Upon the listing of our H Shares on the Stock Exchange, transactions between us and our Connected Persons will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon completion of the Listing, the following persons, with whom we have entered into certain transactions in our ordinary course of business, will become our Connected Persons:

- Huadian: immediately following the completion of the Global Offering, Huadian will, directly and indirectly, own approximately 70.5% of our issued share capital if the Over-allotment Option is not exercised (or approximately 68.2% if the Over-allotment Option is exercised in full). Huadian will continue to be a Substantial Shareholder of the Company, and will hence become our Connected Person upon completion of the Listing; and

- Huadian's associates such as Kemen II, a wholly-owned subsidiary of Huadian.

Accordingly, the following transactions between each of Huadian and Kemen II, on the one hand, and us, on the other hand, will constitute connected transactions for us under Chapter 14A of the Listing Rules upon completion of the Listing.

EXEMPT CONNECTED TRANSACTIONS

We have entered into the following transactions in our ordinary course of business, which will, upon the completion of the Listing, constitute continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules. These transactions are on normal commercial terms where each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, not be more than 0.1% on an annual basis. By virtue of Rule 14A.33(3)(a) of the Listing Rules, these transactions are exempt from the reporting, annual review (as the case may be), announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(A) Trademark Licensing Agreement

Parties: Huadian (as the licensor); and

Our Company (as the licensee).

Principal terms: We entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with Huadian on June 4, 2012, pursuant to which Huadian agreed to grant our Group a non-exclusive license for the use of certain trademarks registered under Huadian as at the date of the Trademark Licensing Agreement with an annual royalty of RMB1.0. For details of the licensed trademarks, please see "Appendix IX – Statutory and General Information – 3. Further Information about Our Business – B. Our intellectual property rights" to this prospectus.

The term of the Trademark Licensing Agreement is ten years commencing from August 19, 2011, which was the date of the establishment of our Company as a joint stock limited company under the Company Law, and will be automatically renewed for a further term of three years subject to one-month's written notice by our Company to Huadian prior to expiration of the Trademark Licensing Agreement.

Reasons for the transaction: We are a major subsidiary of Huadian, operating diversified power generation businesses and committed to developing clean energy projects. To use trademarks of Huadian Group helps us to identify ourselves as a platform of Huadian to develop diversified power generation business and, in particular, clean energy business.

(B) Entrusted Operation Agreement

Parties: Kemen II (as the trustor); and

Kemen (as the trustee).

Principal terms: Kemen II entered into an entrusted operation agreement (the "Entrusted Operation Agreement") with Kemen, a wholly-owned subsidiary of our Company, on January 29, 2011, pursuant to which, Kemen II agreed to entrust Kemen to operate and manage the businesses of Kemen II, and Kemen II agreed to pay management fees to Kemen.

The term of the Entrusted Operation Agreement is from January 29, 2011 to December 31, 2013. The annual management fee for such entrusted operation is RMB2.0 million. The annual management fee was determined following arm's-length negotiations between Kemen II and Kemen based on the actual cost (including, but not limited to, staff cost) and expense incurred in providing such management service, plus a certain margin.

Reasons for the transaction: Our predecessor, Huadian Fuxin Energy Co., Ltd. transferred all of the equity interest that it held in Kemen II to Huadian in January 2011. As Kemen has extensive experience in our industry and is familiar with the assets and business of Kemen II, Kemen II considers that it would be more cost efficient and more favorable to its business development to entrust Kemen to operate and manage its business under the Entrusted Operation Agreement.

(C) Trust Loan Agreement

Parties: Zhong Rong International Trust Co., Ltd. (as the lender);

Huadian (as the guarantor); and

Huadian New Energy (as the guarantee and borrower).

