
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and the relevant proxy forms and reply slips to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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China Suntien Green Energy Corporation Limited*
新天綠色能源股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00956)

**CONTINUING CONNECTED TRANSACTION
AND MAJOR TRANSACTION
UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK
AGREEMENT WITH THE GROUP FINANCE COMPANY**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 21 and 22 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 35 of this circular.

The Company will convene the third extraordinary general meeting in 2018 at 9:00 a.m. on Thursday, 27 December 2018 at the Conference Room, 5th Floor, Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC. Notice of the EGM was issued to Shareholders on 6 November 2018.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For H Shareholders, the proxy form should be returned to Computershare Hong Kong Investor Services Limited and for Domestic Shareholders, the proxy form should be returned to the Company's registered office and headquarters in the PRC in person or by post but in any event not less than 24 hours before the time fixed for holding the EGM (i.e. before 9:00 a.m. on Wednesday, 26 December 2018). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) or to the Company's registered office and headquarters in the PRC (for Domestic Shareholders) on or before Friday, 7 December 2018.

* *For identification purposes only*

7 December 2018

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DEFINITIONS

In this circular, the following terms shall have the following meaning unless the context otherwise requires:

“agreement deposit”	a type of deposits in RMB offered by a PRC financial institution to its corporate customer, where a corporate customer deposits an initial minimum amount into its account with the financial institution, the interest rate for such portion will be calculated based on the demand deposit rate as announced by the PBOC from time to time, and the deposits in excess of the initial minimum amount will accrue interests at the interest rate for agreement deposit as announced by the PBOC from time to time
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Company”	China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司), a joint stock company incorporated in the PRC with limited liability on 9 February 2010, whose H Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Deposit Service”	the deposit service provided to the Group by the Group Finance Company pursuant to the Renewed Financial Services Framework Agreement, which constitutes a continuing connected transaction subject to the reporting, announcement, annual review and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, and a major transaction subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Domestic Share(s)”	domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each
“Domestic Shareholder(s)”	registered holder(s) of the Domestic Share(s)
“EGM”	the third extraordinary general meeting for 2018 to be held by the Company at the Conference Room, 5th Floor, Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC on Thursday, 27 December 2018 in relation to the matters referred to in this circular
“Existing Financial Services Framework Agreement”	the financial services framework agreement dated 11 November 2015 entered into between the Company and the Group Finance Company, which will expire on 31 December 2018
“Group”	the Company and its subsidiaries
“Group Finance Company”	HECIC Group Finance Company Limited (河北建投集團財務有限公司), a limited liability company established in the PRC, which is a non-banking financial institution under the supervision of the CBIRC and a wholly-owned subsidiary of HECIC
“HECIC”	Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司), a wholly state-owned enterprise incorporated in the PRC, and one of the promoters and the controlling shareholder of the Company
“HECIC Group”	HECIC and its subsidiaries (excluding the Group)
“HECIC New-energy”	HECIC New-energy Co., Ltd. (河北建投新能源有限公司), a wholly-owned subsidiary of the Company
“HKD” or “HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which is traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“H Shareholder(s)”	registered holder(s) of the H Share(s)

DEFINITIONS

“JEI”	Jointo Energy Investment Co., Ltd. Hebei (河北建投能源投資股份有限公司) (formerly known as Shijiazhuang International Building (Group) Co., Ltd. (石家莊國際大廈(集團)股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000600), which is controlled by HECIC and a connected person of the Company
“Independent Board Committee”	an independent board committee of the Company, comprising all of the independent non-executive Directors, namely Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew, which was formed to advise the Independent Shareholders in respect of the terms of the Deposit Service and Maximum Daily Balance
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the terms of the Deposit Service and Maximum Daily Balance
“Independent Shareholders”	Shareholders other than HECIC and its associates
“Latest Practicable Date”	4 December 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Loan Service”	the loan and entrusted loan service provided to the Group by the Group Finance Company pursuant to the Renewed Financial Services Framework Agreement, which constitutes a continuing connected transaction exempt from the reporting, announcement, annual review and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Maximum Daily Balance”	the daily balance of the Group’s aggregated deposits (including accrued interest thereon) with the Group Finance Company under the Deposit Service, calculated as at the close of business for each day
“Member Company(ies)”	the companies and entities controlled by the HECIC Group and/or the Group, and the affiliates of the HECIC Group and/or the Group

DEFINITIONS

“Other Financial Services”	other financial services provided to the Group by the Group Finance Company pursuant to the Renewed Financial Services Framework Agreement, including bill discounting and acceptance services, finance lease service and settlement service, financial and financing advisory services, credit authentication and relevant consulting and agency services, provision of guarantees, insurance agency business and corporate bonds underwriting service, which constitute continuing connected transactions and are exempt from reporting, announcement, annual review and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China and, which for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Renewed Financial Services Framework Agreement”	the financial services framework agreement dated 2 November 2018 entered into between the Company and the Group Finance Company in respect of the Deposit Service, the Loan Service and the Other Financial Services
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	Domestic Share(s) and H Share(s)
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“%”	percentage

LETTER FROM THE BOARD



China Suntien Green Energy Corporation Limited* **新天綠色能源股份有限公司**

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00956)

Board of Directors:

Non-executive Directors:

Dr. Cao Xin (*Chairman*)
Dr. Li Lian Ping
Mr. Qin Gang
Ms. Sun Min
Mr. Wu Huijiang

Executive Directors:

Mr. Mei Chun Xiao (*President*)
Mr. Wang Hong Jun

Independent Non-executive Directors:

Mr. Qin Hai Yan
Mr. Ding Jun
Mr. Wang Xiang Jun
Mr. Yue Man Yiu Matthew

Registered Office and Headquarters:

9th Floor, Block A, Yuyuan Plaza
No. 9 Yuhua West Road
Shijiazhuang City
Hebei Province
PRC

Principal Place of Business in Hong Kong:

Suite 2103, 21st Floor
Prudential Tower
The Gateway, Harbour City
Kowloon
Hong Kong

7 December 2018

To the Shareholders:

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND MAJOR TRANSACTION
UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK
AGREEMENT WITH THE GROUP FINANCE COMPANY**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 2 November 2018 in relation to the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder. The provision of the financial services (including the Deposit

* For identification purposes only

LETTER FROM THE BOARD

Service) under the Renewed Financial Services Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Deposit Service also constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with:

- (a) further information on the details of the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder;
- (b) the letter from the Independent Board Committee to the Independent Shareholders;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and
- (d) other information as required under the Listing Rules.

2. THE CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT

2.1 Background

Since 2013, the Company has entered into the relevant financial services framework agreements with the Group Finance Company to utilize the financial services provided by the Group Finance Company. The Company and the Group Finance Company entered into the Existing Financial Services Framework Agreement on 11 November 2015, which will expire on 31 December 2018.

On 2 November 2018, the Company and the Group Finance Company entered into the Renewed Financial Services Framework Agreement, pursuant to which the Group will continue, on a voluntary and non-compulsory basis, to utilize the financial services provided by the Group Finance Company, including (i) the Deposit Service, (ii) the Loan Service and (iii) the Other Financial Services.

2.2 Renewed Financial Services Framework Agreement

Date

2 November 2018

Parties

The Company and the Group Finance Company

LETTER FROM THE BOARD

Summary of Financial Services

Under the Renewed Financial Services Framework Agreement, the Group Finance Company will provide the Group with financial services, including (i) the Deposit Service, (ii) the Loan Service and (iii) the Other Financial Services.

Under the Renewed Financial Services Framework Agreement, the Group Finance Company has undertaken to the Company that whenever it provides financial services to the Group, the terms thereof shall not be less favorable than those offered by any commercial banks or other financial institutions for comparable services.

The Group will utilize the financial services of the Group Finance Company on a voluntary and non-compulsory basis and is not obliged to engage the Group Finance Company for any particular service.

The Group is not required to provide any asset pledge to the Group Finance Company for the Loan Service.

