



( *m* 005 9 *f* *m* )

M T  
5% T T T T H H T



This Supplemental Circular should be read together with the circular to the Shareholders dated 14 September 2012. A supplemental notice convening the EGM to be held as originally scheduled at 10:30 a.m. on Tuesday, 30 October 2012, at the Video Conference Room, Suite 2911, Block A, CBD International Tower, 16 Yongan Dongli, Chaoyang District, Beijing, the People’s Republic of China, is set out on pages 28 to 29 of this Supplemental Circular.

A letter from the Board is set out on pages 4 to 11 of this Supplemental Circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this Supplemental Circular. A letter from the Independent Financial Adviser, is set out on pages 14 to 24 of this Supplemental Circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the supplemental form of proxy in accordance with the instructions printed thereon and return the same to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the supplemental form of proxy will not preclude you as a Shareholder from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

.....	1
.....	4
.....	12
.....	14
.....	25
..... <b>M 0</b> .....	28

---

## T

---

<i>f</i>	<i>ㄇ</i>	<i>ㄇ</i>	<i>f</i>	<i>ㄇ</i>
“associate(s)”				has the meaning ascribed to it under the Listing Rules
“BDHG”				(Beijing District Heating (Group) Co., Ltd.), a state-owned company incorporated in the PRC and a Shareholder, which directly held 0.261% of the total issued share capital of the Company as at the Latest Practicable Date. BDHG is a wholly-owned subsidiary of BEIH
“BEIH”				(Beijing Energy Investment Holding Co., Ltd.), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, which directly held 67.958% of the total issued share capital of the Company as at the Latest Practicable Date
“Beijing Tianjian Xingye Asset Appraisal”				(Beijing Tianjian Xingye Assets Appraisal Co., Ltd.), an independent assets appraisal firm qualified in the PRC
“BIEE”				(Beijing International Electric Engineering Co., Ltd.), a company incorporated in the PRC and a Shareholder, which directly held 0.437% of the total issued share capital of the Company as at the Latest Practicable Date. BIEE is a wholly-owned subsidiary of BEIH
“Board”				the board of directors of the Company
“BSAMAC”				(Beijing State Assets Management and Administration Center), a Shareholder, which directly held 3.648% of the total issued share capital of the Company as at the Latest Practicable Date. BSAMAC is the sole shareholder of BEIH
“China” or “PRC”				the People’s Republic of China (excluding, for the purposes of this Supplemental Circular, Hong Kong, Macau and Taiwan)
“Cinda” or “Independent Financial Adviser”				Cinda International Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Disposal
“Company”				Beijing Jingneng Clean Energy Co., Limited ( ( ), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (stock code: 00579), and except where the context indicates otherwise, include all of its subsidiaries

---

## T

---

“Director(s)”	the director(s) of the Company
“EGM”	the second extraordinary general meeting of 2012 of the Company to be held on 30 October 2012
“ETA(1)”	the equity transfer agreement entered into between the Company and BEIH on 29 June 2012 in respect of the disposal of 35% of the equity interests in Huayuan Heating by the Company
“ETA(2)”	the equity transfer agreement entered into between the Company and BEIH on 28 September 2012 in respect of the disposal of 15% of the equity interests in Huayuan Heating by the Company
“Group”	the Company together with its subsidiaries
“Huayuan Heating”	(Beijing Huayuan Heating Pipeline Co., Ltd.), a company incorporated by the Company and BDHG as the co-founders in the PRC
“H Share(s)”	overseas listed foreign invested share(s) in the Company’s issued share capital with a par value of RMB1.00 per share, which are listed on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors, consisting of Mr. LIU Chaoan, Mr. SHI Xiaomin and Ms. LAU Miu Man, who are independent non-executive Directors, formed to advise the Independent Shareholders on the Proposed Disposal
“Independent Shareholders”	Shareholders other than BEIH, BIEE, BDHG and BSAMAC
“Latest Practicable Date”	5 October 2012, being the latest practicable date prior to the printing of this Supplemental Circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original EGM Notice”	the notice of EGM dated 14 September 2012
“Proposed Disposal”	the transaction contemplated under the ETA(2)
“PRC GAAP”	generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of



( 005 9 )

Mr. Lu Haijun  
Mr. Guo Mingxing  
Mr. Xu Jingfu  
Mr. Liu Guochen  
Mr. Yu Zhongfu

1 Ziguang East Road, Room 118  
Badaling Economic Development Zone  
Yanqing County, Beijing  
the PRC

Mr. Meng Wentao

Level 28, Three Pacific Place  
1 Queen's Road East  
Hong Kong

Mr. Liu Chaoan  
Mr. Shi Xiaomin  
Ms. Lau Miu Man

11 October 2012

Dear Sir or Madam,

5% T T T H T

T T

Reference is made to the announcement of the Company dated 29 June 2012 in relation to the Company's disposal of a 35% equity interest in Huayuan Heating pursuant to the ETA(1) and the announcement of the Company dated 28 September 2012 in relation to the Proposed Disposal.

