December 2014, and the period from 1 January 2015 to 30 September 2015 (together the “**Period**”):

RMB 'million	For the year ended 31 December						From 1 January to 30 September		
	2013			2014			2015		
	Actual amount	Approved cap	% of utilisation	Actual amount	Approved cap	% of utilisation	Actual amount	Approved cap	% of utilisation
Deposit Balances	472.4	1,000	47.20%	1,144.8	1,150	99.57%	1,340.3	1,350	99.26%

As shown in the table above, the Deposit Balances have been increasing during the Period, mainly due to the increased cash balance of the Group during the Period. The utilisation rate of the 2013 Approved Maximum Balances was low in 2013, mainly because the Group Finance Company was newly set up in 2013, and the Existing Financial Services Framework Agreement only became effective in late October 2013. However, the utilisation rates of the 2013 Approved Maximum Balances were very high in 2014 and for the first nine months of 2015, reaching almost 100%, indicating that the 2013 Approved Maximum Balances were too low for the deposit services provided by the Group Finance Company to the Group during those periods. In view of the past track records of the 2013

LETTER FROM ASIAN CAPITAL

Approved Maximum Balances being almost fully utilized for the year ended 31 December 2014 and the nine months ended 30 September 2015, and the bases for determining the Maximum Daily Balance which are discussed below, there is a need to adjust the maximum deposit balance upwards starting from 2016.

(ii) Bases for determining the Maximum Daily Balance and our analysis

Set out below are the Maximum Daily Balance for the years ending 31 December 2016, 2017 and 2018 respectively:

	For the year ending 31 December		
	2016	2017	2018
	(RMB'	(RMB'	(RMB'
	million)	million)	million)
The Maximum Daily Balance	3,170	3,350	3,570

The Directors determined the above caps based on the deposit balance of RMB1,300 million with the Group Finance Company as at 31 October 2015, taking into account the estimated cash flow to be generated from the increase in the Group's wind power capacity between 2016 and 2018, plus the interest income receivable from the Group Finance Company and the loans to be obtained by the Group during the three years from 2016 to 2018, and minus the capital expenditure, operating costs, repayments of loans and interest and payments of dividends.

In assessing the fairness and reasonableness of the Maximum Daily Balance, we have reviewed the following factors for the determination of the Maximum Daily Balance as disclosed in the letter from the Board in the Circular:

- the fund management strategy of the Group, namely to benefit from the enlarged scale economy by centralising its funds with higher liquidity which are able to be converted into cash immediately in certain selected financial institutions, including the Group Finance Company.

As advised by the management of the Company, the Company intends to place most of the Group's cash with the Group Finance Company, subject to adjustments made to the Group's deposit balance with the Group Finance Company according to the development prospects of the Group. As discussed in the section "5. Risk profile of the Group Finance Company as a non-bank financial institute" below, the liquidity risk and credit risk of the Group Finance Company are lower than those of the commercial banks in the PRC. Although most of the Group's cash is intended to be placed with the Group Finance Company, the risk of the default by the Group Finance Company is very low, therefore the concentration risk is considered minimum. In view of the fact that the Group Finance Company undertakes to the Group that its deposit interest rates offered to the Group shall not be lower than the

LETTER FROM ASIAN CAPITAL

interest rates offered to the Group by commercial banks for the same category of deposits, and the Group Finance Company has a long-time good business relationship with the Group, the concentration risk will be compensated by the higher interest income received by the Group, we consider that the benefit of depositing cash with the Group Finance Company is justified, and it is reasonable and beneficial for the Group to place most of its cash balances as deposits with the Group Finance Company;

- In considering the Increased Maximum Daily Balance, we have taken into account the following factors:
 - the consolidated installed capacity of the wind farms of the Group has been increasing rapidly during the past two years, and the Company expects to further expand its assumed installed capacity of its wind farms by up to 500 MW, 400 MW and 400 MW in 2016, 2017 and 2018 respectively, which will increase revenue and cash inflows to the Group, and increase its net cash inflow by RMB100 million per annum on average, representing approximately 4.5% of the Increased Maximum Daily Balance in aggregate.