Principal terms: Huadian New Energy, our wholly-owned subsidiary, entered into a trust loan agreement with Zhong Rong International Trust Co., Ltd. (中融國際信託有限公司) ("ZRITC"), an Independent Third Party, on May 26, 2009. Huadian, as the guarantor, entered into a guarantee agreement (together with the trust loan agreement, the "Trust Loan Agreement") with ZRITC on the same date, in relation to Huadian New Energy's obligations under the trust loan agreement as borrower (the "Guarantee by Huadian"). This trust loan was to provide funding for the construction of certain wind farm project(s) by Huadian New Energy. Huadian New Energy paid RMB11.52 million to Huadian as a one-time guarantee fee for the Guarantee by Huadian for the benefit of Huadian New Energy. Such guarantee fee was determined in accordance with Huadian Group's internal policy and guidelines. The trust loan amount is RMB1.0 billion for a term of five years commencing from June 12, 2009 and ending on June 11, 2014, and the loan will be fully settled and repaid by Huadian New Energy in one installment on June 11, 2014. With the Guarantee by Huadian, we were able to obtain a favorable interest rate for the trust loan, which is 14% lower than the benchmark interest rate as promulgated by People's Bank of China. Therefore, notwithstanding the guarantee fee we paid to Huadian, we benefited from the whole arrangement. As of December 31, 2011, the outstanding loan is RMB1.0 billion, representing approximately 4.61% of our Company's long-term borrowing (approximately RMB21.7 billion in total).

Reasons for the transaction: For the purpose of funding the construction of certain wind power project(s) by Huadian New Energy, Huadian New Energy entered into the Trust Loan Agreement with ZRITC and Huadian. We do not propose to discharge the guarantee by Huadian with respect to the Trust Loan Agreement prior to the Listing and we intend to keep the trust loan until the expiration of the Trust Loan Agreement. The early discharge of the guarantee by Huadian would amount to a breach by us of the Trust Loan Agreement which would trigger renegotiation with ZRITC and would be an unduly burdensome and cost-ineffective exercise for us. As of December 31, 2011, our unutilized banking facility amounted to approximately RMB15.5 billion, which is substantially higher than the RMB1.0 billion trust loan. On December 14, 2011, Huadian New Energy entered into a letter of intent with Beijing Rural Commercial Bank, pursuant to which Beijing Rural Commercial Bank agreed to provide Huadian New Energy with a banking facility of RMB1.0 billion without guarantee to be provided by any Shareholder or any other party, which can be used as a replacement of the trust loan. Given that our Company has the ability to obtain financing independently and that the size of the trust loan is not significant for our business, we are of the view that we are able to operate independently of Huadian from a financial perspective, notwithstanding the existence of the guarantee by Huadian.

The guarantee by Huadian under the Trust Loan Agreement constitutes financial assistance provided by a Connected Person of our Company for the benefit of the Group under Rule 14A.65 of the Listing Rules. The Trust Loan Agreement will be exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules because (i) this financial assistance agreement is on normal commercial terms; and (ii) no security over our assets is granted in respect of this financial assistance arrangement.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions in our ordinary course of business, which will, upon the completion of the Listing, constitute continuing connected transactions of our Company subject to the reporting, annual review, announcement or independent shareholders' approval requirements (as the case may be) under Chapter 14A of the Listing Rules (the "Non-exempt Continuing Connected Transactions").

(A) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement

1. Property Leasing

Parties: Huadian (as the lessor); and

Our Company (as the lessee).

Principal terms: We entered into a property leasing framework agreement (the "Property Leasing Framework Agreement") on June 4, 2012, with Huadian, pursuant to which, our Group may rent properties from Huadian Group. The principal terms of the Property Leasing Framework Agreement are as follows:

- the rents (including property management fee) payable under the Property Leasing Framework Agreement shall be agreed based on arm's-length negotiations between the relevant parties with reference to market rates at the relevant location, but the annual rent per sq. m. shall not exceed 115.0% of that of the previous year;
- we and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant leased properties according to the principles, and within the parameters, provided for under the Property Leasing Framework Agreement;
- we are entitled to lease the available properties owned by members of Huadian Group during the term of the Property Leasing Framework Agreement;
- either party may, at any time before the Property Leasing Framework Agreement expires, by giving not less than six months' written notice, to terminate any lease made pursuant to and contemplated under such agreement, and the rents will accordingly be reduced; and
- the term of the Property Leasing Framework Agreement is no more than three years commencing on the Listing Date and ending on December 31, 2014, subject to renewal.

Existing leases: During the Track Record Period, our Group, through Beijing Anfu Real Estate Development Co., Ltd. ("Anfu," a wholly-owned subsidiary of Huadian) leased several properties from Huadian Group as offices. All of such leased properties are located at China Huadian Corporation Building, No. 2, Xuanwumennei Avenue, Xicheng District, Beijing, China, with a total area of approximately 3,557.8 sq. m. by the end of 2011. The principal business of Anfu is the development and management of real estate.