The Board announced on 29 June 2012 that, the Company entered into the ETA(1) with BEIH, pursuant to which the Company has agreed to sell, and BEIH has agreed to acquire, a 35% equity interest in Huayuan Heating at a total consideration of RMB107,237,300.

The Board announced on 28 September 2012 that, the Company entered into the ETA(2) with BEIH, pursuant to which the Company has agreed to sell, and BEIH has agreed to acquire, a 15% equity interest in Huayuan Heating at a total consideration of RMB45,958,800.

As at the Latest Practicable Date, BEIH directly held 67.958% of the issued share capital of the Company. Accordingly, BEIH is a substantial shareholder of the Company and thus a connected person of the Company as defined under the Listing Rules. As a result, the transactions under the ETA(1) and ETA(2) constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, as BIEE and BDHG are subsidiaries of BEIH, they are therefore connected persons of the Company under Chapter 14A of the Listing Rules by virtue of being associates of the Company's substantial shareholder.

Considering both the disposal under the ETA(1) and the Proposed Disposal are disposals of certain equity interests in the same entity by the Company, and the ETA(1) and ETA(2) were entered into by the Company with the same party within a period of 12 months, such transactions will be aggregated pursuant to Rule 14A.25 of the Listing Rules. As the highest applicable percentage ratio in respect of the transactions under the ETA(1) and ETA(2), after aggregation, exceeds 5% but is less than 25%, the Proposed Disposal constitutes (i) a discloseable transaction subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all of the independent non-executive Directors of the Company has been formed to advise the Independent Shareholders on the Proposed Disposal. Cinda has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The purpose of this Supplemental Circular is to provide, among other things, further information about the Proposed Disposal, letters from the Independent Board Committee and the Independent Financial Adviser, and a supplemental notice to Shareholders convening the EGM approving the Proposed Disposal.

**TH T ( )**

Reference is made to the announcement of the Company dated 29 June 2012 in relation to the Company's disposal of a 35% equity interest in Huayuan Heating under the ETA(1). The major terms of the ETA(1) are set out below.

29 June 2012

Vendor: the Company  
Acquirer: BEIH

35% of the equity interests in Huayuan Heating held by the Company

The total consideration for the disposal of 35% of the equity interests in Huayuan Heating is RMB107,237,300, which was determined by the Company and BEIH following arm's length negotiations by reference to, inter alia, the appraised value of the 35% equity interests in Huayuan Heating of RMB107,237,300 as at 31 December 2011, being the reference date. Such appraisal was prepared by Beijing Tianjian Xingye Asset Appraisal based on an asset-based approach.

The payment will be made in a lump sum in cash within 30 days after the ETA(1) takes effect.

The transfer will be completed on the date when the disposed equity interests are registered under the name of BEIH at the competent industry and commerce authority.

The completion of the transaction pursuant to the ETA(1) is conditional upon the obtaining of all necessary authorisation and approval on the ETA(1) and the transactions contemplated thereunder as required by applicable laws and regulations.

As at the Latest Practicable Date, the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality has approved the transfer and the Company is applying for the alteration filings with relevant industry and commerce administrative authority in the PRC.

#### **M · T**

BEIH shall be entitled to the operating profit or loss attributable to the 35% equity interests in Huayuan Heating to be purchased from the Company from the reference date of 31 December 2011 to the completion date of the disposal of such 35% equity interests in Huayuan Heating. The Company and BEIH shall be liable for their respective taxes and fees in relation to such disposal.

### **3 TH T ( )**

Reference is made to the announcement of the Company dated 28 September 2012 in relation to the Proposed Disposal. The major terms of the ETA(2)total



Vendor: the Company

Acquirer: BEIH

15% of the equity interests in Huayuan Heating held by the Company

The total consideration for the Proposed Disposal is RMB45,958,800, which was determined by the Company and BEIH following arm's length negotiations by reference to, inter alia, the appraised value of the 15% equity interests in Huayuan Heating of RMB45,958,800 as

Heating. The Company will recognize a gain on disposal of the 15% equity interests in Huayuan Heating in its consolidated income statement as at the completion date of the Proposed Disposal. The proceeds from the disposal of the 15% equity interests will be applied as general working capital and/or for the future development of the Company's business.

**5 T TH**

Huayuan Heating is primarily engaged in construction of pipelines, heat energy generation plants and exchange plants in Beijing and Hebei Province and is not engaged in power generation businesses. The Board believes that the disposal of its equity interests in Huayuan Heating is in line with the Company's strategy to focus on the development of its clean energy power generation businesses and is beneficial to the optimization of the allocation of the resources of the Company.

Upon completion of the disposal under the ETA(1) and the Proposed Disposal, BDHG and BEIH each will hold 50% of Huayuan Heating's equity interests.