The Group Finance Company may, from time to time, enter into separate individual financial service agreements with the Group for the provision of specific financial services, provided that the principles as agreed in the Renewed Financial Services Framework Agreement will be observed.

Pricing Policy

The fees and charges payable by the Group to the Group Finance Company under the Renewed Financial Services Framework Agreement are determined on the following basis:

- (a) Deposit Service: the interest rates shall not be lower than (i) the lower limits of the interest rates promulgated by the PBOC from time to time for the same category of deposits; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of deposits; and (iii) the interest rates individually obtained from commercial banks by the Group member using the Deposit Service for deposits for the same period, of the same stage and same category.
- (b) Loan Service: the interest rates shall not be higher than (i) the upper limits of the interest rates promulgated by the PBOC from time to time for the same category of loans; and (ii) the interest rates individually obtained from commercial banks by the Group member using the Loan Service for loans for the same period, of the same stage and same category.

LETTER FROM THE BOARD

- (c) Other Financial Services: the interest rates or service fees charged for the Other Financial Services shall (i) comply with the standard rates as promulgated by the PBOC or the CBIRC from time to time (if applicable); and (ii) not be higher than the interests or service fees charged by commercial banks for comparable services to the Group member using such services.

Term

The Renewed Financial Services Framework Agreement will be for a period of three years and will take effect from 1 January 2019 and end on 31 December 2021.

The term of any separate individual financial service agreement between the Group and the Group Finance Company shall be in accordance with the Renewed Financial Services Framework Agreement and shall not exceed the term of the Renewed Financial Services Framework Agreement.

2.3 Historical Amounts of the Deposit Service

In respect of the Deposit Service, the Maximum Daily Balance of the deposits placed with the Group Finance Company by the Group for the two years ended 31 December 2017 and the nine-month period ended 30 September 2018 were as follows:

Period	Maximum Daily Balance of the Deposit Service <i>RMB (in million)</i>	Actual Maximum Daily Balance of the Deposit Service <i>RMB (in million)</i>
Year ended 31 December 2016	3,170	2,358
Year ended 31 December 2017	3,350	1,614
Nine-month period ended 30 September 2018	3,570 (applicable to the year ending 31 December 2018)	1,764

The Company expects that the daily balance of the deposits placed by the Group during the remaining term of the Existing Financial Services Framework Agreement will not exceed the Maximum Daily Balance for the year ending 31 December 2018.

LETTER FROM THE BOARD

2.4 Proposed Maximum Daily Balance and its Basis of Determination

For the purpose of the Deposit Service, the Company estimates that the Maximum Daily Balance of the deposits placed with the Group Finance Company by the Group for each of the three years ending 31 December 2021 are as follows:

Period	Maximum Daily Balance of the Deposit Service RMB (in million)
Year ending 31 December 2019	3,570
Year ending 31 December 2020	3,570
Year ending 31 December 2021	3,570

The Directors determined the above caps based on the following major factors:

- As part of the Group's fund management strategy to benefit from the enlarged scale economy by centralizing its funds with higher liquidity in certain selected financial institution with better interest rates, the Group plans to deposit a substantial portion of its cash balance in the Group Finance Company, to take advantage of the fact that it has undertaken to the Group that the deposit interest rates offered to the Group shall not be lower than the interest rates obtained from commercial banks by the Group member using the Deposit Service for deposits for the same period, of the same stage and same category. Taking into account the consistent quality services that the Group Finance Company had provided to the Group in the past five years, the Company has adequate confidence in the Group Finance Company's capability and decided to deepen the cooperation with the Group Finance Company for the benefit of the Company and its Shareholders as a whole.
- According to the Group's current wind power business expansion plan, the Group plans to increase its wind power capacity between 2019 and 2021. Such an increase in capacity will generate positive cash flow for the Group, thereby increasing the monetary fund balance.
- The increase in the Group's projects under construction will lead to an additional demand for project construction loans which will cause the Group to increase its scale in debt financing as well as its cash balance.
- The receipt of trade receivables at the same time or within a short period of time will significantly increase the amount of cash in hand, which will result in the larger deposit of the Group.
- The accrued interest arising from the opening deposit balance (being the cash balance of the Company at the beginning of a financial year on a consolidated basis) during 2019 to 2021.

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In the event that the Independent Shareholders do not grant approval for the Deposit Service at the EGM, the Group will not continue to utilize the Deposit Service provided by the Group Finance Company upon expiry of the Existing Financial Services Framework Agreement, but the other services contemplated under the Renewed Financial Services Framework Agreement, including the Loan Service and the Other Financial Services, will continue to proceed.

2.5 Reasons for and Benefits of Entering into the Renewed Financial Services Framework Agreement

The Company entered into the Renewed Financial Services Framework Agreement with the Group Finance Company for the following reasons:

- While the Maximum Daily Balance of the Deposit Service is set, the Company can withdraw deposit from its accounts with the Group Finance Company and use services provided by other financial institutions according to the Company's business needs, which is not subject to any restrictions imposed by the Group Finance Company. Apart from the Group Finance Company, the Group has business cooperation with a number of financial institutions, which can provide timely financial services to the Group as and when needed.
- The deposits placed in the Group Finance Company by the Group are agreement deposits with an initial minimum savings amount of RMB0.01, and are repayable to the Group on demand. The interest accrued from the Deposit Service will be paid to the Group on a quarterly basis, which the Company believes is in line with the banking practice in the PRC. Based on the current practice, the deposit interest rates offered to the Group by the Group Finance Company are benchmarked against the interest rate for agreement deposit as announced by the PBOC from time to time with upward adjustment. The deposit interest rates will be reviewed and, if necessary, adjusted quarterly by the Group Finance Company. The prevailing interest rate for agreement deposit as announced by the PBOC is 1.15% per annum, and the deposit interest rates offered to the Group by the Group Finance Company range from 1.15% to 1.196% per annum. As a result, the total interest income of the Group may increase.
- The interest rates of the Deposit Service and Loan Service and relevant handling fees of the Other Financial Services offered by the Group Finance Company to the Group are the same as or more favorable than (as the case may be) those interest rates or handling fees individually offered by any third party to the Group member using such services.
- The PRC laws prohibit direct intercompany loans among group companies (including subsidiaries and associated companies) other than legitimate financial institutions. Loans must be provided through a legitimate financial institution or agency. The Group Finance Company, which is regulated by

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the PBOC and the CBIRC, is a non-banking financial institution authorized to provide various types of financial services, including deposit and loan services.

- The Group may utilize the Group Finance Company as a medium to allocate the funds between members of the Group more effectively, which increases the degree of liquidity of the Group's funds and enhance the overall solvency of the Group.
- The Group will continue to use various services of the Group Finance Company, including the Deposit Service, the Loan Service and the Other Financial Services according to the Renewed Financial Services Framework Agreement. Such arrangement will enhance the bargaining power of the Group when negotiating the same or similar services with third party commercial banks, which may lower the financing costs of the Group.
- The Group Finance Company is limited to serving the needs and requests of the Member Companies and it is familiar with the Group's operation. Therefore, the Group Finance Company can provide its services on a prioritized and more efficient manner than commercial banks in the PRC, from which the Group is expected to benefit.
- As the Company holds a 10% equity interest in the Group Finance Company, it is expected that the Company may benefit from the profits generated by the Group Finance Company's profits.

