

## CONNECTED TRANSACTIONS

The Company has entered into certain agreements with entities that will become its connected persons (as defined under Chapter 14A of the Listing Rules). Following the Company's listing on the Stock Exchange, the transactions contemplated under such agreements will constitute continuing connected transactions of the Company under the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules differs from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures," and its interpretations by the IASB. Accordingly, connected transactions or continuing connected transactions set out in this section, which are described and disclosed in accordance with Chapter 14A of the Listing Rules, differ from the related party transactions set out in Note 30 to Appendix I — "Accountants' Report."

### CONTINUING CONNECTED TRANSACTIONS

We have entered into various transactions that will continue from time to time after Listing with various of our connected persons. Set out below is further information on such continuing connected transactions that are not exempt continuing connected transactions under the Listing Rules.

#### Category I — Continuing connected transactions exempt from independent Shareholders' approval requirements

Transaction	Our Group member	Connected persons	Nature of relationship	Waiver sought	Historical amounts (if applicable)	Annual caps (if applicable)
1. Properties leased by HECIC Group to us	the Company	HECIC	Our Controlling Shareholder	Waiver from compliance with the announcement requirement under Rule 14A.47	For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, the total rent and management and office support services fees the Company paid amounted to approximately RMB1.80 million, RMB2.57 million, RMB2.77 million and RMB0.72 million, respectively.	For the years ending December 31, 2010, 2011 and 2012, the annual caps are RMB3.6 million, RMB5.7 million and RMB8.2 million respectively.
2. Provision of wind farm operation and maintenance services by the Group to HECIC Yanshan (Guyuan) Wind Power	the Company	HECIC Yanshan (Guyuan) Wind Power	A connected person under rule 14A.11(5)	Waiver from compliance with the announcement requirement under Rule 14A.47	No such transaction existed during the three years ended December 31, 2009 and for the three months ended March 31, 2010.	For the years ending December 31 2010, 2011 and 2012, the annual caps are RMB3.6 million, RMB4.3 million and RMB5.2 million respectively.
3. Provision of financial assistance by the Group to HECIC Yanshan (Guyuan) Wind Power	the Company and HECIC New-energy	HECIC Yanshan (Guyuan) Wind Power	A connected person under rule 14A.11(5)	Waiver from compliance with the announcement requirement under Rule 14A.47	As at December 31, 2009 and March 31, 2010, the amounts of financial assistance by the Group to HECIC Yanshan (Guyuan) Wind Power were RMB35.0 million and RMB100.0 million respectively.	The annual cap of the financial assistance will be RMB70.0 million for the years ending December 31, 2010, 2011 and 2012.

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### Category II — Non-exempt continuing connected transactions

Transaction	Our Group member	Connected persons	Nature of relationship	Waiver sought	Historical amounts (if applicable)	Annual caps (if applicable)
4. Electricity Sales to State Grid Corporation and its subsidiaries	the Company	State Grid Corporation	An associate of a Substantial Shareholder of our subsidiary	Waiver from compliance with the announcement and independent Shareholders' approval requirements under Rules 14A.47 to 14A.54	For the three years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, the total sales the Company received amounted to approximately RMB38.0 million, RMB82.0 million, RMB264.6 million and RMB131.0 million, respectively.	For the three years ending December 31, 2010, 2011 and 2012, the annual caps are RMB650.0 million, RMB1,300.0 million and RMB2,200.0 million respectively.
5. Provision of wind farm related services by State Grid Corporation and its subsidiaries to us	the Company	State Grid Corporation	An associate of a Substantial Shareholder of our subsidiary	Waiver from compliance with the announcement and independent Shareholders' approval requirements under Rules 14A.47 to 14A.54	For the three years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, the total services fees the Company paid amounted to approximately RMB41.3 million, RMB158.4 million, RMB143.9 million and RMB18.7 million, respectively.	For the three years ending December 31, 2010, 2011 and 2012, the annual caps are RMB502.4 million, RMB600.0 million and RMB650.0 million respectively.

