
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

The Company was established as a joint stock limited company in the PRC on February 9, 2010 to serve as the flagship company of the HECIC Group for its clean energy business. We own and operate natural gas transmission and distribution facilities in Hebei Province and sell natural gas to wholesale, retail and CNG customers through our natural gas distribution channels. We also plan, develop and operate wind farms and sell electricity generated by our wind farms to local grid companies.

Prior to the establishment of our Company, our business was operated by HECIC, our Controlling Shareholder, through Hebei Natural Gas and HECIC New-energy. HECIC was incorporated on August 1, 1988 as a state-owned enterprise approved by the People's Government of Hebei Province. Pursuant to the Reorganization Agreement, we obtained, among other things, save for the Retained Businesses, all of the assets, liabilities and equity interests with respect to HECIC's natural gas transmission and distribution business and wind power generation business. We are one of the largest operators of natural gas transmission and distribution facilities in Hebei Province, measured by sales volume in 2007 and 2008 and according to HydroChina Corporation, we were among the top ten largest wind power operating companies in the PRC as of December 31, 2009 in terms of consolidated installed capacity.

We have over nine years and seven years of experience in natural gas and wind power generation businesses, respectively, in the PRC. Over such periods, we have established a large scale of natural gas and wind power operations and accumulated extensive expertise in the operation and management of our various business areas.

Development of our Natural Gas Business

We are engaged in the operation and management of a natural gas business, distributing and supplying natural gas to wholesale, retail and CNG customers through our natural gas distribution channels in Hebei Province.

We first entered the natural gas market in April 2001, when we established our subsidiary Hebei Natural Gas. We were primarily engaged in the sale and distribution of natural gas in Hebei Province when we first commenced our natural gas business. In December 2001, we completed construction of our first natural gas pipeline from Zhuozhou to Shijiazhuang. On November 11, 2001, we entered into a master purchase agreement with PetroChina for a 20 year term for the supply of natural gas. This marked the beginning of our provision of natural gas in Hebei Province.

In September 2002, the construction of a long-distance transmission pipeline from Shijiazhuang to Handan was completed, significantly increasing our natural gas sales to Shijiazhuang City, Baoding City, Xingtai City and Handan City in Hebei Province beginning in 2003. From 2003 to 2005, we invested in city gas pipeline networks in Shahe City and Economic Development Zone of Shijiazhuang City, taking a major step towards the development of city gas pipeline projects.

In July 2005, following a strategic decision to cooperate with HK & China Gas, HECIC signed a joint venture agreement with HK & China Gas (Hebei), an indirect wholly-owned subsidiary of HK & China Gas, to transform Hebei Natural Gas into a sino-foreign joint venture company, in which we held a 55% equity interest and HK & China Gas (Hebei) held a 45% equity interest. Following our cooperation with HK & China Gas, we began to make further investments to develop our downstream natural gas business in cities and areas such as Development Zone of Handan City, Chengde City and Baoding Development Zone, strengthening our status as the leading natural gas supplier in Hebei Province.

We are seeking opportunities to expand our natural gas business. We entered into a framework cooperation agreement with PetroChina Kunlun, Baoding Yingli Group, Baoding Development Zone and Baoding Zhongyou in

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

June 2009 to establish a joint venture for developing a city gas pipeline network in the Baoding Development Zone, Hebei Province. As of the Latest Practicable Date, we obtained government approvals or established project companies to develop eight new natural gas projects and entered into framework agreements or letters of intent to develop additional natural gas projects in four locations.

We have accumulated a large customer base for our sales of piped natural gas. As of the Latest Practicable Date, we had completed over 400 km of our transmission pipeline in Hebei Province, located in 23 cities and counties.

Development of Our Wind Power Business

We also plan, develop and operate a portfolio of wind farms and sell electricity generated by our wind farms to local grid companies. We set up our first batch of anemometer towers in Kangbao county and Guyuan county in Zhangjiakou city in September 2003. This marked the beginning of our involvement in the wind power generation industry. In the following 24-month period, we closely monitored the results from our anemometer towers and studied the feasibility of operation of wind farms in Zhangjiakou City on a commercial basis. In September 2005, we were granted the final approval from Hebei Provincial DRC to commence construction of Kangbao Wind Farm Phase I and Guyuan Wind Farm Phase I, the sites where we set up our first batch of anemometer towers. Our first wind farm, Kangbao Wind Farm Phase I became operational in October 2006.