The Directors also believe that the risk profile of the Group Finance Company, as a provider of financial services to the Company, is not greater than those of independent commercial banks in the PRC. The Directors have considered the following factors when assessing relevant financial risks:

- The Group Finance Company is regulated by the PBOC and the CBIRC and it is required to comply with the relevant rules and operational requirements of the above regulatory authorities, including capital risks guidelines and requisite capital adequacy ratios.
- To the best of the Directors' knowledge, information and belief, the Group Finance Company has established a sound system of internal control and risk management in compliance with the regulatory requirements, and has also made requisite deposit reserves with the PBOC.
- The Group Finance Company has expanded its businesses rapidly since its establishment. As disclosed in section 2.7 of this circular below, the Group Finance Company is permitted to provide a wide range of services to the Member Companies. As at 30 September 2018, 205 Member Companies are customers of the Group Finance Company. As at 31 December 2017, the loans granted by the Group Finance Company to the Member Companies amounted to approximately RMB4,383.5 million, and the total corporate

LETTER FROM THE BOARD

deposits taken from the Member Companies amounted to approximately RMB8,590 million. The fund stability of the Group Finance Company was enhanced as a result of its increased deposit volume, while its business capability is strengthened by its enhanced lending capability.

- To the best of the Directors' knowledge, information and belief, the Group Finance Company has not defaulted on any of its credit obligations or breached any material rule or operational requirement of the PBOC and the CBIRC, and has implemented stringent internal control and risk management measures.
- The Group Finance Company upholds the principle of prudent operation, and has promulgated fund settlement policies and mechanism to secure the safety of the funds of the Member Companies.
- There is no direct regulatory restrictions on the deposit volume of the Group Finance Company.
- The Group Finance Company has an accountable fund settlement and auditing system which covers all types of business with the Member Companies.
- The Group Finance Company has entered into cooperation agreements with a number of third party commercial banks in the PRC, which facilitates its ability to make real-time transfer of cash to the Member Companies' designated bank accounts when withdrawing deposits or receiving loans by the Member Companies, or to any payees as instructed by the Member Companies' for other financial services.
- Under the relevant rules of the PBOC and the CBIRC, the clients of the Group Finance Company are restricted to the Member Companies. The Group Finance Company is hence exposed to a lower level of potential risk than the entities soliciting external clients.
- To ensure the capital liquidity, HECIC, the controlling shareholder of the Company and the Group Finance Company, has undertaken in the articles of association of the Group Finance Company that, HECIC will provide funding to the Group Finance Company to satisfy its capital needs in the event that the Group Finance Company experiences any urgent payment difficulties.

HECIC is a state-owned enterprise established and approved by the People's Government of Hebei Province, which is primarily engaged in the investment in and development of projects in the infrastructures and pillar industries in Hebei Province, including energy, transportation, water supply and commercial real estate. To the best of the Directors' knowledge, information and belief, as at 30 June 2018, HECIC has a net asset of approximately RMB69,582 million and cash and cash equivalent of approximately

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RMB7,659 million. The Directors believe that HECIC is able to provide funding to the Group Finance Company if the Group Finance Company encounters any urgent payment difficulties.

To the best of the Directors' knowledge, information and belief, the Group Finance Company had not encountered any payment difficulties since its incorporation, and HECIC had not provided any funding to satisfy the Group Finance Company's urgent capital needs as at the Latest Practicable Date.

- Each Member Company will provide detailed monthly fund utilization plan to the Group Finance Company for its financial arrangements and settlements through the Group Finance Company in the forthcoming calendar month. The Group Finance Company will make fund allocations and settlement arrangements in accordance with the aforesaid plan so as to satisfy the funding needs of each Member Company.
- As a 10% shareholder, the Company has a right to access the financial records of the Group Finance Company, so as to assess the general financial and operational conditions of the Group Finance Company.
- Under articles of association of the Group Finance Company, the board of directors of the Group Finance Company comprises seven directors, including (i) two directors nominated by HECIC, (ii) one director nominated by the Company, (iii) one director nominated by JEI, a subsidiary of HECIC, (iv) one employee representative director elected by the employees of the Group Finance Company, and (v) two external directors appointed pursuant to the PRC regulatory requirements and not related to the HECIC Group or the Group. Ms. Fan Weihong (范維紅) is the director nominated by the Company to the board of directors of the Group Finance Company and participates in the decision making process for important business development strategies and other matters to be approved by the board of directors of the Group Finance Company in accordance with the articles of association of the Group Finance Company. In addition, a risk management committee under the board of directors of the Group Finance Company has been established to examine and approve loans extended to the Member Companies with a single loan amount over RMB80 million. The risk management committee comprises three members, who are nominated by the chairman of the board of directors, or over one third of the directors, of the Group Finance Company, and elected by the board of directors of the Group Finance Company. Ms. Fan Weihong is a member of the risk management committee.
- Pursuant to the Renewed Financial Services Framework Agreement, if the Group is unable to collect any deposits and accrued interests placed with the Group Finance Company under the Renewed Financial Services Framework Agreement, the Group is entitled to offset the same with any unpaid loans and accrued interests payable to the Group Finance Company.

LETTER FROM THE BOARD

- The Group Finance Company shall promptly notify the Company when any matter that may affect its ordinary operation occurs, including material non-compliance with relevant rules and operation requirements with the PBOC and CBIRC, structural change, credit ratings, equity transaction or operational risk, and the Company is entitled to suspend or terminate the services provided by the Group Finance Company.
- Pursuant to the Renewed Financial Services Framework Agreement, the Group Finance Company shall (i) provide the Company with the copies of each regulatory report submitted to the CBIRC by the Group Finance Company; (ii) provide the Company with the financial statement of the Group Finance Company for the previous month on the tenth day of each month; and (iii) provide the Company with a monthly statement containing the balance of deposits placed with the Group Finance Company by the Group on the third day of each month.
- As a risk management strategy, the Company will not deposit all of its cash and cash equivalent to the Group Finance Company. In addition, certain cash and cash equivalent of the Group are proceeds from various fundraising activities (such as share offering, corporate bond offering, issuance of short-term or mid-term financial papers) which must be kept in a specific bank account with a commercial bank under the PRC laws and regulatory requirements, and are not permitted to be deposited in the Group Finance Company.

To secure the interests of Shareholders, the Company will apply the following internal control procedures and corporate governance measures for utilizing the financial services provided by the Group Finance Company:

- To minimize fund concentration risk, the Group will adopt a fund management policy and ensure that at any 30-day period, the average deposits placed by the Group on an aggregate basis to the Group Finance Company will not exceed 70% of the cash and cash equivalent of the Group (the “**Fund Management Policy**”).
- Before the Company or any of its subsidiaries places deposits with the Group Finance Company or enter into any agreement in relation to the Deposit Service, the Loan Service or the Other Financial Services with the Group Finance Company, the Company will obtain at least three quotes from independent state-owned banks (such as Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Bank of Communications) for similar deposit/loan services of the same duration or any other service of the same nature (as the case may be). The Company will compare such quotes against the offer from the Group Finance Company and decide whether to take up the offer of the Group Finance Company.

LETTER FROM THE BOARD

- The finance department of the Company will record details of every deposit placed to the Group Finance Company and compare its records against the records of the Group Finance Company at least once a month, and if there is any inconsistency in these records, the finance department will request the Group Finance Company to conduct investigation and rectify the errors, if any.
- All borrowings from the Group Finance Company will be conducted in accordance with the terms approved by the president of the Company or the Board, as appropriate and on a case-by-case basis.
- For the Deposit Service, the Group Finance Company usually reviews the interest rates offered to all of the Member Companies on a quarterly basis. If there is any change in deposit interest rates offered to the Group, the finance department of the Company will examine and ensure that the updated interest rates are in compliance with the pricing policy under the Financial Services Framework Agreement, and determine whether the Group will continue to use the Deposit Service. For the Loan Services and the Other Financial Services, if there is any change in the fee, or there is any proposed transaction between the Group and the Group Finance Company, the Group Finance Company will provide the Company with the pricing information in relation to the comparable services it provides to other Member Companies, and the finance department of the Company will verify or examine the updated pricing information.
- The finance department of the Company will closely monitor the transactions under the Renewed Financial Services Framework Agreement and the enforcement news published from time to time, and review the above regulatory report, monthly financial statement and monthly balance statement provided by the Group Finance Company immediately after receiving the same. It will also review the Group's overall deposit balance with the Group Finance Company at least once a month. Any proposed deposit in an amount exceeding RMB100 million has to be pre-approved by the Head of the finance department, who will only approved such deposit if the Fund Management Policy is duly complied with, i.e. the deposit placed by the Group (taking into account the proposed deposit) is below 70% of the cash and cash equivalent of the Group. Any problems identified such as any material non-compliance by the Group Finance Company with the regulatory requirements, irregularity of the financials and management of the Group Finance Company, or breach of the Renewed Financial Services Framework Agreement or the Fund Management Policy, will be immediately reported to the management of the Company (including manager of the finance department, chief accountant and president) and the Board.
- The finance department of the Company will, on a quarterly basis, report to the independent non-executive Directors the following items:

LETTER FROM THE BOARD

- (i) the relevant transactions under the Renewed Financial Services Framework Agreement of each quarter together with information on the comparable quotes obtained from the independent commercial banks; and
 - (ii) any changes in the credit ratings of the Group Finance Company in each quarter.
- The Company will appoint an external auditor to examine the internal controls, risk management, completeness and impartiality of the operational system of the Group Finance Company in respect of the transactions under the Renewed Financial Services Framework Agreement, and the auditor shall provide relevant risk management report to the Company on a yearly basis.
 - The audit and regulatory department of the Company will review the appropriateness of the system of internal controls and report the results of the review to the management on a yearly basis.
 - In the event of any changes in the credit ratings of the Group Finance Company during the term of the Renewed Financial Services Framework Agreement, such change shall be forthwith reported by the Group Finance Company to the Company.
 - The Group Finance Company has undertaken to the Company that it will strictly comply with the risk monitoring indicators for finance companies issued by the CBIRC, and the major monitoring indicators include:

	Formula	Compliance Benchmark
Capital adequacy ratio	Capital adequacy ratio = (Total capital – Corresponding capital deductions) / Risk-weighted assets ×100%	≥10.5%
Leverage ratio	Leverage ratio = (Tier 1 capital – Deductions from Tier 1 capital) / On- and off-balance-sheet assets after adjustment	≥4%
Inter-bank ratio	Inter-bank ratio = (Amount of inter-bank borrowing + Amount of financial assets sold for repurchase – Inter-bank discount of financial assets sold for repurchase) / Total capital	≤100%
Liquidity ratio	Liquidity ratio = Current assets / Current liabilities	≥25%

LETTER FROM THE BOARD

- The Group will withdraw all of its deposits placed to the Group Finance Company if the Group Finance Company fails to comply with any PRC regulatory requirement which may have material adverse impact on the Group Finance Company's financial and/or operational positions.

2.6 Implication under the Listing Rules

HECIC is the controlling shareholder of the Company holding approximately 50.5% equity interest in the Company, and is therefore a connected person of the Company. The Group Finance Company is a non-wholly owned subsidiary of HECIC, and is also a connected person of the Company. Accordingly, the provision of financial services by the Group Finance Company to the Company pursuant to the Renewed Financial Services Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of Listing Rules.

As one or more of the applicable percentage ratios of the Maximum Daily Balance of the Deposit Service exceed 5%, the Deposit Service (including the Maximum Daily Balance) is subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as one or more of the applicable percentage ratios of the Maximum Daily Balance of the Deposit Service exceed 25% but are less than 100%, the Deposit Service also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

The Loan Service constitutes a financial assistance provided by a connected person for the benefit of the Group. As the Loan Service is carried out on normal commercial terms (or on terms which are better than those provided by third parties) and the Group will not grant any security over its assets for the Loan Service, the Loan Service is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Other Financial Services, as each of the applicable percentage ratios is less than 0.1%, the Other Financial Services are exempt from reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2.7 General

Information of the Company

The Company is one of the leading clean energy companies in Northern China. Its scope of business includes: (i) investment in exploration and utilization projects of natural gas, coalbed methane and coal-based natural gas; (ii) investment in the development of new energy projects such as wind power and solar power; and (iii) development of new energy technology and technical services.

LETTER FROM THE BOARD

Information of the Group Finance Company

The Group Finance Company is a non-banking financial institution regulated by the PBOC and the CBIRC. Its scope of business includes: (i) arrangement of financial and financing advisory, credit authentication and relevant consulting and agency services for Member Companies; (ii) assistance in collection and payment of transaction money for Member Companies; (iii) approved insurance agency business; (iv) provision of guarantees for Member Companies; (v) entrusted loan among Member Companies; (vi) bills acceptance and discounting for Member Companies; (vii) money transfer and settlement and design of relevant settlement and clearance structure among Member Companies; (viii) acceptance of money deposit from Member Companies; (ix) arrangement of lending and finance lease for Member Companies; (x) interbank market transactions; (xi) provision of entrusted investment services among the Member Companies; (xii) underwriting corporate bonds issued by the Member Companies; and (xiii) investment in negotiable securities.

Each of the Company, HECIC, HECIC Water Investment Co., Ltd., HECIC Communications Investment Co., Ltd. and JEI holds a 10%, 60%, 10%, 10% and 10% equity interest in the Group Finance Company, respectively. HECIC Water Investment Co., Ltd., HECIC Communications Investment Co., Ltd. and JEI are all subsidiaries of HECIC.

3. THE EGM

The business to be considered at the EGM is described in the notice of EGM issued on 6 November 2018. Ordinary resolution will be proposed at the EGM to consider and approve the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

The proxy form and the reply slip of the EGM were despatched to the Shareholders on 5 November 2018. If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For H Shareholders, the proxy form should be returned to Computershare Hong Kong Investor Services Limited and for Domestic Shareholders, the proxy form should be returned to the Company's registered office and headquarters in the PRC by hand or by post but in any event not less than 24 hours before the time fixed for holding the EGM or any adjourned meeting thereof (i.e. on or before Wednesday, 26 December 2018). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the accompanying reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) or to the Company's registered office and headquarters in the PRC (for Domestic Shareholders) on or before Friday, 7 December 2018.

LETTER FROM THE BOARD

4. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed resolution at the EGM.

In view of HECIC's interests in the Renewed Financial Services Framework Agreement, HECIC and its associates are required to abstain and shall abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, there are no connected person of the Company or Shareholder or their respective associates with a material interest in the resolution to be proposed at EGM which is required to abstain from voting at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in the Company in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM.

5. RECOMMENDATIONS

On 2 November 2018, the Company convened a Board meeting and passed the resolution unanimously in relation to the continuing connected transactions under the Renewed Financial Services Framework Agreement and the Maximum Daily Balance of the Deposit Service. As Dr. Cao Xin, Dr. Li Lian Ping, Mr. Qin Gang, Ms. Sun Min and Mr. Wu Huijiang, being the Directors, hold positions in HECIC, they are deemed to have material interests in the transactions under the Renewed Financial Services Framework Agreement and accordingly have abstained from the voting on the relevant Board resolution. Save as disclosed above, none of the other Directors has or is deemed to have a material interest in the transactions under the Renewed Financial Services Framework Agreement.

In addition, the Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Deposit Service under the Renewed Financial Services Framework Agreement and the Maximum Daily Balance. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in such respect.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors) are of the view that the Renewed Financial Services Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the transactions under the Renewed Financial Services Framework Agreement and the Maximum Daily Balance of the Deposit Service are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (excluding the independent non-executive Directors) recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

The Independent Board Committee, having taking into account of the terms of the Renewed Financial Services Framework Agreement and the advice of the Independent Financial Adviser, considers that the Renewed Financial Services Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the transactions under the Renewed Financial Services Framework Agreement and the Maximum Daily Balance of the Deposit Service are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 to 22 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement; and (ii) the letter from the Independent Financial Adviser set out on pages 23 to 35 of this circular containing the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as well as the principal factors and reasons considered in respect of the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement.