According to a research report “Decarbonizing China’s power system with wind power: the past and the future” published in 2015 by Oxford Institute for Energy Studies, which was founded in 1982 as an independent centre of the University of Oxford for advanced research in energy related issues, wind power is expected to play an important role in the future power mix in the PRC. The projected wind power generation capacity of the PRC and the corresponding electricity generation are shown in the table below:

Year	Installed capacity (GW)	Electricity generation (TWh)	Share of total electricity generation (%)
2020	200	400	5
2030	400	840	8.4
2050	1,000	2,200	17

Source: Decarbonizing China’s power system with wind power: the past and the future

According to the statistics report of “北極星風力發電網” (the North Star wind power generation network*), which is an independent website in relation to the wind power industry of the PRC, the installed wind power capacity in 2014 in the PRC was

LETTER FROM ASIAN CAPITAL

approximately 114.61 GW. As a result, there is approximately 74.50% growth potential of installed capacity of wind power to 2020 in the PRC. We have reviewed the information provided by the Company for the authorised installed capacity of the wind farms of the Group as at the Latest Practicable Date. Based on the approximately 1,700 MW installed capacity of the Group as at 30 June 2015, and the total assumed installed capacity of 1,300 MW to be added between 2016 and 2018, the total assumed installed capacity of 3,000 MW as at the end of 2018 will still be within its authorised limit, and the growth of the Group's assumed installed capacity of 76.47% from 2016 to 2018 is consistent with the expected installed capacity growth of 74.50% in the PRC till 2020. We are further advised by the management of the Company that the current capacity under construction is approximately 850 MW in 2015.

However, the selling price of electricity may be adjusted subject to the upcoming electricity pricing policy of the PRC government (the "Policy"). We are advised by the management of the Company that the Policy will not affect the price of electricity generated by the Group's existing wind farms, it will only affect the price of electricity generated by the Group's new wind farms which commence operations after the announcement of the Policy. In addition, although the future revenue size of the Group will be affected by the Policy, its profit margin will not be affected due to the development of the wind farm technology, the increased operating scale and improved efficiency. As a result, the electricity price adjustment is not expected to have a large impact to the Group's cash flows from its operations in the future.

According to the Reports, given that the Group achieved a RMB885 million net cash flow from operating activities for the year ended 31 December 2014 with an installed capacity of approximately 1,700 MW, and in view of the fast growing installed capacity of wind power in the future, and the increasing percentage of wind power in the future power mix in the PRC, we consider the assumptions that the growth of the Group's cash by RMB100 million per annum on average received from the new wind farm business in the next three years are reasonably determined;

- o the Group's need for debt financing will grow further as the number of the Group's wind farm projects is increasing, which is expected to increase the cash balance of the Group. As at 31 October 2015, the Group had eight wind power projects under construction that have entered into loan agreements with financial institutions. It is expected that there will be a temporary unused

LETTER FROM ASIAN CAPITAL

fund of up to approximately RMB700 million which is proposed to be deposited with the Group Finance Company, representing approximately 31.5% of the Increased Maximum Daily Balance.

As shown in the Reports, both cash and cash equivalents and other financial assets balance of the Group and interest-bearing bank and other borrowings balance of the Group have been increasing during the past years, it is therefore important to manage and utilise the working capital effectively so as to cope with the growing liabilities of the Group. We are of the view that, in consideration of the expected business development of the Group and the potential corporate financing need, it is beneficial for the Group to fully utilise the Group Finance Company as a platform for fund management of the Group, by depositing cash obtained under debt financing for developing wind farm projects which has not been utilized immediately to earn interest income at a level not lower than that from the market, and borrowing cash at interest cost at a level not higher than that from the market when the need for cash expenditure for infrastructure projects arises. This allows the Group to efficiently manage its cash, and efficiently reduce the cost of timing mismatch between cash raised and cash spent by utilizing the Deposit Services provided by the Group Finance Company;

- o On 21 January 2014, the Company placed 476,725,396 new H Shares at the placing price of HK\$3.35 per H Share to a placing agent, raising a total amount of approximately HK\$1,564 million. As at 31 October 2015, approximately HK\$624 million of the net proceeds including accrued interest were deposited in the bank account of the Company pending to be invested in the wind farm projects in the PRC, representing approximately 22.5% of the Increased Maximum Daily Balance;

As advised by the management of the Company, the net proceeds of HK\$624 million will be invested in the Group's wind farm projects in the PRC within the next three years. Currently, the Company has eight definitive development plans on the wind farm projects. In view of the increasing number of the Group's wind farm projects, the Company may need to conduct further fund raising activities, either by way of debt or equity financing, to finance its wind farm expansions between 2016 and 2018. As a result, besides the net proceeds of HK\$624 million in the Group's bank account, the Group's cash balance is expected to be further increased by the cash proceeds raised in the future. The Company intends to place most of the cash proceeds raised with the Group Finance Company to earn interest income at a level not lower than that from the market, and withdraw cash by instalments for spending in the wind farm business. As a result, the cost of timing