On July 17, 2006, we underwent a corporate restructuring through which our wholly-owned subsidiary HECIC New-energy was established to inherit in the overall management and operation of, and investment in all our wind power businesses and projects. Leveraging our experience in the successful implementation and operation of Kangbao Wind Farm Phase I and Guyuan Wind Farm Phase I, as of December 31, 2007, we had obtained investment and development rights in wind power projects with an aggregate estimated installed capacity of 6,982.9 MW.

Following a successful track record in the development and operation of wind power projects, we obtained project establishment approval from the NDRC in July 2007 to participate in our first National Gigawatt-base Projects, Dongxingying Wind Farm located in Zhangjiakou City. We were granted the final approval from the NDRC for the commencement of construction work for Dongxingying Wind Farm with a total installed capacity of 199.5 MW on June 4, 2008. This marked the beginning of our involvement in large-scale wind power projects.

In November 2007, we were invited by the NDRC to submit a bid for Weichang Yudaokou Muchang Wind Farm. In January 2008, we won the tender for Weichang Yudaokou Muchang Wind Farm with an estimated consolidated installed capacity of 150MW. We faced fierce competition from a number of large power enterprises in the PRC and we received preliminary approval from the NDRC on February 14, 2008. The winning of this bid demonstrated our capability to operate large-scale wind power projects. Subsequently, we were also awarded two other National Gigawatt-base Projects, namely Yudaokou Ruyihe Wind Farm and Kangbao Wind Farm Phases III. As of the Latest Practicable Date, our National Gigawatt-base Projects together had 649.5 MW of estimated consolidated installed capacity.

We are committed to developing our wind power business and finding opportunities to expand our wind power business. July 9, 2009 represented an important milestone for us when we were granted final approval from Shanxi Provincial DRC for Hanfengling Wind Farm, a wind power project located in Datong City in Shanxi Province, our first wind power project outside Hebei Province. We also entered into investment and development agreements to develop wind power projects in Inner Mongolia and Shangdong Province which together have approximately 900 MW of total estimated installed capacity once they become fully operational.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

According to HydroChina Corporation, we were among the top ten largest wind power operating companies in the PRC as of December 31, 2009 in terms of consolidated installed capacity. In addition, according to HydroChina Corporation, as of December 31, 2009 we were ranked first in consolidated operating capacity and third in consolidated installed capacity in Hebei Province, where all of our operating wind farms are located. Whilst historically we derive a significant portion of our income from our natural gas business, going forward, our wind power business will remain one of the core focuses of our development strategy.

Following the success of our wind power business as well as the natural gas business, we also became involved in early stage development of other forms of renewable energy business, including solar energy.

ESTABLISHMENT AND REORGANIZATION OF THE COMPANY

In preparation for the listing on the Stock Exchange, the Company was formed on February 9, 2010 as a joint stock limited company under the PRC laws with a registered capital of RMB2.0 billion.

Establishment of the Company

On January 29, 2010, HECIC and HECIC Water, as promoters of the Company, entered into the Promoters' Agreement regulating the various rights and obligations of the promoters in connection with the establishment of the Company.

Pursuant to the Promoters' Agreement, HECIC agreed to contribute certain operating businesses to the Company. Such operating businesses include substantially all of the assets, liabilities and equity interests in the wind power generation business and natural gas transmission and distribution business of the HECIC Group, which HECIC owned through its shareholdings in HECIC New-energy and Hebei Natural Gas. HECIC and HECIC Water contributed to the registered capital of the Company by cash in the amount of RMB203 million and RMB407 million respectively.