By order of the Board of
China Suntien Green Energy Corporation Limited
Mei Chun Xiao
Executive Director/President

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



China Suntien Green Energy Corporation Limited*
新天綠色能源股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00956)

7 December 2018

To the Independent Shareholders:

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND MAJOR TRANSACTION
UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK
AGREEMENT WITH THE GROUP FINANCE COMPANY**

We refer to the circular dated 7 December 2018 (the “**Circular**”) to the Shareholders by the Company, of which this letter forms part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless specified otherwise.

In accordance with the requirements of the Listing Rules, we have been appointed to consider and advise the Independent Shareholders as to whether the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement are conducted by the Company in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. For such purpose, Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of, and the reasons for, the Deposit Service (including the Maximum Daily Balance) under the Renewed Financial Services Framework Agreement are contained in the letter from the Board set out on pages 5 to 20 in the Circular.

We have also discussed with the management of the Company regarding the terms of the Renewed Financial Services Framework Agreement and the basis upon which the proposed Maximum Daily Balance of the Deposit Service for the three years ending 31 December 2021 are determined.

Having considered (i) the terms of the Renewed Financial Services Framework Agreement, (ii) the discussions with the management of the Company about the background to and nature of the Renewed Financial Services Framework Agreement, (iii) reasons for the

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

proposed Maximum Daily Balance and the basis upon which the proposed Maximum Daily Balance has been determined and (iv) the advice of Gram Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we consider that the transactions under the Renewed Financial Services Framework Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the transactions under the Renewed Financial Services Framework Agreement and the Maximum Daily Balance of the Deposit Service are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Deposit Service (including the Maximum Daily Balance of the Deposit Service for each of the three years ending 31 December 2021) under the Renewed Financial Services Framework Agreement.

Yours faithfully,

Independent Board Committee of

China Suntien Green Energy Corporation Limited

Qin Hai Yan

Ding Jun

Wang Xiang Jun

Yue Man Yiu Matthew

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Service and the transactions contemplated thereunder for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

7 December 2018

*To: The independent board committee and the independent shareholders
of China Suntien Green Energy Corporation Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Service, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 7 December 2018 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 2 November 2018, the Company and the Group Finance Company entered into the Renewed Financial Services Framework Agreement, pursuant to which the Group will continue, on a voluntary and non-compulsory basis, to utilize the financial services provided by the Group Finance Company, including (i) the Deposit Service; (ii) the Loan Service and (iii) the Other Financial Services.

With reference to the Board Letter, the Deposit Service (including the Maximum Daily Balance) constitute a continuing connected transaction and major transaction and is subject to the reporting and announcement, annual review and independent shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Deposit Service are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Deposit Service is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Company; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Deposit Service and transactions

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Renewed Financial Services Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Group Finance Company, and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Company or the Shareholders as a result of the Deposit Service. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in (i) the circular dated 18 May 2017 in respect of connected transaction and discloseable transaction of the Company; and (ii) the circular dated 4 April 2018 in respect of, among other things, major and continuing connected transactions of the Company. Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides that, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Deposit Service, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company is one of the leading clean energy companies in Northern China. Its scope of business includes: (i) investment in exploration and utilization projects of natural gas, coalbed methane and coal-based natural gas; (ii) investment in the development of new energy projects such as wind power and solar power; and (iii) development of new energy technology and technical services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the consolidated financial information of the Company for the six months ended 30 June 2018 and the two years ended 31 December 2017 as extracted from the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”) and the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”) (prepared in accordance with the International Financial Reporting Standards) respectively:

	For the six months ended 30 June 2018	For the year ended 31 December 2017	For the year ended 31 December 2016	Change from 2016 to 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
Revenue	4,838,724	7,057,582	4,383,825	60.99
Profit for the period/year	956,585	1,104,727	647,172	70.70
		As at 31	As at 31	Change
	As at 30	December	December	from 2016
	June 2018	2017	2016	to 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
Trade and bills receivables	3,091,237	2,563,641	1,596,579	60.57
Cash and cash equivalents	2,269,043	2,110,035	1,491,173	41.50

As illustrated in the above table, the Group’s revenue increased to approximately RMB7.06 billion for the year ended 31 December 2017 (“**FY2017**”), representing an increase of approximately 60.99% as compared to approximately RMB4.38 billion for the year ended 31 December 2016 (“**FY2016**”). With reference to the 2017 Annual Report, the increase in the Group’s revenue was mainly attributable to (i) increase in revenue as a result of the increase in sales volume of natural gas in FY2017; and (ii) increase in installed capacity and utilization hours of operational equipment, which resulted in an increase in sales volume of electricity and revenue of electricity sales in FY2017. The increase in the Group’s revenue also led to an increase in the Group’s profit for FY2017.

As at 30 June 2018, the Company recorded (i) trade and bills receivables of approximately RMB3,091.24 million; and (ii) cash and cash equivalents of approximately RMB2,269.04 million.

Information on the Group Finance Company

With reference to the Board Letter, the Group Finance Company is a non-banking financial institution regulated by the PBOC and the CBIRC. Its scope of business includes: (i) arrangement of financial and financing advisory, credit authentication and relevant consulting and agency services for Member Companies; (ii) assistance in collection and payment of transaction money for Member Companies; (iii) approved insurance agency

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

business; (iv) provision of guarantees for Member Companies; (v) entrusted loan among Member Companies; (vi) bills acceptance and discounting for Member Companies; (vii) money transfer and settlement and design of relevant settlement and clearance structure among Member Companies; (viii) acceptance of money deposit from Member Companies; (ix) arrangement of lending and finance lease for Member Companies; (x) interbank market transactions; (xi) provision of entrusted investment services among the Member Companies; (xii) underwriting corporate bonds issued by the Member Companies; and (xiii) investment in negotiable securities.

As further advised by the Directors, the Group Finance Company is required to operate in compliance with Administration of the Finance Companies of Enterprise Groups Procedures (the “**Measures**”) issued by China Banking Regulatory Commission to regulate the operation of group financing companies and reduce the possible financial risk. We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times.

The table below sets out the key financial ratio requirements of the Measures and the respective financial ratios of the Group Finance Company for the two years ended 31 December 2017 as provided by the Company.

Financial ratio	Requirements	Financial ratios of the Group Finance Company	
		For the year ended 31 December 2017 <i>(approximate %)</i>	For the year ended 31 December 2016 <i>(approximate %)</i>
		<i>Lowest during the respective period</i>	
Capital adequacy ratio	Not less than 10%	22.78	22.49
		<i>Highest during the respective period</i>	
Inter-financial institution borrowing balances to total capital ratio	Not more than 100%	Nil	Nil
Total amount of outstanding guarantees to total capital ratio	Not more than 100%	8.12	10.33
Long-term and short-term investment to total capital ratio	Not more than 70%	69.74	68.87
Self-owned fixed assets to total capital ratio	Not more than 20%	0.18	0.23
Non-performing loan ratio	Not more than 5%	Nil	Nil

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the Group Finance Company complied with the relevant financial ratio requirements as set out in the Measures during FY2016 and FY2017. As also confirmed by the Directors, they are not aware of any record of non-compliance with relevant laws and regulations of the PRC on the Group Finance Company in recent three years.

Being a group finance company, the Group Finance Company provides financial services as mentioned above to members of HECIC group. As such, the Group Finance Company may face a higher customer concentrations risk than the PRC commercial banks (whose customers are the general public). The default of any one of the Group Finance Company's customers may cause a greater negative impact to the Group Finance Company than the default of any one of the PRC commercial banks' customers. However, as a subsidiary of HECIC, the Group Finance Company is able to access to the details of financial positions of its customers, and can obtain sufficient information in advance to determine whether to grant the loan to the applicant. The situation is different for most of the PRC commercial banks as limited information is available to the commercial banks to evaluate their customers. As such, the high customer concentration risk may be mitigated with additional information available to the Group Finance Company.