LETTER FROM ASIAN CAPITAL

mismatch between cash raised and cash spent is efficiently reduced by utilizing the Deposit Services provided by the Group Finance Company. In light of the above, we are of the view that cash proceeds raised for the purpose of wind farm business to be deposited to the Group Finance Company is fair and reasonable;

- o HECIC New-energy, a wholly-owned subsidiary of the Company, issued its first tranche of the short-term debenture in a principal amount of RMB500 million on 22 October 2015, representing approximately 22.5% of the Increased Maximum Daily Balance of the Deposit Service.

As disclosed in the announcement of the Company dated 23 October 2015, the proceeds of the short-term debenture, which are intended to be placed as deposits with the Group Finance Company, are mainly used as the additional working capital of HECIC New-energy. The short-term debenture will mature in one year, and we are advised by the management of the Company that once the first tranche of the short-term debenture matures, HECIC New-energy will issue the second tranche in due course. While HECIC New-energy may withdraw the proceeds any time for its own use, the proceeds, as deposits in the Group Finance Company, could generate interest income for the Group at a level not lower than that from the market, and the benefit of placing those proceeds as deposits with the Group Finance Company is justified.

- o The unused fund of RMB400 million currently deposited with commercial banks, representing approximately 18% of the Increased Maximum Daily Balance.

As discussed in this section, the Company intends to place most of the Group's cash with the Group Finance Company. As the concentration risk will be compensated by the higher interest income received by the Group, we consider that the benefit of depositing cash with the Group Finance Company is justified, and it is reasonable and beneficial for the Group to place most of its cash balances as deposits with the Group Finance Company;

- o The accrued interest arising from the opening deposit balance (being the cash balance of the Company at the beginning of a financial year on a consolidated basis) during 2016 to 2018.

The Group Finance Company has a proven track record of approximately 2.5 years that its average deposit interest rates offered to its existing clients were higher than the RMB deposit benchmark interest rates for the same terms as published by the PBOC during 2013 and 2015. As the Maximum Daily Balance needs to take into account of the accrued interest arising from the

LETTER FROM ASIAN CAPITAL

opening deposit balance, we consider that it is fair and reasonable to mark up the opening deposit balance by the interest rate offered by the Group Finance Company per year in determining the Maximum Daily Balance.

The maximum daily balance of the deposit services offered by the Group Finance Company to the Group increased significantly by approximately 134.81% from RMB1,350 million in 2015 to RMB3,170 million in 2016. As discussed in “(i) Review of historical transactions with the Group Finance Company” in this section, the maximum daily balance under the Existing Financial Services Framework Agreement was too low in 2014 and 2015, resulting in a utilisation rate of nearly 100%. It is beneficial for the Group to increase the maximum daily balance by a large margin to take advantage of the high deposit interest rates offered by the Group Finance Company. According to the Reports, the cash and cash equivalents and other financial assets of the Group as at 30 June 2015 was approximately RMB3,300 million, which is 244.47% of the maximum daily balance in 2015, and is 4.10% higher than the Maximum Daily Balance in 2016. Taking into account of the factors above, we consider that the substantial increase of the Maximum Daily Balance from RMB 1,350 million in 2015 to RMB3,170 million in 2016 is fair and reasonable.

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 Maximum Daily Balance, although higher than the 2013 Approved Maximum Balance, will provide more flexibility to the Group, and such balances are at a reasonable level and will fulfil the Group’s needs of fund management. After having reviewed and analysed all the relevant historical data of the Group, and taking into account the factors above, we are of the view that the Maximum Daily Balance are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Internal control procedures and corporate governance

(i) The Group

To secure Shareholders’ interests, the Company will apply the following internal control procedures and corporate governance measures for utilising the Deposit Services:

- before the Company or any of its subsidiaries enter into any agreement in relation to the Deposit Service with the Group Finance Company, the Company will obtain at least three quotes from independent financial institutions for similar deposit 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. The manager of the finance department of the Company is responsible for obtaining quotes from independent financial institutions

LETTER FROM ASIAN CAPITAL

and verifying their authenticity, while the vice president of the Company is responsible for making decisions as whether to take up the offer from the Group Finance Company, based on the information received. The offer with the highest deposit interest rate will be selected;