### CATEGORY I — CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

#### 1. Properties leased by HECIC Group to us

**Material terms:** On September 19, 2010 we and HECIC entered into the Tenancy Agreement, pursuant to which we agreed to lease up to a total of three and a half floors, four floors and five floors of office space at Yu Yuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, PRC respectively for the three years ended December 31, 2012. In the same agreement, HECIC also agreed to provide to us certain ancillary office support services.

The Tenancy Agreement will expire on December 31, 2012. HECIC and/or its subsidiaries is responsible for insurance and maintenance of the premises. The Company is responsible for the costs of utilities.

Jones Lang LaSalle Sallmans, the independent property valuer, has reviewed the Tenancy Agreement with HECIC and has confirmed that the rental rates payable are on normal commercial terms, fair and reasonable, and represent the respective market rents of the properties for similar premises in similar locations.

**Historical transaction amounts:** The aggregate annual rent and management and office support services fees payable by us to the HECIC Group for the three financial years ended December 31, 2009 and the three months ended March 31, 2010 were RMB1.80 million, RMB2.57 million, RMB2.77 million and RMB0.72 million, respectively.

**Annual caps and basis of caps:** We expect that the aggregate rent and management and office support services fees to be paid by us to HECIC Group for the three financial years ending December 31, 2010, 2011 and 2012 will not exceed RMB3.6 million, RMB5.7 million and RMB8.2 million respectively. The caps are based on

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the rental charges specified in the tenancy agreement, which reflects the (i) anticipated rapid expansion of our Group following listing, in particular, by doubling the floor areas rented since July 2010 and (ii) expected increase in the market rental rates and management and office support services fees at approximately 15% per year.

**Implication under the Listing Rules:** All leases and office support services agreement between the Group and the HECIC Group constitute continuing, connected transaction exempt from independent Shareholders' approval requirements but subject to reporting, annual review and announcement requirements.

### 2. Provision of wind farm operation and maintenance services by the Group to HECIC Yanshan (Guyuan) Wind Power

**Material terms:** On September 19, 2010, we and HECIC Yanshan (Guyuan) Wind Power entered into the O&M Framework Agreement pursuant to which we agree to provide wind farm operation and maintenance services to HECIC Yanshan (Guyuan) Wind Power. The terms of such O&M Services Framework Agreement shall expire on December 31, 2012.

The Company and/or its subsidiaries will enter into individual wind farm services contracts with HECIC Yanshan (Guyuan) Wind Power (or its subsidiaries) with respect to the specific operation and maintenance services HECIC Yanshan (Guyuan) Wind Power will require.

**Pricing policy:** The services to be provided under the O&M Framework Agreement will be based on the following pricing policy:

- (1) the price prescribed by the PRC government;
- (2) where there is no government-prescribed price, the guidance price set by the PRC government; or
- (3) the market price, which is determined by reference to the prevailing market rates for the same or similar services as are available on an arm's length basis from independent operation and maintenance service provider located in the region or surrounding areas; or
- (4) a price to be agreed between the parties, which agreed price will be calculated based on the reasonable costs incurred in supplying the relevant services plus reasonable profit. In setting the price, the parties may refer to prices for previous related transactions if available.

**Historical transaction amounts:** As the wind farms operated by HECIC Yanshan (Guyuan) Wind Power only started commercial operations in January 2010, the above operation and maintenance arrangement did not exist during the three years ended December 31, 2009 and the three months ended March 31, 2010.

**Annual caps and basis of caps:** We expect that the aggregate service fees received by us from HECIC Yanshan (Guyuan) Wind Power for the three financial years ending December 31, 2012 will not exceed RMB3.6 million, RMB4.3 million and RMB5.2 million respectively. The caps reflect (i) the current scale of HECIC Yanshan (Guyuan) Wind Power's wind power operations and their operation and maintenance requirements, in particularly, with reference to the expected increase in our consolidated installed capacity between 2009 and 2012, (ii) the current market price of similar services and (iii) the expected increase in the market price over the period at 10% to 20% per year.