Reasons for the transaction: We have historically leased certain properties from the members of Huadian Group as offices. Compared with Independent Third Party, Huadian Group has a better understanding of our requirements in terms of office premises. In addition, relocating our offices to other premises will cause unnecessary disruptions to our operation and incur unnecessary costs.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, has confirmed that the annual rentals payable by us under the Property Leasing Framework Agreement are fair and reasonable to the parties thereto, and reflect the prevailing market rates for similar premises in the vicinity of the relevant property.

Historical figures: The historical figures of the rent paid to Huadian Group for the Track Record Period were approximately RMB7.3 million, RMB11.2 million and RMB12.8 million, respectively.

Annual caps: The maximum aggregate annual amount of rent payable to Huadian Group for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2012	**2013**	**2014**
		(RMB millions)	
Estimated amount of rent to be paid by us to Huadian Group.	14.2	20.5	20.5

Basis of Caps: In determining the above annual caps, our Directors have considered: (i) the annual rental amount of the existing property leasing entered into for 2012; (ii) the increase in the total area of the leased properties from approximately 3,557.8 sq. m. by the end of 2011 to approximately 5,500 sq. m. from 2013 onwards due to business expansion (such as expansion of our wind power business) and the relocation of staff from Fujian province to Beijing; and (iii) the increase of annual rental amount (including property management fee) from 2011 to 2012.

2. Assets Lease Agreement

Parties: Kemen (as the lessor); and

Kemen II (as the lessee).

Principal terms: Kemen, a wholly-owned subsidiary of our Company, entered into an assets lease agreement (the "Assets Lease Agreement") on January 29, 2011, with Kemen II, a wholly-owned subsidiary of Huadian, according to which Kemen II may rent certain assets from Kemen, including transmission projects, ferries, coal transportation system, public system, ash yards, offices and apartments. The principal terms of the assets lease agreement are as follows:

- the rent shall be calculated based on: original value of the asset x 12.0% (asset lease ratio) x 50.0% (power generation ratio);

- the annual fee, which Kemen II will pay to Kemen under the Assets Lease Agreement shall be no more than RMB48.9 million;

- the term of the Assets Lease Agreement is no more than three years commencing on January 29, 2011 and ending on December 31, 2013, subject to renewal; and

- to renew the Assets Lease Agreement, Kemen II should notify Kemen in writing, within one (1) month prior to the expiration of the Assets Lease Agreement. Kemen should make a written response on whether it will renew the Assets Lease Agreement within 15 days after receiving Kemen II's notification.

Reasons for the transaction: Our predecessor, Huadian Fuxin Energy Co., Ltd. transferred all of the equity interest that it held in Kemen II to Huadian in January 2011. Certain assets had been used and will continue to be shared by Kemen and Kemen II for their daily operation. Since such assets are located in Kemen, and cannot be separately transferred to Kemen II, Kemen agreed that Kemen II may continue to use such assets on a leasing basis.

Historical figures: The asset lease by Kemen II from Kemen commenced from the entry into the Assets Lease Agreement in 2011 and the historical amount of rent paid to Kemen by Kemen II for the 11 months ended December 31, 2011, was approximately RMB44.8 million.

Annual caps: The maximum aggregate annual amount of rentals payable to Kemen by Kemen II for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2012	**2013**	**2014**
		(RMB millions)	
Estimated total rent to be paid by Kemen II to Kemen	48.9	48.9	48.9

Basis of Caps: In determining the above annual caps, our Directors have considered the historical rent paid by Kemen II to Kemen for the 11 months ended December 31, 2011 on an annual basis which will remain stable from 2012 onward.

3. Substituting Generation Purchase Framework Agreement

Parties: Shaowu Power Plant (as the vendee); and

Kemen II (as the vendor).

Principal terms: During the Track Record Period, Fujian Huadian Shaowu Power Generation Co., Ltd ("Shaowu Power Plant," with 60.0% of its equity interests being held by our Company) entered into several substituting generation purchase agreements with Kemen (Kemen II formed part of Kemen prior to January 2011) and Kemen II (Kemen II became a wholly-owned subsidiary of Huadian following the completion of the equity transfer in January 2011). Pursuant to these agreements, Shaowu Power Plant purchased a certain substituting generation (as clarified below) from Kemen II and its predecessor (as the case may be).