- 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 which it provides to other member companies of HECIC, and the audit department of the Company will verify or examine the updated pricing information;
- the finance department of the Company will closely monitor the transactions under the Renewed Financial Services Framework Agreement, and review the 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 finance department of the Company will, on a quarterly basis, report to the independent non-executive Directors the following items:
 - the relevant transactions under the Renewed Financial Services Framework Agreement of each quarter together with information on the comparable quotes obtained from the independent commercial banks; and
 - 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 Renewed Financial Services Framework Agreement, which is agreed by the Group Finance Company, 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 of the Company and report the results of the review to the management on a yearly basis; and

LETTER FROM ASIAN CAPITAL

- in the event of any changes in the credit ratings of the Group Finance Company during the term of the Renewed Financial Services Framework Agreement, such change shall be forthwith reported by the Group Finance Company to the Company.

(ii) 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, details of which are set out below:

- the Group Finance Company designates an employee to calculate the total deposit of the Group and compare that with the Maximum Daily Balance on a daily basis before settlement of the accounts. If the deposit placed by the Group exceeds the Maximum Daily Balance, the employee will notify the finance department of the Group to transfer the cash exceeding the limit to a commercial bank in time. There has been no deposit placed by the Group exceeding the maximum amount since the Group Finance Company commences operations;
- the Group Finance Company designates an employee in the finance department to monitor the deposit interest rate policy published by the PBOC every day;
- when the deposit interest rates offered to Member Companies other than the Group by the Group Finance Company are more favourable than those offered to the Group for the same terms, the same deposit interest rates will be applied to all deposits placed by the Group for the same terms, after approval by the management of the Group Finance Company;
- when the Company informs the Group Finance Company that there is a deposit interest rate offered by any commercial bank to the Group which is more favourable than that offered by the Group Finance Company for the same terms, the Group Finance Company will offer the Group with a deposit interest rate for the Group's upcoming deposits which is not lower than the highest interest rate available at that time upon arm's length negotiation with the Group. Whether the higher interest rate will take retrospective effect will also be determined upon arm's length negotiation between the Group and the Group Finance Company.

LETTER FROM ASIAN CAPITAL

Pursuant to the Renewed 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 internal online 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 which is a protocol of online banking to safeguard the funds of the Group. Pursuant to the Renewed Financial Services Framework Agreement, ownership of funds entrusted to the Group Finance Company through the entrusted loan business, which is conducted by the Group Finance Company as an intermediary for the loan granted by a member of the Group to another member of the Group, will not be transferred to the Group Finance Company.

Pursuant to the Renewed 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 Renewed 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 organization 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 have been no issues on the Group Finance Company raised by the CBRC.

We have reviewed the internal control manual of the Group Finance Company, and noted that the corporate governance structure of the Group Finance Company comprises a three-level structure, namely the business departments' level, the financial planning department's level and the general manager's council level. The business departments are responsible for the execution of the business transactions, the financial planning department is responsible for the management of the business transactions, and the general manager's council is responsible for the approval of the decisions made by the financial planning department. It is clear that the planning, review and execution of the business transactions of the Group Finance Company are segregated.

In light of the corporate governance structure, internal rules and policies and standard operational procedures of the Group Finance Company, we 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.

LETTER FROM ASIAN CAPITAL

5. Risk profile of the Group Finance Company as a non-bank financial institute

In order to formulate our view on the risk profile of the Group Finance Company compared with that of the PRC commercial banks, we have reviewed several key financial ratios of the Group Finance Company and PRC commercial banks according to three major risk factors of financial institutions, which are compliance risk, liquidity risk and credit risk as set out below:

(i) Compliance risk

As a licensed non-bank financial institution in the PRC, the Group Finance Company is supervised by the CBRC under 企業集團財務公司管理辦法 (the Administrative Measures for Enterprise Group Finance Companies*) (the “**Administrative Measures**”), pursuant to which the Group Finance Company is required to submit audited financial statements and report its operation status to the CBRC annually. In addition, the Group Finance Company must comply with certain financial ratio requirements set by the CBRC from time to time.