**Implication under the Listing Rules:** HECIC Yanshan (Guyuan) Wind Power is a non wholly-owned subsidiary of HECIC New-energy which is also owned as to 25% by Hebei Green Energy Limited, an indirect wholly-owned subsidiary of HECIC. Accordingly, HECIC Yanshan (Guyuan) Wind Power is a connected person of the Group pursuant to Rule 14A.11(5).

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The above repair and maintenance arrangement between the Company and HECIC Yanshan (Guyuan) Wind Power constitutes continuing connected transactions exempt from independent Shareholders' approval requirements but subject to reporting, annual review and announcement requirements.

### 3. Provision of financial assistance by the Group to HECIC Yanshan (Guyuan) Wind Power

**Material terms:** Prior to the date of this prospectus, the Group had entered into the Entrusted Loans with HECIC Yanshan (Guyuan) Wind Power and Hebei Branch of China Construction Bank. The Entrusted Loans are provided under an entrusted loan arrangement whereby the relevant member of the Group deposits a sum of money with a commercial bank which will then lend such money to HECIC Yanshan (Guyuan) Wind Power.

On September 21, 2010, the Company, HECIC Yanshan (Guyuan) Wind Power and Hebei Branch of China Construction Bank entered into the First Entrusted Loan for a period that expires on December 31, 2012 pursuant to which the Company agreed to provide RMB 30.0 million to HECIC Yanshan (Guyuan) Wind Power to finance the construction and development of wind farms. Such loan bears interest equivalent to PBOC's 3-year benchmark rate, which is currently at 5.76%, over the term of the First Entrusted Loan.

On September 21, 2010, HECIC New-energy, HECIC Yanshan (Guyuan) Wind Power and Hebei Branch of China Construction Bank entered into the Second Entrusted Loan for a period that expires on December 31, 2012 pursuant to which HECIC New-energy agreed to provide RMB 40.0 million to HECIC Yanshan (Guyuan) Wind Power to finance the construction and development of wind farms. Such loan bears interest equivalent to PBOC's 3-year benchmark rate, which is currently at 5.76%, over the term of the Second Entrusted Loan.

Our PRC legal advisers have confirmed that such entrusted loan arrangement does not contravene any applicable laws and regulations of the PRC. As we are not licensed to carry out money lending business in the PRC, we have to make the Entrusted Loans by way of an entrusted loan arrangement. We believe that such arrangements are not uncommon in the PRC. Further, as the interest rates charged by the Group are equivalent to the three-year benchmark interest rates set by the PBOC, namely, 5.76%, the Directors are further of the view that the First Entrusted Loan and the Second Entrusted Loan are made on normal commercial terms as required under Rule 14A.66(2).

**Pricing policy:** The commercial bank charges a handling fee in respect of the arrangement which is ultimately borne by HECIC Yanshan (Guyuan) Wind Power. Interests on these loans vary, but cannot exceed or be less than the then highest and lowest rates set by the People's Bank of China, is borne by HECIC Yanshan (Guyuan) Wind Power.

**Historical transaction amounts:** During the Track Record Period, the Group had three entrusted loans with HECIC Yanshan (Guyuan) Wind Power. The following table sets forth the key terms of these loans:

Date of Loan	Lender	Borrower	Principal Amount	Interest Rate
August 7, 2009 . . . .	HECIC New Energy	HECIC Yanshan (Guyuan) Wind Power	RMB35.0 million	4.86% (PBOC 6-month benchmark rate)
February 11, 2010. .	HECIC New Energy	HECIC Yanshan (Guyuan) Wind Power	RMB35.0 million	5.31% (PBOC 1-year benchmark rate)
March 5, 2010 . . . .	The Company	HECIC Yanshan (Guyuan) Wind Power	RMB30.0 million	5.31% (PBOC 1-year benchmark rate)

These loans have either been repaid by HECIC Yanshan (Guyuan) Wind Power to the Group or superseded by the First Entrusted Loan and the Second Entrusted Loan. As at December 31, 2009 and the three months ended March 31, 2010, the principal amount of financial assistance by the Group to HECIC Yanshan (Guyuan) Wind Power were RMB35.0 million and RMB100.0 million respectively.