**6 M T TH T**

**T**

The Company is the largest gas-fired power provider in Beijing and a leading wind power operator in the PRC, with a diversified clean energy portfolio including gas-fired power and heat energy, wind power, small to medium hydropower and other clean energy projects.

**H**

BEIH is a limited liability company incorporated in the PRC and is principally engaged in investment in energy, real estate, infrastructure, high-tech and financial sectors in the PRC. BEIH is the controlling shareholder of the Company, directly held approximately 67.958% of the issued share capital of the Company as at the Latest Practicable Date, and therefore is our connected person pursuant to the Listing Rules.

**H H**

Huayuan Heating is a company incorporated by the Company and BDHG as the co-founders in the PRC and was a jointly controlled entity which was 50% owned by the Company and 50% owned by BDHG at the time of its incorporation. Upon the Completion of the disposal under the ETA(1) and the Proposed Disposal, BDHG and BEIH each will hold 50% of Huayuan Heating's equity interests. Huayuan Heating is primarily engaged in construction of pipelines, heat energy generation plants and exchange plants in Beijing and Hebei Province.

---

**T T M T H**

---

Based on the audited financial accounts of Huayuan Heating prepared under the PRC GAAP, as at 31 December 2011, the total assets, total liabilities and net assets of Huayuan Heating were approximately RMB3,469,535,033, RMB3,211,264,350 and RMB258,270,683, respectively. The total profits/(loss) attributable to the equity to be disposed, which is 15% of the equity interests in Huayuan Heating for the two years ended 31 December 2010 and 31 December 2011 were as follows:

	( )	
	3	3
	0 0	0
	(audited)	(audited)
Net profit/(loss) attributable to the equity interests to be disposed under the Proposed Disposal (before taxation and extraordinary items)	206,969.45	(129,743.55)
Net profit/(loss) attributable to the equity interests to be disposed under the Proposed Disposal (after taxation and extraordinary items)	31,052.47	(2,640,795.27)

**T M T**

As at the Latest Practicable Date, BEIH directly held 67.958% of the issued share capital of the Company. Accordingly, BEIH is a substantial shareholder of the Company and thus a connected person of the Company as defined under the Listing Rules. As a result, the transactions under the ETA(1) and ETA(2) constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, as BIEE and BDHG are subsidiaries of BEIH, they are therefore connected persons of the Company under Chapter 14A of the Listing Rules by virtue of being associates of the Company's substantial shareholder.

Considering both the disposal under the ETA(1) and the Proposed Disposal are disposals of certain equity interests in the same entity by the Company, and the ETA(1) and ETA(2) were entered into by the Company with the same party within a period of 12 months, such transactions will be aggregated pursuant to Rule14A.25 of the Listing Rules. As the highest applicable percentage ratio in respect of the transactions under the ETA(1) and ETA(2), after aggregation, exceeds 5% but is less than 25%, the Proposed Disposal constitutes (i) a discloseable transaction subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board (excluding the members of the Independent Board Committee, the opinion of which is included in this Supplemental Circular) is of the view that the Proposed Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has resolved and approved the ETA(2) and the transaction contemplated thereunder. Mr. LU Haijun, Mr. GUO Mingxing, Mr. XU Jingfu, Mr. LIU Guochen and Mr. MENG Wentao, concurrently serving as Directors of the Company and directors and/or management members of BEIH, have material interest in the transaction between the Company and BEIH, and have all abstained from voting on the Board resolution approving the Proposed Disposal.

An Independent Board Committee comprising all of the independent non-executive Directors of the Company has been formed to advise the Independent Shareholders on the Proposed Disposal. Cinda has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

BEIH, BDHG, BIEE and BSAMAC will abstain from voting at the EGM on the ordinary resolution approving the Proposed Disposal. BSAMAC, the holding entity of BEIH, is an associate of BEIH, BDHG and BIEE as defined in Chapter 1 of the Listing Rules. As at the Latest Practicable Date, BEIH, BDHG, BIEE and BSAMAC held, in the aggregate, 72.304% of the issued share capital of the Company with BEIH, BDHG, BIEE and BSAMAC, respectively, holding 67.958%, 0.261%, 0.437% and 3.648% of the issued share capital of the Company. Any vote of the Independent Shareholders at the EGM shall be taken by poll. The Company confirms that none of the independent non-executive Directors has any interests in the ETA(2) and the Proposed Disposal.

**8 T M T M T M**  
**TH M**

A supplemental notice of the EGM to be held as originally scheduled at 10:30 a.m. on Tuesday, 30 October 2012, at the Video Conference Room, Suite 2911, Block A, CBD International Tower, 16 Yongan Dongli, Chaoyang District, Beijing, PRC, is set out on pages 28 to 29 of this Supplemental Circular at which an ordinary resolution will be proposed to approve the Proposed Disposal.