In the ordinary course of business, Shaowu Power Plant entered into a substituting generation purchase framework agreement dated June 4, 2012, with Kemen II (the "Substituting Generation Purchase Framework Agreement") pursuant to which, Kemen II will provide substituting generation to Shaowu Power Plant. The principal terms of the Substituting Generation Purchase Framework Agreement are as follows:

- the purchase price of the annual substituting generation will be determined through the open market competition process organized by the Local Government (as defined below);

- Shaowu Power Plant and Kemen II shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant provision of substituting generation according to the principles, and within the parameters, provided for under the Substituting Generation Purchase Framework Agreement; and

- the term of the Substituting Generation Purchase Framework Agreement is three years commencing from the Listing Date and ending on December 31, 2014, subject to renewal.

Reasons for the transaction: In 2008, Fujian Provincial Economics and Trade Commission and Fujian Provincial Pricing Bureau (the "Local Government") issued the "Implementation plan to designate Shaowu Power Plant as the emergency back-up power sources of Fujian province" (the "Implementation Plan"). According to the Implementation Plan, two generating units of Shaowu Power Plant were designated as the back-up generating units for the local grid, and they were required to be continuously operational whenever requested so as to meet the needs of the local grid.

To maintain the sustainable operations of Shaowu Power Plant, the Local Government grants Shaowu Power Plant a right to purchase substituting generation generated by other coal-fired power plants at a relatively lower price and sell such substituting generation to the local grid at a relatively higher price. Shaowu Power Plant had purchased substituting generation from Kemen, Kemen II and Independent Third Parties during the Track Record Period. Shaowu Power Plant is expected to be granted the right to purchase a maximum of approximately 1,137,500 MW substituting generation for each of the three years ending December 31, 2012, 2013 and 2014.

The purchasing of substituting generation by Shaowu Power Plant has been and will continue to be conducted through the open market competition process organized and supervised by the Local Government, and based on the principle of price priority. We have a long-term relationship with Kemen II, and Kemen II has advantages in fuel efficiency and operating efficiency, as well as pricing competitiveness. Kemen II's participation in the open market competition process organized by the Local Government enables Shaowu Power Plant to obtain the most competitive purchasing price. For details of Kemen II, please see the section headed "Relationship with Huadian Group – Delineation of Business and Competition – Business Retained by Huadian Group – (A) Competing Business by Huadian's Unlisted Subsidiaries – Coal-fired Power Business." Taking into account the above considerations, as well as the need and benefit to give Shaowu Power Plant the flexibility to purchase substituting generation at the most competitive price, our Directors consider that entering into the Substituting Generation Purchase Framework Agreement with Kemen II is in the best interest of us and our Shareholders as a whole.

Historical figures: Kemen II was divested from Kemen on January 29, 2011. Kemen commenced providing substituting generation to Shaowu Power Plant since April 2008. According to the most recent substituting generation purchase agreement entered into between Shaowu Power Plant and Kemen before Kemen II being divested from Kemen, Kemen would provide substituting generation to Shaowu Power Plant until June 30, 2011. The historical amount of substituting generation Shaowu Power Plant purchased from Kemen for the three years ended December 31, 2009, 2010 and 2011, were approximately 350,000 MWh, 569,000 MWh and 304,750 MWh, respectively, representing approximately 25.8%, 50.0% and 26.8% of the total substituting generation purchased by Shaowu Power Plant, during the corresponding time periods, respectively. The historical figures of the fees paid by Shaowu Power Plant to Kemen for the three years ended December 31, 2009, 2010 and 2011, were approximately RMB97.2 million, RMB160.4 million and RMB88.6 million, respectively.

Kemen had no capacity to provide a substituting generation to Shaowu for the second half of 2011. Therefore, Shaowu Power Plant entered into a substituting generation purchase agreement with Kemen II, pursuant to which Kemen II would provide a substituting generation to Shaowu Power Plant from July 1, 2011 to December 31, 2011. The historical amount of a substituting generation Shaowu Power Plant purchased from Kemen II for the year ended December 31, 2011, was approximately 568,750 MWh, representing approximately 50.0% of the total substituting generation purchased by Shaowu Power Plant during the corresponding time period. The historical figures of the fees paid by us to Kemen II for the year ended December 31, 2011, was approximately RMB165.3 million.