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**Annual caps and basis of caps:** The annual cap of the financial assistance will be RMB70.0 million for the years ending December 31, 2010, 2011 and 2012.

**Implication under the Listing Rules:** HECIC Yanshan (Guyuan) Wind Power is a non wholly-owned subsidiary of HECIC New-energy, which is also owned as to 25% by Hebei Green Energy Limited, an indirect wholly-owned subsidiary of HECIC. Accordingly, HECIC Yanshan (Guyuan) Wind Power is a connected person of the Group pursuant to Rule 14A.11(5).

The above entrusted loan arrangement between the Company and HECIC Yanshan (Guyuan) Wind Power constitutes continuing connected transactions exempt from independent Shareholders' approval requirements but subject to reporting, annual review and announcement requirements.

### CATEGORY II — NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### 4. Electricity Sales to State Grid Corporation and its subsidiaries

**Material terms:** In the ordinary and usual course of business, the Company and its subsidiaries have been and will be selling electricity generated by the Company's wind farms to local power grid companies in accordance with applicable PRC regulations.

The Company and/or its subsidiaries will enter into written agreements (i.e. PPAs) with relevant local power grid companies in respect of the sales of electricity when the on-grid tariff has been determined by the NDRC and approved by the relevant pricing authorities. A PPA typically contains various standard terms, such as an on-grid tariff. A PPA also contains standard terms on the procedure for metering and payment. A PPA usually has a term of one year and provides that the relevant local power grid company shall purchase the full amount of electricity generated by the relevant wind farm, such amount to be annually determined between the parties in accordance with applicable PRC regulations and public demand.

**Pricing mechanism:** According to applicable PRC laws and regulations, all on-grid tariff of electricity sold or to be sold to power grid companies, are first reviewed and determined by the NDRC and then approved by the relevant pricing authorities. The Directors understand this process normally takes place at around March each year, and which will take retrospective effect from January 1 of each year. By April each year, a plan relating to the annual on-grid tariff of electricity to be sold should be submitted to the relevant pricing authorities.

The Company has adopted the following internal control measures to monitor its sales of electricity to State Grid Corporation and its subsidiaries:

- the legal and sales departments of the Company will first review and negotiate all PPAs and ensure that they are consistent with the customary terms and conditions which the Company has agreed to in the past;
- the legal and sales departments will then report to the senior management on any material deviations of the principal terms of PPAs for consideration;
- the senior management team will thereafter consider if such deviations are acceptable and in line with market practice and make recommendation to the Board (including INEDs) for their consideration; and
- the Board will consider the recommendation from the senior management and review and decide on the relevant PPA accordingly.

**Historical transaction amounts:** For the three financial years ended December 31, 2009 and the three months ended March 31, 2010, the gross power delivered to grid sold to subsidiaries of State Grid Corporation from

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our wind power business amounted to approximately RMB38.0 million, RMB82.0 million, RMB264.6 million and RMB131.0 million, respectively.

**Annual caps and basis of caps:** For the three financial years ending December 31, 2012, the annual amount to be received by the Group from associates of State Grid Corporation for the gross power delivered to grid will be approximately RMB650.0 million, RMB1,300.0 million and RMB2,200.0 million, respectively.

The Company sets the above annual caps by taking into account:

- (1) the historical transaction amounts and the Company's historical total revenue derived from wind power business; and
- (2) the projected increase in the consolidated installed capacity from 2010 to 2012. Our consolidated installed capacity increase from 406.7 MW in 2009 to approximately 900 MW in 2010 representing an increase of approximately 121%. We expect such momentum to continue in 2011 and 2012 as we already have plans to commence operation of 10 and nine wind farms in 2011 and 2012, respectively.

**Implication under the Listing Rules:** North China Grid is the parent company of Beijing Hua Shi which in turn is the Substantial Shareholder of two of the Company's non-wholly owned subsidiaries, Zhangbei Huashi CIC Wind Energy and Chongli CIC Huashi Wind Energy, by virtue of its shareholdings of 48% and 49% respectively thereof.

