OVERVIEW

The Company was established as a joint stock company with limited liability under the PRC Company Law on February 9, 2010.

Pursuant to the Reorganization Agreement, save for the Retained Businesses, HECIC transferred to the Company all the assets, liabilities and equity interests relating to its Relevant Businesses which it held through HECIC New-energy and Hebei Natural Gas respectively. For details of the Reorganization, please see the section headed "History, Reorganization and Corporate Structure — Establishment and Reorganization of the Company."

DELINEATION OF BUSINESS AND COMPETITION

Businesses conducted by HECIC

HECIC, the Controlling Shareholder of the Company, is a state-owned enterprise under the direct supervision of Hebei Provincial SASAC. It is primarily engaged in the business of investment in and development of projects in energy, transportation and water supply sectors, as well as other pillar industries of Hebei Province. In connection with its traditional energy business, HECIC (a) directly, and indirectly through JEI, holds equity interests in 23 companies engaged in coal power generation businesses in Hebei Province, Inner Mongolia and Shanxi Province and (b) holds approximately 10.6% equity interest in Datang International which is primarily engaged in coal and coal power generation business in China.

Business retained by HECIC

As part of the Reorganization, HECIC retained the assets, liabilities and interests in relation to the following businesses and operations:

(a) waste-to-energy: certain equity interests directly held by HECIC in five companies engaged in waste-to-energy generation business located in Hebei Province;

(b) biomass power: certain equity interests directly held by HECIC in a company engaged in biomass power generation business located in Hebei Province; and

(c) wind power: certain non-controlling interests indirectly held by HECIC in HECIC Yanshan (Guyuan) Wind Power, a subsidiary of HECIC New-energy.

Except for HECIC's Coal Power Businesses and the Retained Businesses, there is no other material business retained or operated by the HECIC Group which will compete or is likely to compete with the Relevant Businesses. To strengthen the delineation of the businesses between the Company and HECIC, in particular relating to wind power and natural gas transmission and distribution businesses, the Company and HECIC entered into the Non-Competition Agreement. Please see the section headed "Non-Competition Agreement and Undertakings" below for further details. The Company will be the flagship company of HECIC to engage in clean energy businesses (including transmission and distribution of natural gas, wind power, solar power and other forms of non-traditional fuels based energy business). HECIC will, directly or indirectly through its subsidiaries (other than the Group), engage in traditional fuel based energy businesses and the Retained Businesses.

HECIC's Coal Power Businesses

HECIC invests in and operates various coal power businesses located in Hebei Province, Inner Mongolia and Shanxi Province. HECIC holds equity interests, directly and indirectly through JEI in 23 coal power project companies. As at March 31, 2010, the aggregated attributable installed capacity of HECIC's coal power businesses was 7,168.0 MW. HECIC also holds approximately 10.6% equity interest in Datang International which is primarily engaged in coal and coal power generation business in China. The turnover and net results of HECIC Group's Coal Power Businesses are either not audited or based on PRC GAAP financial statements. Therefore, such information will not be directly comparable to the Group's financial information.

The Directors believe that no competition arises from the HECIC Group's Coal Power Businesses as coal is a traditional fuel source and wind is a renewable and green energy source. According to the Renewable Energy Law (as amended from time to time), grid companies generally must purchase the full amount of electricity generated from renewable energy projects located in the areas covered by the grid companies, and must provide grid-connection services and related technical support to renewable energy companies. In addition, the business models and on-grid pricing policies for wind farms are different from those for coal power plants. As a result of these legal requirements, the Directors believe that there is no competition between our wind farms and HECIC's coal power plants even if they are located in the same region in terms of grid-connection, electricity sales and on-grid tariff. The Company is a clean energy company focusing on clean and alternative energy sources. The Directors are of the view that it will be contrary to the Company's current strategy to engage in any traditional fuel based energy businesses.