As a result of the additional resolution proposed subsequent to the dispatch of the Original EGM Notice, the original form of proxy for the EGM sent together with the Original EGM Notice does not contain the additional resolution proposed as set out in this Supplemental Circular. In this connection, a supplemental form of proxy for the EGM is enclosed with this Supplemental Circular. You are requested to complete and return the original and the supplemental forms of proxy for EGM in accordance with the instructions printed thereon.

The supplemental form of proxy will not affect the validity of any form of proxy duly completed by you in respect of the resolutions set out in the Original EGM Notice. If you have validly appointed a proxy to attend and act for you at the EGM but do not complete and deliver this supplemental form of proxy, your proxy will be entitled to vote at his discretion on the ordinary resolution 6 set out in the supplemental notice of the EGM dated 11 October 2012. If the proxy being appointed to attend the EGM under this supplemental form of proxy is different from the proxy appointed under the original form of proxy and both proxies attended the EGM, the proxy validly appointed under the original form of proxy shall be entitled to vote as a proxy at the EGM.

Cinda has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Proposed Disposal.

The Independent Financial Adviser considers that the Proposed Disposal is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Financial Adviser would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution as set out in the supplemental notice of the EGM at the end of the Supplemental Circular.

The Independent Board Committee, after taking into account, among other things, the advice of the Independent Financial Adviser, concurs with the views of the Independent Financial Adviser and considers that the Proposed Disposal is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Disposal. The text of the letter from the Independent Board Committee is set out on pages 12 to 13 of this Supplemental Circular. No member of the Independent Board Committee has any material interest in the ETA(2) and the Proposed Disposal.

Your attention is drawn to the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders, the additional information set out in the appendices to this Supplemental Circular and the supplemental notice of EGM.

By order of the Board

**H**  


---

**TT****M TH****T****MM TT**

---



( *m* 005 9 *f* *m* )

11 October 2012

Dear Sir or Madam,

**5% T T T H H T**

We refer to the Supplemental Circular issued by the Company to the Shareholders dated 11 October 2012, of which this letter forms part. The terms defined in the Supplemental Circular shall have the same meanings in this letter unless the context otherwise requires.

On 28 September 2012, the Board announced that the Company entered into the ETA(2) with BEIH. Further details are contained in the letter from the Board set out on pages 4 to 11 of the Supplemental Circular.

The Independent Board Committee was formed to make a recommendation to the Independent Shareholders as to whether, in its view, the Proposed Disposal is fair and reasonable in so far as the Independent Shareholders are concerned.

Cinda has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Proposed Disposal as described in the Supplemental Circular. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out on pages 14 to 24 of the Supplemental Circular.

The Independent Shareholders are recommended to read the letter from the Independent Financial Adviser, the letter from the Board contained in the Supplemental Circular as well as the additional information set out in the appendices to the Supplemental Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for and the benefits of the Proposed Disposal. We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the Proposed Disposal.

TT	M TH	T	MM TT
----	------	---	-------

The Independent Board Committee concurs with the view of the Independent Financial Adviser and considers that the Proposed Disposal is fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the supplemental notice of the EGM.

Yours faithfully

For and on behalf of



M. M

TT	M TH	T
----	------	---

*f*                      *f*                      *f*                      *f*                      *f*  
*f*                      *f*                      *f*                      *f*                      *f*


45<sup>th</sup> Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

11 October 2012

*f*

Dear Sirs,

5%                      T                      T                      T                      T                      T  
T                      T                      T                      T                      T                      T

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the disposal by the Company of a 15% equity interest in Huayuan Heating under the ETA(2), details of the Proposed Disposal is set out in the “Letter from the Board” (the “Letter”) contained in the Supplemental Circular dated 11 October 2012 issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Supplemental Circular, unless the context requires otherwise.

On 29 June 2012, the Company entered into the ETA(1) with BEIH, pursuant to which the Company has agreed to sell a 35% equity interest in Huayuan Heating at a total consideration of RMB107,237,300. Details of the ETA(1) were disclosed in the Company’s announcement dated 29 June 2012. The completion of the transaction pursuant to the ETA(1) is conditional upon the obtaining of all necessary authorisation and approval on the ETA(1) and the transaction contemplated thereunder as required by applicable laws and regulations. As at the Latest Practicable Date, the State-Owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality has approved the transfer and the Company is applying for the alteration filings with relevant industry and commerce administrative authority in the PRC.

On 28 September 2012, the Company entered into the ETA(2) with BEIH for the Proposed Disposal, pursuant to which the Company has agreed to sell a 15% equity interest in Huayuan Heating at a total consideration of RMB45,958,800.

As at the Latest Practicable Date, BEIH is a substantial Shareholder of the Company and directly held approximately 67.958% equity interest in the issued share capital of the Company. Accordingly BEIH is a connected person of the Company under the Listing Rules.