As consideration for the respective contributions by the Promoters, the Company issued 1,600 million Domestic Shares of RMB 1.00 each to HECIC and 400 million Domestic Shares of RMB1.00 each to HECIC Water. Immediately following the establishment of the Company, HECIC held 80% of the Company's equity interest and became our Controlling Shareholder, while HECIC Water held a 20% equity interest. The Company had in aggregate 2,000 million Domestic Shares in issue upon its establishment representing the entire issued share capital of the Company immediately prior to the Global Offering. Upon completion of the Global Offering (before the exercise of the Over-allotment Option), HECIC and HECIC Water will own approximately 49.2% and 12.3% equity interests, respectively, in the Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Reorganization

Pursuant to the Reorganization Agreement, which became effective on February 9, 2010, the Company obtained cash contributions and substantially all of the assets, liabilities and equity interests in respect of the Relevant Businesses, as follows:

Assets, liabilities and equity interests injected by the Company's Promoters

- except for the businesses described in the sub-section headed "Businesses retained by HECIC" in this section, substantially all assets, liabilities and equity interests in the Relevant Businesses owned by HECIC have been injected into the Company:
 - HECIC's 100% equity interest in HECIC New-energy, which, at the time of the Reorganization Agreement becoming effective, in turn owns equity interests in 11 companies (eight of which are controlled by HECIC New-energy and three of which HECIC New-energy holds a non-controlling interest), all of which are engaged in wind power generation business. As of the Latest Practicable Date, HECIC New-energy invests in, develops and operates a number of wind farms, of which 14 are operational (ten of which are controlled by HECIC New-energy and four of which HECIC New-energy holds a non-controlling interest), and six are under construction (five of which are controlled by HECIC New-energy and one of which HECIC New-energy holds a non-controlling interest);
 - HECIC's 55% equity interest in Hebei Natural Gas, which in turn owns equity interests in four companies (three of which are controlled by Hebei Natural Gas and one of which Hebei Natural Gas holds a non-controlling interest), all of which are engaged in the sale and transportation of natural gas business, operation of a network of natural gas pipeline and network gas stations; and
 - cash in the amount of RMB610 million which was fully paid by HECIC and HECIC Water on February 9, 2010.

Representations and warranties

Pursuant to the Reorganization Agreement, HECIC has made certain representations and warranties to the Company, including:

- (a) HECIC lawfully and beneficially owned the assets and interests injected by HECIC to the Company. The asset injection is not restricted by any liens, mortgages, pledges, leases, licenses or third party rights, save for any liens, mortgages and pledges made by HECIC for our loans, or made by HECIC for third parties which have been disclosed;
- (b) HECIC has fully complied with HECIC's articles of association, business license and other constitutional documents;
- (c) all relevant government approvals, licenses, authorizations, third party consents, confirmations, exemptions and registrations required for the Reorganization have been obtained;
- (d) HECIC has not breached any laws, regulations, court judgments, arbitral awards or administrative rulings that may result in serious financial loss for the Group;
- (e) all the information provided by HECIC is complete, true and accurate in all material aspects;

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (f) there is no material and adverse change in the financial status of the Relevant Businesses HECIC injected to us pursuant to the Reorganization Agreement from June 30, 2009 to February 9, 2010 (the date of our establishment); and
- (g) there are no litigation, claims, arbitration or other proceedings against HECIC that may have a material adverse effect on the Company's operations, assets and/or equity interests injected by HECIC to the Company pursuant to the Reorganization Agreement.

Indemnities

Pursuant to the Reorganization Agreement, HECIC has agreed to indemnify the Company against, among other things:

- (a) tax liabilities with respect to the assets and interests injected to the Company that arose prior to but excluding the date on which the Reorganization Agreement became effective;
- (b) tax liabilities and related claims arising from the assets and interests injected to the Company;
- (c) tax liabilities on all the assets and interests that HECIC retained;
- (d) tax liabilities due to the increase in asset values arising from the asset valuation of the assets injected to the Company;
- (e) losses incurred as a result of claims relating to the assets injected to the Company that arose before June 30, 2009 unless estimates of such expenditures have been disclosed and provision has been made in the accountants' report; and
- (f) losses incurred as a result of breach of any clauses of the Reorganization Agreement by HECIC.