Annual caps: The maximum amount of the substituting generation that will be purchased by Shaowu Power Plant from Kemen II for each year ending December 31, 2012, 2013 and 2014, will be approximately 1,137,500 MWh, representing 100.0% of the total substituting generation, which Shaowu Power Plant will purchase during the corresponding time period. The maximum aggregate annual amount of fees payable by us to Kemen II for the years ending December 31, 2012, 2013 and 2014, shall not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2012	**2013**	**2014**
		(RMB millions)	
Estimated total fees payable by us to Kemen II	335.0	335.0	335.0

Basis of Caps: In determining the above annual caps, our Directors have considered: (i) the historical purchase amount paid by Shaowu Power Plant to Kemen II for the six months ended December 31, 2011; (ii) the expected electricity volume allowed by the Local Government for Shaowu Power Plant to purchase substituting generation of approximately 1.14 million MWh of substituting generation for the three years from 2012 to 2014; (iii) the purchasing price will be stable from 2011 onwards; and (iv) the estimated capacity of Kemen II to provide competitive substituting generation.

4. *Coal Shipping Service Framework Agreement*

Parties: Huadian (as service provider); and

Our Company (as service receiver).

Principal terms: In the ordinary course of business, we entered into a framework coal shipping service agreement, dated June 4, 2012, with Huadian (the "Coal Shipping Service Framework Agreement"), pursuant to which Huadian Group (for the purpose of the Coal Shipping Service Framework Agreement, including its associates) will provide coal shipping services to us. The principal terms of the Coal Shipping Service Framework Agreement are as follows:

- the service fees shall be agreed on arm's-length negotiations between the relevant parties with reference to the price, which an Independent Third Party will charge for such coal shipping services in the ordinary course of business; and where the aforementioned pricing mechanism is not applicable, the price shall be agreed on arm's-length negotiations between the relevant parties, based on the calculation of "the actual cost and expense incurred in providing such coal shipping services plus reasonable profits;"

- we and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant coal shipping according to the principles and within the parameters provided for under the Coal Shipping Service Framework Agreement; and

- the term of the Coal Shipping Service Framework Agreement is no more than three years commencing on the Listing Date and ending on December 31, 2014, subject to renewal.

Reasons for the transaction: Historically, we have engaged Huayuanxing Shipping Co., Ltd. to provide coal shipping service since July 2007. Huadian Coal (with 42.65% of its equity interest being held by Huadian directly) holds 58.0% equity interest in Huayuanxing Shipping Co., Ltd. As Huadian Group is familiar with our industry and have extensive experience in coal shipping, our Directors consider that the demands of our Group for coal shipping could be effectively and efficiently satisfied by the shipping service to be provided by Huadian Group under the Coal Shipping Service Framework Agreement.

Historical figures: The historical figures of the fees paid by us to Huadian Group for the coal shipping, for the three years ended December 31, 2009, 2010 and 2011, were approximately RMB78.7 million, RMB85.8 million and RMB68.1 million, respectively.

Set out below is a table summarizing the percentage of coal shipping fees paid to Huadian Group during the Track Record Period:

	Percentage for the years ended December 31,		
	2009	**2010**	**2011**
Coal shipping service	43.2%	39.4%	24.9%

Annual caps: The maximum aggregate annual amount of fees payable by us to Huadian Group and/or its associates for the years ending December 31, 2012, 2013 and 2014, shall not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2012	**2013**	**2014**
		(RMB millions)	
Estimated total fees payable by us to Huadian Group	76.0	72.0	68.0

Set out below is a table summarizing the estimated percentage of coal shipping fees payable to Huadian Group for the years ending December 31, 2012, 2013 and 2014:

	Estimated percentage for the years ended December 31,		
	2012	**2013**	**2014**
Coal shipping service	20.0%	14.0%	12.0%

Basis of Caps: In determining the above annual caps, our Directors have considered (i) the increase of the aggregate annual amount of fees from 2011 to 2012 due to increase in the coal shipping fee per ton and the amount of coal to be shipped by Huadian Group; and (ii) the amount of connected transaction to be reduced by 5.0% per year after 2012, so as to enhance the marketization of the Group's practice in respect of coal shipping and to increase the proportion of coal shipping service to be obtained from Independent Third Parties.

5. CDM Services Framework Agreement

Parties: Our Company; and

Huadian.

