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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 China Suntien Green Energy Corporation Limited, 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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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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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)**

**(1) PROPOSED NON-PUBLIC ISSUANCE OF  
NEW A SHARES UNDER SPECIFIC MANDATE; AND  
(2) CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A SHARES BY  
THE CONTROLLING SHAREHOLDER**

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



**Gram Capital Limited**  
**嘉林資本有限公司**

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A letter from the Board is set out on pages 5 to 24 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 25 to 26 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 27 to 42 of this circular.

The Company will convene the second extraordinary general meeting for 2021 (the “EGM”) at 10:30 a.m. on Friday, 23 April 2021, the second A Share class meeting for 2021 (the “ACM”) at 10:50 a.m. on the same day or immediately after the conclusion of the EGM (whichever is later), and the second H Share class meeting for 2021 (the “HCM”, together with the ACM, collectively referred to as the “Class Meetings”) at 11:00 a.m. on the same day or immediately after the conclusion of the ACM (whichever is later) at the Conference Room, 5/F, Yun-Ray Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC. Notices of the EGM and the HCM, together with the corresponding reply slips and proxy forms were despatched to the Shareholders on 8 March 2021.

If you intend to appoint a proxy to attend the EGM and/or the Class Meetings, you are required to complete and return the proxy forms in accordance with the instructions printed thereon. For holders of H Shares, the proxy forms should be returned to Computershare Hong Kong Investor Services Limited in person or by post but in any event not less than 24 hours before the time fixed for holding the EGM and/or the Class Meetings or any adjourned meeting(s) thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the EGM and/or the Class Meetings or at any other adjourned meeting(s) should you so wish.

If you intend to attend the EGM and/or the Class Meetings in person or by proxy, you are required to complete and return the corresponding reply slips to Computershare Hong Kong Investor Services Limited (for the holders of H Shares) on or before Saturday, 3 April 2021.

\* For identification purpose only

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## DEFINITIONS

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

“ACM”	means the second A Share class meeting in 2021 of the Company to be held at 10:50 a.m. on Friday, 23 April 2021 or immediately after the conclusion of the EGM (whichever is later)
“Administrative Measures for the Issuance of Securities”	means the Administrative Measures for the Issuance of Securities by Listed Companies
“Articles of Association”	means the articles of association of the Company currently in effect
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“A Share(s)”	means the ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in Renminbi, listed on the Main Board of the SSE and traded in Renminbi
“A Shareholder(s)”	means the registered holder(s) of A Share(s)
“Board”	means the board of Directors of the Company
“Caofeidian Company”	Caofeidian Suntien Liquefied Natural Gas Co., Ltd.* (曹妃甸新天液化天然氣有限公司), a company incorporated in the PRC with limited liability on 22 March 2018, and a non-wholly owned subsidiary of the Company
“Class Meetings”	means the ACM and the HCM
“Company”	means 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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“CSRC”	means the China Securities Regulatory Commission
“Director(s)”	means the director(s) of the Company
“EGM”	means the second extraordinary general meeting in 2021 of the Company to be convened at the Conference Room, 5/F, Yun-Ray Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC at 10:30 a.m. on Friday, 23 April 2021

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## DEFINITIONS

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“Gram Capital” or “Independent Financial Adviser”	means Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“Group”	means the Company and its subsidiaries
“HCM”	means the second H Share class meeting in 2021 of the Company to be held at 11:00 a.m. on Friday, 23 April 2021 or immediately after the conclusion of the ACM (whichever is later)
“HECIC”	means 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
“HKD” or “HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“H Share(s)”	means the overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which is/are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	means the registered holder(s) of the H Share(s)
“Implementation Rules for Non-public Issuance of Shares”	means the Implementation Rules for Non-public Issuance of Shares by Listed Companies (上市公司非公開發行股票實施細則) (2020 Revision)
“Independent Board Committee”	means an independent board committee of the Company, comprising all of the independent non-executive Directors, namely Mr. Guo Ying Jun, Mr. Wan Yim Keung, Daniel and Dr. Lin Tao, which is formed to advise the Independent Shareholders in respect of the Subscription
“Independent Shareholders”	means the Shareholders excluding HECIC and its associates

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## DEFINITIONS

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“Issuance” or “Non-public Issuance”	means the proposed non-public issuance of up to 1,154,973,118 A Shares by the Company to not more than 35 specific target subscribers, including HECIC
“Latest Practicable Date”	means 26 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LNG”	liquefied natural gas
“New Subscription Agreement”	means the Conditional Agreement for Subscription of A Shares under the Non-public Issuance of China Suntien Green Energy Corporation Limited (關於新天綠色能源股份有限公司非公開發行A股股票之附條件生效認購協議書) entered into by and between the Company and HECIC on 5 March 2021, pursuant to which HECIC conditionally agreed to subscribe for part of the A Shares under the Issuance
“Original Issuance Plan”	means the plan for and related resolutions regarding the proposed non-public issuance of up to 1,154,973,118 A Shares by the Company to not more than 35 target subscribers, including HECIC, put forward to the first extraordinary general meeting in 2021, the first A Share class meeting in 2021 and the first H Share class meeting in 2021 (such meetings were held on 8 February 2021) by the Company. As the relevant resolutions were not passed at the first A Share class meeting in 2021 of the Company, such issuance plan was not implemented
“Original Subscription Agreement”	means the Conditional Agreement for Subscription of A Shares under the Non-public Issuance of China Suntien Green Energy Corporation Limited (關於新天綠色能源股份有限公司非公開發行A股股票之附條件生效認購協議書) entered into by and between the Company and HECIC on 21 December 2020, which has lapsed
“PBOC”	means the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	means the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“PRC Company Law”	means the Company Law of the People’s Republic of China (中華人民共和國公司法)
“PRC Securities Law”	means the Securities Law of the People’s Republic of China (中華人民共和國證券法)
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	means the A Share(s) and the H Share(s)
“Shareholder(s)”	means the registered holder(s) of the Share(s)
“SSE” or “Shanghai Stock Exchange”	means the Shanghai Stock Exchange
“Specific Mandate”	means the specific mandate sought to be granted by the Shareholders at the EGM and the Class Meetings in relation to the Issuance
“Subscription”	means the subscription of up to 661,319,941 A Shares by HECIC pursuant to the New Subscription Agreement
“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Supervisor(s)”	means the supervisor(s) of the Company

*Note: In this circular, unless otherwise specified, the currencies of the amounts stated are Renminbi.*

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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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)**

**Board of Directors:**

*Non-executive Directors:*

Dr. Cao Xin (*Chairman*)

Dr. Li Lian Ping

Mr. Qin Gang

Mr. Wu Hui Jiang

*Executive Directors:*

Mr. Mei Chun Xiao (*President*)

Mr. Wang Hong Jun

*Independent Non-executive Directors:*

Mr. Guo Ying Jun

Mr. Wan Yim Keung, Daniel

Dr. Lin Tao

**Registered Office and**

**Headquarters:**

9th Floor, Block A, Yuyuan Plaza

No. 9 Yuhua West Road

Shijiazhuang City, Hebei Province  
the PRC

**Principal place of business**

**in Hong Kong:**

Suite 2103, 21st Floor,

Prudential Tower

The Gateway, Harbour City

Kowloon

Hong Kong

1 April 2021

*To the Shareholders*

Dear Sirs and Madams

**(1) PROPOSED NON-PUBLIC ISSUANCE OF  
NEW A SHARES UNDER SPECIFIC MANDATE; AND  
(2) CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A  
SHARES BY THE CONTROLLING SHAREHOLDER**

**1. INTRODUCTION**

References are made to the announcements of the Company dated 5 March 2021 relating to the Issuance and the Subscription.

