
RELATIONSHIP WITH GUODIAN GROUP

OVERVIEW

The Company was established as a joint stock company with limited liability under the Company Law on July 9, 2009.

Pursuant to the Reorganization Agreement, Guodian transferred to the Company substantially all the assets, liabilities and equity interests Guodian owned through the Company’s predecessor, CLEPG, save for interests in certain entities which were transferred from CLEPG to Guodian at nil consideration. For details of the Reorganization, please see the section headed “History, Reorganization and Corporate Structure — Reorganization.”

DELINEATION OF BUSINESS AND COMPETITION

Business Retained by Guodian

We undertook the Reorganization which was implemented by way of a conversion of CLEPG from a wholly state-owned enterprise to a joint stock company with substantially all the original businesses being retained. The conversion did not affect the respective lines of businesses originally undertaken by the Company but to vest our core businesses and assets in the Company and delineate our businesses from those of Guodian. Immediately following the Reorganization, our core business is wind power while Guodian is principally engaged in the coal power and hydro-power businesses.

Certain overlapping businesses between the Company and Guodian have never been owned by the Company. The following businesses will continue to be retained or operated by Guodian after the conversion. Save for the retained businesses referred to below, there is no other business retained or operated by Guodian which will compete or is likely to compete with our core business. The retained businesses principally include:

- five wind farms;
- various coal power plants, including five coal power plants in Jiangsu;
- various other renewable energy power plants; and
- 53.42% equity interest in GD Power, the A shares of which are listed on the Shanghai Stock Exchange. GD Power is principally engaged in the development and investment of coal power plants and hydro power plants. It also engages in wind power business and other renewable energy businesses,

(collectively, the “Retained Business”).

Guodian

Guodian’s power generation business principally comprises the coal power business and hydro power business. As at 31 July 2009, Guodian’s coal power business had a consolidated installed capacity of 66.88 GW, representing approximately 89.2% of the aggregate consolidated installed capacity of Guodian, according to Guodian’s website. Guodian’s coal power plants are widely distributed in 26 provinces, municipalities and autonomous regions in the PRC, with five coal power plants located in Jiangsu, according to Guodian’s website. The consolidated installed capacity of Guodian’s coal power business was 11.61GW, 6.94GW, 5.87GW, 22.72GW, 9.79GW and 9.95GW in North China, Northeast China, Northwest China, East China (including our Company’s two coal power plants), Central China and Other Regions, respectively, according to Guodian’s website. Its wind power business was at an early stage of development with all the wind farms were still under construction as at the Latest Practicable Date.

RELATIONSHIP WITH GUODIAN GROUP

To strengthen the delineation of the business between the Company and Guodian in respect of wind power business, the Company and Guodian entered into the Non-Competition Agreement under which the Company was granted the options for new business opportunities, as well as the options and pre-emptive rights to acquire Guodian’s wind power business. Further, pursuant to further confirmation issued by Guodian in July 2009, Guodian confirmed that the Company was formed and operated as the platform for the Guodian Group to develop renewable energy business which principally comprises of the wind power business. The Company has also undertaken to Guodian that other than the two coal power plants, the Company will not develop any other coal power plants in the future. Please see the subsection headed “Non-Competition Agreement and Undertakings” in this section for further details.

Under the above arrangements and undertakings and given that Guodian will continue to focus on coal power business as one of its main businesses, while the Company’s core business is wind power business, the Directors consider that there is clear delineation between the business of the Group and that of the Guodian Group.

Guodian’s wind power business

Guodian holds, 100% of the equity interest in Guodian Xinjiang Power Co., Ltd. (國電新疆電力有限公司) (“Guodian Xinjiang”). Guodian Xinjiang mainly engages in coal power business and hydropower business and also holds 70% interest in Alashankou Wind Farm Phase I (阿拉山口一期風電項目) (“Alashankou Wind Farm”). Guodian Xinjiang commenced the construction of Alashankou Wind Farm in 2008 with a total installed capacity of 49.5 MW. Guodian also holds, interests in Guodian Youyu Laoqianshan Wind Farm (國電右玉老千山風電場) with an installed capacity of 49.5MW, Xinganmeng Keyou Qianqi Concession Wind Farm (興安盟科右前旗風電場特許權風電場) with an installed capacity of 49.3MW, Erlianhaote Wind Farm (二連浩特風電場) with an installed capacity of 49.5MW and Yihewusu Wind Farm (鄂爾多斯市伊和烏素風電場) with an installed capacity of 49.5MW.