The Directors believe that the PRC policies favorable to the wind power generation businesses are unlikely to change in the foreseeable future. Since the promulgation of the Renewable Energy Law effective on January 1, 2006, the PRC government has adopted a series of favorable policies and regulations to promote the development of the wind power generation industry and to increase the proportion of electricity generated from wind power. Shortly after the conclusion of the Copenhagen Climate Summit and China's announcement to reduce its carbon emission intensity by 40-45% against its 2005 level by 2020, the PRC government adopted new amendments to the Renewable Energy Law, which became effective on April 1, 2010, to elaborate the implementation requirements of several major preferential measures available for wind power generation projects, including without limitation mandatory grid connections, guaranteed acceptance by grid companies of the electricity dispatched from wind farms and favorable on-grid tariff premiums. The PRC government has also publicly stated its intent to continue to encourage the development of wind power generation projects by setting various medium and/or long term targets for the growth of installed wind power capacity and the proportion of electricity generated from wind power.

As of the Latest Practicable Date, the Directors are not aware of any potential changes to the existing favorable policies applicable to wind power generation industry in the PRC that may expose the Company's wind power business to direct competition from conventional energy sources such as coal power companies. Given the PRC government's efforts to promote renewable energy and the increasing demand for electricity due to China's economic growth, the Directors expect that the Company's wind power business will continue to benefit from regulatory support from the PRC government. For risks associated with any potential changes to the existing favorable policies applicable to the wind power industry, please see section headed "Risk Factors — Risk Relating to Our Wind Power Business — Our wind power business depends on the support of renewable energy industry by the governmental policies and favorable regulatory regime of the PRC. If these policies change or are otherwise discontinued, we may not be able to maintain profitability."

HECIC's waste-to-energy and biomass power businesses

The HECIC Group invests in and operates waste-to-energy business in Hebei Province through its controlling interests in five companies, namely Chengde Environmental Energy, HECIC Lingfeng, Hebei Lingda Environmental Energy, HECIC Linghai and HECIC Canghai. As at the Latest Practicable Date, a majority of the waste-to-energy projects operated by the HECIC Group were still under construction.

Additionally, the HECIC Group holds and will continue to hold, after the Company's listing, a controlling interest in HECIC Biomass Power, which is engaged in the generation of electricity from the incineration of biomass located in Hebei Province.

The Directors believe that HECIC's waste-to-energy and biomass power businesses compete and will continue to compete with the Company. Nonetheless, the Directors do not believe that the competition is so severe such that it will materially adversely affect the Company's operation and financial performance as these businesses are both still at an early stage of development and of relatively small scale even after completion of the relevant construction. As of the Latest Practicable Date, the aggregate attributable installed capacity of these waste-to-energy projects is 85.5 MW, once they become fully operational. The following table set forth details of HECIC's waste-to-energy and biomass projects:

Waste-to-energy Projects	**Aggregate Attributable installed capacity**
Projects in operation	34.7 MW
Projects under construction	15.7 MW#
Pipeline projects	35.1 MW

Biomass Project	**Attributable installed capacity**
Project in operation	21.6 MW

Note:

\# Expect to become operational by October 2010.

HECIC does not have any biomass power projects under construction. The turnover and net results of HECIC's waste-to-energy and biomass are either not audited or audited based on PRC GAAP financial statements, therefore such information will not be directly comparable to the Group's financial information.

In addition, the Directors believe that HECIC's waste-to-energy and biomass power businesses do not materially adversely affect the Company operation and financial performance as according to the Renewable Energy Law (as amended from time to time), grid companies generally must purchase the full amount of electricity generated from all renewable energy projects, including wind power, waste-to-energy and biomass power projects located in the areas covered by the grid companies, and must provide grid-connection services and related technical support to renewable energy companies. The PRC government also regulates the on-grid tariffs for power sold by all renewable energy power generation companies. Furthermore, according to the 2009 National Power Industry Statistical Year Book, electricity generated from renewable energy only accounted for approximately 16.28% of the total electricity output in China. As a result of these legal requirements and the relatively small size of renewable energy electricity generation industry, whilst the Directors believe that there is some degree of competition between our wind farms and HECIC's waste-to-energy and biomass power plants, the Directors do not believe that the competition is so severe such that it will materially adversely affect the Company's operation and financial performance even if they are located in the same province. The Directors believe that the various government favorable policies and incentives reflect the PRC government's support for the development of wind power and other renewable power businesses, and there is no reason for the Directors to believe that the favorable policies are likely to change in the foreseeable future.