Principal terms: During the Track Record Period, we entered into CDM services agreements with various subsidiaries of Huadian. Pursuant to these agreements, Huadian New Energy, our wholly-owned subsidiary, provided various management services to power generating projects of Huadian Group in relation to their CDM projects, including, but not limited to, the service for the registration of the managed CDM projects with relevant Chinese governmental authority as CDM projects.

In the ordinary course of business, we entered into a CDM services framework agreement dated June 4, 2012, with Huadian (the "CDM Services Framework Agreement"), pursuant to which we will provide CDM services to Huadian Group (for the purpose of the CDM Services Framework Agreement, including its associates)[(1)]. Our CDM services provided to Huadian Group mainly include consulting and management service, such as assistance in looking for and evaluating potential cooperative parties of the CDM projects, arrangement of the execution of cooperation agreements, registration of the managed CDM projects with Chinese governmental authority and the United Nations, and assistance in looking for an independent appraiser of the CDM projects.

The principal terms of the CDM Services Framework Agreement are as follows:

- the fees shall be agreed between the relevant parties with reference to the price, which an independent third party will charge for such CDM services in the ordinary course of business and the revenue generated by the CDM project, for which the CDM services are provided;

- we and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant provision of CDM service according to the principles and within the parameters provided for under the CDM Services Framework Agreement; and

- the term of the CDM Services Framework Agreement is no more than three years commencing on the Listing Date and ending on December 31, 2014, subject to renewal.

Reasons for the transaction: We began providing services to several CDM projects of Huadian Group in March 2008. We have become the only CDM services provider to Huadian Group (including its listed subsidiaries) since 2009, when we established the CDM center in Huadian New Energy. We have an experienced team that is familiar with the CDM projects registration process and the business development of the companies within Huadian Group. As of December 31, 2011, we have provided services to 176 CDM projects, of which 101 CDM projects are owned by companies within our Group and 75 CDM projects are owned by Huadian Group. Please refer to "Business – Carbon Credit Transactions – CDM projects and sales of CERs" in this prospectus for more details. Our Group has not provided any CDM service to any third party outside Huadian Group and our Group's current focus will continue to be providing CDM services to Huadian Group. We have gained substantial experience from handling a considerable number of CDM projects. In consideration of all the above, our Directors and Huadian consider that it is to our advantage to continue the provision of the CDM services to Huadian Group after

(1) CDM projects do not only include clean energy projects but also include conventional energy projects such as hydropower projects and coal-fired power plants, the energy efficiency of which can be increased. The Non-Competition Agreement does not prohibit Huadian and the Unlisted Subsidiaries from owning and developing these CDM projects with respect to their conventional energy projects.

Listing. The fee payable by us under the CDM Services Framework Agreement is fair and reasonable to the parties thereto and in line with the market rate.

Historical figures: The CDM service provided by Huadian New Energy to Huadian Group commenced in March 2008 and the historical figures of the fees paid to us for the Track Record Period were nil, nil and approximately RMB7.9 million, respectively. For the year ended December 31, 2011, six CDM projects for which we provided CDM services to Huadian Group generated service fees. The total installed capacity of these projects was approximately 573.5 MW.

Annual caps: The maximum aggregate annual amount of fees payable to us for the years ending December 31, 2012, 2013 and 2014 shall not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2012	**2013**	**2014**
		(RMB millions)	
Estimated total fees payable by Huadian Group to us	18.7	24.3	31.5

Basis of Caps: In determining the above annual caps, our Directors have considered the terms of the CDM services agreements[1] and various factors, which have an impact on the service fee determination, such as the various stages of application, the type of fuel source and the total installed capacity for each of the CDM projects under management.

Set out below is a table summarizing the number and total installed capacity of the CDM projects owned by Huadian Group, which will generate service fees for the three years ending December 31, 2012, 2013 and 2014:

	For the years ending December 31,		
	2012	**2013**	**2014**
Total number of CDM projects	13	20	23
Total installed capacity of the CDM projects (MW)	1,059.5	1,430.5	1,710.5

(1) We start charging the CDM service fee once the CDM project has been successfully registered with the United Nations. Thereafter, we charge the CDM service fee annually during the term of the CDM service agreement.

(B) Continuing connected transactions, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirement

Project Contracting and Equipment Purchase Framework Agreement

Parties: Huadian (as contractor and supplier); and

Our Company (as party issuing contract and purchaser).