The purpose of this circular is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM and the Class Meetings.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### 2. THE ISSUANCE

In order to enhance the profitability and sustainable development capabilities of the Company, lower its gearing ratio and enhance its risk resistance capacity, on 21 December 2020, the Board passed relevant resolutions relating to the proposed non-public issuance of up to 1,154,973,118 A Shares to target subscribers, including HECIC. As the Original Issuance Plan and the relevant resolutions were not passed at the first A Share class meeting for 2021 held by the Company on 8 February 2021, the Original Issuance Plan was not implemented.

After taking into full account and evaluating the capital needs of the Group development project, and comparing the timelines and financing costs of different financing methods, the Company considers equity fundraising through non-public issuance as the most feasible equity fund-raising option for the Company at this stage. Therefore, the Company intends to once again propose the non-public issuance of up to 1,154,973,118 A Shares to target subscribers. When reformulating the plan, the Company has had due regard to the interests and concerns about equity investment returns of small-and-medium Shareholders, and adjusted the Shareholders' return plan for the next three years after the Issuance, therefore further safeguarding the return on equity investment of existing Shareholders. At the same time, the lock-up period of A Shares subscribed for by HECIC in the Issuance will extend to a period of 36 months from the date of the completion of the Issuance.

The Issuance will be proceeded under the Specific Mandate. Pursuant to the Articles of Association and Rule 19A.38 of the Listing Rules, the Company will convene the EGM and the Class Meetings to seek Shareholders' approval for the grant of the Specific Mandate for the purpose of the Issuance.

#### **2.1 Resolution on the satisfaction of the criteria for the Non-public Issuance of A Shares by the Company**

After verification on an individual item basis, the Company is in compliance with the conditions for the non-public issuance of A Shares as stipulated in relevant laws, regulations and regulatory documents, including the PRC Company Law, the PRC Securities Law, the Administrative Measures for the Issuance of Securities and the Implementation Rules for Non-public Issuance of Shares.

The resolution on the satisfaction of the criteria for the Non-public Issuance of A Shares by the Company will be proposed to the Shareholders for consideration and approval by way of an ordinary resolution at the EGM.

#### **2.2 Resolution on the issuance plan**

In accordance with the relevant provisions of relevant laws, regulations and regulatory documents, such as the PRC Company Law, the PRC Securities Law, the Administrative Measures for the Issuance of Securities and the Implementation Rules for Non-public Issuance of Shares, and taking into account the actual situation of the Company, the Company has prepared the issuance plan, details of which are as follows, while the final version of this plan shall be subject to the approval of the CSRC:



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## LETTER FROM THE BOARD

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- 1) Class and par value of the Shares to be issued: the Shares under the Issuance are domestically-listed and RMB-denominated ordinary Shares (A Shares) with a par value of RMB1.00 each.
- 2) Method and time of issuance: the Issuance will be proceeded by way of non-public issuance. The Company will choose the appropriate timing to issue the Shares to specific target subscribers within the valid period after obtaining the approval from the CSRC and the target subscribers shall subscribe for the Shares in cash. The Company will adjust this plan if new requirements are introduced by national laws and regulations.
- 3) Target subscriber and subscription method: the target subscribers of the Issuance will be not more than 35 specific investors including HECIC, the controlling shareholder of the Company, including securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors and qualified foreign institutional investors satisfying the criteria set by the CSRC, and other eligible corporations, natural persons or other legal investment organizations qualified for the conditions required under relevant laws and regulations.

Any securities investment fund management company, securities company, qualified foreign institutional investor or Renminbi qualified foreign institutional investor who subscribes for the Shares through two or more products managed by it shall be treated as one target subscriber; and any trust company acting as a target subscriber may only subscribe for the Shares with its own funds.

HECIC has agreed to subscribe for A Shares in cash under the Issuance, and the number of subscription Shares shall not be less than 48.73% of the number of A Shares actually issued in the Issuance, but not to exceed 661,319,941 Shares, and upon completion of the Issuance, the shareholding of HECIC in the Company will not exceed 50.70%. The specific number of Shares to be subscribed for will be confirmed by way of the supplemental agreement to be entered into by HECIC and the Company after determination of the issue price.

Except for HECIC, after the obtaining of approval from the CSRC, other definitive target subscribers will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC regulations within the authorization granted by the Shareholders at the general meeting, having regard to the quotations offered by target subscribers and based on principles such as price priority.

All of the target subscribers of the Issuance shall subscribe for the A Shares under the Issuance in cash at the same subscription price.

- 4) Pricing benchmark date, issue price, and pricing method: the pricing benchmark date for the Issuance is the first day of the offering period.

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## LETTER FROM THE BOARD

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The issue price shall neither be less than 80% of the average trading price of A Shares in the 20 trading days prior to the pricing benchmark date (average trading price of A Shares in the 20 trading days before the pricing benchmark date = total trading amount of A Shares in the 20 trading days before the pricing benchmark date ÷ total trading volume of A Shares in the 20 trading days before the pricing benchmark date) nor be less than the latest audited net asset per share attributable to ordinary shareholders of parent company (if the CSRC made adjustments to the pricing method of the non-public issuance prior to the Issuance, the minimum price under the Issuance shall be adjusted by the Board, as authorized by the general meeting, pursuant to the requirements of relevant laws and regulations).

The above issue price will be adjusted accordingly if any ex-right or ex-dividend event occurs between the pricing benchmark date and the date of issue, including distribution of dividend, scrip issue or capitalization of reserves etc. After the Issuance is approved by the CSRC, the final issue price will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC regulations within the authorization granted by the Shareholders at the general meeting, having regard to the quotations offered by target subscribers and based on principles such as price priority.

HECIC will not participate in the market bidding process, but has undertaken to accept the market bidding results and subscribe for the A Shares to be issued under the Issuance at the same price as other specific investors do. If the issue price is not determined by way of bidding in the Issuance, HECIC will continue to participate in the Subscription. The subscription price shall be the higher of 80% of the average trading price of A Shares in the 20 trading days prior to the pricing benchmark date of the Company and the latest audited net asset per share attributable to the holders of ordinary shares of parent company.

- 5) Number of Shares to be issued: the total number of A Shares issued in the Issuance shall not exceed 30% of the total share capital prior to the Issuance, i.e. 1,154,973,118 Shares (inclusive), which is subject to the CSRC approval for the Issuance.