Therefore, these waste-to-energy and biomass power plants were not transferred to the Company during the Reorganization. In addition, the Directors believe that acquiring the waste-to-energy and biomass businesses from HECIC would be premature and not in the best interest of the Company at this time for the following reasons:

Unstable Technologies: Household garbage generally has higher moisture content and lower caloric value compared to traditional fuel sources. Similarly, biomass typically contains a relatively high moisture content. Accordingly, existing technologies rely on coal and other fossil fuels as combustion agents, which give rise to a considerable amount of carbon emissions. Also, because of the high moisture content in household garbage and biomass, they need to be carefully sorted and pre-treated before they can be incinerated. If a feedstock is not sorted or treated properly, the incineration process may generate hazardous by-products such as dioxin, a highly toxic environmental pollutant.

Immature Supporting Commercial Environment: In China, the waste sorting system is underdeveloped and the concept of sorting household waste is not as well conceived by PRC households compared to some developed countries. With regards to biomass businesses, raw materials are scattered throughout different regions in the country therefore maintaining a constant supply of qualify feedstock represents a major challenge for biomass operators in China. Accordingly, the costs of collection, transportation and treatment reduce the commercial viability of the waste-to-energy power businesses.

Developing Legal Regime: While the current legal regime for the renewable energy industry supports waste-to-energy and biomass power businesses, unlike the wind power industry where the PRC government has implemented an industry-wide on-grid tariff system, the tariff system applicable to waste-to-energy and biomass power are still being perfected. Local authorities have not yet implemented many of the ancillary regulations, policies and subsidies associated with the collection and treatment of waste and biomass, which vary significantly from city to city.

In addition, to delineate further the business lines of HECIC and the Company, HECIC and the Company entered into a non-competition agreement under which HECIC agreed that except for its Retained Business (including the waste-to-energy generation and biomass power businesses mentioned above), HECIC will not engage in a business that competes or is likely to compete with the Company's core business, and will also cause its subsidiaries (other than the Group and JEI) not to engage in such business. HECIC will also grant the Company options for new business opportunities, as well as options and pre-emptive rights for acquisitions of the Retained Businesses. Please refer to the section headed "Relationship with HECIC — Non-Competition Agreement and Undertakings." The Directors will regularly assess the suitability of these technologies for commercial operation post-listing and decide whether to acquire such businesses.

HECIC's interests in HECIC Yanshan (Guyuan) Wind Power

HECIC holds a 25% interest through its indirect Hong Kong incorporated wholly-owned subsidiary, Hebei Green Energy Limited, in HECIC Yanshan (Guyuan) Wind Power, a subsidiary of HECIC New-energy. HECIC Yanshan (Guyuan) Wind Power is a sino-foreign joint venture company established under the PRC Laws.

As the Group already owns 75% of the equity interest in and maintains effective control over HECIC Yanshan (Guyuan) Wind Power, the Directors do not believe that HECIC's non-controlling holding in such company would represent competition with the Group's operation. Pursuant to the Non-Competition Agreement, HECIC has given us an undertaking to procure Hebei Green Energy Limited to sell to us its interest in HECIC Yanshan (Guyuan) Wind Power at our option. The Company's PRC legal advisers, Jiayuan Law Firm have further advised the Directors that, as the interests in HECIC Yanshan (Guyuan) Wind Power are deemed a state-owned asset, the relevant regulatory approval process involved in the acquisition of interest in and the conversion of a sino-foreign joint venture to a domestic company is time consuming and that HECIC is required to obtain pre-approval from Hebei Provincial SASAC and Zhangjiakou Bureau of Commerce prior to entering into any legally binding agreement for the transfer of its interests in HECIC Yanshan (Guyuan) Wind Power. We have obtained an in-principle approval from HECIC, the ultimate Controlling Shareholder of Hebei Green Energy Limited, regarding the acquisition of the 25% of equity interest in HECIC Yanshan (Guyuan) from Hebei Green Energy Limited. Both HECIC New-energy and Hebei Green Energy Limited are formulating the corresponding acquisition plan and arranging for board approval to proceed with the acquisition. The Company plans to formally enter into an equity transfer agreement with Hebei Green Energy Limited by the end of 2010, which will be subject to the necessary PRC regulatory approvals. The consideration will be based on the value of such 25% of equity interest at such benchmark date as agreed by both parties and permitted by PRC Laws. The Group will comply with the relevant requirements under the Listing Rules for this acquisition as necessary.