Principal terms: In the ordinary course of business, we have entered into a project contracting and equipment purchase framework agreement with Huadian on June 4, 2012 (the "Project Contracting and Equipment Purchase Framework Agreement"). Pursuant to the Project Contracting and Equipment Purchase Framework Agreement, Huadian Group agreed that it would undertake general contracting service (such as design, construction, installation and other relevant services) for the power generating projects of our Group and would sell power generation equipment to us. The principal terms of the Project Contracting and Equipment Purchase Framework Agreement are as follows:

- the project contracting fees together with the prices of the equipment shall be determined through a bidding process and in compliance with applicable bidding laws, regulations and rules;

- where the aforementioned pricing mechanism is not applicable, the project contracting fees together with the prices of the equipment shall be agreed on the basis of arm's-length negotiation between the relevant parties, taking into account the principle of "actual cost and expense plus reasonable profits";

- we and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant project contracting and equipment purchase according to the principles and within the parameters provided for under the Project Contracting and Equipment Purchase Framework Agreement; and

- the term of the Project Contracting and Equipment Purchase Framework Agreement is no more than three years commencing on the Listing Date and ending on December 31, 2014, subject to renewal.

Reasons for the transaction: As a principle, our general contracting service and equipment providers will be determined through a competitive bidding process after the Listing, with Huadian or its subsidiaries as potential bidders. However, for the following reasons, our Directors consider that it is beneficial to our Group to enter into such a framework agreement with Huadian: (i) Huadian Engineering, a subsidiary of Huadian, was among the first to have started providing project contracting service in the PRC. Huadian Group has built up extensive experience and kept a reputable track record in the project contracting service market; (ii) during the Track Record Period, Huadian Group provided project contracting service and sold power generation equipment to us. Compared with the other third-party service providers, their established service network enables Huadian Group to be familiar with and have a better understanding of our industry and our needs and, as a result, could provide better service to us; and (iii) Huadian Group provides customized project contracting service and sells power generation equipment to us at competitive prices, which makes it cost efficient for our Group.

Historical figures: The historical figures of the fees paid to Huadian Group for the three years ended December 31, 2009, 2010 and 2011, were approximately RMB396.7 million, RMB441.4 million and RMB790.2 million, respectively.

	Historical figures for the years ended December 31,		
	2009	**2010**	**2011**
		(RMB millions)	
Distributed energy project[1]	211.2	25.0	–
Wind power project[2]	185.5	400.8	597.0
Others[3]	0.0	15.6	193.2
Total	**396.7**	**441.4**	**790.2**

(1) It included general contracting services for distributed energy projects and provision of combustion turbines and other equipments related to the distributed energy projects.

(2) It included general contracting services for wind power projects and provision of wind turbine towers and other equipments related to the wind power projects.

(3) It included general contracting services for solar power projects and provision of solar panels and other equipments related to the solar power projects.

Set out below is a table summarizing the percentage of contracting service fees and equipment purchase expenses paid to Huadian Group during the Track Record Period:

	Percentage for the years ended December 31,		
	2009	**2010**	**2011**
Distributed energy project	71.6%	70.0%	0.0%
Wind power project	2.9%	6.7%	11.6%
Others	0.0%	0.6%	9.7%

Annual caps: The maximum aggregate annual amount of fees payable to Huadian Group for the years ending December 31, 2012, 2013 and 2014, shall not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2012	**2013**	**2014**
		(RMB millions)	
Estimated total fees payable by us to Huadian Group	824.1	1,141.1	1,359.0

Our Directors expect that the annual amount of project contracting service fees and equipment purchase expenses shall not exceed the caps set out below:

	Proposed annual caps for the years ending December 31,		
	2012	**2013**	**2014**
		(RMB millions)	
Distributed energy project[1]	544.1	841.1	1,039.0
Wind power project[2]	280.0	300.0	320.0
Total	**824.1**	**1,141.1**	**1,359.0**

(1) It will include general contracting services for distributed energy projects and provision of combustion turbines and other equipments related to the distributed energy projects.

(2) It will include general contracting services for wind power projects and provision of wind turbine towers and other equipments related to the wind power projects.

Set out below is a table summarizing the estimated percentage of contracting service fees and equipment purchase expenses payable to Huadian Group for the years ending December 31, 2012, 2013 and 2014:

	Estimated percentage for the years ended December 31,		
	2012	**2013**	**2014**
Distributed energy project	43.5%	42.1%	47.2%
Wind power project	4.2%	4.8%	5.1%

Basis of Caps: In determining the above annual caps, our Directors have considered the following factors:

(i) the estimated project contracting and equipment purchase agreements.