In case of any change of the share capital, including scrip issue, repurchase or capitalization of reserves etc. during the period from the date of announcement of the Board resolution regarding the Issuance to the date of Issuance, the upper limit of the number of A Shares issued will be adjusted accordingly.

Within the above range, the final number of Shares to be issued will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC

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## LETTER FROM THE BOARD

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regulations within the authorization granted by the Shareholders at the general meeting, having regard to the quotations offered by target subscribers and based on principles such as price priority.

If the issue price is not determined by way of bidding in the Issuance, HECIC will continue to participate in the Subscription and the shareholding of HECIC in the Company after the Subscription will not exceed 50.70%.

- 6) Arrangements for lock-up period: among the Shares to be issued to target subscribers under the Issuance, the Shares to be subscribed for by HECIC shall not be transferred within 36 months from the date of completion of the Issuance, while the Shares to be subscribed for by other investors shall not be transferred within 6 months from the date of completion of the Issuance. During the lock-up period, any Shares derived from the scrip issue or capitalization of reserves shall also be subject to the aforesaid lock-up arrangements. After the end of the lock-up period, the transfer of A Shares under the Issuance shall be subject to the relevant provisions of the CSRC and the Shanghai Stock Exchange.
- 7) Accumulated profit arrangement before the Issuance: both existing and new Shareholders upon completion of the Issuance will be entitled to the Company's accumulated undistributed profits retained prior to the completion of the Issuance of A Shares in proportion to their respective shareholding percentage following the Issuance.
- 8) Place of listing of Shares under the Issuance: upon the expiration of the lock-up period, the A Shares issued under the Issuance will be listed and traded on the Main Board of the Shanghai Stock Exchange.

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## LETTER FROM THE BOARD

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- 9) Amount to be raised and use of proceeds: the total amount to be raised from the Issuance (including issuance expenses) will not exceed RMB5.110 billion (inclusive), and the net proceeds after deduction of issuance expenses will be used in the following projects:

<b>Project name</b>	<b>Implementing entities</b>	<b>Total investment (RMB'00 million)</b>	<b>Utilization amount of the proceeds (RMB'00 million)</b>
Tangshan LNG Project (first phase and second phase)	Caofeidian Company	185.97	26.96
Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section)	Caofeidian Company	64.17	7.86
Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section)	Caofeidian Company	29.54	2.66
Replenishment of working capital and repayment of bank loans	the Company	<u>13.62</u>	<u>13.62</u>
<b>Total</b>		<b><u>293.30</u></b>	<b><u>51.10</u></b>

The actual amount of net proceeds to be raised from the Issuance is no more than the requisite capital for the investment projects. The Board of the Company may, taking into account the actual needs and without altering the list of investment projects, make appropriate adjustments to the priorities and amounts of the proceeds allocated to the above projects. Pending the receipt of the proceeds from the Issuance, the Company may, based on the actual progress of the relevant projects, first apply any funds otherwise available to it to the projects and, when the proceeds are available, use the proceeds to replace such funds otherwise raised in accordance with the procedures required by relevant laws and regulations. If the actual amount of proceeds from the Issuance is less than the utilization amount of the proceeds of the above projects, the shortfall will be covered by the Company through self-raised funds.

The Board has the right to adjust or determine the specific arrangements such as the investment projects and the amounts required to the extent as permitted by the relevant laws and regulations and as authorized by the resolution of the general meeting.

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## LETTER FROM THE BOARD

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- 10) The effective period for the resolution on the Issuance: the resolution on the Issuance will be valid for 12 months from the date of the passing of such resolution at the Company's general meeting, the ACM and the HCM.

Each item of the issuance plan will be proposed separately to the Independent Shareholders for their consideration and approval by way of a special resolution at the EGM and the Class Meetings.

### **2.3 Resolution on the proposal for the Issuance**

In order to implement the Issuance, in accordance with relevant provisions of laws, regulations and regulatory documents such as the PRC Company Law, the PRC Securities Law, the Administrative Measures for the Issuance of Securities and No. 25 of Standard of Content and Format on Information Disclosure for Publicly Listed Companies – Listed Company's Non-Public Share Issue Proposal and Issuance Report, and taking into account the actual situation of the Company, the Company has prepared the "Proposal for the Non-public Issuance of A Shares of China Suntien Green Energy Corporation Limited". Please refer to Appendix I to this circular for the full text.

The resolution on the proposal for the Issuance will be proposed to the Independent Shareholders for their consideration and approval by way of a special resolution at the EGM and the Class Meetings.

### **2.4 Resolution on the feasibility analysis report on the use of proceeds from the Issuance**

In order to ensure the reasonable, safe and efficient use of the proceeds from the Issuance, in accordance with relevant provisions of the Administrative Measures for the Issuance of Securities, and taking into account the actual situation of the Company, the Company has prepared the "Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares of China Suntien Green Energy Corporation Limited". Please see Appendix II to this circular for the full text.

The resolution on the feasibility analysis report on the use of proceeds from the Issuance will be proposed to the Independent Shareholders for their consideration and approval by way of a special resolution at the EGM.

### **2.5 Resolution on the report on the use of previous proceeds of the Company**

Based on the use of the previous proceeds as at 30 September 2020, the Company has prepared the "Report on the Use of Previous Proceeds of China Suntien Green Energy Corporation Limited", and an assurance report was issued by Ernst & Young Hua Ming LLP (Special General Partnership). Please refer to Appendix III to this circular for the full text.

The resolution on the report on the use of previous proceeds of the Company will be proposed to the Shareholders for their consideration and approval by way of an ordinary resolution at the EGM.

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## LETTER FROM THE BOARD

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### **2.6 Resolution on the dilution of current returns, adoption of remedial measures and undertakings by relevant entities of the Issuance**

Pursuant to the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Work for Protection of Legitimate Rights and Interests of Minority Investors in the Capital Market (國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見) (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見) (CSRC Announcement [2015] No. 31), the Company has seriously conducted an analysis on the impact of the Non-public Issuance of shares on the dilution of immediate return after taking into account the latest situation and formulated specific remedial measures against dilution of immediate return for the purpose of protecting the interests of minority investors. Please refer to Appendix IV to this circular for the full text.

The resolution on the dilution of current return, adoption of remedial measures and undertakings by relevant entities of the Issuance will be proposed to the Independent Shareholders for their consideration and approval by way of an ordinary resolution at the EGM.

### **2.7 Resolution on the Shareholders' return plan for the next three years (2021-2023) after the Issuance**

In order to further improve and strengthen the Company's scientific, sustainable and stable dividend distribution mechanism and supervision mechanism, actively reward investors, and effectively protect the legitimate rights and interests of all Shareholders, in accordance with the requirements of laws and regulations such as the PRC Company's Law, the Notice on Further Implementing Issues concerning Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37) and the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies (CSRC Announcement [2013] No. 43) as well as the Articles of Association, and taking into account the actual situation of the Company, the Board has formulated the "Shareholders' Return Plan for the Next Three Years (2021-2023) after the Non-public Issuance of China Suntien Green Energy Corporation Limited". Please refer to Appendix V to this circular for the full text.