DIRECTORS' COMPETING INTERESTS

Other than certain directorships and/or positions held by some of our Directors in the HECIC Group and Huaneng Renewables Corporation Limited, as further discussed below, the Directors have confirmed that they do not have any interests in any businesses that directly or indirectly compete or are likely to compete with the Company's business as at the date of this prospectus.

NON-COMPETITION AGREEMENT AND UNDERTAKINGS

We entered into the Non-Competition Agreement with HECIC, under which HECIC agreed not to, and to procure its subsidiaries (other than the Company and JEI and their respective subsidiaries) not to, compete with us in the Relevant Businesses and granted to us options to acquire any Retained Businesses, new business opportunities and pre-emptive rights to acquire HECIC's interest in certain new businesses.

HECIC has irrevocably undertaken in the Non-Competition Agreement that, other than HECIC's Retained Businesses as described above, during the term of the Non-Competition Agreement, it will not, and will also cause its subsidiaries (other than the Company, JEI and their respective subsidiaries) not to, 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 core business. However, the above restrictions do not apply in the following circumstances:

- HECIC and its subsidiaries (other than the Company, JEI and their respective subsidiaries) for the purposes of investment, acquiring or holding equity interests of 10% or less in a listed company which competes or is likely to compete with us in the Relevant Businesses; and
- HECIC and its subsidiaries (other than the Company, JEI and their respective subsidiaries), by virtue of the debt restructuring of a third party, holding equity interests of 10% or less in such third party which competes or is likely to compete with us in in the Relevant Businesses.

HECIC has undertaken further to us that:

(i) subject to the request of the INEDs, it will provide all information necessary for our INEDs to review HECIC's compliance with and enforcement of the Non-Competition Agreement on an annual basis;

(ii) it will provide the Company with all information with respect to its compliance with and enforcement of the Non-Competition Agreement necessary for the Company to disclose the decisions made by the INEDs in the Company's annual reports or other announcements; and

(iii) it will make a declaration on its compliance with the Non-Competition Agreement in the annual report.

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

(i) HECIC and its subsidiaries, directly or indirectly, holding less than 30% of our total share capital; or

(ii) the Company's H Shares no longer being listed on the Stock Exchange or other internationally recognized stock exchanges.

Options for Acquisitions and New Business Opportunities

HECIC has undertaken to us in the Non-Competition Agreement that:

(i) if HECIC or any of its subsidiaries, as the case may be, becomes aware of a business opportunity which directly or indirectly competes, or is likely to compete, with the Relevant Businesses, HECIC or its subsidiary will notify us in writing immediately upon becoming aware of such business opportunity and provide us with all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity. HECIC also must use its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable. Should we decide to take up such business opportunity, HECIC or its subsidiary is obliged to transfer the business opportunity to us on terms that are fair and reasonable. Should we decide not to take up such business opportunities, HECIC or its subsidiary, as the case may be, may conduct such new business opportunity.

(ii) HECIC shall procure its subsidiaries (other than the Company, JEI and their respective subsidiaries) to first offer to us the Retained Businesses and/or any business opportunity which competes, or is likely to compete with the Relevant Businesses.