Therefore, North China Grid is a connected person of the Company under Chapter 14A of the Listing Rules. State Grid Corporation, the ultimate parent of North China Grid, is therefore also a connected person of the Company under Chapter 14A of the Listing Rule. Furthermore, Hebei Electric Power and Shanxi Electric Power are both wholly-owned subsidiaries of State Grid Corporation. Therefore, Hebei Electric Power and Shanxi Electric Power Company are associates of the Group and will be deemed to be connected persons of the Company under Chapter 14A of the Listing Rules.

All electricity sales by the Group to Hebei Electric Power, North China Grid and Shanxi Electric Power and their respective subsidiaries constitute non-exempt continuing connected transactions of the Company under the Listing Rules subject to the reporting, announcement and independent Shareholders' requirements.

### 5. Provision of wind farm related services by State Grid Corporation and its subsidiaries to us

**Material terms:** In the ordinary and usual course of business, the Group has historically obtained wind farm related services from various service providers, including those independent of the Group and subsidiaries of State Grid Corporation. As the State Grid Corporation group of companies are the leading wind farm service providers in the locations where we operate, we expect that we will continue to invite them to bid for wind farm service contracts for our wind farms in the future.

Upon winning a bid for wind farm service contracts for our wind farms, the Company and/or its subsidiaries will enter into written wind farm services contracts with the relevant Connected Wind Farm Service Providers with respect to the specific wind farm related services the Company will require. Such services typically include installation and construction, exploration services, design and planning services, surveying services, quality surveillance, repair and maintenance and other operation related services. A wind farm service contract typically contains various standard terms such as payment method, indemnity and warranties but the scope of service and cost of service and other terms will vary from project to project. As these wind farm service contracts will take place in the future and the terms and conditions of such service contracts will change and evolve during a competitive bidding process, the Company and the Connected Wind Farm Service Providers are therefore unable to

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pre-determine and pre-execute these wind farm service contracts. We believe it is industry practice for wind farm service providers to only enter into services agreements upon the completion of the relevant bidding process and such service providers are not accustomed to enter into long term framework agreements to govern future bids and service contracts.

**Pricing mechanism** As mentioned above, the pricing of the wind farm services will depend on the outcome of a competitive bidding process. The Company has adopted the following internal control measures to monitor future entry of wind farm service contracts with Connected Wind Farm Service Providers:

- the legal and construction department of the Company will first review and draft the relevant tender invitation documentation and ensure that the terms and conditions required of the bidders, which are set out according to the project construction requirements and the then market practice, comply with the relevant PRC laws on public tenders and the internal compliance manuals of the Company;
- a tender assessment committee established in accordance with the relevant PRC laws and regulations on public tenders will assess and recommend a winning bidder for the relevant tender; and
- the tender assessment committee must ensure that all winning bidders comply with the terms and conditions as set out in relevant tender invitation documentation.

**Historical transaction amounts:** For the three financial years ended December 31, 2009 and the three months ended March 31, 2010, the consolidated amount relating to services provided to the Company and its subsidiaries totalled approximately RMB41.3 million, RMB158.4 million, RMB143.9 million and RMB18.7 million, respectively. However, owing to seasonality considerations, the construction of our Northern China based wind power projects normally commences in summer and completes before October each year. Therefore, we expect that a substantial amount relating to such wind farm services will be incurred in the later part of 2010.

**Annual caps and basis of caps:** For the three financial years ending December 31, 2012, the annual amount to be paid by the Group to State Grid Corporation and its subsidiaries for construction services will be approximately RMB502.4 million, RMB600.0 million and RMB650.0 million, respectively.

The Company sets the above annual caps by taking into account:

- (1) our historical average cost associated with wind farm related services per MW;
- (2) the expected increase in our consolidated installed capacity between 2009 and 2012. Our consolidated installed capacity will increase from 406.7 MW in 2009 to approximately 900 MW in 2010. We expect such momentum to continue in 2011 and 2012 as we already have plans to commence operation of 10 and nine wind farms in 2011 and 2012, respectively.
- (3) the possible wind farm construction projects which we intend to invite State Grid Corporation (or its subsidiaries) to participate in the relevant tender;
- (4) the speed of the Company's expansion plan and timing of the construction of the Company's pipeline wind power projects, in particular, with reference to the expected significant increase in our consolidated installed capacity.