When formulating the Shareholders' return plan, the Company has had due regard to the interests and concerns about equity investment returns of small-and-medium Shareholders. Comparing to the Shareholders' return plan under the Original Issuance Plan, the Company has increased the percentage of the total profit distributed in cash each year from 15% to 20% of the realized distributable profit attributable to the shareholders of the Company for the year, therefore further safeguarding the return on equity investment of existing Shareholders.

The resolution on the Shareholders' return plan for the next three years (2021-2023) after the Issuance will be proposed to the Shareholders for their consideration and approval by way of an ordinary resolution at the EGM.

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## LETTER FROM THE BOARD

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### **2.8 Resolution on approval by the Shareholders in the general meeting for the waiver from the obligation of the controlling shareholder to make a general offer in respect of its acquisition of the shares of the Company**

According to the proposal of the Issuance, HECIC intends to subscribe for not less than 48.73% of the number of A Shares actually issued in the Issuance in cash, and upon completion of the Issuance, the shareholding of HECIC in the Company shall not exceed 50.70%. The Shares to be subscribed for by HECIC shall not be transferred within 36 months from the date of completion of the Issuance.

The increase in shareholding of HECIC in the Company is in line with the relevant requirements of exemption from offer as stipulated in subparagraph 1(3) to Article 63 of the Administrative Measures for the Acquisition of Listed Companies (Revised in 2020), and therefore, the Company intends to propose to the general meeting for seeking the approval to exempt HECIC from making a general offer (as defined in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange). The Subscription does not trigger a mandatory general offer under the Code on Takeovers and Mergers (issued by the Securities and Futures Commission of Hong Kong).

The resolution on approval by the Shareholders in the general meeting for the waiver from the obligation of the controlling shareholder to make a general offer in respect of its acquisition of the shares of the Company is subject to the consideration and approval by way of an ordinary resolution to be submitted to the EGM.

### **2.9 Resolution on the authorization to the Board and its authorized persons by the general meeting to handle matters, at their full discretion, regarding the Issuance**

In order to facilitate the smooth implementation of the Issuance, the Company proposes to the general meeting to authorize the Board with full power to handle matters in relation to the Issuance, so that the Board can do the same at its discretion and with full power as and when appropriate. The authorization shall include but not limit to:

- 1) handle the reporting and implementation of the Issuance with full power, including but not limited to the Issuance and the listing matters, approving, formulating, signing, submitting, supplementing, executing, amending, reporting, replying all necessary documents related to the Issuance and listing, replying to feedback from relevant government authorities, such as the CSRC, and handling reporting, registration, filing, approval and consent procedures at relevant government authorities, regulatory authorities and stock exchanges, the securities registration and clearing organizations, as well as handling information disclosure matters in relation to the Issuance in accordance with the regulatory requirements;

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## LETTER FROM THE BOARD

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- 2) subject to the laws and regulations and to the extent of the scope as permitted by the Articles of Association and the resolutions at the general meeting, authorize the Board to formulate and implement the specific plan of the Issuance in accordance with the actual situation, including the timing of Issuance, number of Shares to be issued, commencement and completion of Issuance, selection of target investors, determination of issue price, amount of the proceeds, use of the proceeds and other matters related to the Issuance;
- 3) determine and appoint the sponsor and other intermediary institutions, and amend, supplement, sign, submit, report, and execute all agreements and documents in relation to the Issuance, including but not limited to the share subscription agreements, underwriting and sponsorship agreements as well as agreements in relation to the investment projects;
- 4) deal with matters such as the reporting, approval, and filing of the investment projects of the Issuance, and sign material contracts to be entered into during the implementation of the investment projects of the Issuance;
- 5) confirm the special account for the proceeds, deal with matters in relation to the opening of the special account, sign a regulatory agreement with the sponsor and the commercial bank where the proceeds are deposited, and determine the specific arrangement for the use of proceeds from the Issuance in designated investment projects in accordance with the requirements of securities regulatory departments and the actual situation of the securities market;
- 6) adjust the specific plan for the Issuance in accordance with requirements of relevant laws, regulations or relevant securities regulatory departments (except for matters required by the relevant laws, regulations and the Articles of Association to be re-voted at the general meeting), and adjust the investment projects prior to the Issuance (including but not limited to the priority and amount of the proceeds allocated) within the authorization from the general meeting and based on factors such as the specific projects' filing approval and construction progress, review of the specific projects by relevant departments, relevant changes in market conditions, changes in conditions precedent to the use of proceeds raised. According to actual progress of the projects and operation needs, the Company can first implement the investment projects with its self-raised proceeds, which will be replaced with proceeds raised from the Issuance when they are received;
- 7) deal with relevant matters in relation to the listing of Shares under the Issuance on the Shanghai Stock Exchange and lock-up period upon completion of the Issuance;
- 8) amend the relevant articles in the Articles of Association and complete the registration with the industrial and commercial departments in accordance with the actual issuance results of the Issuance;



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## LETTER FROM THE BOARD

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- 9) adjust the issuance plan if there are new requirements of relevant regulatory departments;
- 10) in the event of force majeure or other events causing difficulty in the implementation of the issuance plan, or the plan can be implemented but it will have a material adverse impact on the Company, or when there are changes in the policy of the securities regulatory departments on the non-public issuance of shares, decide at its discretion to postpone or terminate the implementation of the Issuance, or continue to deal with the Issuance in accordance with the new policy on non-public issuance of shares;
- 11) take necessary actions to deal with other matters in relation to the Issuance within the scope as permitted by relevant laws and regulations, regulatory documents and the Articles of Association;
- 12) propose by the Board of the Company to the general meeting to approve the authorization of the chairman, president and the secretary to Board of the Company as the authorized persons of the Issuance to specifically deal with the matters in relation to the Issuance as listed in items 1) – 11) above and sign relevant legal documents. The above authorized persons have the right to deal with the above matters in relation to the Issuance on behalf of the Company in the process of the Issuance in accordance with the scope of authorization as determined by way of resolution at the general meeting of the Company and the authorization from the Board.

Among the above authorized matters, except for items 7) and 8) where the validity period of the authorization is until the date when the relevant matters are completed, the validity period of the authorization for the remaining items is 12 months, which is calculated from the date of approval of this resolution at the general meeting of the Company.

The resolution on the authorization to the Board and its authorized persons by the general meeting to handle matters, at their full discretion, regarding the Issuance will be proposed to Independent Shareholders for their consideration and approval by way of a special resolution at the EGM and the Class Meetings.

### **2.10 Resolution on the Specific Mandate**

The Company will seek a Specific Mandate from Independent Shareholders at the EGM and the Class Meetings in respect of the Issuance for the issuance of A Shares.