Businesses retained by HECIC

Pursuant to the Reorganization, HECIC retained its interests in certain entities, the businesses of which are clearly delineated from or not directly related to ours. See "Relationship with HECIC — Delineation of Business and Competition" in this prospectus for details.

Non-Competition Agreement

The Company has entered into the Non-Competition Agreement with HECIC on September 19, 2010. Please see the section headed "Relationship with HECIC — Non-Competition Agreement and Undertakings" in this prospectus for further details.

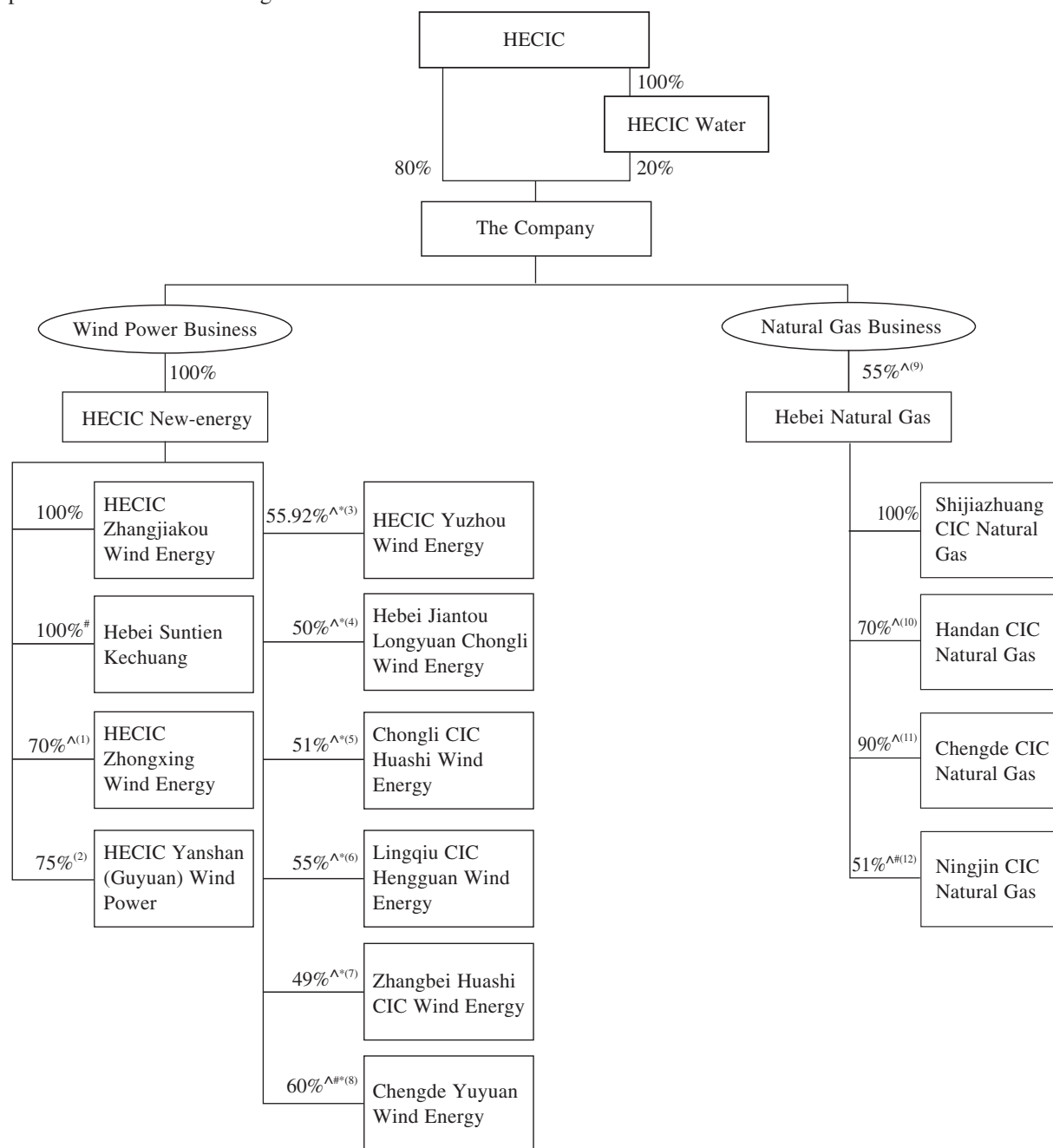
Approvals

The Reorganization required approvals from the relevant PRC government authorities, including, among others, Hebei Provincial SASAC. Hebei Provincial SASAC approved the Reorganization on November 12, 2009. The Company's PRC legal advisers, Jiayuan Law Firm, have confirmed that the Company has obtained all necessary approvals from the relevant PRC government authorities with respect to the Reorganization.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Group after the Reorganization and immediately prior to the Global Offering:



[^] Other than the relevant joint venture partner(s) being a Substantial Shareholder of the relevant subsidiary, each joint venture partner is an Independent Third Party not connected with the Company.

[#] Hebei Suntien Kechuang, Chengde Yuyuan Wind Energy and Ningjin CIC Natural Gas were incorporated on March 29, 2010, April 6, 2010 and May 17, 2010, respectively, following the completion of the Reorganization.

^{*} The Group has entered into shareholders voting agreements regarding these entities where the other equity owners have each agreed to allow the Group to have the overall control over these entities.