**Implication under the Listing Rules:** State Grid Corporation is the ultimate parent company of Beijing Hua Shi which in turn is the Substantial Shareholder of two of the Company's non-wholly owned subsidiaries, Zhangbei Huashi CIC Wind Energy and Chongli CIC Huashi Wind Energy, by virtue of its shareholdings of 48%

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and 49% respectively therein. Therefore, State Grid Corporation is a connected person of the Company under Chapter 14A of the Listing Rules. Subsidiaries of State Grid Corporation are associates of the Group and will be deemed to be connected persons of the Company under Chapter 14A of the Listing Rules.

All services provided by State Grid Corporation and its subsidiaries in the PRC constitute non-exempt continuing connected transactions of the Company under the Listing Rules subject to the reporting, announcement and independent Shareholders' requirements.

### LISTING RULES IMPLICATIONS

#### Category I — Continuing connected transactions exempt from independent Shareholders' approval requirements

- (1) **Properties leased by HECIC to us**
- (2) **Provision of wind farm repair and maintenance services by the Group to HECIC Yanshan (Guyuan) Wind Power**
- (3) **Provision of financial assistance by the Group to HECIC Yanshan (Guyuan) Wind Power**

As each of the relevant applicable percentage ratios set out in the Listing Rules for determining the value of connected transactions (that is excluding the profit ratio and the equity capital ratio which are not applicable) for the continuing connected transactions in paragraphs (1) to (3) above is expected to be less than 5% on an annual basis or, each of the relevant applicable percentage ratios is expected to be less than 25% on an annual basis and the annual consideration of each such transaction is expected to be less than HK\$10,000,000, such transaction is exempt from the independent Shareholders' approval requirements under the Listing Rules but is subject to the reporting, annual review, and announcement requirements under the Listing Rules.

#### Category II — Non-exempt continuing connected transactions

- (4) **Electricity Sales to State Grid Corporation of China and its subsidiaries**
- (5) **Provision of wind farm related services by State Grid Corporation and its subsidiaries to us**

As (a) one or more of the relevant applicable percentage ratios set out in the Listing Rules for determining the significance of Zhangbei Huashi CIC Wind Energy and Chongli CIC Huashi Wind Energy within the Group are expected to be 10% or more for the three years ended December 31, 2009 or 5% for the year ended December 31, 2009, and (b) one or more of the relevant applicable percentage ratios set out in the Listing Rules for determining the value of connected transactions (excluding the profit ratio and the equity capital ratio which are not applicable) for each of the non-exempt continuing connected transactions in paragraphs (4) to (5) above is expected to be 5% or above on an annual basis or, each of the relevant applicable percentage ratios is expected to be less than 25% on an annual basis and the annual consideration of each such transaction is expected to be HK\$10,000,000 or more, each such transaction is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

### DIRECTORS' VIEW ON THE CONTINUING CONNECTED TRANSACTIONS

Our Directors (including our independent non-executive Directors) are of the view that all the continuing connected transactions have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of our Group, are fair and reasonable and in the interests of our Company and our



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Shareholders as a whole and that the maximum annual value of each of the relevant continuing connected transactions as disclosed in this section is fair and reasonable.

### CONTINUING CONNECTED TRANSACTIONS — APPLICATION FOR WAIVER

We will continue to enter into or carry out the transactions set out in this section. These transactions will constitute continuing connected transactions for us under the Listing Rules once our Shares are listed on the Stock Exchange. According to the Listing Rules, such transactions may, depending on the nature and value of the transactions, require disclosure and prior approval by our independent Shareholders.

### SCOPE OF WAIVER

For the continuing connected transactions under paragraphs (1) to (2) above, each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules, where applicable, under these agreements is, on an annual basis, expected to be less than 5% under Rule 14A.34 of the Listing Rules. Such transactions are subject to reporting, annual review and announcement requirements set out in Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules.