As mentioned above, the Group Finance Company is a non-banking financial institution authorised and regulated by the PBOC and CBIRC, and provides financial services in compliance with the rules and other operational requirements of these regulatory authorities. Pursuant to the Measures, in the event that a group finance company faces any difficulty in making payment, its controlling shareholder(s) will increase such group finance company's capital accordingly based on the actual need. We noted from Group Finance Company's articles of association that board of HECIC, being the controlling shareholder of the Company, undertook that HECIC will provide funding to the Group Finance Company to satisfy its capital needs in the event that the Group Finance Company experiences any urgent payment difficulties.

A risk management committee under the board of directors of the Group Finance Company has been established to examine and approve loans extended to the Member Companies with a single loan amount over RMB80 million. The risk management committee comprises three members, who are nominated by the chairman of the board of directors, or over one third of the directors, of the Group Finance Company, and elected by the board of directors of the Group Finance Company. Ms. Fan Weihong (being a director of Group Finance Company nominated by the Group) is a member of the risk management committee.

In the event that the Group placed all deposits in the Group Finance Company for a longer period, the Group may face a higher concentration risk (the "**Concentration Risk**") in relation to maintaining a high level of cash deposits with one single finance company/institution. However, we noted the following factors/facts including,

- (i) board of HECIC, being the controlling shareholder of the Company, undertook that HECIC will provide funding to the Group Finance Company to satisfy its capital needs in the event that the Group Finance Company experiences any urgent payment difficulties;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) as a shareholder of the Group Finance Company, the Company has a right to access the financial records of the Group Finance Company, so as to assess the general financial and operational conditions of the Group Finance Company;
- (iii) as confirmed by the Directors, the Group will ensure that at any 30-day period, the average deposits placed by the Group on an aggregate basis to the Group Finance Company will not exceed 70% (the “**Percentage Ratio**”) of the cash and cash equivalent of the Group;
- (iv) the Company’s finance department will closely monitor the transactions under the Renewed Financial Services Framework Agreement and the enforcement news published from time to time, and review the regulatory report, monthly financial statement and monthly balance statement provided by the Group Finance Company immediately after receiving the same;
- (v) the Group will withdraw all of its deposits placed to the Group Finance Company if the Group Finance Company fails to comply with any PRC regulatory requirement which may have material adverse impact on the Group Finance Company’s financial and/or operational positions; and
- (vi) as advised by the Directors, the annual cap is a maximum daily balance, mainly taking into account a high cash inflow within a short period of time,

We understood from the Directors that the Percentage Ratio was set for the purpose of limiting the centralisation of the Group’s deposits portfolio. We understood that 70% of the Group’s cash and cash equivalents is immaterial to the Group’s total asset (i.e. less than 5% based on figures as at 30 June 2018 and 31 December 2017). As such, we consider that the concentration risk in respect of the possible deposits to the Group’s total assets is minimal. Furthermore, if the Group do follow the rule of any 30-day period, the average deposits placed by the Group on an aggregate basis to the Group Finance Company will not exceed the Percentage Ratio, which is not close to 100%, it will help to lower the Concentration Risk.

We also obtained the Group’s monthly (a) cash and cash equivalents; and (b) deposits placed in Group Finance Company as at the end of each month from January 2016 to October 2018. Based on the data, we noted that the average cash and cash equivalents to deposits placed in Group Finance Company (in %) as at the end of each month from January 2016 to October 2018 was approximately 64%.

In light of the above factors, we consider the Percentage Ratio to be acceptable.

As the Company will adopt measure to minimise the Concentration Risk before placing deposits to the Group Finance Company (i.e. factor (iii) above); and there are also requirements to govern/monitor the Group Finance Company’s capital status (i.e. financial ratio requirements of the Measures as mentioned under section headed “Information on the Group Finance Company” above and factor (ii) above) and to remedy any urgent payment difficulties (i.e. factor (i) above), we consider that the Concentration Risk would be

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

mitigated. Having also considered the measures for urgent payment difficulties (i.e. factor (i) above and the requirements under the Measures as mentioned above), we consider that the effect of Concentration Risk would be under control.

Reasons for and benefit of the Deposit Service

With reference to the Board Letter, the Company can withdraw deposit from its accounts with the Group Finance Company and use services provided by other financial institutions according to the Company's business needs, which is not subject to any restrictions imposed by the Group Finance Company. Apart from the Group Finance Company, the Group has business cooperation with a number of financial institutions, which can provide timely financial services to the Company as and when needed.

With reference to the Board Letter, the deposits placed in the Group Finance Company by the Group are demand deposits, and are repayable to the Group on demand. The interest accrued from the Deposit Service will be paid to the Group on a quarterly basis, which the Company believes is in line with the banking practice in the PRC. Based on the current practice, the deposit interest rates offered to Group by the Group Finance Company are benchmarked against the interest rate for agreement deposit as announced by the PBOC from time to time with upward adjustment. The deposit interest rates will be reviewed and, if necessary, adjusted quarterly by the Group Finance Company. The prevailing interest rate for agreement deposit as announced by the PBOC are 1.15% per annum, and the deposit interest rates offered to the Group by the Group Finance Company ranged from 1.15% to 1.196% per annum.

In addition, pursuant to the Existing Financial Services Framework Agreement and the Renewed Financial Services Framework Agreement, among other things, the interest rates of the Deposit Service shall not be lower than (i) the lower limits of the interest rates promulgated by the PBOC from time to time for the same category of deposits; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of deposits; and (iii) the interest rates offered to the Group by commercial banks for the same category of deposits, whichever is higher.

Upon our request, we obtained deposit records regarding (i) the Company placed deposits in independent commercial banks and the Group Finance Company (the "**Group's Deposit Records**"); and (ii) members of HECIC placed deposits in Group Finance Company, during 1 January 2017 to 30 September 2018. We noted from the deposit records that the deposit rates as shown in the deposit records are in line with the aforesaid requirements under the Existing Financial Services Framework Agreement ("**Our Findings on Deposit Rates**"). In addition, we also noted from the Group's Deposit Records that deposits offered by Group Finance Company to the Company ranged from 1.15% to 1.196% per annum during 1 January 2017 to 30 September 2018.

The Group will utilize the financial services of the Group Finance Company on a voluntary and non-compulsory basis and is not obliged to engage the Group Finance Company for any particular service.

In light of the above reasons, in particular:

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- (i) the pricing policy of the Deposit Service; and
- (ii) the Group will utilize the financial services of the Group Finance Company on a voluntary and non-compulsory basis and is not obliged to engage the Group Finance Company for any particular service,

we consider the entering into of the Deposit Service is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

Principal terms of the Deposit Service

Set out below is the summary of Deposit Service, details of which are set out under section headed “2.2 Renewed Financial Services Framework Agreement” of the Board Letter.

Date:	2 November 2018
Parties:	The Company and the Group Finance Company
Term of the agreement:	From 1 January 2019 to 31 December 2021
Pricing policy for Deposit Service:	The interest rates shall not be lower than (i) the lower limits of the interest rates promulgated by the PBOC from time to time for the same category of deposits; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of deposits; and (iii) the interest rates individually obtained from commercial banks by the Group member using the Deposit Service for deposits for the same period, of the same stage and same category.

We have reviewed the Renewed Financial Services Framework Agreement and also the Financial Services Agreement. We note that the key terms for Deposit Service under the Renewed Financial Services Framework Agreement are similar to Deposit Service under the Existing Financial Services Agreement entered into by the parties.

As also advised by the Directors, to secure the interests of Shareholders, the Company will apply certain internal control procedures and corporate governance measures (the “**IC Measures**”) for utilizing the financial services provided by the Group Finance Company. Details of the IC Measures are set out under the section headed “Reasons for and Benefits of Entering into the Renewed Financial Services Framework Agreement” of the Board Letter.

For our due diligence purpose, we obtained the IC Measures documents and noted that the IC Measures are in line with the internal control policies as set out in the Board Letter. In addition, we also discussed with senior management, staff of Company’s board office and staff of Company’s finance department and understood that the Company’s senior management, staff of board office and finance department are aware of the IC Measures and will comply with IC Measures when conducting transactions contemplated under the Renewed Financial Services Framework Agreement.