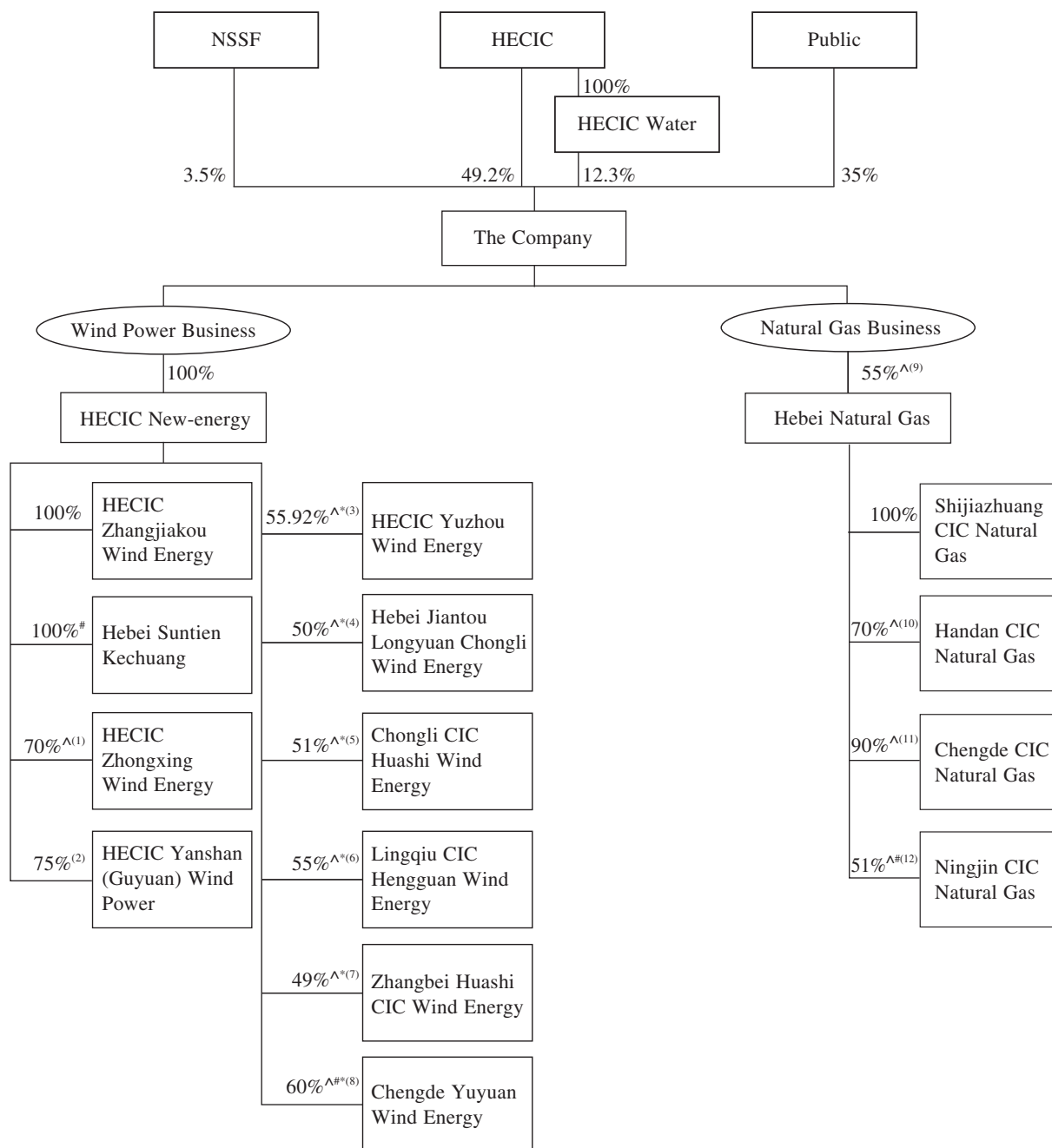
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) The remaining 30% of the equity interest in HECIC Zhongxing Wind Energy is held by Cangzhou Tong Xing He Investment Co., Ltd.
- (2) The remaining 25% of the equity interest in HECIC Yanshan (Guyuan) Wind Power is held by Hebei Green Energy Limited, which is an indirect wholly-owned subsidiary of HECIC.
- (3) The remaining 44.08% of the equity interest in HECIC Yuzhou Wind Energy is held by Hebei Hua Rui Energy Group Co., Ltd.
- (4) The remaining 50% of the equity interest in Hebei Jiantou Longyuan Chongli Wind Energy is held by China Longyuan Electric Power Group Corporation.
- (5) The remaining 49% of the equity interest in Chongli CIC Huashi Wind Energy is held by Beijing Hua Shi, a wholly-owned subsidiary of North China Grid.
- (6) The remaining 45% of the equity interest in Lingqiu CIC Hengguan Wind Energy is held by Hebei Hengguan Power Development Co., Ltd.
- (7) The remaining equity interests in Zhangbei Huashi CIC Wind Energy is held as to 3% by Lang Fang Developmental Area Hua Dian Environmental Protection Technology Co., Ltd. and as to 48% by Beijing Hua Shi, a wholly-owned subsidiary of North China Grid.
- (8) The remaining 40% equity interest in Chengde Yuyuan Wind Energy is held by Chengde Urban Construction Investment Co., Ltd.
- (9) The remaining 45% equity interest in Hebei Natural Gas is held by HK & China Gas (Hebei). Hebei Natural Gas is a sino-foreign equity joint venture with limited liability established under the Company Law of the PRC and the Law of Sino-foreign Equity Joint Venture. According to the articles