The Board is of the view that the above wind farms would not add value to the Group’s business at the date of the Reorganization. The relevant factors in their analysis included the plants’ wind resource condition, geological characteristics, construction and grid connection condition, estimated profitability and investment value. Therefore, these five wind farms were not transferred to us during the Reorganization. Given that we have the option and the right of first refusal to acquire Guodian’s wind power business pursuant to the Non-Competition Agreement, we retain the flexibility to acquire the five wind farms from Guodian in the future if our Directors believe that such acquisition would be in the interest of our business and our shareholders.

The Directors believe that the above wind farms, which are still under construction and even if after the construction of which is completed, do not compete with the Company for the following reasons:

- according to the Renewable Energy Law and its implementation rules, grid companies generally must purchase the full amount of electricity generated from renewable energy projects that are located in the areas covered by the grid company, and must provide grid-connection services and related technical support. In addition, the PRC government regulates the on-grid tariffs for wind farms. As a result of these legal requirements, the Directors are of the view that wind power companies in the PRC do not compete with each other even if they are located in the same province in terms of grid-connection, electricity sales and on-grid tariff; and
- compared to our wind power business, Guodian’s wind power business is much smaller in scale. The existing total capacity of Guodian’s wind power projects after becoming fully operational will be 247.3MW. By comparison, the consolidated installed capacity of the Company’s wind power business for the nine months ended September 30, 2009 was 3,032 MW and is expected to increase to approximately 6,500 MW by the end of 2010.

RELATIONSHIP WITH GUODIAN GROUP

Further, if any of the current favorable policies (such as mandatory grid-connection and mandatory purchase obligation imposed on grid companies) is changed or eliminated to our detriment by the PRC government in the future, the Directors believe our business will not be materially affected by such change in government policies as we believe our wind farms have reached economies of scale necessary to become cost-effective. As a result of our leading position in the wind power business in the PRC, we have always been consulted on policies relating to wind power industry by the PRC relevant regulators. In addition, the Company has maintained close contact and affiliation with two of the professional bodies in wind power and renewable energy industries in the PRC, which would allow us to familiarize ourselves with, and keep track of, any changes in government policies relating to the wind power business.

As at the Latest Practicable Date, all of Guodian’s wind power projects were still under construction. The construction will continue to be performed by Guodian, upon completion of which, Guodian will own and operate the wind power projects. However, pursuant to the Non-Competition Agreement, the Company has been granted an option and pre-emptive rights to acquire any wind power business owned by Guodian. Please see the subsection headed “Non-Competition Agreement and Undertakings” in this section for details of the terms of such option and pre-emptive rights.

Guodian’s coal power business

Guodian holds various coal power business located throughout the PRC, including in Jiangsu. Set out below is a table summarizing Guodian’s coal power plants in Jiangsu as at the Latest Practicable Date:

| Project | Installed Capacity | Units | Guodian’s interest | Location |
|------------------------------------------------------------------------------------|--------------------|---------|--------------------|-------------------------|
| | (in MW) | (in MW) | | |
| Guodian Jianbi Power Plant ⁽¹⁾ (國電諫壁發電廠) | 1,320 | 4x330 | 100% | Zhenjiang, Jiangsu |
| Guodian Changzhou Power Generation Co., Ltd. (國電常州發電有限公司) . . . | 1,260 | 2x630 | 51% | Changzhou City, Jiangsu |
| Guodian Suqian Power Generation Co., Ltd. (國電宿遷熱電有限公司) . . . | 270 | 2x135 | 51% | Suqian City, Jiangsu |
| Guodian Taizhou Power Generation Co., Ltd. (國電泰州發電有限公司) . . . | 2,000 | 2x1000 | 40% | Taizhou City, Jiangsu |
| Guodian Jiangsu Suyuan Jianbi Power Generation Co., Ltd. (國電江蘇蘇源諫壁發電有限公司) . . . | 660 | 2x330 | 100% | Zhenjiang City, Jiangsu |

The Directors are of the view that Guodian’s coal power business does not compete with that of the Company, or even if there exists competition, the competition is very limited and immaterial for the following reasons:

- Electricity sales by power generation companies in the PRC are highly localized. According to the Dispatch Regulations, each power plant is only connected to, and sells power to, the local grid company in the area in which the power plant is located. Since our coal power plants are located only in Jiangsu, we do not compete with power plants operated by Guodian in other provinces and connected to different grid companies.