In this regard, the Board intends to seek approval from Independent Shareholders at the EGM and the Class Meetings to grant the Specific Mandate to the Board, pursuant to which the Board proposes to issue up to 1,154,973,118 A Shares to specific targets in accordance with the issuance plan approved by the Shareholders. This Specific Mandate is valid for 12 months from the date of approval at the general meeting, the ACM and the HCM of the Company.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company had a total of 3,849,910,396 shares in issue including 2,010,906,000 A Shares and 1,839,004,396 H Shares. According to the issuance plan of the Issuance, the 1,154,973,118 A Shares to be issued (assuming that they are issued in full) represent (i) approximately 57.44% of the existing issued A Shares and 30.00% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 36.48% of the enlarged A Shares in issue and approximately 23.08% of the enlarged share capital in issue after completion of the proposed non-public issuance of A Shares.

The resolution on the Specific Mandate will be proposed to the Independent Shareholders for their consideration and approval by way of a special resolution at the EGM and the Class Meetings.

### 2.11 Impact of the Issuance on the shareholding structure of the Company

Assuming that, except for the Issuance, there is no other change in the total issued share capital of the Company from the Latest Practicable Date to the completion date of the Issuance, (1) as at the Latest Practicable Date; and (2) immediately after the completion of the proposed Issuance (assuming that (i) a total of 1,154,973,118 A Shares at the upper limit has been issued under the Issuance, and (ii) HECIC has subscribed for 661,319,941 A Shares under the Issuance), the shareholding structures of the Company are set out as follows, respectively:

	As at the Latest Practicable Date		Immediately after the completion of A Share Issuance	
	Number of Shares	Approximate percentage of issued share capital of the Company	Number of Shares	Approximate percentage of issued share capital of the Company
A Shares	2,010,906,000	52.23%	3,165,879,118	63.26%
including:				
A Shares held by HECIC	1,876,156,000	48.73%	2,537,475,941	50.70%
A Shares held by other non-connected				
Shareholders of A Shares	134,750,000	3.5%	628,403,177	12.56%
H Shares (held by the public Shareholders)	1,839,004,396	47.77%	1,839,004,396	36.74%
<b>Total</b>	<b><u>3,849,910,396</u></b>	<b><u>100.00%</u></b>	<b><u>5,004,883,514</u></b>	<b><u>100.00%</u></b>

*Note:* Certain amounts and percentage figures in the table above have been rounded to the nearest whole figures. The discrepancies between the total amounts and the amounts shown in the table are due to rounding.

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## LETTER FROM THE BOARD

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### 2.12 Alternative fund-raising methods

The Company had considered various fund raising methods based on the capital needs for the Group's project development as a whole. As of 31 December 2020, the Group had 26 wind power and gas pipeline projects under construction; the Group's accumulative total investment to these projects amounted to approximately RMB 13.9 billion, while the remaining capital expenditure of these projects amounted to approximately RMB 35.6 billion.

In terms of debts financing, while bank borrowing remains as one of the major financing channels of the Group, the Company has obtained approval from the CSRC in relation to its renewable green corporate bonds of up to and including RMB3 billion in the PRC, and the first tranche of RMB1.04 billion of which was issued on 10 March 2021 (see the Company's announcement dated 11 March 2021 for details). The gearing ratio of the Group as at 31 December 2020 had reached 70.84%, and it is expected to increase in 2021.

The Board believes that equity fund-raising is more in line with the long-term interests of the Company as opposed to debts financing. In terms of the equity fund-raising methods in Hong Kong and the PRC capital markets, the Company had compared various factors of rights issue, public offer and non-public issuance, including possible rate of success, market practice, requisite procedures, execution timelines, financing costs and potential dilution effect on the Company's shareholding structure:

- the closing prices of the H Shares ranged from HK\$2.27 to HK\$2.77 per H Share and the closing prices of the A Shares ranged from RMB6.6 to RMB11.5 per A Share during the period from beginning of 2021 to 5 March 2021 (being the date of announcement in respect of the Issuance). In addition, the net asset value per share of the Company as at 31 December 2020 was RMB3.42 (calculated on the basis of the equity attributable to holders of the parent company in the audited consolidated statements as at 31 December 2020), which is substantially higher than the current market price of the H Shares. As the issue price of new Shares must not be lower than the latest audited net asset value per share of the Company per the relevant requirements of the SASAC, it would be difficult for the Company to identify investors to subscribe for H Shares with issue price substantially higher than the current market price;
- a rights issue shall be made to all of the Company's existing Shareholders and shall be implemented to the A Shareholders and H Shareholders simultaneously and at the same price. Due to the significant price difference between the A Shares and the H Shares, it is impractical to determine a price suitable for both classes of Shares should a rights issue be conducted;
- it was uncommon for A-share listed issuers to raise fund by way of public offer and there were only a handful of successful cases of public offer on the Shanghai Stock Exchange in the past two years;

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## LETTER FROM THE BOARD

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- a non-public issuance requires a simpler regulatory approval process and may incur less financing costs in general; and
- due to the significant price difference between the A Shares and the H Shares, should an issuance of H Shares be conducted for raising the same amount of fund, the number of H Shares to be issued would be significantly more than that required under the Issuance, which would lead to a much larger dilution on the shareholding of the existing Shareholders.

Based on the aforesaid factors, the Company considers that the Issuance is the most feasible equity fund-raising option for the Company at this development stage.

### **2.13 Fund raising activities of the Company during the past 12 months**

On 29 June 2020, the Company completed the initial public offering and listing of 134,750,000 A Shares on the SSE with a nominal value of RMB1.00 each. The then existing domestic shares of the Company were simultaneously converted to A Shares. The issue price was RMB3.18 per A Share, the total proceeds from that offering was RMB428.505 million (and the net proceeds was RMB389.8293 million after deduction of offering expenses of RMB38.6757 million).

Save for the above and the Original Issuance Plan, the Directors confirmed that the Company has not conducted any fund raising activities in the 12 months immediately preceding the Latest Practicable Date involving the issue of its equity securities.

## **3. THE SUBSCRIPTION**

Being supportive and confident in the future development of the Company, and in order to safeguard the interests of the Company and all Shareholders, HECIC, the controlling shareholder of the Company, intends to subscribe for the A Shares in the Issuance at a cash consideration. The Company entered into the New Subscription Agreement with HECIC on 5 March 2021 and the term of lock-up period as stipulated in the agreement is 36 months, which is extended from the 18 months as stipulated under the Original Subscription Agreement entered into between the Company and HECIC on 21 December 2020. The Subscription shall be proposed to the Independent Shareholders for their consideration and approval by way of a special resolution at the EGM and Class Meetings. The Original Subscription Agreement has lapsed due to the non-fulfillment of conditions precedent.