of association of Hebei Natural Gas, the Company is able to nominate four out of seven directors of the board of Hebei Natural Gas and simple majority of the board is sufficient to approve and make normal daily financial and operating policies and decisions of Hebei Natural Gas. The voting power attached to the equity interest held by the Company in Hebei Natural Gas allowed the Company to have the power to govern the financial and operating activities of Hebei Natural Gas according to the articles of association of Hebei Natural Gas. The Directors are of the opinion that the Company was able to control Hebei Natural Gas since its establishment. Therefore, the financial statements of Hebei Natural Gas have been consolidated by the Company in its consolidated financial statements for the Track Record Period and the three-month period ended 31 March 2009.
- (10) The remaining 30% equity interest in Handan CIC Natural Gas is held by Handan Century Development Construction Co., Ltd.
- (11) The remaining 10% equity interest in Chengde City CIC Natural Gas is held by Chengde City Construction Investment Co., Ltd.
- (12) The remaining 49% equity interest in Ningjin CIC Natural Gas is held by Ningjin Green Energy Natural Gas Co., Ltd.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Group after the Reorganization and immediately after the completion of the Global Offering (before the exercise of the Over-allotment Option):



[^] Other than the relevant joint venture partner(s) being a Substantial Shareholder of the relevant subsidiary, each joint venture partner is an Independent Third Party not connected with the Company.