(1) According to an announcement issued by GD Power on November 13, 2009, GD Power entered into a conditional asset transfer agreement with Guodian on November 12, 2009 pursuant to which GD Power has agreed to acquire from Guodian its 80% equity interests in Guodian Jiangsu Power Co., Ltd., which in turn owns and operates Guodian Jianbi Power Plant, Guodian Changzhou Power Generation Co., Ltd. and Guodian Taizhou Power Generation Co., Ltd. The transaction is subject to the independent shareholders’ approval of GD Power and PRC regulatory approvals including SASAC and CSRC.

RELATIONSHIP WITH GUODIAN GROUP

- According to the PRC Energy Law, the output of each coal power plant comprises planned output, which is determined by the relevant provincial governments and respective grid companies at the beginning of each year, and excess output, which is determined by a competitive mechanism by the coal power generation companies.
 - The planned output of our coal power plant is principally determined by reference to the average utilization hours of comparable generating units, by the relevant local authorities and grid company in the province they operate. Although additional power plants will theoretically increase competition among power plants in the same province for the planned output to be allocated by the authority from time to time, our Directors are of the view that the competition to supply planned output is very limited. Our power plants face limited competition from Guodian’s coal power plants for the following reasons:
 - The development and operation of coal power plants in a province is highly regulated and controlled by relevant authorities. When a coal power plant intends to expand its existing operation or a power company plans to construct a new power plant in a province, it will need to obtain the prior approval from the local authorities. We believe that the authorities will approve development of new power plants only if they expect the demand for electricity in the relevant province to increase. Under such strict control and supervision, the aggregate planned output of the power plants in a province will not change significantly notwithstanding the development of new power plants in the same province.
 - The competition to supply the planned output generally exists among all the coal power plants located in the same province, rather than between certain specific power plants. Even though the planned output of each power plant is linked to the existence and the planned output of other power plants in the same province, the competition is not targeted at any specific power plants. An increase in the capacity of Guodian’s power plants in Jiangsu may reduce the planned output of all the other power plants in Jiangsu, including our two coal power plants. However, competition from Guodian’s additional capacity will not be specifically targeted at our two coal power plants, and will be borne by all the existing power plants in Jiangsu to a similar extent where no single power plant will be affected disproportionately. Our two coal power plants account for less than 4% of the total installed capacity of the coal power plants in Jiangsu. Therefore we believe that the impact will be very limited.
 - Although excess output is determined by a procedure of competitive bidding, the competition between the coal power plants of Guodian in Jiangsu and those of the Company is minimal as the excess output only accounted for a very small portion of the total electricity generated by our coal power plants each year. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the excess output accounted for 9.8%, 16.1% and 11.5% and 8.1% of the total electricity our coal power plants generated.
- The Company’s two coal power plants, namely Jiangyin Xiagang Power Plant and Tianshenggang Power Plant, are not part of the Company’s core business. In addition, pursuant to the Non-Competition Agreement and the further clarification to the non-competition undertakings, the Company will not develop any new coal power business other than its two existing coal power plants. It is expected that, as the total installed capacity of the Company’s wind power business will continue to increase, the proportion of our total revenue generated by the two coal power business will decrease progressively.

RELATIONSHIP WITH GUODIAN GROUP

Guodian’s other renewable energy business

Guodian holds interests in various other renewable energy businesses. Set out below is a table summarizing Guodian’s other renewable energy businesses:

| <u>Project company</u> | <u>Guodian’s ownership</u> | <u>Location</u> | <u>Project name</u> | <u>Status</u> | <u>In-service date</u> | <u>Approved capacity</u> |
|---------------------------------------------------------------------|----------------------------|-------------------------------------|--------------------------------------------------------------|--------------------|------------------------|--------------------------|
| Guodian Tangyuan Biomass Power Generation Co., Ltd. (國電湯原生物質發電有限公司) | 60% | Jiamusi City, Heilongjiang Province | Tangyuan Biomass Power Generation Project (湯原生物質發電項目) | Operational | 2008 | 30 MW |
| Guodian Liaocheng Biomass Power Generation Company (國電聊城生物質發電公司) | 52% | Liaocheng City, Shandong Province | Liaocheng Biomass Power Generation Project (聊城生物質發電項目) | Under Construction | 2009 | 30 MW |
| Guodian Qianjin Biomass Power Generation Company (國電前進生物質發電公司) | 100% | Heilongjiang | Qianjin Farm Biomass Power Project (黑龍江農墾總局建三江分局前進農場生物質電站項目) | Under Construction | February 2010 | 30 MW |
| Guodian Youyi Biomass Power Generation Company (國電友誼生物質發電公司) | 100% | Heilongjiang | Youyi Farm Biomass Power Project (黑龍江農墾總局紅興隆分局友誼農場生物質電站項目) | Under Construction | February 2010 | 30 MW |