As both the disposal under the ETA(1) and the Proposed Disposal are disposals of Huayuan Heating by the Company, and the ETA(1) and the ETA(2) were entered into by the Company with the same connected person (as defined in the Listing Rules) within a period of 12 months, the transactions contemplated under the ETA(1) and the ETA(2) will be aggregated and the Proposed Disposal constitutes (i) a discloseable transaction subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As stated in the Letter, the Board has resolved and approved the ETA(2) and the transaction contemplated thereunder. Mr. LU Haijun, Mr. GUO Mingxing, Mr. XU Jingfu, Mr. LIU Guochen and Mr. MENG Wentao, concurrently serving as Directors of the Company and directors and/or management members of BEIH, have material interest in the Proposed Disposal, and have all abstained from voting on the Board resolution approving the Proposed Disposal.

BIEE and BDHG, both being Shareholders of the Company, are subsidiaries of BEIH, BSAMAC, a Shareholder of the Company, is the sole shareholder of BEIH. Accordingly, they are associates of BEIH under the Listing Rules. BEIH, BIEE, BDHG and BSAMAC will abstain from voting at the EGM on the ordinary resolution to approve the Proposed Disposal.

The Company confirms that none of the Company's independent non-executive Directors has any interest in the ETA(2) and the Proposed Disposal. The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. LIU Chaoan, Mr. SHI Xiaomin and Ms. LAU Miu Man has been formed to advise the Independent Shareholders on the Proposed Disposal. We, Cinda International Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders whether (a) the Proposed Disposal is on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned; and (b) the Proposed Disposal is in the interests of the Company and the Shareholders as a whole.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and assumed that they are true, accurate and complete in all material aspects. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Supplemental Circular were reasonably made after due enquiry and careful consideration. We have no reason to believe that any material information has been withheld from us, nor to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendations as set out in this letter and to justify our reliance on such information. We have not, however, conducted any independent investigation into the business and affairs of the Group or its associates, nor have we carried out any independent verification of the information supplied.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Supplemental Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Supplemental Circular misleading.

## T

In considering whether (a) the Proposed Disposal is on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned; and (b) the Proposed Disposal is in the interests of the Company and the Shareholders as a whole, we have taken into consideration the following principal factors and reasons:

***The Company's development strategy to focus on the clean energy sector business***

The Company is principally engaged in the provision of gas-fired power and operation of wind power. As advised by the Company, it is the largest gas-fired power provider in Beijing and a leading wind power operator in the PRC, with a diversified clean energy portfolio including (1) gas-fired power and heat energy, (2) wind power, (3) small to medium hydropower and other clean energy projects. As disclosed in the Company's interim report for the six months ended 30 June 2012, the objective of the Company is "strengthening production and guaranteeing electricity output" and "progressing strongly towards a first-class listed clean energy company in the world". As of 30 June 2012, the Group currently had a consolidated installed capacity of 2,460.15 MW with a consolidated gross power generation amount of 3,361,136 MWh. Despite the current complicated economic conditions and the increasing uncertainties worldwide, the Group believes that the demands for electricity will continue to increase at a rapid pace in the second half of 2012, especially in Beijing, and the Company is currently focusing on the clean energy sector as a power provider.

Huayuan Heating is primarily engaged in the construction of pipelines, heat energy generation plants and exchange plants in Beijing and Hebei Province and is not engaged in power generating business.

Having considered that (i) the Company has strong commitment (in terms of both management and financial resources) in its clean energy power providing business; and (ii) the Proposed Disposal will provide an opportunity to the Company to focusing its resources on its principal business, we are of the view that the Proposed Disposal is in line with the corporate strategy of the Company and is in the interests of the Company and the Shareholders as a whole.

***The Company's business strategy to divest of its non-core business***

On 24 July 2012, the Company acquired from BDHG the remaining 19.97% equity interest in Beijing Jingqiao Thermal Power Co., Ltd. ("Jingqiao"), a company primarily engaged in generating and selling heat energy. It was stated in the Company's announcement dated 24 July 2012 that, by acquiring the remaining 19.97% equity interest in Jingqiao, the Company could be in a better position to consolidate its business, to achieve full control over the management and operation of Jingqiao. The acquisition of Jingqiao was in line with the Company's business strategy with a view to focusing its resources on its clean energy business and further optimize its business development. In the first half of 2012, the Company entered into the ETA(1) for the disposal of a 35% equity interest in Huayuan Heating, which is not engaged in the clean energy power providing business and the disposals was in line with the Company's business strategy to divest of its non-core business.

In view of the facts that (i) the Company's development strategy to focus on the clean energy power providing business; and (ii) the Company's business strategy to divest of its non-core business following the Proposed Disposal, we consider that the Proposed Disposal, which represents a natural step in the Company's implementation of its development strategy, is conducted in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

On 28 September 2012, the Company entered into the ETA(2) with BEIH, pursuant to which the Company has agreed to sell, and BEIH has agreed to acquire, a 15% equity interest in Huayuan Heating. Principal terms of the Proposed Disposal are as follows:

- (i) The total consideration for the Proposed Disposal is RMB45,958,800;
- (ii) The payment will be made in a lump sum in cash within 30 days after the ETA(2) takes effect;
- (iii) The ETA(2) is conditional upon the Proposed Disposal being approved by the Independent Shareholders and by relevant competent authorities in the PRC; and
- (iv) BEIH shall be entitled to the operating profit or loss incurred by the 15% equity interest in Huayuan Heating to be purchased from the Company from the reference date of 31 December 2011 to the completion date of the Proposed Disposal. The Company and BEIH will be liable for their respective taxes and fees in relation to the transfer.