Under the Listing Rules, the continuing connected transactions under paragraph (3) are considered to be financial assistance exempt from independent Shareholders' approval requirements under Rule 14A.66 and would require compliance with the reporting, annual review and announcement requirements set out in Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules.

Under the Listing Rules, the continuing connected transactions under paragraphs (4) to (5) are considered to be non-exempt continuing connected transactions under Rule 14A.35 and would require compliance with the reporting, annual review and announcement requirements set out in Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules and the prior independent Shareholders' approval requirements set out in Rules 14A.48 to 14A.54 of the Listing Rules.

As the above continuing connected transactions are expected to continue on a recurring basis, our Directors consider that compliance with the announcement and/or the independent Shareholders' approval requirements would be unduly burdensome, impractical and would add additional administrative costs to our Company. Accordingly, our Directors have requested the Stock Exchange to grant a waiver from compliance with the requirements under Rule 14A.42(3) of the Listing Rules. We have requested the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver to our Company from compliance with the announcement and/or independent Shareholders' approval requirements relating to continuing connected transactions under the Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules. In respect of the continuing connected transactions under paragraphs (4) and (5), we will provide appropriate control mechanisms to govern the terms of the continuing connected transactions on the electricity sales to and the provision of wind farm related services by the State Grid Corporation of China and its subsidiaries and ensure that future individual PPAs and wind farm services contracts will be entered into based on the principal terms and pricing policies as disclosed. We confirm that for the purposes of paragraph 3 of Rule 14A.37 and paragraph 3 of Rule 14A.38 of the Listing Rules, all the relevant PPAs and wind farm services contracts in respect of the continuing connected transactions on the electricity sales to and the provision of wind farm related services by the State Grid Corporation of China and its subsidiaries disclosed above will be made available for our independent non-executive directors and auditors' review. The independent non-executive directors and auditors will review whether the relevant continuing connected transactions have been entered into based on the principal terms and pricing policies as disclosed in the

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prospectus. The confirmations of the independent non-executive directors will be disclosed annually and a confirmation letter from the auditors will be provided to our Board of Directors annually as required under the Listing Rules.

### **CONFIRMATION FROM THE SPONSOR**

The Sponsor is of the view that the continuing connected transactions described above in “Continuing Connected Transactions” for which waivers are sought have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms, are fair and reasonable and in the interests of our Shareholders as a whole, and that the maximum aggregate values of these continuing connected transactions are fair and reasonable, as far as our Shareholders, taken as a whole, are concerned.

### **EXEMPT FINANCIAL ASSISTANCE AND CONTINUING CONNECTED TRANSACTIONS**

On March 31, 2010, HECIC, HECIC New-energy and the Insurance Lender entered into an secured insurance loan investment agreement pursuant to which the Insurance Lender agreed to syndicate and lend to HECIC New-energy RMB1.3 billion for a term of 7 years and HECIC irrevocably agreed to guarantee the payment obligations of HECIC New-energy under the Insurance Loan Investment agreement. No fee is payable or charged by HECIC in relation to its provision of the Guarantee to HECIC New-energy. 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. Further details are set out in the section headed “Relationship with HECIC — Independence from HECIC — Financial Independence.” The Directors confirm that the Guarantee is provided on normal commercial terms (or better to the Company) and no security over the assets of the Company is granted in respect of the Guarantee. The provision of the Guarantee by HECIC to HECIC New-energy constitutes financial assistance under Rule 14A.65(4) of the Listing Rules and is therefore exempt from the reporting, announcement and independent Shareholders’ approval requirements.

In addition to the continuing connected transactions described above for which waivers have been granted by the Stock Exchange, we have the following continuing connected transactions from time to time which are exempted continuing connected transactions under the Listing Rules: (1) HECIC granted to the Group a non-exclusive licence to use two HECIC registered trademarks; and (2) Hebei Natural Gas sells CNG to HECIC in connection with its hotel operations in Shijiazhuang. In each case, the percentage ratios under the Listing Rules on an annual basis will be less than 0.1% and accordingly such transactions are exempt from the reporting, announcement and independent Shareholders’ approval requirements of the Listing Rules.