The table below sets out the financial ratio compliance requirements of the CBRC with reference to the Administrative Measures:

Financial ratio	Capital adequacy ratio <i>(note 1)</i>	Inter-bank borrowing balances to total capital ratio <i>(note 2)</i>	Total amount of outstanding guarantees to total capital ratio <i>(note 2)</i>	Total amount of investment to total capital ratio <i>(note 2)</i>	Self-owned fixed assets to total capital ratio <i>(note 2)</i>
Requirements of the CBRC	Not less than 10.5%	Not more than 100%	Not more than 100%	Not more than 70%	Not more than 20%

Note 1: Capital adequacy ratio is defined as total capital / risk adjusted assets.

Note 2: Total capital includes: (1) paid-in capital or common shares; (2) capital reserve; (3) retained earnings; (4) risk provisions; (5) undistributed profit; (6) capital contributed by minority shareholders; (7) loan provisions; and (8) tier 1 and tier 2 capital and their premiums of the financial institution.

We have conducted an independent work to review the financial ratios of the Group Finance Company as at 31 December 2013 and 2014 and 30 June 2015 in relation to the requirements of the Administrative Measures, and noted that the Group Finance Company has complied with all the financial ratio requirements during the relevant periods. We have also been advised by the Directors that to their best knowledge, information and belief, up to the Latest Practicable Date, there is no record of non-compliance with relevant laws, rules and regulations of the PRC by the Group Finance Company.

LETTER FROM ASIAN CAPITAL

All commercial banks in the PRC are regulated by CBRC under the “商業銀行資本管理辦法(試行)” (the Measures for the Capital of Commercial Banks (for Trial Implementation*)) . Save for the capital adequacy ratio, the financial ratios set out in the Administrative Measures are not applicable to PRC commercial banks. According to the annual statistics conducted by CBRC on the commercial banks in the PRC, the capital adequacy ratio of commercial banks in the PRC as at 31 December 2013 and 2014 and 30 June 2015 respectively are shown below:

Financial ratio	Requirements of the CBRC	Average financial ratios of commercial banks in the PRC		
		As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
Capital adequacy ratio	Not less than 10.5%	12.19%	13.18%	12.95%

We noted that each of the capital adequacy ratio of the Group Finance Company as at 31 December 2013 and 2014 and 30 June 2015 was higher than the respective average capital adequacy ratio of the commercial banks in the PRC. In view of the above, we are of the view that the compliance risk of the Group Finance Company is relatively small in comparison with that of the commercial banks in the PRC.

(ii) Liquidity risk

The Group Finance Company and all commercial banks in the PRC are supervised by the CBRC under the “企業集團財務公司風險監管指標考核暫行辦法” (the Trial Measures for Risk of Enterprise Group Finance Companies*), and the “商業銀行流動性風險管理辦法(試行)” (Measures for the Liquidity Risk Management

LETTER FROM ASIAN CAPITAL

of Commercial Banks (for Trial Implementation)*) respectively. The key ratio reflecting liquidity risks is the current ratio, which is shown below in respect of both the Group Finance Company and commercial banks in the PRC:

Financial ratio	Requirements of the CBRC on the Group Finance Company			
Current ratio (<i>note 3</i>)	Not lower than 25%			
	Average financial ratios of commercial banks in the PRC			
	Requirements of the CBRC	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
Current ratio (<i>note 3</i>)	Not lower than 25%	44.03%	46.44%	46.18%

Note 3: Current ratio is defined as current assets/current liabilities.

We noted that each of the current ratio of the Group Finance Company as at 31 December 2013 and 2014 and 30 June 2015 was higher than the respective average current ratio of commercial banks in the PRC. In view of the above, we are of the view that the liquidity risk of the Group Finance Company is relatively small in comparison with that of the commercial banks.

(iii) Credit risk

Due to the fact that the customers of the Group Finance Company are limited to members of the Company and HECIC, the Group Finance Company faces a higher customer concentrations risk than the PRC commercial banks, whose customers are the general public. As a result, the default of any one of the Group Finance Company's customers may cause a greater negative impact to the Group Finance Company than the default of any one of the PRC commercial banks' customers. However, as a subsidiary of HECIC, the Group Finance Company is able to gain access to the details of financial positions of its customers, and can obtain sufficient information in advance to determine whether to grant the loan to the applicant. The situation is different for most of the PRC commercial banks as limited information is available to the commercial banks to evaluate their customers. As a result, to a certain extent, the high customer concentration risk is mitigated with additional information available to the Group Finance Company. The key indicators of credit risk are the non-performing loan ratio and the provision coverage ratio. We noted that the non-performing loan