The transfer of the Proposed Disposal will be completed on the date when the disposed equity interest are registered under the name of BEIH at the competent industry and commerce authority in the PRC. After completion of the ETA(1) and Proposed Disposal, BDHG and BEIH will each hold 50% of Huayuan Heating's equity interest and Company will cease to have any interest in Huayuan Heating.

### 3 H H

Huayuan Heating was established by the Company and BDHG as the co-founders in the PRC and was a jointly controlled entity which was 50% owned by the Company and 50% owned by BDHG at the time of its establishment. Upon the completion of the ETA(1) with the approval from relevant competent authorities in the PRC and the Proposed Disposal, Huayuan Heating will be 50% owned by BEIH and 50% owned by BDHG. Huayuan Heating is primarily engaged in construction of pipelines, heat energy generation plants and exchange plants in Beijing and Hebei Province, and is not engaged in power generating business. The Board believes that the disposal of all equity interest in Huayuan Heating from the Group is in line with the Group's strategy to focus on the development of its clean energy power providing business and is beneficial to optimize the allocation of the resources of the Company.

<b>T T</b>	<b>M T H</b>	<b>T</b>
------------	--------------	----------

The following summarizes the key consolidated financial information of Huayuan Heating for the years ended 31 December 2010 and 31 December 2011, prepared in accordance with PRC GAAP:

		( )
	<b>3</b>	<b>0 0 3</b>
	(audited)	(audited)
Turnover	62,264,567.59	69,809,130.27
Profit (loss) before taxation and extraordinary items	1,379,796.36	(864,956.97)
Profit (loss) after taxation and extraordinary items	207,016.44	(17,605,301.81)
	<b>3</b>	<b>0 0 3</b>
	(audited)	(audited)
Total assets	2,385,204,607.08	3,469,535,033.40
Total liabilities	2,126,012,055.13	3,211,264,350.18
Shareholders' equity attributable to its shareholders	241,356,948.29	240,417,511.94

The turnover of Huayuan Heating increased by approximately 12.1% from approximately RMB62,264,568 for the year ended 31 December 2010 to approximately RMB69,809,130 for the year ended 31 December 2011. However, Huayuan Heating suffered from a loss after taxation and extraordinary items of approximately RMB17,605,302 for the year ended 31 December 2011 from a profit after taxation and extraordinary items of approximately RMB207,016 for the year ended 31 December 2010. The Directors represented that Huayuan Heating suffered a loss for the year 2011 mainly because it is in the set-up stage of business and the fluctuation in operating performance during the production process. Following completion of the Proposed Disposal, the Company will cease to have any interest in Huayuan Heating and the financial result of Huayuan Heating will not be accounted for in the Company's accounts.

Taking into consideration of the fluctuation in the operating performance of Huayuan Heating and the uncertainty of whether Huayuan Heating will make profit in future, the Directors are of the view that it would be beneficial to the Company to detach the business of Huayuan Heating from the Group. We consider that the Directors' view is reasonable and rational in this regard.

4

(a) *Price to book ratio (the “PBR”) analysis*( )  $\frac{f}{f}$ 

As shown in the section headed “Information on Huayuan Heating” above, the shareholders’ equity of Huayuan Heating attributable to its shareholders as at 31 December 2011 was approximately RMB240,417,512. The consideration for the Proposed Disposal of 15% equity interest in Huayuan Heating of RMB45,958,800 represents a PBR of approximately 1.27 times.

Taking into account that (i) Huayuan Heating has been loss making since 2011; and (ii) the consideration for the Proposed Disposal represents a valuation which is higher than the shareholders’ equity of Huayuan Heating attributable to the Company as at 31 December 2011, we are of the opinion that the consideration is fair and reasonable.

( )  $\frac{f}{f}$   $\frac{f}{f}$   $\frac{f}{f}$ 

For the purpose of assessing the fairness and reasonableness of the total consideration for the Proposed Disposal, we have also performed a trading multiple analysis which includes the PBR only since Huayuan Heating was making a loss in the latest financial year.

The following table summarizes our findings (on a best efforts basis) as regards the companies listed in Hong Kong principally engaged in manufacturing of energy pipe products for our assessment in fairness and reasonableness of the total consideration for the Proposed Disposal. It should be noted that the business of these comparable companies are not the same as that of Huayuan Heating which is engaged in the construction of pipelines, heat energy generation plants and exchange plants and the comparison below is for reference only.