[#] Hebei Suntien Kechuang, Chengde Yuyuan Wind Energy and Ningjin CIC Natural Gas were incorporated on March 29, 2010, April 6, 2010 and May 17, 2010, respectively, following the completion of the Reorganization.

^{*} The Group has entered into shareholders voting agreements regarding these entities where the other equity owners have each agreed to allow the Group to have the overall control over these entities.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) The remaining 30% of the equity interest in HECIC Zhongxing Wind Energy is held by Cangzhou Tong Xing He Investment Co., Ltd.
- (2) The remaining 25% of the equity interest in HECIC Yanshan (Guyuan) Wind Power is held by Hebei Green Energy Limited, which is an indirect wholly-owned subsidiary of HECIC.
- (3) The remaining 44.08% of the equity interest in HECIC Yuzhou Wind Energy is held by Hebei Hua Rui Energy Group Co., Ltd.
- (4) The remaining 50% of the equity interest in Hebei Jiantou Longyuan Chongli Wind Energy is held by China Longyuan Electric Power Group Corporation.
- (5) The remaining 49% of the equity interest in Chongli CIC Huashi Wind Energy is held by Beijing Hua Shi, a wholly-owned subsidiary of North China Grid.
- (6) The remaining 45% of the equity interest in Lingqiu CIC Hengguan Wind Energy is held by Hebei Hengguan Power Development Co., Ltd.
- (7) The remaining equity interests in Zhangbei Huashi CIC Wind Energy is held as to 3% by Lang Fang Developmental Area Hua Dian Environmental Protection Technology Co., Ltd. and as to 48% by Beijing Hua Shi, a wholly-owned subsidiary of North China Grid.
- (8) The remaining 40% equity interest in Chengde Yuyuan Wind Energy is held by Chengde Urban Construction Investment Co., Ltd.
- (9) The remaining 45% equity interest in Hebei Natural Gas is held by HK & China Gas (Hebei). Hebei Natural Gas is a sino-foreign equity joint venture with limited liability established under the Company Law of the PRC and the Law of Sino-foreign Equity Joint Venture. According to the articles of association of Hebei Natural Gas, the Company is able to nominate four out of seven directors of the board of Hebei Natural Gas and simple majority of the board is sufficient to approve and make normal daily financial and operating policies and decisions of Hebei Natural Gas. The voting power attached to the equity interest held by the Company in Hebei Natural Gas allowed the Company to have the power to govern the financial and operating activities of Hebei Natural Gas according to the articles of association of Hebei Natural Gas. The Directors are of the opinion that the Company was able to control Hebei Natural Gas since its establishment. Therefore, the financial statements of Hebei Natural Gas have been consolidated by the Company in its consolidated financial statements for the Track Record Period and the three-month period ended 31 March 2009.
- (10) The remaining 30% equity interest in Handan CIC Natural Gas is held by Handan Century Development Construction Co., Ltd.
- (11) The remaining 10% equity interest in Chengde City CIC Natural Gas is held by Chengde City Construction Investment Co., Ltd.
- (12) The remaining 49% equity interest in Ningjin CIC Natural Gas is held by Ningjin Green Energy Gas Co., Ltd.

Shareholders Voting Agreements

The Group entered into shareholders voting agreements with the Other Equity Owners of six of our non-wholly owned subsidiaries which contractually allow the Group to control the overall management of these subsidiaries.

The respective articles of association of these six subsidiaries require, among other things, a majority, two-thirds or unanimous vote (as the case may be) at the board/shareholders meeting to approve any matters relating to the financial and operating policies of the respective subsidiaries. Neither the Group nor the Other Equity Owners of these six subsidiaries has sufficient equity interests reaching the aforementioned controlling threshold under the articles of association to establish ultimate control over any such subsidiaries.