LETTER FROM ASIAN CAPITAL

ratios of the Group Finance Company as at 31 December 2013 and 2014 and 30 June 2015 are lower than those of PRC commercial banks respectively, while the provision coverage ratios of the Group Finance Company as at 31 December 2013 and 2014 and 30 June 2015 are higher than those of the commercial banks in the PRC respectively:

Financial ratio	Requirements of the CBRC on the Group Finance Company
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Non-performing loan ratio (<i>note 4</i>)	Not higher than 5%
Provision coverage ratio (<i>note 5</i>)	Not lower than 100%

Financial ratio	Requirements of the CBRC	Average financial ratios of commercial banks in the PRC		
		As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
Non-performing loan ratio (<i>note 4</i>)	Not higher than 5%	1.00%	1.25%	1.50%
Provision coverage ratio (<i>note 5</i>)	Not lower than 100%	282.70%	232.06%	198.39%

Note 4: Non-performing loan ratio is defined as non-performing loan/total loans.

Note 5: Provision coverage ratio is defined as loan provisions/non-performing loans.

We noted that the Group Finance Company did not have any non-performing loan since its establishment till the Latest Practicable Date. Accordingly, based on the requirement of the formula of the provision coverage ratio, the denominator of which is the amount of the non-performing loan (that is zero in the case of the Group Finance Company), the Group Finance Company has full provision coverage on the non-performing loan, which is an excellent achievement of the Group Finance Company.

In addition, to ensure the capital liquidity, the board of directors of HECIC, the controlling shareholder of the Company and the Group Finance Company, has undertaken in the articles of association of the Group Finance Company that, HECIC will provide funding to the Group Finance Company to satisfy its capital needs in the event that the Group Finance Company experiences any urgent payment difficulties. As a result, the creditability of the Group Finance Company is fully supported by HECIC.

HECIC is a state-owned enterprise with the largest assets in Hebei Province of the PRC. According to the audited financial statements of HECIC for the two years ended 31 December 2013 and 2014 provided by the Company, HECIC's operating profit amounted to approximately RMB681.0 million and RMB2,129.2 million for the two years ended 31 December 2013 and 2014 respectively.

LETTER FROM ASIAN CAPITAL

According to the Group Finance Company Reports, the interest expenses of the Group Finance Company amounted to approximately RMB11.6 million and RMB56.0 million for the two years ended 31 December 2013 and 2014 respectively. The interest coverage ratio, which is calculated as HECIC's operating profit divided by the interest expense of the Group Finance Company, were approximately 58.7 times and 38.0 times respectively in 2013 and 2014. In addition, the amount of cash held by HECIC was approximately RMB1.4 billion and RMB1.8 billion as at 31 December 2013 and 2014 respectively, which were 592.9 times and 344.9 times of the interest payable of the Group Finance Company during the relevant periods.

In view of the above, we consider that the financial capability of HECIC is sufficient to provide financial support to the Group Finance Company, and the credit risk of the Group Finance Company is relatively small in comparison with that of the commercial banks.

As a result of the comparisons of financial ratios between the Group Finance Company and the PRC commercial banks, and the analysis on the compliance risk, liquidity risk and credit risk in relation to the Group Finance Company, we are of the view that the general risk profile of the Group Finance Company as a non-bank financial institution are not greater than that of the PRC commercial banks, and the risks of the Group Finance Company can be adequately managed under the existing internal control procedures.

6. 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.
- (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;

LETTER FROM ASIAN CAPITAL

- 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 Renewed 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 Member Companies, including the Group. The Renewed 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 Renewed 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 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.

Based on the above, we consider that it is in the interest of the Independent Shareholders to approve the terms of the Renewed Financial Services Framework Agreement, the Deposit Service contemplated thereunder and its caps so as to enable

LETTER FROM ASIAN CAPITAL

the Group to enjoy the potential benefits that may be brought by the services to be provided by the Group Finance Company under the Renewed Financial Services Framework Agreement.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that although entering into the Renewed Financial Services Framework Agreement is not in the ordinary and usual course of business of the Group, the Renewed Financial Services Framework Agreement is entered into on normal commercial terms or better, and that the terms of the Deposit Service under the Renewed Financial Services Framework Agreement, including the Maximum Daily Balance, 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 Maximum Daily Balance to be proposed at the EGM.

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

* *For identification purposes only*

1. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

(a) Borrowings

The total outstanding bank borrowings of the Group was approximately RMB11,710 million, which includes (i) the bank borrowings of approximately RMB480 million which is either secured by credit guarantee provided by the Company or account receivables pledged by subsidiaries of the Company and (ii) the unsecured bank borrowings of approximately RMB11,230 million.