Set out below is a table summarizing the estimated new installed capacity of the projects to be completed for the three years ending December 31, 2014, for which Huadian Group will provide general contracting service and equipment to our Group[(1)]:

	Estimated new installed capacity for the years ending December 31,		
	2012	**2013**	**2014**
		(MW)	
Distributed energy project	117.3	161.9	164.0
Wind power project	400.0	450.0	500.0
Total	**517.3**	**611.9**	**664.0**

(ii) Our Directors expect that the total installed capacity of the Group's wind power business is projected to continuously grow by more than approximately 37% each year from approximately 2,171.3 MW by the end of 2011 to approximately 5,589.3 MW by the end of 2014. On this basis, the Directors estimate that the annual amount of project contracting service fees and equipment purchase expenses with respect to the wind power projects of the Group will grow from 2012 onwards.

(iii) Huadian Group provided general contracting service and equipment to us with respect to our Guangzhou University Town Distributed Energy Project in 2009. Most of the project contracting service fees and equipment purchase expenses were paid to Huadian Group in 2009, with a small amount of fees and expenses having been paid to Huadian Group upon the examination and acceptance in 2010. Huadian Group also provided and will continue to provide project contracting service and equipment to our other distributed energy projects. However, most of these projects were in their preliminary construction stages and we expect to pay Huadian Group periodically in 2012, 2013 and 2014. In addition to the existing distributed energy projects, through which Huadian Group has been providing general contracting service and equipment to us, we expect to continuously expand our distributed energy business in the next few years. Our Directors, therefore, have determined the annual caps for our distributed energy business based on (i) our demand for general contracting service and related equipment is expected to increase, with the gradual commencement of the construction of the new distributed energy projects from 2012 and 2015; and (ii) the payment of the estimated contract amount in accordance with the estimated construction period for a distributed energy project is expected to be about two years.

(1) Generally, the contracting service fees and equipment purchase expenses increase as the installed capacity of the projects increase. However, for the avoidance of doubt, there is no positive correlation between the two.

LISTING RULES IMPLICATIONS

In relation to the continuing connected transactions under the Property Leasing Framework Agreement, Assets Lease Agreement, Substituting Generation Purchase Framework Agreement, Coal Shipping Service Framework Agreement and CDM Services Framework Agreement for each of the three financial years ending December 31, 2012, 2013 and 2014, the highest applicable percentage ratio is expected to be more than 0.1% but less than 5%, respectively. Accordingly, the transactions under the Property Leasing Framework Agreement, Assets Lease Agreement, Substituting Generation Purchase Framework Agreement, Coal Shipping Service Framework Agreement and CDM Services Framework Agreement are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules.

In relation to the continuing connected transactions under the Project Contracting and Equipment Purchase Framework Agreement for the three financial years ending December 31, 2012, 2013 and 2014, the highest applicable percentage ratio is expected to be more than 5%. Accordingly, the transactions under the Coal Project Contracting and Equipment Purchase Framework Agreement are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules and the independent shareholders' approval requirements under Rule 14A.48 of the Listing Rules.

Our Directors (including our independent, non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions set out above have been and will be entered into in our ordinary and usual course of business, on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for the Non-exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements of the Listing Rules in respect of the transactions under the Property Leasing Framework Agreement, Assets Lease Agreement, Substituting Generation Purchase Framework Agreement, Coal Shipping Service Framework Agreement and CDM Services Framework Agreement; as well as from strict compliance with the announcement and independent shareholders' approval requirements in respect of the Project Contracting and Equipment Purchase Framework Agreement subject to the condition that the aggregate value of transactions under the Non-exempt Continuing Connected Transactions for each of the three financial years ending December 31, 2014, will not exceed the relevant annual cap amount set forth above.

Our independent non-executive Directors and auditors of our Company will review whether the Non-exempt Continuing Connected Transactions have been entered into based on the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmations of our independent non-executive Directors and our auditors will be disclosed annually, as required by the Listing Rules.

SPONSORS' CONFIRMATION

The Joint Sponsors are of the view that the Non-exempt Continuing Connected Transactions set out above are entered into in the ordinary and usual course of business of our Company, on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the Non-exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.