### **3.1 The New Subscription Agreement**

Major terms of the New Subscription Agreement are set out as below:

- 1) Date of the agreement: 5 March 2021
- 2) Parties: the Company (as the issuer) and HECIC (as the subscriber)

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## LETTER FROM THE BOARD

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- 3) Subscription price and basis of determination: HECIC will subscribe for A Shares at the issue price under the Issuance. HECIC will not participate in the market bidding process, but has undertaken to accept the market bidding results and subscribe for the A Shares to be issued under the Issuance at the same price as other specific investors do. If the issue price is not determined by way of bidding, HECIC will continue to participate in the Subscription. The subscription price shall be the higher of 80% of the average trading price of A Shares in the 20 trading days prior to the pricing benchmark date of the Company and the Company's latest audited net asset per share attributable to the holders of ordinary shares of parent company. Please refer to section 2.2 headed "Resolution on the issuance plan" above for the further details of the pricing benchmark date, issue price and pricing method in respect of the Issuance.

When determining the issue price of the Issuance, the Company first considered the requirements for non-public issuance of A shares under relevant PRC laws and regulations, including but not limited to (1) the amended Administrative Measures for the Issuance of Securities by Listed Companies (上市公司證券發行管理辦法) published by the CSRC on 14 February 2020, which stipulates that the issue price of a non-public issuance of shares of a listed company shall not be less than 80% of the average price of that company's shares for the 20 trading days prior to the pricing benchmark date. For reference, the average trading price of the A Shares for the 20 trading days up to the Latest Practicable Date was RMB10.26 per Share and the price after a discount of 20% was RMB8.21 per Share; and (2) the relevant requirements of the SASAC, which require that the issue price of A shares shall not be less than the latest available net asset value per share as at the date of determination of such issue price. For reference, the net asset value per share of the Company as at 31 December 2020 was RMB3.42 (calculated on the basis of the equity attributable to holders of the parent company in the audited consolidated statements as at 31 December 2019). In the premise of ensuring compliance with the aforesaid regulatory requirements, the Company made reference to the pricing mechanism adopted by the 37 companies whose shares are listed on the SSE and which have conducted non-public issuance of shares since the publication of the amended Administrative Measures for the Issuance of Securities by Listed Companies in February 2020 and their final issue prices. The Company noted that the pricing mechanism adopted by these companies is substantially the same as that adopted by the Company as stated in the Issuance Plan, and the average discount rate of the final issue prices of these companies against their respective average trading prices of shares in the 20 trading days prior to the pricing benchmark dates is approximately 15.01%. In order to ensure the smooth completion of the Issuance and to maximise the possibility of potential investors' participation in the Issuance, the Company sets 80% of the average trading price of the A Shares in the 20 trading days prior to the pricing benchmark date as one of the key thresholds

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## LETTER FROM THE BOARD

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of the final issue price. However, the final issue price will be determined in accordance with the price priority principle based on the quotations offered by the target subscribers during the market bidding process.

- 4) Subscription amount and subscription quantity: HECIC has agreed to subscribe for the A Shares under the Issuance in cash. The number of Shares to be subscribed by HECIC shall not be less than 48.73% of the number of A Shares actually issued in the Issuance, but not to exceed 661,319,941 Shares. Upon completion of the Issuance, the shareholding of HECIC in the Company will not exceed 50.70%.

In case of any change of the share capital of the Company, including scrip issue, repurchase or capitalization of reserves etc. during the period from the date of announcement of the Board resolution regarding the Issuance to the date of Issuance, the upper limit of the number of A Shares issued will be adjusted accordingly. If the number of A Shares under the Issuance is adjusted to comply with any regulatory policies or due to the decision of the Board of the Company or its authorized person within the scope of the general meeting's authorization based on actual needs, etc., the number of A Shares to be subscribed by HECIC under the Issuance will be adjusted accordingly.

The specific subscription quantity and subscription price of HECIC shall be confirmed by way of supplemental agreement to be entered into by HECIC and the Company.

- 5) Payment method: HECIC agrees that when all the conditions precedents stipulated in the New Subscription Agreement are fulfilled and upon receiving the payment notice of the Subscription from the Company or the sponsor (lead underwriter), HECIC shall make payment for the Subscription to the designated special payment account before deadline as stated in the payment notice.
- 6) Lock-up period: pursuant to the Administrative Measures for the Issuance of Securities, the Implementation Rules for Non-public Issuance of Shares and other relevant regulations, the A Shares to be subscribed for by HECIC under the Issuance shall not be transferred within 36 months from the date of completion of the Issuance.

If the aforesaid lock-up period does not conform to the latest regulatory opinions or regulatory requirements of the securities regulatory authorities, HECIC and the Company shall enter into a separate supplemental agreement to adjust the lock-up period accordingly in accordance with the regulatory opinions or regulatory requirements of the relevant securities regulatory authorities. Upon completion of the Issuance, any Shares derived from scrip issue or capitalization of reserves of the Company in respect of the A Shares subscribed for by HECIC under the Issuance shall also be subject to the aforementioned arrangement. Where any law or regulation provides

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## LETTER FROM THE BOARD

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otherwise on the lock-up period, such law or regulation shall prevail. HECIC shall, in accordance with relevant laws and regulations and the relevant requirements of the CSRC and the Shanghai Stock Exchange, issue relevant lock-up undertaking for the subscription Shares under the Issuance per the request of the Company, and handle related lock-up matters.

- 7) Conditions precedent and effective date: the New Subscription Agreement will become effective when it is duly signed and sealed by both parties and all the following conditions are met:
- (i) each of the Board, the EGM, the ACM and the HCM shall have considered and approved the Issuance and the Subscription;
  - (ii) the competent state-owned asset-related regulatory authority shall have approved the Issuance; and
  - (iii) the CSRC shall have approved the Issuance.

### **3.2 General information of the parties to the New Subscription Agreement**

#### **1) *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, liquefied natural gas, compressed natural gas, coalbed methane and coal-made natural gas, etc.; (ii) investment in the development of new energy projects such as wind power, solar power, and nuclear energy project; and (iii) development of new energy technology and technical services.

#### **2) *HECIC***

HECIC is a wholly state-owned enterprise incorporated under the approval of the People's Government of Hebei Province and is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the People's Government of Hebei Province. It is primarily engaged in the investment and construction of energy, transportation, water business, commercial real estates and other infrastructure industries, infrastructures and pillar industries of Hebei Province.

### **3.3 Reasons for and benefits of entering into the Subscription**

The Subscription indicates HECIC's confidence in the Company and its support to the Company's business development, which is conducive to further enhance the profitability and sustainable development capabilities of the Company, lower its gearing ratio and enhance its risk resistance capacity. The terms and conditions of the New Subscription Agreement is determined after arm's length negotiations between the Company and HECIC.

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## LETTER FROM THE BOARD

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Taking also into account that (i) the terms of the Subscription Agreement are in line with the principles as set out in the plan for the Issuance, in particular, the subscription price of HECIC will be determined based on the market conditions and in compliance with the regulatory requirements by the CSRC; and (ii) HECIC will subscribe for the A Shares in cash and the A Shares subscribed for will be subject to a lock-up period of 36 months, the Directors (including the independent non-executive Directors) are of the view that although the connected transaction in relation to the Subscription is not in the ordinary and usual course of business of the Group, the terms of which are on normal commercial terms, and are fair and reasonable, and that the Subscription is in the interests of the Company and the Shareholders as a whole.