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Having considered that, among other things, (i) before placing deposits into Group Finance Company in respect of the Deposit Service, the Group would obtain quotation process and compare such quotes against the offer from the Group Finance Company; (ii) finance department will review regulatory report, monthly financial statement and monthly balance statement provided by the Group Finance Company; and (iii) if there is any change in deposit interest rates offered by Group Finance Company to the Group, finance department of the Company will examine and ensure that the updated interest rates are in compliance with the pricing policy under the Financial Services Framework Agreement, and determine whether the Group will continue to use the Deposit Service, we consider that the IC Measures are sufficient for the Company to monitor the Deposit Service (including circumstances of any changes in deposit interest rates). Accordingly, we consider that the effective implementation of the IC Measures, which are sufficient for the Company to monitor the Deposit Service, would help to ensure fair pricing of the Deposit Service according to the pricing policies (including circumstances of any changes in deposit interest rates). Having also considered that (i) the Company's senior management, staff of board office and finance department were aware of the IC Measures and will comply with IC Measures when conducting transactions contemplated under the Renewed Financial Services Framework Agreement; and (ii) Our Findings on Deposit Rates, we do not doubt the effectiveness of the implementation of the internal procedures for the Deposit Service (including circumstances of any changes in deposit interest rates).

In light of the above, we are of the view that the terms of the Deposit Service are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The historical amounts and the proposed annual caps

Set out below are (i) the historical maximum daily deposit balance and the previous annual caps under the Existing Financial Services Framework Agreement; and (ii) the proposed annual caps for provision of Deposit Service under the Renewed Financial Services Framework Agreement (the "Deposit Cap(s)") for each of the three years ending 31 December 2021:

Historical transaction amounts

	For the year ended 31 December 2016 <i>(in RMB million)</i>	For the year ending 31 December 2017 <i>(in RMB million)</i>	For the year ending 31 December 2018 <i>(in RMB million)</i>
Actual maximum daily balance of the deposit service	2,358	1,614	1,764 <i>(Note)</i>
Maximum daily balance of the deposit service	3,170	3,350	3,570
Utilisation rate (%)	74.38	48.18	N/A

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The Deposit Caps

	For the year ending 31 December 2019 <i>(in RMB million)</i>	For the year ending 31 December 2020 <i>(in RMB million)</i>	For the year ending 31 December 2021 <i>(in RMB million)</i>
Actual maximum daily balance of the deposit service	3,570	3,570	3,570

Note: The figure is for the nine months ended 30 September 2018.

With reference to the Board Letter, the Deposit Caps have been determined after taking into account of certain factors, which are set out under the sub-section headed “2.4 Proposed Maximum Daily Balance and its Basis of Determination” of the Board Letter.

According to the above table, we noted that the relevant utilisation rate of the maximum daily balance of the deposit service were approximately 74.38% and 48.18% for the year ended 31 December 2016 and 31 December 2017 respectively and approximately 49.41% for the year ending 31 December 2018, based on actual maximum daily balance of the deposit service for the nine months ended 30 September 2018.

Despite that the utilisation rate for existing annual cap for 2018 was not at a high level, the Directors set the same amount for each of the three years ending 31 December 2021. We understood that the Directors mainly considered (i) current cash level of the Group; (ii) the Group’s receivables which may convert into cash; and (iii) the possible increase in cash balance as the result of additional demand for project contraction loans and increase in wind power installed capacity.

We noted from the Company’s announcement on its unaudited financial statements for the nine months ended 30 September 2018 (prepared in accordance with the PRC Generally Accepted Accounting Principles) that as at 30 September 2018, (i) total amount of Company’s cash amounted to RMB2,165.90 million (as at 31 December 2017: RMB2,127.89 million); and (ii) bills and accounts receivables (including outstanding subsidy funds for tariff premium of renewable energy and other outstanding payment) amounted to RMB3,176.21 million (as at 31 December 2017: RMB2,563.58 million). The sum of aforesaid two items (the “**Sum**”) amounted to RMB5,342.11 million (as at 31 December 2017: RMB4,691.47 million). The Deposit Caps, which indicate the possible demand on Deposit Service, for the year ending 31 December 2019 is less than the Sum.

In order to mitigate the impacts of the prolonged collection process of receivables (including the subsidies) and reduce the receivables of the Group, the Company may utilize certain possible methods (such as factoring, securitisation, etc.) to deal with the Group’s receivables. The Company can receive such outstanding amount in advance through the factoring business or through other method(s), such as securitisation, satisfy the capital requirement for business development, mitigate the possible fund occupation, and support the ongoing business expansion so as to raise the efficiency of capital use. We noted that the

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Company entered into asset financing services framework agreement with 匯海融資租賃股份有限公司 (Huihai Financial Leasing Co., Ltd.*, “**Huihai Lease**”) on 28 February 2018, pursuant to which Huihai Lease will provide factoring services to the Group. In addition, we also understood from the Directors that the Group may consider the other method as mentioned above.

In addition, as mentioned above, the Group’s scopes of business include investment in the development of new energy projects such as wind power and solar power. We further understood from the Directors that it is usual for the Group to enter into loan agreements with financial institutions for the purpose of construction projects. Given that the Group will utilize such project construction loans in accordance with the project development plans and may not immediately fully utilize such loans after they are credited to the Group’s account, it is expected that there will be a temporary unused fund and the Group could place such fund with the Group Finance Company (subject to terms offered by Group Finance Company). As advised by the Directors, the Group expected to receive project loans with amounts of approximately RMB3 billion for six of the Group’s wind power projects during 2019. Upon our request, we obtained a list, showing (i) name of relevant projects; (ii) total investment for each project; (iii) expected completion date; (iv) proposed funding plan for the year ending 31 December 2019 (including fund from self-resources and borrowings), which also shows the total amount of bank borrowing of approximately RMB3 billion.

Based on the above factors, we consider that the Deposit Cap for the year ending 31 December 2019 is fair and reasonable.

As advised by the Directors, it is difficult to forecast the total cash level for the two years ending 31 December 2021. Nevertheless, should there be any substantial increase in total cash of the Company, the Company may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Deposit Caps for the two years ending 31 December 2021. Accordingly, we consider that the Deposit Caps for the two years ending 31 December 2021, which are the same as the Deposit Cap for the year ending 31 December 2018, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Deposit Service must be restricted by the Deposit Caps for the period concerned under the Renewed Financial Services Framework Agreement; (ii) the terms of the Deposit Service must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms of the Deposit Service must be included in the Company’s subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit Service (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded

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the annual caps. In the event that the maximum amounts of the Deposit Service are anticipated to exceed the Deposit Caps, or that there is any proposed material amendment to the terms of the Deposit Service, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposit Service and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Deposit Service are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Deposit Service is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Deposit Service and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

1. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

(a) Borrowings

The total outstanding bank borrowings of the Group was approximately RMB18,443 million, which includes (i) the bank borrowings of approximately RMB11,608 million which is either secured by credit guarantee provided by the Company or account receivables pledged by subsidiaries of the Company and (ii) the unsecured bank borrowings of approximately RMB6,835 million.

(b) Debt securities

The Company has issued and outstanding corporate bonds with principal amount of approximately RMB4,290 million.

(c) Contingent liabilities

The Company provided a guarantee of RMB200 million to the Handan Branch of China Minsheng Banking Co., Ltd. (中國民生銀行股份有限公司邯鄲分行) for Hebei Suntien Guohua Gas Co., Ltd. (河北新天國化燃氣有限責任公司), a joint venture of the Company, for its application of credit line. As of 31 October 2018, RMB165 million has been utilized.

The Company provided a guarantee of RMB100 million to the Zhengzhou Branch of Sinopec Finance Co., Ltd. (中國石化財務有限責任公司鄭州分公司) for Hebei Suntien Guohua Gas Co., Ltd., a joint venture of the Company, for its fixed assets loans. As of 31 October 2018, RMB70 million has been utilized.