Notwithstanding the foregoing, since the establishment of each of these six subsidiaries, the Group has had the power to control the operation of these subsidiaries, such control being contractually accepted by the Other Equity Owners. During the Track Record Period, the Group had established overall control over the operation of each of these six subsidiaries in the following major aspects: approving the development of new projects, approving the annual production plan and annual budget, approving financial management and internal financial policies and approving the operation plan, among other matters. The Other Equity Owners are not involved in the day-to-day management of these six subsidiaries.

In view of the understanding between the relevant parties and to formalise the historical practice, the Group entered into shareholders voting agreements with the Other Equity Owners of these subsidiaries to confirm in writing the agreements and arrangements with respect to the Group's overall control. Under these shareholders voting agreements, the Other Equity Owners confirmed that they have voted, since the establishment of or the date on which we became the largest equity holder of the respective subsidiaries, as the case may be, and will continue to vote, and procure to vote, unanimously with the Group in respect of any decisions relating to the project development, operating plans, budgeting, investment, and all other financial and operating decisions as long as

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

they are equity owners of the respective subsidiaries. The Other Equity Owners have also undertaken that when transferring their equity interests in the respective subsidiaries, they will procure the transferees to assume the obligations under the shareholders voting agreements by re-entering the shareholders voting agreements with the Group.

The PRC legal advisers to the Company, Jiayuan Law Firm, have confirmed that each of these shareholders voting agreements are legal, valid and binding on the parties to the agreements. As we have the power to control these non-wholly owned subsidiaries during the Track Record Period, accordingly, their financial results were consolidated into the consolidated financial information of the Group in the Accountants' Report in Appendix I to this prospectus.

The following table sets forth the details of the shareholders voting agreements:

<u>Subsidiary</u>	<u>Effective date of the voting arrangement stated in the shareholders voting agreement</u>	<u>Parties</u>	<u>Individual shareholding</u>	<u>Aggregate shareholding</u>
Zhangbei Huashi CIC Wind Energy (張北華實建投風能有限公司)	November 27, 2009	HECIC New-energy Beijing Hua Shi ⁽²⁾ Lang Fang Developmental Area Hua Dian Environmental Protection Technology Co., Ltd. ⁽²⁾	49% 48% 3%	100%
Lingqiu CIC Hengguan Wind Energy (靈丘建投衡冠風能有限公司)	July 18, 2008	HECIC New-energy Hebei Hengguan Power Development Co., Ltd. ⁽²⁾ Hebei Yi Xin Yuan Energy Technology Co., Ltd. ⁽²⁾	50% 45% 5% ⁽¹⁾	100%
HECIC Yuzhou Wind Energy (河北建投蔚州風能有限公司)	January 18, 2007	HECIC New-energy Hebei Hua Rui Energy Group Co., Ltd. ⁽²⁾	55.92% 44.08%	100%
Chongli CIC Huashi Wind Energy (崇禮建投華實風能有限公司)	March 26, 2008	HECIC New-energy Beijing Hua Shi ⁽²⁾	51% 49%	100%
Hebei Jiantou Longyuan Chongli Wind Energy (河北建投龍源崇禮風能有限公司) . .	March 26, 2007	HECIC New-energy China Longyuan Electric Power Group Corporation ⁽²⁾	50% 50%	100%
Chengde Yuyuan Wind Energy (承德御源風能有限公司)	April 6, 2010	HECIC New-energy Chengde Urban Construction Investment Co., Ltd. ⁽²⁾	60% 40%	100%

Notes:

- (1) HECIC New-energy and Hebei Yi Xin Yuan Energy Technology Co., Ltd entered into an equity transfer agreement on October 28, 2009 pursuant to which HECIC New-energy agreed to acquire the shareholding of Hebei Yi Xin Yuan Energy Technology Co. Ltd in Lingqiu CIC Hengguan Wind Energy. The consideration of such equity transfer was RMB400,000 which was equal to the actual capital contribution of Hebei Yi Xin Yuan Energy Technology Co., Ltd. Such equity transfer completed on October 29, 2009.
- (2) An Independent Third Party not connected with the Company (save for being a substantial shareholder of the relevant subsidiary (ies) of the Company).