### **3.4 Implications under the Listing Rules**

HECIC is the controlling shareholder of the Company which directly holds 1,876,156,000 A Shares, representing approximately 48.73% of the total issued share capital of the Company and is therefore a connected person of the Company. The Subscription constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**The Issuance and the Subscription may or may not be proceeded as the completion of the Issuance and the Subscription is subject to the satisfaction of certain conditions. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **4. THE EGM AND THE CLASS MEETINGS**

The EGM and the Class Meetings will be held on Friday, 23 April 2021 at the Conference Room, 5/F, Yun-Ray Ambassador Hotel, Shijiazhuang City, Hebei Province, the PRC. The notices of the EGM and the Class Meetings were despatched to the Shareholders on 8 March 2021.

In order to determine the Shareholders who are eligible to attend and vote at the EGM and the Class Meetings, the register of members of the Company will be closed from Thursday, 15 April to Friday, 23 April 2021, both days inclusive. To be eligible to attend and vote at the EGM and the Class Meetings, unregistered holders of H Shares of the Company shall lodge relevant share transfer documents with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 April 2021.

If you intend to attend the EGM and/or the Class Meetings in person or by proxy, you are required to complete and return the accompanying reply slips to Computershare Hong Kong Investor Services Limited (for the holders of H Shares) on or before Saturday, 3 April 2021.



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## LETTER FROM THE BOARD

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If you intend to appoint a proxy to attend the EGM and/or the Class Meetings, you are required to complete and return the proxy forms in accordance with the instructions printed thereon. For the holders H Shares, the proxy forms should be returned to Computershare Hong Kong Investor Services Limited in person or by post but in any event not less than 24 hours before the time fixed for holding the EGM and/or the Class Meetings or any adjourned meeting(s) thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the EGM and/or the Class Meetings or at any other adjourned meeting(s) should you so wish.

The Company will separately announce details of the arrangements for the attendance by holders of A Shares of the EGM and the ACM on the website of the SSE in due course.

### 5. 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 chairmen of the EGM and the Class Meetings will exercise the power under the Articles of Association to demand a poll in relation to all the proposed resolutions at the EGM and the Class Meetings. Results of the poll voting will be uploaded to the Company's website at [www.suntien.com](http://www.suntien.com) and the HKExnews website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) after the EGM and the Class Meetings.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed below, none of the Shareholders shall abstain from voting for or against any resolutions at the EGM and the Class Meetings.

In accordance with the requirements under the Listing Rules, HECIC and its associates are deemed to have a material interest in the following resolutions and are required to abstain from voting on those resolutions at the EGM and the relevant Class Meetings:

- (1) resolution on the issuance plan
- (2) resolution on the proposal for the Issuance
- (3) resolution on the feasibility analysis report on the use of proceeds from the Issuance
- (4) resolution on the dilution of current returns, adoption of remedial measures and undertakings by relevant entities of the Issuance
- (5) resolution on the authorization to the Board and its authorized persons by the general meeting to handle matters, at their full discretion, regarding the Issuance
- (6) resolution on the Specific Mandate
- (7) resolution on approval by the Shareholders in the general meeting for the waiver from the obligation of the controlling shareholder to make a general offer in respect of its acquisition of the shares of the Company

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## LETTER FROM THE BOARD

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- (8) resolution on the entering into of the New Subscription Agreement and connected transaction between the Company and HECIC

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all of his/her the votes in the same manner.

### 6. RECOMMENDATIONS

On 5 March 2021, the Company held a Board meeting and approved various resolutions in relation to the Issuance, the Specific Mandate and the Subscription. At the Board meeting, as four Directors, namely Dr. Cao Xin, Dr. Li Lian Ping, Mr. Qin Gang and Mr. Wu Hui Jiang, hold positions in HECIC, they have abstained from voting on the resolutions referred to in the section headed “5. Voting by poll” in this letter and in which HECIC and its associates have material interests in accordance with the provisions of the Company’s Articles of Association. Save as disclosed above, none of the Directors has a material interest in the various resolutions to be considered at the EGM and the Class Meetings. The Directors believe that the various resolutions put forward at the EGM and the Class Meetings are in the interests of the Company and Shareholders as a whole, and it is recommended that Shareholders vote in favor of all the resolutions to be proposed at the EGM and the Class Meetings.

In addition, the Independent Board Committee comprising all independent non-executive Directors of the Company has been formed to advise the Independent Shareholders in respect of the Subscription. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such respect. Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee is of the view that although the connected transaction in relation to the Subscription is not in the ordinary and usual course of business of the Group, the terms of which are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription is 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 resolutions to be proposed at the EGM and the Class Meetings in respect of the Subscription.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 25 to 26 of this circular, containing its recommendation in respect of the New Subscription Agreement and the Subscription; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 42 of this circular, containing its recommendation in respect of the New Subscription Agreement and the Subscription.

Yours faithfully,  
**Cao Xin**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

1 April 2021

*To the Independent Shareholders*

Dear Sir or Madam,

#### CONNECTED TRANSACTION – THE SUBSCRIPTION

We refer to the circular dispatched by the Company to the Shareholders on 1 April 2021 (the “**Circular**”), of which this letter forms a 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 under the Listing Rules, we have been appointed to consider and advise the Independent Shareholders as to whether the Subscription under the New Subscription Agreement is entered into on normal commercial terms and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and is 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 the New Subscription Agreement and the Subscription, and the reasons for entering into the New Subscription Agreement are contained in the letter from the Board set out on pages 5 to 24 of the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” contained in the Circular, we concur with the view of the Independent Financial Adviser and consider that although the connected transaction in relation to the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings for approving the New Subscription Agreement and the Subscription contemplated thereunder.

Yours faithfully,  
Independent Board Committee of  
**China Suntien Green Energy Corporation Limited\***  
**Guo Ying Jun**  
**Wan Yim Keung, Daniel**  
**Lin Tao**  
*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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 Subscription 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

1 April 2021

*To: The independent board committee and the independent shareholders  
of China Suntien Green Energy Corp Ltd.*

Dear Sirs or Madam,

### CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 1 April 2021 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.

In order to enhance the profitability and sustainable development capabilities of the Company, lower its gearing ratio and enhance its risk resistance capacity, on 21 December 2020, the Board passed relevant resolutions relating to the proposed non-public issuance of up to 1,154,973,118 A Shares to target subscribers (the “**Original Issuance**”), including HECIC (the “**Original Subscription**”). As the Original Issuance Plan and the relevant resolutions were not passed at the first A Share class meeting for 2021 held by the Company on 8 February 2021, the Original Issuance Plan was not implemented.