The Directors believe that Guodian’s other renewable energy businesses do not compete with our business for the following reasons:

- According to the Renewable Energy Law and its implementation rules, grid companies generally must purchase the full amount of electricity generated from renewable energy projects that are located in the areas covered by the grid company, and must provide grid-connection services and related technical support. In addition, the on-grid tariff for electricity generated by renewable energy company is regulated by the PRC government;
- Furthermore, the revenue of the Company’s other renewable energy business accounts for only a minimal portion of the total revenue of the Company’s renewable energy business. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the revenue of the Company’s other renewable energy business accounted for less than 1% of the total revenue of the Company’s renewable energy business.

Therefore, the Directors consider Guodian’s other renewable energy business do not compete with that of our Company.

GD Power

GD Power is an A share listed company and primarily engaged in the development of and investment in coal power plants and hydro power plants. It has also developed several wind farms and other renewable energy businesses. Its coal power generation business covers ten provinces, autonomous regions and municipalities in the PRC.

RELATIONSHIP WITH GUODIAN GROUP

Based on publicly available information, by the end of 2008, the consolidated installed capacity of GD Power’s coal power business, hydro power business and renewable energy business (including wind power business) accounted for 85% and 12% and 3% of GD Power’s total consolidated installed capacity, respectively.

With respect to the coal power business and wind power business operated by GD Power, as GD Power is a listed entity, their major operational and investment decisions would be subject to compliance with the Shanghai Listing Rules and if required, shareholders approval requirement. As an independent listed company, the directors of GD Power are required to act in the best interests of its own shareholders and, therefore GD Power is not under an obligation to the Group that it will not invest in the wind power business. Our PRC legal counsel is of the view that if GD Power were to grant a non-competition undertaking to the Group, GD Power’s independent shareholders’ approval would be required. Guodian, as a shareholder having a material interest in the proposed resolution, would be required to abstain from voting.

The Directors are of the view that GD Power does not compete with us due to the following reasons:

Coal power business

GD Power will continue to own and operate its coal power plants. However, as of the Latest Practicable Date, none of GD Power’s coal power plants was located in Jiangsu, where our two coal power plants are located. According to the Dispatch Regulations, every power plant in the PRC is required to sell all of the electricity it generates to its respective provincial grid company. Thus, GD Power’s coal power plants can only sell electricity to their respective provincial grid companies which are different from the Company’s sole customer, Jiangsu Electricity Company. As the Company does not share any common customers with GD Power’s coal power plants, the Directors are of the view that GD Power’s coal power plants do not compete with us.

Wind power business

GD Power will continue to own and operate various wind power plants in the PRC. Set out below is a table summarizing the wind power plants wholly-owned and operated by GD Power as of June 30, 2009:

| Project | Project Company | Installed Capacity (in MW) | Location |
|----------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------|--------------------------|
| Wind farm in operation | | | |
| Xingcheng Haibin Wind Power Project (興城海濱風電場項目) | Guodian Xingcheng Wind Power Generation Co., Ltd. (國電興城風力發電有限公司) | 49.5 | Xingcheng, Liaoning |
| Xingcheng Liutaizi Project (興城劉臺子項目) | Guodian Xingcheng Wind Power Generation Co., Ltd. (國電興城風力發電有限公司) | 31.5 | Xingcheng, Liaoning |
| Linghai Nanxiaoliu Wind Power Project (凌海南小柳風電場項目) | Guodian Linghai Wind Power Generation Co., Ltd. (國電凌海風力發電有限公司) | 49.5 | Linghai, Liaoning |
| Linghai Shengli Wind Power Project (凌海勝利風電場項目) | Jinzhou Branch (風電開發錦州分公司) | 42 | Linghai, Liaoning |
| Linghai Chunsong Wind Power Project (凌海青松風電場項目) | Jinzhou Branch (風電開發錦州分公司) | 48 | Linghai, Liaoning |
| Inner Mongolia (Bayannur) Wulatehouqi Project Phase I (內蒙古(巴彥淖爾)烏拉特後旗一期項目) | GD Power (Bayannur) Wulatehouqi Branch (國電電力(巴彥淖爾)烏拉特後旗分公司) | 49.5 | Bayannur, Inner Mongolia |
| | Sub-total: | 270 | |