(d) Mortgage and Charge on assets of the Group

The Group had charges on its assets in a total amount of approximately RMB24 million.

Save as disclosed above, as at the close of business on 31 October 2018, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other contingent liabilities.

The Directors confirmed that there had been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 October 2018 being the date for determining the Group's indebtedness up to the Latest Practicable Date.

2. EFFECT OF THE CONTINUING CONNECTED TRANSACTIONS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

In respect of the continuing connected transactions under the Renewed Financial Services Framework Agreement, there has been no, and the Group does not expect there will be any, significant effect on the earnings and assets and liabilities of the Group.

3. WORKING CAPITAL

The Directors are of the view that, after taking into account the Group's existing cash and bank balances, the present available credit facilities, the expected internally generated funds and the effect of the Deposit Service contemplated under the Renewed Financial Services Framework Agreement, the Group has sufficient working capital for its requirement for the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

As stated in the report of the 19th CPC National Congress, China has entered a new era. The future development will be the acceleration of the reform of an ecologically-civilized system, building of a beautiful China and establishment of a market-oriented system for green technological innovation, so as to develop green finance and strengthen the energy-saving and environmental protection industry, clean production industry and clean energy industry. The promotion of energy production and consumption revolution and establishment of a low carbon, safe and efficient system for clean energy are encouraged. Against such background, each business segment of the Group will meet with new development opportunities with promising prospects. The Group will further liberate its thinking and seize strategic development opportunities. It will go all out to promote business development and actively push ahead its natural gas, wind power and other operations.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests and Short Positions of Directors, Supervisors and Senior Management in the Shares, Underlying Shares and Debentures**

As at the Latest Practicable Date, none of the Directors, Supervisors or senior management of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(b) Competing and Other Interests of Directors

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

(c) Material Interests of the Directors in the Transactions

As Dr. Cao Xin, Dr. Li Lian Ping, Mr. Qin Gang, Ms. Sun Min and Mr. Wu Huijiang hold positions in HECIC, the controlling shareholder of the Company, they are deemed to have material interests in the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder. Accordingly, they have abstained from the voting on the Board resolution in relation to the approval for the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder.

3. POSITIONS HELD BY THE DIRECTORS IN THE CONTROLLING SHAREHOLDER

The following table sets out the positions held by the Directors in HECIC as at the Latest Practicable Date:

Name of Director	Position(s) held in the Company	Position(s) held in HECIC
Dr. Cao Xin	Chairman and Non-executive Director	Deputy general manager of HECIC
Dr. Li Lian Ping	Non-executive Director	Chairman and party secretary of HECIC and a director of JEI
Mr. Qin Gang	Non-executive Director	Assistant to the general manager and department head of the capital department of HECIC
Ms. Sun Min	Non-executive Director	Department head of the appraisal and assessment department of HECIC
Mr. Wu Huijiang	Non-executive Director	Department head of the investment development department of HECIC

4. INTERESTS HELD BY THE DIRECTORS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

So far as the Company and Directors are aware after making reasonable enquiries, as at the Latest Practicable Date, none of the Directors or Supervisors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of or leased by any member of the Group, or are proposed to be acquired or disposed of or leased by any member of the Group.

So far as the Company and Directors are aware after making reasonable enquiries, as at the Latest Practicable Date, none of the Directors or Supervisors was materially interested, either directly or indirectly, in any significant contract or arrangement entered into by the Group that is relevant to the business of the Group and is still valid as at the Latest Practicable Date.

5. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors had or is proposed to have any service contract with any member of the Group that is not determinable within one year without payment of compensation (other than statutory compensation).

6. SUMMARY OF MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the Group's ordinary course of business) within the two years preceding the date of this circular, which are or may be material:

- (a) (i) the Equity Transfer Agreement dated 12 April 2017 entered into by Shenzhen Suntien Green Energy Investment Company Limited (“**Suntien Shenzhen**”), a subsidiary of the Company, and JEI; (ii) the Equity Transfer Agreement dated 12 April 2017 entered into by Suntien Green Energy (Hong Kong) Corporation Limited (“**Suntien HK**”) and Yanshan International Investment Company Limited (“**Yanshan International**”); and (iii) the Capital Contribution and Subscription Agreement dated 20 June 2017 entered into by JEI, Yanshan International, Suntien Shenzhen, Maotian Capital Co., Ltd., HECIC and Suntien HK in relation to the equity transfer and increase of registered capital of Huihai Financial Leasing Co., Ltd.* (匯海融資租賃股份有限公司) (formerly known as Shenzhen Suntien Huihai Financial Leasing Co., Ltd.* (深圳新天匯海融資租賃有限公司)); and
- (b) the Joint Venture Contract entered into between HECIC New-energy Co., Ltd., a subsidiary of the Company, and HECIC in relation to the capital contribution to HECIC Yanshan (Guyuan) Wind Power Co., Ltd. (建投燕山(沽源)風能有限公司) (“**Yanshan Guyuan**”) by HECIC.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there are no material adverse changes in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited accounts of the Group were made up).

8. MATERIAL LITIGATION

As at the Latest Practicable Date, the Group was involved in the following material litigation:

In March 2015, Hebei Natural Gas Company Ltd. (河北省天然氣有限責任公司) (“**Hebei Natural Gas**”), Hebei Yuanhua Glass Co., Ltd. (河北元華玻璃股份有限公司) (“**Yuanhua Glass**”) and Yuan Hua entered into the Repayment Agreement in respect of the outstanding amount of approximately RMB188 million owed by Yuanhua Glass to Hebei Natural Gas, and an enforceable debt instrument was notarized at the notary office on 18 March 2015. In August 2017, Hebei Natural Gas made an application for enforcement with the Intermediate People's Court in Xingtai City (“**Xingtai**”).

Intermediate Court”). In September 2017, Xingtai Intermediate Court issued the judgment to retain and transfer RMB208.71 million of Yuanhua Glass and Yuan Hua, the enforcees, or seize the assets equivalent to corresponding valuation range. In December 2017, Hebei Natural Gas reached a settlement agreement with Yuanhua Glass and Yuan Hua, and Yuanhua Glass has undertaken to us to perform its debt repayment obligation.

The Board considers that the above litigation is a claim arising in the ordinary and usual course of production and operation and will not have any material adverse effect on the business and financial position of the Group. Save as disclosed above, as far as the Directors are aware, there was no other litigation or claim of material importance which is pending or threatened against any member of the Group as at the Latest Practicable Date.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given its opinion or advice which is contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has confirmed that:

- (a) it has given and has not withdrawn its written consent to the issue of this circular dated 7 December 2018 with the inclusion of its letter and the reference to its name in the form and context in which it appears;
- (b) as at the Latest Practicable Date, it did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) as at the Latest Practicable Date, it did not have any direct or indirect interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

- (a) In any event of inconsistency, the English text of this circular shall prevail over the Chinese text.

- (b) The joint company secretaries of the Company are Mr. Ban Zefeng and Ms. Lam Yuen Ling, Eva (a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators).
- (c) The Company's registered office and headquarters in the PRC is situated at 9th Floor, Block A, Yuyuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, the PRC, and its principal place of business in Hong Kong is situated at Suite 2103, 21st floor, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong.
- (d) The Company's H Share registrar and transfer office is Computershare Hong Kong Investor Services Limited which is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m. at the office of the Company's legal adviser, Latham & Watkins LLP, at 18/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong within 14 days from the date of this circular (excluding Saturdays, Sundays and public holidays):

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2016 and 2017;
- (c) the material contracts summarized under the section headed "Summary of Material Contracts" in this Appendix;
- (d) the Renewed Financial Services Framework Agreement;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 35 of this circular;
- (g) written consent of the Independent Financial Adviser as mentioned in the paragraph 9 in this Appendix;
- (h) this circular; and
- (i) the circular of the Company dated 4 April 2018 in relation to the continuing connected transaction and major transaction under the Asset Financing Services Framework Agreement.