TT	M TH	T	
			*
Anhui Tianda Oil Pipe Company Limited – H Shares	839	Production and sale of specialized seamless pipes	0.40
Shengli Oil & Gas Pipe Holdings Limited	1080	Manufacture and sale of welded steel pipes for oil and gas pipelines	0.60
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited	1938	Manufacture of longitudinal welded steel pipe products	1.01
Maximum			1.01
Minimum			0.40
Average			0.67
H	H		

??

??

\*

The PBR is derived from dividing the market capitalization (based on the latest number of issued shares and the closing share price of the comparable companies as at the Latest Practicable Date) by net asset attributable to shareholders of the comparable companies as disclosed in their latest published financial statements.

As shown in the above table, the historical PBRs of the comparable companies ranged relatively widely from approximately 0.40 times to 1.01 times, with average of approximately 0.67 times. The historical PBR of Huayuan Heating of approximately 1.27 times represented by consideration of the Proposed Disposal is higher than the range of the historical PBRs of the comparable companies.

Taking into account that the implied PBR of the consideration for the Proposed Disposal is higher than the range of the historical PBRs of the comparable companies, we are of the opinion that the consideration is fair and reasonable.

( )

??

??

We have also searched for companies listed on the Stock Exchange, which acquired or disposed companies of similar lines of business as that of Huayuan Heating and have made announcement from 1 January 2011 up to the day before the Last Practicable Date for comparison purpose. It should be noted that the business and operations of the Huayuan Heating is not exactly the same as those of these comparables even though the comparables are engaged in similar nature of business as that of Huayuan Heating and the comparison below is for reference only. We have not conducted any in-depth investigation into the business and operations of these comparables.

- 21 -

**(b) Independent business valuation of Huayuan Heating**

As advised by the Company, the consideration for the Proposed Disposal of RMB45,958,800 was determined by reference to the appraised value by Beijing Tianjian Xingye Asset Appraisal (the “Valuer”), an independent qualified asset appraisal firm in the PRC, to conduct a business valuation of the Proposed Disposal. Such appraisal was assessed based on an asset-based approach as at 31 December 2011.

As Huayuan Heating was making a loss for the year ended 31 December 2011, we consider that the asset-based approach as adopted by the Valuer is acceptable and suitable for valuing the business and assets of Huayuan Heating.

*f*

The appraised value of Huayuan Heating contained in the valuation report has been prepared on the following principal bases and assumptions:

- There will be no material changes in the business strategy and operating structure of Huayuan Heating;
- The value needed to be sold at an arm’s length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or sell;
- The market trends and conditions where Huayuan Heating operates will not deviate significantly from the economic forecasts in general; and
- There will be no major change in the political, legal, economic or financial conditions in the locality in which Huayuan Heating operates or intends to operate, which would



and the management is still exploring the future mode of operation. As such, it is difficult to estimate its income stream. The asset based approach refers to a reasonable valuation on the value of the assets and liabilities of a company and the Valuer considers that it is the most appropriate valuation approach for the valuation of Huayuan Heating. The methodology used in the asset based approach for Huayuan Heating includes valuation of its current assets, long term equity investment, pipelines, plant and equipment, inventory, project under construction, non-current assets and liabilities as at 31 December 2011. The valuation report prepared by the Valuer was also accepted by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality as required under the relevant PRC rules and regulations. We have reviewed the methodology, bases and assumptions underlying the valuation prepared by the Valuer, and we have not identified any major factors which cause us to doubt the fairness and reasonableness of the major assumptions used in arriving at the appraised value of the business of Huayuan Heating.

As the consideration of the Proposed Disposal was determined by reference to the valuation prepared by the Valuer, an independent qualified asset appraisal firm, we consider that the consideration of the Proposed Disposal is on normal commercial term and is fair and reasonable.

5

**(a) Earnings**

As at 31 December 2011, the net book value of the 15% equity interest in Huayuan Heating attributable to the Company was approximately RMB36,062,627. Accordingly, a gain of approximately RMB8,906,556 after deducting relevant tax and other related expenses are expected to accrue to the Company as a result of the disposal of the 15% equity interest in Huayuan Heating subsequent to the completion of the Proposed Disposal. The Company's financial results will be improved by ceasing to share the losses of the Huayuan Heating.

**(b) Net asset value**

As discussed in the sub-paragraph headed "Earnings" above, gains are expected to be recorded by the Company in an aggregate amount of approximately RMB8,906,556. On this basis, the Company estimated that the consolidated net asset value of the Company attributable to the Shareholders will increase by approximately RMB8,906,556, which represents the estimated gains on the Proposed Disposal. We consider the increase in consolidated net assets of the Company is beneficial to the Company and the Shareholders as a whole.

**(c) Cashflow**

According to the Company's interim results for the six months ended 30 June 2012, the Group's bank balances and cash amounted to RMB2,276,580,000 and total borrowings amounted to approximately RMB14,460,930,000 (being the aggregate of the short-term borrowings of RMB4,257,760,000 and a long-term borrowings of RMB10,203,170,000). As advised by the

executive Directors, the Company intends to use the proceeds from the Proposed Disposal as general working capital of the Company. In view of the proceeds available to the Company after the Proposed Disposal, we are of the view that the cashflow position of the Company would be improved.