RELATIONSHIP WITH GUODIAN GROUP

| Project | Project Company | Installed Capacity (in MW) | Location |
|---------------------------------------------------------------|--------------------------------------------------------------|----------------------------|----------------------------|
| Wind farm under construction | | | |
| Heilongjiang Huachuan Qushou Wind Power Project (黑龍江樺川渠首風電項目) | GD Power Jiamasi Branch (國電電力佳木斯分公司) | 49.5 | Heilongjiang |
| Jiamusi Suburbs Haushi Wind Power Project (佳木斯郊區猴石風電場項目) | GD Power Jiamusi Branch (國電電力佳木斯分公司) | 49.5 | Jiamusi City, Heilongjiang |
| Hebei Kangbao Yiyanghe Wind Power Project (河北康保熙陽和風電場項目) | Guodian Hefeng Wind Power Development Company (國電和風風電開發有限公司) | 49.5 | Kangbao City, Hebei |
| Hebei Chongli Honghualiang Wind Power Project (河北崇禮紅花梁風電項目) | not incorporated | 49.5 | Chongli, Hebei |
| | Sub-total: | 198 | |
| | Total: | 468 | |

The Directors believe that GD Power’s wind farms do not compete with us for the following reasons:

- according to the Renewable Energy Law and its implementation rules, grid companies generally must purchase the full amount of electricity generated from renewable energy projects that are located in the areas covered by the grid company, and must provide grid-connection services and related technical support. In addition, the PRC government regulates the on-grid tariffs for wind farms. As a result of these legal requirements, the Directors are of the view that wind power companies in the PRC do not compete with each other in terms of on-grid tariff.
- compared to our wind power business, GD Power’s wind power business is much smaller in scale. The consolidated installed capacity of our wind farms as of September 30, 2009 was 3,032 MW. Based on information available to the Directors, the consolidated installed capacity of GD Power’s wind farms when becoming operational is expected to slightly exceed 500 MW by the end of 2010, whereas our consolidated installed capacity is expected to increase to approximately 6,500 MW by the end of 2010. Accordingly, the Directors do not consider GD Power’s wind power business a significant competitor to us.

The Directors believe that Guodian do not compete with us through GD Power for the following reasons:

- GD Power is managed and operated by its senior management and the board of directors supervises the overall management and key decision of the company. The board of directors of GD Power currently comprises nine directors and its senior management comprises six members. According to the PRC Company Law, the directors of a PRC incorporated company shall act in the best interest of all shareholders of the company with respect to the affairs of the company and shall not conduct any act solely with a view to protect the interest of those shareholder(s) who nominated such director. Therefore, notwithstanding the fact that Guodian has nominated six out of nine directors to GD Power’s board of directors, the nomination right of Guodian only represents Guodian’s equity interest in GD Power as a controlling shareholder. In addition, as none of the directors of Guodian holds any position in the senior management of GD Power, Guodian may not be able to control all the business decisions of GD Power.
- Besides, as an A share listed company, special resolution of two-thirds of the vote at the shareholders’ general meeting would be required for undertaking any material decision or investment by GD Power and independent shareholders approval would be required for undertaking any connected party transaction between Guodian and GD Power pursuant to the Shanghai Listing Rules. Therefore, Guodian may not be able to control all the investment

RELATIONSHIP WITH GUODIAN GROUP

decisions of GD Power by virtue of its simple majority shareholding in GD Power, including whether or not to inject any assets of GD Power into the Group. Guodian will not be able to control or dictate any decision that may be taken by GD Power to compete with the Group, or not to compete with Group.