(b) Debt securities

The Company has issued and outstanding corporate bonds with principal amount of approximately RMB2,000 million. In addition, HECIC New-energy, a wholly-owned subsidiary of the Company, has received a Letter of Acceptance of Registration (Zhong Shi Xie Zhu [2015] No.CP343) from the National Association of Financial Market Institutional Investors in October 2015, pursuant to which National Association of Financial Market Institutional Investors has accepted HECIC New-energy's registration of the short-term debenture with principle amount of RMB1 billion and to be issued in tranches within the effective period of the registration (namely two years from the issuance date of the Letter of Acceptance of Registration). HECIC New-energy has completed the issuance of the first tranche of the short-term debenture with principal amount of RMB500 million on 22 October 2015.

(c) Contingent liabilities

As at 31 October 2015, the Company has a contingent liability of RMB200 million.

(d) Mortgage and Charge on assets of the Group

As at 31 October 2015, the Group has no mortgages or charges on its assets.

Save as disclosed above, as at the close of business on 31 October 2015, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 October 2015 being the date for determining the Group's indebtedness up to the Latest Practicable Date.

2. EFFECT OF THE CONTINUING CONNECTED TRANSACTIONS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

In respect of the continuing connected transactions under the Renewed Financial Services Framework Agreement, there has been no, and the Group does not expect there will be any, significant effect on the earnings and assets and liabilities of the Group.

3. WORKING CAPITAL

The Directors are of the view that, after taking into account the Group's existing cash and bank balances, the present available credit facilities, the expected internally generated funds and the effect of the Deposit Services contemplated under the Renewed Financial Services Framework Agreement, the Group has sufficient working capital for its requirement for the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

It is expected that in the second half of 2015, despite the greater downward pressure on China's macroeconomy, a series of state policies to stabilize growth rate will progressively come into effect. It is expected that the demand for energy will rebound in the second half of the year and the energy consumption for the whole year will maintain a medium to slow growth rate while the energy supply and demand structure will remain loose in general. Along with the continuous development of synergy among Beijing, Tianjin and Hebei, the eco-environment information sharing and the joint construction of an ecotone among Beijing and Tianjin will be achieved. As clean energy is at an important strategic stage for significant development, it will have considerable development potentials. The Group will leverage its status as a listed company in Hong Kong and utilise its experience in professional management accumulated over the years to effectively push forward its natural gas and wind power projects and other business steadily.

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 as set out in Appendix 10 to the Listing Rules.

(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 Listing Rules if each of them were a controlling shareholder).

(c) Material Interests of the Directors in the Transactions

As Dr. Cao Xin, Mr. Qin Gang, Ms. Sun Min and Mr. Wu Huijiang hold positions in HECIC, the controlling shareholder of the Company, they are deemed to have material interests in the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder. Accordingly, they have abstained from the voting on the Board resolution in relation to the approval for the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder. Furthermore, one of our non-executive Directors, Dr. Liu Zheng, has also abstained from the voting on the Board resolution in relation to the approval for the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder given his

resignation as a non-executive Director as set out in the Company's announcement dated 13 October 2015. The resignation of Dr. Liu Zheng is effective upon the appointment of a new non-executive Director to fill his vacancy.