Taking into account the improvement in earnings, net assets and cashflow of the Company after the Proposed Disposal, we consider that the Proposed Disposal is, from a financial perspective, in the interests of the Company and the Shareholders as a whole.

6

According to the Letter, the Company had agreed to dispose of a 35% equity interest in Huayuan Heating to BEIH, a connected person (as defined under the Listing Rules) of the Company, pursuant to the ETA(1) entered into on 29 June 2012, which is within the past twelve months of the date of Company's entering into the ETA(2) with BEIH. Accordingly, the previous disposal under the ETA(1) and the Proposed Disposal are required to be aggregated under Rules 14.22 and 14A.25 of the Listing Rules. After aggregation, the Proposed Disposal constitutes (i) a discloseable transaction subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

MM T

Having taken into account the above principal factors and reasons, we consider that (a) the Proposed Disposal is on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned; and (b) the Proposed Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the relevant resolution at the EGM to approve the Proposed Disposal.

Yours faithfully,  
For and on behalf of

T

f m

Th Th were ~~FILE~~ T T M T

(2)ATnGfDAtfDf6V'VD8YWH9HTdf96HTnaadfAinterestefIVPyePYW

This Supplemental 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 this Supplemental 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 herein or this Supplemental Circular misleading.

T

T T

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had any interest or short position in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of the SFO) (1) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the SFO) or (2) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors, proposed Directors or Supervisors had any interest, direct or indirect, in FW8HCHYHSHVfOYI9HTeres

## 3 T T

As at the Latest Practicable Date, each of the Directors has entered into a service contract with the Company, which were signed on 23 May 2011. Each of the proposed Directors will enter into a service contract with the Company subject to the approval of their respective appointment by Shareholders at the EGM. The principal particulars of these service contracts are: (a) they are for a term ending on the expiry of the term of the first session of the Board and (b) they are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the articles of association of the Company and the applicable rules.

## 4 M T T T

Save for Mr. LU Haijun, Mr. GUO Mingxing, Mr. XU Jingfu, Mr. LIU Guochen and Mr. Meng Wentao, concurrently serving as Directors of the Company and directors and/or management members of BEIH, as at the Latest Practicable Date, none of the Directors or proposed Directors, Supervisors and their respective associates was interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

## 5 M T H

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date of the latest published audited financial statements of the Company.

## 6 T T

The following are the qualifications of Cinda who has given their advice, letters or reports for the inclusion in this Supplemental Circular:

Cinda International Capital Limited	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
-------------------------------------	---

## T

- (a) Cinda issued a letter dated 11 October 2012 for the purpose of incorporation in this Supplemental Circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders.
- (b) Cinda has given and has not withdrawn its written consent to the issue of this Supplemental Circular with the inclusion of its letters and references to their names and logos in the form and context in which it appears.

- (c) As at the Latest Practicable Date, Cinda was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2011 (the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**8**

- (a) Mr. KANG Jian and Ms. LEUNG Wai Han, Corrina are the joint company secretaries of the Company.
- (b) The Company's registered office is at 1 Ziguang East Road, Room 118 Badaling Economic Development Zone Yanqing County, Beijing, the PRC and its principal place of business in Hong Kong is at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (c) The Company's share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, whose registered office is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**9****M T****T**

Copies of the following documents will be available for inspection at the office of the Company at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong during normal business hours from the date of this Supplemental Circular up to and including the date of the EGM and at the EGM:

- (a) the articles of association of the Company;
- (b) the ETA(1);
- (c) the ETA(2);
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this Supplemental Circular;
- (e) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this Supplemental Circular;
- (f) the written consent referred to in the section headed "Consent" in this appendix; and
- (g) the service contracts referred to in the section headed "Service Contracts" in this appendix.

TH T M T T M T 0

**M T T H** that the EGM, which will be held as originally scheduled at 10:30 a.m. on Tuesday, 30 October 2012, at the Video Conference Room, Suite 2911, Block A CBD International Tower, 16 Yongan Dongli, Chaoyang District, Beijing, the People's Republic of China will consider and, if thought fit, to pass the following ordinary resolution, in addition to the resolutions set out in the Notice:

**T**

- By order of the Board

## K

(1) The ordinary resolution numbered 6 mentioned above, the subject of which has been approved at the meeting of the Board dated 28 September 2012, is subject to the approval by the shareholders of the Company by way of an ordinary resolution at the EGM. The proposal in relation to the ordinary resolution numbered 6 was submitted by Beijing Energy Investment Holding Co., Ltd. (being a shareholder directly held approximately 67.958% of the shares of the Company as at the date of this notice) pursuant to the relevant provisions of laws, regulations and the articles of association of the Company.