In respect of any of the Retained Businesses or new business opportunities HECIC may obtain that compete, or are likely to compete, directly or indirectly with the Relevant Businesses (notwithstanding the Company deciding not to take up a new business opportunity in the first place pursuant to (i) above), HECIC has granted the Company the option, pursuant to relevant laws and regulations, to purchase any Retained Businesses or any equity interests, assets or other interests which form part of new businesses as described above. HECIC has further undertaken to procure its subsidiaries (other than the Company, JEI and their respective subsidiaries) to, at our option, transfer any of the Retained Businesses or new business opportunities to us or to grant a right of operation of the Retained Businesses or new businesses to us by means of entrusted management, leasing or contracting. The transfer price will be determined based on the evaluation by a qualified third party appraiser and according to the relevant laws.

However, such option is not exercisable if a third party is entitled to a pre-emptive right pursuant to the relevant laws and articles of association. In this circumstance, HECIC and its subsidiaries shall use their best efforts to procure such third party to waive its pre-emptive right.

Pre-emptive Rights

HECIC has undertaken to us that, if it intends to transfer, sell, lease or license any of its Retained Businesses or new business opportunities which has been offered to, but has not been taken up by, the Company and has been retained by HECIC or any of its subsidiaries, which competes, or may lead to competition, directly or indirectly with the Group's Relevant Businesses, the Group shall have pre-emptive right over these interests, which the Group may exercise any time as long as the Non-Competition Agreement remains effective.

HECIC or its subsidiaries shall notify us of its intended transfer, sale, lease or licence by written notice in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or licence and any information that may be reasonably required by the Company to make a decision. The decision whether or not to accept the offer specified in the Selling Notice will be made by the INEDs and a written reply shall be made to HECIC or its subsidiaries within 30 days after receiving the Selling Notice from HECIC or its subsidiaries. HECIC has undertaken that until it or any of its subsidiaries receives the reply from the Company, it shall not notify any third parties 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 HECIC or any of its subsidiaries within the agreed time period, HECIC or any of its subsidiaries is entitled to transfer, sell, lease or license the business to a third party pursuant to the terms not better than those stipulated in the Selling Notice. HECIC has further undertaken to procure its subsidiaries and associates (other than the Company, JEI and their respective subsidiaries) to grant such pre-emptive right to us.

INDEPENDENCE FROM HECIC

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

Independence of Board and Management

Our Company and HECIC have boards of directors that function independently of each other.

The following table presents the details of the directorships and senior management of the Company and the HECIC immediately upon Listing.

Name	Position in the Company upon Listing	Position in HECIC as at the Latest Practicable Date
Li Lian Ping	Chairman of the Board, non-executive Director	Chairman of the board
Zhao Hui Ning	Vice chairman of the Board, non-executive Director	Vice chairman of the board, general manager
Xiao Gang	Vice chairman of the Board, non-executive Director	Deputy general manager
Cao Xin	Executive Director, president	None
Gao Qing Yu	Executive Director, vice president	None
Zhao Hui	Executive Director, vice president, joint company secretary, secretary to the Board	None
Sun Xin Tian	Executive Director, vice president	None
Qin Hai Yan	INED	None
Ding Jun	INED	None
Wang Xiang Jun	INED	None
Yue Man Yiu Matthew	INED	None
Feng Chun Xiao	Financial controller	None

We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including INEDs) so that there is a strong element on the Board that can effectively exercise independent judgement. We are also committed to the view that our INEDs should be of sufficient caliber and number for their views to carry weight.

The composition of our Board was determined with these principles in mind, striking a balance between appointing directors and management with the relevant professional knowledge and experience in the Company's business, and who can maintain an appropriate degree of independence from the HECIC Group.

Our Board of Directors consists of eleven directors. As at the Latest Practicable Date, two non-executive Directors, namely Dr. Li Lian Ping and Mr. Zhao Hui Ning, are directors of HECIC. Mr. Xiao Gang, our non-executive Director, is a deputy general manager of HECIC. Mr. Qin Hai Yan, our INED also holds an independent non-executive director position at Huaneng Renewables Corporation Limited. Eight of our Directors do not hold any managerial position in the HECIC Group. The Company's Directors who hold overlapping directorships or management positions in HECIC will allocate sufficient time to the Group after the Listing to fulfil their directors' duties towards the Group, including but not limited to reviewing monthly reports, deciding on important matters of the Group, giving strategic advice to the Board, attending Board meetings and fulfilling duties required under the Articles of Association and relevant laws.