3. POSITIONS HELD BY THE DIRECTORS IN THE CONTROLLING SHAREHOLDER

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

Name of Director	Position(s) held in the Company	Position(s) held in HECIC
Dr. Cao Xin	Chairman and Non-executive Director	Deputy general manager of HECIC
Mr. Qin Gang	Non-executive Director	Assistant to the general manager and department head of the capital department of HECIC
Ms. Sun Min	Non-executive Director	Department head of the appraisal and assessment department of HECIC
Mr. Wu Huijiang	Non-executive Director	Department head of the investment development department 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 2014 (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) The inter-bank bond market non-financial corporate debt financing instrument underwriting agreement entered into by HECIC New-energy, China Development Limited and Industrial Bank Co., Ltd. on 24 June 2015 in relation to the issuance of no more than RMB1 billion short-term debenture by HECIC New-energy (the "**Underwriting Agreement**"). Pursuant to the Underwriting Agreement, the underwriters shall receive gross commissions amounted to 0.4% of the aggregate par value times the term of the short-term debenture to be issued. The gross commissions paid by HECIC New-energy for its issuance of first tranche of the short-term debenture was approximately RMB2 million;
- (b) the equity transfer agreement entered into by the Company and HECIC on 22 January 2015 in relation to the acquisition of a 20% equity interest in Hebei Fengning Pumped Storage Company Limited by the Company from HECIC. The transfer price paid by the Company was approximately RMB69.7 million;
- (c) the capital increase agreement entered into by the Company, HECIC, HECIC Water Investment Co., Ltd., HECIC Communications Investment Co., Ltd. and JEI on 8 January 2015 in relation to the increase in the registered capital of the Group Finance Company from RMB500 million to RMB1 billion (the "**Capital Increase Agreement**"). Pursuant to the Capital Increase Agreement, the Company, HECIC, HECIC Water Investment Co., Ltd., HECIC Communications Investment Co., Ltd. and JEI made capital contribution in accordance with their respective shareholdings, and the Company contributed RMB50 million to the increased registered capital of the Group Finance Company;
- (d) the equity joint venture agreement entered into between HECIC New-energy and HECIC on 19 December 2014 in relation to the capital contribution of RMB20 million made by HECIC to Suntien Green Energy Weichang Co., Ltd., a wholly-owned subsidiary of HECIC New-energy. Upon the completion of the capital contribution, Suntien Green Energy Weichang Co., Ltd. is held as to 93.71% and 6.29% by HECIC New-energy and HECIC, respectively; and

- (e) the placing agreement dated 21 January 2014 entered into among the Company, Morgan Stanley & Co. International plc and Citigroup Global Markets Inc. in relation to the placing of 476,725,396 new H Shares. The commission paid by the Company to the placing agent was approximately RMB31.9 million.

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 2014 (being the date to which the latest published audited accounts of the Group were made up).

8. MATERIAL LITIGATION

As disclosed in the Company's interim report for the period from 1 January 2015 to 30 June 2015, the Group was involved in the following material litigation: Hebei Yuanhua Glass Co., Ltd. (河北元華玻璃股份有限公司) ("**Yuanhua Company**") failed to make payment to a bank for a commercial acceptance note it issued upon expiry and accordingly, the bank made a deduction of RMB140 million in total directly from the account of Hebei Natural Gas Company Ltd. ("**Hebei Natural Gas**"), a subsidiary of the Company, pursuant to a discount agreement therewith. Thereafter, Hebei Natural Gas entered into an enforceable notarized debt instrument with Yuanhua Company stipulating Yuanhua Company to pledge certain assets for the said amount. As Yuanhua Company failed to repay the said amount to Hebei Natural Gas upon expiry, Hebei Natural Gas applied to the court in the PRC for the enforcement of the notarized debt instrument, which was accepted by the court in the PRC on 13 May 2015. On 8 July 2015, the parties reached a settlement agreement, pursuant to which Yuanhua Company guaranteed to repay the debt by installment. Yuanhua Company had complied with the settlement agreement and repaid the installments as scheduled.

The Board considers that the above litigations are claims against external parties arising in the normal course of production and operation and will not have any material adverse effect on the business and financial position of the Group. Save as disclosed above, as far as the Directors are aware, there were no other litigation or claim of material importance which is pending or threatened against any member of the Group as at the Latest Practicable Date.

9. 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:

- (a) it has given and has not withdrawn its written consent to the issue of this circular dated 11 December 2015 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, it 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, it did not have any direct or indirect interest in any assets which have been, since 31 December 2014 (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.

10. GENERAL

- (a) In any event of inconsistency, the English text of this circular shall prevail over the Chinese text.
- (b) The joint company secretaries of the Company are Mr. Ban Zefeng and Ms. Lam Yuen Ling, Eva.
- (c) The Company's registered office and headquarters in the PRC is situated at 9 Floor, Block A, Yuyuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, PRC, and its principal place of business in Hong Kong is situated at Suite 2103, 21st floor, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong.
- (d) The Company's H Share registrar and transfer office is Computershare Hong Kong Investor Services Limited which is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m. at the office of the Company's legal adviser, Latham & Watkins, at 18/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong within 14 days from the date of this circular (excluding Saturdays, Sundays and public holidays):

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2013 and 2014;
- (c) the material contracts summarized under the section headed "Summary of Material Contracts" in this Appendix;

- (d) the Renewed Financial Services Framework Agreement;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 50 of this circular;
- (g) written consent of the Independent Financial Adviser as mentioned in the paragraph 9 in this Appendix; and
- (h) this circular.