- Mr. Zhu Yongpeng, Chairman of our Company, also holds office as chairman of the board in GD Power. Mr. Zhu Yongpeng is the only Director of our Company that holds directorship in GD Power. If the Company and GD Power were to identify the same wind power business opportunity, according to Article 124 of the Company’s Articles of Association and Article 119 of GD Power’s articles of association, as well as the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, Mr. Zhu Yongpeng would have to abstain from voting at the board meetings of the Company or GD Power, as he would have a material interest in the proposed resolutions.

DIRECTORS’ COMPETING INTERESTS

Other than certain directorships and/or positions held by some of our Directors in the Guodian Group which is further discussed below, the Directors have confirmed that they do not have any interests in any business which directly or indirectly competes or is likely to compete with our business as at the date of this document.

NON-COMPETITION AGREEMENT AND UNDERTAKINGS

We entered into a non-competition agreement (“Non-Competition Agreement”) with Guodian in July, 2009, under which Guodian agreed not to, and to procure its subsidiaries (other than the Company and Guodian’s A share listed companies) not to, compete with us in our wind power business (other than Guodian’s few wind power business retained on the date of the execution of the Non-Competition Agreement) and granted to us options to acquire the Retained Business and any new business opportunities and pre-emptive rights to acquire Guodian’s interest in its Retained Business and certain future new business.

Guodian has irrevocably undertaken in the Non-Competition Agreement that, other than the Guodian’s Retained Businesses as described above, during the period of the Non-Competition Agreement, it will not, and will also procure that its subsidiaries and associates (other than our Company) do not, in or outside of the PRC, alone or with any other entity, in any form, directly or indirectly, engage in, assist or support a third party in the operation of, or participate in, any businesses that compete, or are likely to compete, with our wind power business.

The foregoing restrictions do not apply to the holding of securities in a company that is engaged in a competing business and whose securities are listed on any stock exchange, provided that Guodian or its subsidiaries or its associates does not hold or control the voting rights in respect of 10% or more of the issued share capital of such company.

Options for New Business Opportunities

Guodian has undertaken in the Non-Competition Agreement that:

- (i) if Guodian becomes aware of a business opportunity which directly or indirectly competes, or may compete, with our main business, Guodian will notify us in writing immediately upon becoming aware of such business opportunity and provide to us all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity (“Offer Notice”). Guodian is also obliged to use its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable, which the Directors understand will be no less favorable than those terms first offered to Guodian. We are entitled to decide whether or not to take up such business opportunity within 30 days from receiving the Offer Notice. Should we decide to take up such business opportunity, Guodian is obliged to transfer the business opportunity to us upon terms that are fair and reasonable. The terms will be determined after arm’s length negotiation between Guodian and our Company. In addition, pursuant to applicable

RELATIONSHIP WITH GUODIAN GROUP

PRC regulations, an asset valuation report has to be prepared by an independent valuer, as the subject matter of the transaction is a state-owned asset. The decision on whether or not to take up a new business opportunity referred by Guodian will be made by the independent non-executive Directors of the Company.

- (ii) Guodian shall procure any of its subsidiaries and associates (other than our Company) to first offer to us any business opportunity which competes, or may compete with our main business.

Options for Acquisitions

In relation to:

- (i) the Retained Business; and
- (ii) any new business opportunity Guodian may obtain which competes, or may compete, directly or indirectly with our main business,

Guodian has undertaken to grants us the option, pursuant to relevant laws and regulations, to purchase any equity interest, assets or other interests which form part of the Retained Business or new businesses as described above.

Pre-emptive Rights

Guodian has undertaken that, if it intends to transfer, sell, lease or license any of the following interests to a third party:

- (i) Guodian’s current wind power businesses; and/or
- (ii) any new business opportunity of Guodian referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, the Company and has been retained by Guodian or any of its subsidiaries, which competes, or may lead to competition, directly or indirectly with our main business,

the Group shall have pre-emptive right over these interests which can be exercised by the Group anytime for so long as the Non-Competition Agreement remains effective. Guodian shall notify us by written notice (“Selling Notice”) in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or licence and any information which may reasonably required by the Company to make a decision. We shall reply to Guodian within 30 days after receiving the Selling Notice from Guodian. Guodian has undertaken that until it receives the reply from the Company, it shall not notify any third party of the intention to transfer, sell, lease or license the business. If the Company decides not to exercise the pre-emptive rights or if the Company does not reply to Guodian within the agreed time period, Guodian is entitled to transfer, sell, lease or license the business to a third party pursuant to the terms stipulated in the Selling Notice. When the Company intends to exercise the right, the terms will be determined after arm’s length negotiation between Guodian and our Company. In addition, pursuant to applicable PRC regulations, an asset valuation report has to be prepared by an independent valuer, as the subject matter of the transaction is a state-owned asset.