Apart from the above, each of the Company and HECIC is managed by different management personnel, none of the Company's Directors or senior management holds any executive position or has any executive roles or responsibilities, in HECIC and none of our supervisors is a supervisor of HECIC.

None of our INEDs are directors of the HECIC Group. Apart from the above, our INEDs are free of any businesses or other relationships that could interfere in any material manner with the exercise of their independent judgment. Mr. Ding Jun and Mr. Qin Hai Yan possess in-depth knowledge and experience in the natural gas industry and wind power industry respectively while Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew 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.

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group from those of the HECIC Group.

We believe that the Company's Directors and senior management are able to independently perform their respective roles in the Company and the Company is capable of managing its business independently of HECIC 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 a conflict of interest, such as consideration of resolutions in relation to transactions with HECIC, the relevant Director(s) who are connected with HECIC 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;

- none of the Directors or the senior management has any shareholding interests in any members of the HECIC Group; and
- the Company has appointed four INEDs, comprising over one-third of our Board, to provide a better balance of the number of independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole.

Directors who hold overlapping directorships with HECIC are considered to be in conflict and are required to abstain from voting in certain circumstances. In the event all overlapping Directors abstain from voting at Board meetings of the Company, pursuant to the Articles of Association, the remaining non-overlapping Directors will elect a chairman to chair the relevant Board meetings. The Articles have stipulated circumstances under which the Directors would be considered to be in conflict. 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 HECIC are also considered to be in conflict in respect of any contracts, transactions or arrangement with HECIC.

Dr. Cao Xin and Mr. Gao Qing Yu have over seven years and ten years of experience in the wind power and natural gas industry, respectively. Mr. Sun Xin Tian has held senior executive positions at HECIC New-energy since 2007. Mr. Zhao Hui is a power engineer and had worked at a listed power company from 2003 to 2010. The experienced management team at Hebei Natural Gas and HECIC New-energy will also assist Dr. Cao, Mr. Gao, Mr. Sun and Mr. Zhao. Additionally, Mr. Ding Jun, Mr. Qin Hai Yan, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew, our INEDs, possess relevant knowledge and experience either in the natural gas industry or wind power industry. The Company believes that these Directors will enable the Board to manage and exercise independent judgement with respect to the Group's businesses if the overlapping Directors abstain from any Board meeting.

Independence of Business Operations

Pursuant to the Reorganization, save for the Retained Businesses, HECIC contributed to the Company all of the assets, liabilities and equity interests in the Relevant Businesses. The Company is in possession of substantially all operating facilities and technology relating to the Relevant Businesses. Currently, the Company has the independent right to make operational decisions and implement such decisions. The Company has independent access to customers and suppliers and is not dependent on HECIC with respect to customers and suppliers for its operations. The Company has sufficient capital, equipment and employees to operate its business independently from HECIC.

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 its businesses, the Company has adopted protective measures to avoid conflicts or potential conflicts of interest and to safeguard the interests of its Shareholders as a whole. We have also adopted protective measures to ensure the enforceability of the Non-Competition Agreement between ourselves and HECIC. For further details of the enforceability of such protective measures, see "Relationship with HECIC — Non-Competition Agreement and Undertakings." We have also adopted a set of corporate governance manuals, such as rules of the Board Meeting and Rules on the Conduct of Connected Transactions, which are modeled based on the applicable laws and regulations. Based on the above, the Directors are of the view that the Company operates independently from HECIC.

During the Track Record Period, with the exception of the provision of limited services and licenses (described below) by the HECIC Group, our businesses operated independently as an autonomous business unit within the HECIC Group.

Trademark License Agreement

We have entered into a trademark license agreement with HECIC, pursuant to which HECIC has granted the Company a license to the relevant trademarks at nominal consideration for an initial ten-year term renewable upon expiration of the initial term at the option of the Group for an indefinite number of additional three-year terms. HECIC is not permitted to terminate the agreement unilaterally under the Trademark License Agreement.

