

1. I N T R O D U C T I O N

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 Hua uan Heating pursuant to the ETA(1).

The Board is pleased to announce that, 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 Hua uan Heating at a total consideration of RMB45,958,800.

2. I N C I D E N T F E E A(2)

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28 September 2012

Vendor: the Company

Acquirer: BEIH

E I T B D

15% of the equity interests in Hua uan Heating held by the Company

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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 Hua uan Heating of RMB45,958,800 as at 31 December 2011, being the reference date. Such appraisal was prepared by Beijing Tianjian Xing e Assets Appraisal Co., Ltd., an independent assets appraisal firm qualified in the PRC, based on an asset-based approach.

The payment will be made in a lump sum in cash within 30 days after the ETA(2) takes effect.

C **f** **E A(2)**

The ETA(2) is conditional upon, among others, the following being fulfilled:

- (1) the Proposed Disposal being approved by the Independent Shareholders; and
- (2) the Proposed Disposal being approved by relevant competent authorities in the PRC.

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

BEIH shall be entitled to the operating profit or loss attributable to the 15% equity interests in Hua uan 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 shall be liable for their respective taxes and fees in relation to the transfer.

3. FUTURE TAX EFFECTS OF THE PROPOSED DISPOSAL

As at 31 December 2011, the net book value of the 15% equity interests in Hua uan Heating was RMB36,062,627. Accordingly, a gain of approximately RMB8,906,556 after deducting relevant taxes is expected to accrue to the Company as a result of the disposal of the 15% equity interests in Hua uan Heating. The Company will recognize a gain on disposal of the 15% equity interests in Hua uan 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.

4. BACKGROUND AND BENEFITS OF THE PROPOSED DISPOSAL

Hua uan 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

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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 hydro power and other clean energy projects.

BEIH

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 date of this announcement, and therefore is our connected person pursuant to the Listing Rules.

H H

Hua Yuan 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 Hua Yuan Heating's equity interests. Hua Yuan Heating is primarily engaged in construction of pipelines, heat energy generation plants and energy change plants in Beijing and Hebei Province.

Based on the audited financial accounts of Hua uan Heating prepared under the PRC GAAP, as at 31 December 2011, the total assets, total liabilities and net assets of Hua uan 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 Hua uan Heating for the two years ended 31 December 2010 and 31 December 2011 were as follows:

	<i>(Unit: RMB)</i>	
	F	F
	31 D	31 D
	2010	2011
	(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)

6. REGULATORY COMPLIANCE

As at the date of this announcement, 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 ETA(2) are disposals of certain equity interests in the same entity, 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.

The Board (including the members of the Independent Board Committee, the opinion of which will be included in the circular to be dispatched to the Shareholders as soon as practicable after publication of this announcement) 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 Mingting, 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.

An ordinary resolution in respect of the Proposed Disposal will be proposed for the Independent Shareholders' consideration and approval at the EGM. BEIH, BIEE, BDHG and their respective associates, being connected persons of the Company, will abstain from voting at the EGM on the ordinary resolution to approve the Proposed Disposal. The Company confirms that none of the independent non-executive Directors has any interests in the ETA(2) and the Proposed Disposal.

7. **DEFINITIONS**

A supplemental circular, containing a letter from the Board, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and other details in respect of the Proposed Disposal, will be dispatched to the Shareholders on or about 12 October 2012.

8. **DEFINITIONS**

“associate(s)” has the meaning ascribed to it under the Listing Rules

“BDHG” 北京市热力集团有限公司 (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 date of this announcement. BDHG is a wholly-owned subsidiary of BEIH

“BEIH”

北京能源投資(集團)有限公司 (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 date of this announcement

“BIEE”

北京國際電氣工程有限公司(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 date of this announcement. BIEE is a wholly-owned subsidiary of BEIH

“Board”

“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 Hua uan Heating by the Company
“Hua uan Heating”	北京華源熱力管網有限公司 (Beijing Hua uan 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

“subsidiar (ies)”

has the meaning ascribed to it in the Listing Rules

“%”

per cent

B order of the Board
C E C .,
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Chairman

Beijing, the PRC
28 September 2012

As at the date of this announcement, the non-executive directors of the Company are Mr. Lu Haijun, Mr. Guo Mingxing, Mr. Xu Jingfu, Mr. Liu Guochen and Mr. Yu Zhongfu; the executive director of the Company is Mr. Meng Wentao; and the independent non-executive directors of the Company are Mr. Liu Chaoan, Mr. Shi Xiaomin, and Ms. Lau Miu Man.