Guodian has further undertaken that:

- (i) subject to the request of a committee formed by our independent non-executive Directors, it will provide all information necessary for our independent non-executive Directors to review Guodian’s compliance with and enforcement of the Non-Competition Agreement;
- (ii) it will provide to our Company all information in respect of its compliance with and enforcement of the Non-Competition Agreement necessary for us to disclose the decision made by the above-mentioned committee in our annual report or other announcement; and
- (iii) it will make a declaration on its compliance with the Non-Competition Agreement in our annual report.

RELATIONSHIP WITH GUODIAN GROUP

The Non-Competition Agreement will remain in full force and be terminated upon the earlier of:

- (i) Guodian and its subsidiaries, directly or indirectly, holding less than 30% of our total share capital; or
- (ii) [●] no longer being listed on the Hong Kong Stock Exchange or other internationally recognized stock exchanges.

On July 29, 2009 and November 9, 2009, Guodian issued two further clarification documents to confirm its non-competition undertakings included in the Non-Competition Agreement, including, among other things, that (i) we and our predecessor, CLEPG, were formed and operated as the platform for Guodian Group to develop renewable energy business which principally comprised of the wind power business; (ii) Guodian will support the development of the Group’s wind power business on a priority basis by first offering to us to consider any new business opportunity relating to wind power business and will not give priority to Guodian Group (including GD Power) in the development of wind power business; (iii) the Group has the first right of refusal with respect to any wind power business opportunities of Guodian Group including any existing and potential wind power projects of Guodian, in accordance with the terms and conditions of the Non-Competition Agreement; and (iv) Guodian also confirmed certain matters relating to our operation of our coal power business and Guodian’s compliance with the Non-Competition Agreement.

INDEPENDENCE FROM GUODIAN

Having considered the following factors, we are satisfied that we can conduct our business independently from Guodian and its associates.

Independence of Board and Management

Our board of Directors consists of nine directors, five of whom are not associated with Guodian. Of these nine Directors, three are independent non-executive Directors and three are non-executive Directors. Set out below is a table summarizing the positions held by the Directors at our Company, Guodian and GD Power:

| Name of Directors | Position with the Company | Position with Guodian as at the Latest Practicable Date | Position with GD Power as at the Latest Practicable Date |
|--------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------|
| ZHU Yongpeng | Chairman of the Board, Non-executive Director | General Manager | Chairman of the board |
| XIE Changjun | Executive Director, President | Assistant to General Manager | None |
| WANG Baole | Non-executive Director | Assistant to General Manager and Director of Planning and Development Department | None |
| LUAN Baoxing | Non-executive Director | Director of Capital Operation and Property Management Department | None |
| TIAN Shicun | Executive Director, Vice President | None | None |
| WANG Liansheng | Executive Director | None | None |
| LI Junfeng | Independent Non-executive Director | None | None |
| ZHANG Songyi | Independent Non-executive Director | None | None |
| MENG Yan | Independent Non-executive Director | None | None |

RELATIONSHIP WITH GUODIAN GROUP

Our Chairman and non-executive Director, Mr. Zhu Yongpeng, who at the same time serves as general manager of Guodian and chairman of the board of GD Power. As GD Power’s chairman, Mr. Zhu is principally responsible for formulating the overall development, corporate and business strategies at a strategic level and does not involve in the day-to-day management and operations of GD Power.

Our executive Director and President, Mr. Xie Changjun, and two other non-executive Directors, Mr. Wang Baole and Mr. Luan Baoxing, at the same time hold senior positions with Guodian. Mr. Xie Changjun as an Assistant to General Manager in Guodian is merely a title which represents his seniority and conforms to our internal human resources policy. Mr. Xie has no direct involvement in Guodian’s corporate affairs, does not attend any senior management meetings of Guodian nor receive any remuneration from Guodian. Thus, Mr. Xie has been able to execute his office faithfully and diligently in our Company without interference from his position in Guodian.

Apart from the above, each of the Company, Guodian and GD Power is managed by different management personnel, none of our Directors or senior management holds any position or has any roles or responsibility in Guodian or GD Power and none of our Supervisors is a supervisor of Guodian or GD Power.