These trademarks are not crucial to the Group's operations. HECIC New-energy and Hebei Natural Gas are generally known by their trade names (i.e. HECIC New-energy and Hebei Natural Gas) in the PRC instead of by the relevant trademarks. Given that the Group intends to focus on clean energy going forward, the Directors of the Company are considering developing new trademarks that will be owned and used exclusively by the Group to represent the Group's clean energy business post Listing.

Tenancy Agreement

During the Track Record Period, we had been leasing various office spaces owned by the HECIC Group. We have entered into a Tenancy Agreement for a term expiring on December 31, 2012. Pursuant to the Tenancy Agreement, we agreed to lease certain office units and office support services from the HECIC Group. The Group is free to lease office spaces or to obtain office support services from Independent Third Parties if we are able to secure office spaces or office support services on commercial terms more favorable compared to that offered by the HECIC Group. This arrangement does not affect the operational independence of the Group.

Financial independence

We are capable of managing our financial affairs independently from HECIC. We have our own finance department responsible for managing our treasury, accounting, reporting, credit facilities and internal control functions.

On March 31, 2010, HECIC New-energy entered into the Insurance Loan Investment Agreement regarding a RMB1.3 billion seven-year insurance loan product syndicated by Pacific Asset Management under the relevant laws and regulations. A substantial portion of the proceeds of such insurance loan product is being used for the development of Dongxingying Wind Farm and Weichang Yudaokou Muchang Wind Farm. Under the Insurance Investment Products Guidelines, all such insurance loan products are required to be supported by a guarantee from a qualified guarantor, and within Hebei Province, HECIC is one of the few qualified guarantors and, to our knowledge, the only one that would provide such guarantee to us on a free-of-charge and without supporting security basis. The Directors believe that the terms of such insurance loan product are favorable to the Group. Pursuant to the Insurance Loan Investment Agreement, the interest rate applicable to this loan is 87% of the prevailing five-year benchmark interest rate set by the PBOC for RMB loans. The Company's legal advisers, Jiayuan Law Firm, have confirmed that these insurance loan products are investment products specially created and regulated by the CIRC for authorised insurance companies in China and such investment products are not commercial loans of which terms and interest rates are regulated by PBOC. Such insurance loan product has been duly approved and registered with CIRC on May 21, 2010. The Directors confirm that the Group will have sufficient working capital in the next 12 months from the date of this prospectus, even if such insurance loan is prematurely repaid in full.

In connection with such insurance loan product, HECIC entered into the Insurance Loan Guarantee with Pacific Asset Management on March 31, 2010, pursuant to which HECIC provides an unconditional and irrevocable guarantee on the payment obligations of HECIC New-energy under the Insurance Loan Investment Agreement. The duration of the guarantee will be from March 31, 2010 to two years after the full settlement of HECIC New-energy's obligations under the Insurance Loan Investment Agreement. HECIC does not have any unilateral right to terminate the Insurance Loan Guarantee. Our Directors are of the view that the provision by HECIC of the guarantee has been conducted on normal commercial terms, was entered into in the ordinary and usual course of business of our Group and is fair and reasonable and in the interests of our Company and our Shareholders as a whole.

With the exception of the above insurance loan product, the Company has settled all amounts due to the HECIC Group in non-trade nature and released all guarantees provided to it by the HECIC Group prior to the date of this prospectus. The Company has in the past been able to secure banking facilities on a stand-alone basis without credit support from HECIC. The Company has been offered, and continues to be offered, finance facilities from independent financial institutions on a stand-alone basis. As at July 31, 2010, the Group has approximately RMB 13.0 billion of banking facilities which were offered to the Group independent of HECIC, of which approximately RMB 8.7 billion remained unutilized. The Directors are further of the view that the Company is capable of obtaining financing from third party lenders, without relying on any guarantee or security provided by HECIC or other Connected Persons. We entered into a strategic cooperative framework agreement with China Construction Bank in August 2010, under which China Construction Bank agreed to provide us a credit line of no less than RMB20 billion to finance our capital expenditure on clean energy projects. Therefore, the Company operates independently from HECIC from a financial prospective.