None of our independent non-executive Directors has any relationship with Guodian. Mr. Li Junfeng possesses in-depth knowledge and experience in the wind power industry while Mr. Zhang Songyi possesses in-depth knowledge and experience in the capital markets and law and Mr. Meng Yan possesses in-depth knowledge and experience in accounting and economics. On this basis, there are sufficient non-overlapping directors who are independent and have relevant experience to allow the proper functioning of the Board.

It is believed that our Directors and senior management are able to perform their roles in the Company independently and the Company is capable of managing its business independently of Guodian for the following reasons:

- the decision-making mechanism of the Board set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflict of interest, such as consideration of resolutions in relation to transactions with Guodian, the relevant Director(s) who are connected with Guodian shall be excused from the meeting in respect of such resolution, abstain from voting and not be counted in the quorum. However, such Director(s) shall not be precluded from attending the rest of the meeting, being counted in the quorum and voting for other matters which such Director(s) is/are not interested. Further, when considering connected transactions, the independent non-executive Directors will review the relevant transactions;
- three of the four directors who hold positions in Guodian are our non-executive directors. As our non-executive Directors, they are not involved in running the day-to-day business, but rather are primarily responsible for strategy and planning matters; the day-to-day operation of our Company is managed by our senior management who are all independent of Guodian and are our full-time employees;
- none of the Directors or the senior management has any shareholding interest in the Guodian Group;
- we have appointed three independent non-executive Directors, comprising one-third of our Board, to provide a better balance of the number of interested and independent Directors with a view to promoting the interests of the Company and our Shareholders as a whole.

Directors who hold overlapping directorship with Guodian are considered to be in conflict and are required to abstain from voting in certain circumstances. The Articles have stipulated circumstances under which the Directors would be considered to be in conflict, namely that for any contracts, transactions or arrangements where a Director or an associate of a Director is substantially interested, such person would be considered to be in conflict and is required to abstain from voting and not be counted in the quorum. For these purposes, the Directors who held positions in Guodian are also considered to be in conflict in respect of any contracts, transactions or arrangement with Guodian.

RELATIONSHIP WITH GUODIAN GROUP

Based on the above, the Company is satisfied that it is capable of maintaining independence from Guodian.

Independence of Business Operations

Pursuant to the Reorganization, Guodian injected to the Company substantially all of the assets, liabilities and equity interests in CLEPG, which comprised substantially all of its wind power business, two coal power plants and other renewable energy businesses. We are in possession of all production and operating facilities and technology relating to our businesses. Currently, we engage in our core businesses independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on Guodian with respect to supplies for our business operations. We have sufficient capital, equipment and employees to operate our business independently from Guodian.

Pursuant to the Trademark License Agreement, Guodian has granted us a license to use various trademarks owned by Guodian at nil consideration for a term of ten years. The Trademark License Agreement is on normal commercial terms which we believe to be fair and reasonable and in the interests of our Shareholders as a whole. Further details of the Trademark License Agreement are set out in “Connected Transactions” of this document.

We have our own organizational structure with independent departments and business and administrative units, each with specific areas of responsibility. In addition to maintaining a set of comprehensive internal control procedures to facilitate the effective operation of our business, we have protective measures to avoid conflicts or potential conflicts of interest and to safeguard the interests of our Shareholders as a whole. We have also adopted protective measures to ensure the enforceability of the Non-Competition Agreement between the Company and Guodian. For further details of the enforceability of such protective measures, see “Relationship with Guodian Group — Non-Competition Agreement and Undertakings.” The Company has also adopted a set of corporate governance manuals, such as rules of the Shareholders Meeting, rules of the Board Meeting, Rules on the Conduct of Connected Transactions, which are modelled based on the PRC laws and regulations.

Based on the above, the Directors are of the view that the Company operates independently from Guodian.

Financial independence

We have our own finance department responsible for discharging the treasury, accounting, reporting, group credit and internal control functions of the Company independent from Guodian.

We have settled all amounts due to Guodian Group in non-trade nature and released all guarantees provided to us by Guodian Group prior to the date of this document.

The Directors are of the view that we are capable of obtaining financing from third parties without relying on any guarantee or security provided by Guodian or other Connected Persons and the PRC lenders are independent third parties. Therefore, we operate independently from Guodian from a financial prospective.