After taking into account and evaluating the capital needs of the Group’s development project, and comparing the timeline and financing costs of different financing methods, the Company considers equity fund raising through non-public issuance as the most feasible equity fund-raising option for the Company at this stage. Therefore, the Company intends to once again propose the non-public issuance of up to 1,154,973,118 A Shares to target subscribers. When reformulating the plan, the Company has had due regard to the interests and concerns about equity investment returns of small-and-medium Shareholders, and adjusted the Shareholders’ return plan for the next three years after the Issuance, therefore further safeguarding the return on equity investment of existing Shareholders. At the same time, the lock-up period of A Shares subscribed for by HECIC in the Issuance will extend to within a period of 36 months from the date of the completion of the Issuance.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Being supportive and confident in the future development of the Company, HECIC, the controlling Shareholder of the Company, intends to subscribe for A Shares in the Issuance at a cash consideration. On 5 March 2021, the Company entered in to the New Subscription Agreement with HECIC, pursuant to which, HECIC agreed to conditionally subscribe for not less than 48.73% of the total number of A Shares to be issued in the Issuance, but not exceed 661,319,941 A Shares and upon completion of the Issuance, the shareholding of HECIC in the Company will not exceed 50.70%. The Subscription shall be proposed to the Independent Shareholders for their consideration and approval by way of a special resolution at the EGM and Class Meetings. The Original Subscription Agreement entered into between the Company and HECIC has lapsed due to the non-fulfillment of implementation of conditions precedent.

With reference to Board Letter, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Guo Ying Jun, Mr. Wan Yim Keung, Daniel, Dr. Lin Tao (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription are on normal commercial terms and are fair and reasonable; (ii) whether the Subscription 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 Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Subscription at the EGM and the Class Meetings (as the case may be). 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.

### INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the Subscription (details of which are set out in the Company's circular dated 15 January 2021, the "**Previous Circular**"). Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Besides, apart from the advisory fee and expenses payable to us in connection with our aforesaid engagement and this engagement (as the Independent Financial Adviser), there was no arrangement whereby we shall receive any other fees or benefits from the Company.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement, we are of the view that we are independent to act as the Independent Financial Adviser.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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 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, its advisers 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 Issuance. 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 enquires, 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 as contained 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, HECIC or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Issuance. 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 A Shares or H Shares or any other securities of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### (1) Background and reasons for the Subscription

##### *Business overview of the Group*

With reference of 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, liquefied natural gas, compressed natural gas, coalbed methane and coal-made natural gas, etc.; (ii) investment in the development of new energy projects such as wind power, solar power, and nuclear energy project; and (iii) development of new energy technology and technical services.

##### *Information on HECIC*

With reference to the Board Letter, HECIC is a wholly state-owned enterprise incorporated under the approval of the People's Government of Hebei Province and is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the People's Government of Hebei Province. It is primarily engaged in the investment and construction of energy, transportation, water business, commercial real estates and other infrastructure industries, infrastructures and pillar industries of Hebei Province.

##### *Reasons for and benefits of the Issuance (including the Subscription) and the use of proceeds*

With reference to the Board Letter and as confirmed by the Directors, the Issuance would allow the Company to enhance the profitability and sustainable development capabilities of the Company, lower its gearing ratio and enhance its risk resistance capacity. The Subscription indicates HECIC's confidence in the Company and its support to the Company's business development, which is conducive to further enhance the profitability and sustainable development capabilities of the Company, lower its gearing ratio and enhance its risk resistance capacity.

##### *Proposed use of proceeds*

The total number of A Shares issued in the Issuance shall not exceed 30% of the total share capital of the Company prior to the Issuance, i.e. 1,154,973,118 Shares (inclusive), which is subject to the CSRC approval for the Issuance.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the 《發行監管問答—關於引導規範上市公司融資行為的監管要求(修訂版)》(Q&A on Issuance Supervision-Requirements for the Guidance and Standardisation of Fundraising Activities of Listed Companies (Revised)\*, promulgated by CSRC on 14 February 2020, the number of new shares to be issued by way of non-public issuance will, in principle, not be more than 30% of the company's total share capital before the issuance.

The total amount to be raised from the Issuance (including issuance expenses) will not exceed RMB5.110 billion (inclusive), and the net proceeds after deduction of issuance expenses will be used as follows: (i) RMB2.696 billion for the Tangshan LNG Project (first phase and second phase); (ii) RMB0.786 billion for the Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section); (iii) RMB0.266 billion for the Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section) (together with projects mentioned in (i) and (ii), the “**Proposed Projects**”); and (iv) RMB1.362 billion for the replenishment of working capital and repayment bank loan. Save for the adjustments on the utilisation amounts of proceeds for the Proposed Projects, the proposed use of proceeds under the Issuance is the same as the proposed use of proceeds under the Original Issuance.

The actual amount of net proceeds to be raised from the Issuance is no more than the requisite capital for investment projects. The Board of the Company may, taking into account the actual needs and without altering the list of investment projects, make appropriate adjustments to the priorities and amounts of the proceeds allocated to the above projects. Pending the receipt of the proceeds from the Issuance, the Company may, based on the actual progress of the relevant projects, first apply any funds otherwise available to it to the projects and, when the proceeds are available, use the proceeds to replace such funds otherwise raised in accordance with the procedures required by relevant laws and regulations. If the actual amount of proceeds from the Issuance is less than the utilization amount of the proceeds of the above projects, the shortfall will be covered by the Company through self-raised funds. The Board has the right to adjust or determine the specific arrangements such as the investment projects and the amounts required to the extent as permitted by the relevant laws and regulations and as authorized by the resolution of the general meeting.

We noted from the 《非公開發行A股股票募集資金使用的可行性分析報告》(The Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares\*) of the Company, the estimated total investment of (i) Tangshan LNG Project (first phase and second phase) amounted to RMB18.597 billion; (ii) Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section) amounted to RMB6.417 billion; and (iii) Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section) amounted to RMB2.954 billion. Details of the Proposed Projects are set out in the aforesaid feasibility analysis report as contained in Appendix II to the Circular. We also noted from the 2020 interim report that the Tangshan LNG Project and the Outbound Pipelines Projects constructed by Caofeidian Suntien Liquefied Natural Gas Co., Ltd. (being a subsidiary of the Company) have been listed as the projects to be sped up in the

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2020 oil and natural gas infrastructure key constructions of the National Development and Reform Commission of the PRC (國家發改委2020年石油天然氣基礎設施重點工程), which are crucial for the enhancement of the capability of natural gas supply in Beijing, Tianjin and Hebei Province in winter and the capability of transmission and distribution of gas in the pipeline network.

As advised by the Directors, the Proposed Projects will be involved in the LNG and related industry. According to statistic data as released by BP p.l.c., in recent ten years, China's consumption of natural gas exceeds its output of natural gas, with the increasing in spread of the consumption and output of natural gas. With reference to the 2020 interim report, further improving the layout of LNG receiving stations will become an important part for the construction of China's natural gas production, supply, storage and marketing system. China will continue to improve its LNG receiving stations and other infrastructures, and actively seek for new LNG resources around the world. The source of imported gas will be further diversified, and the supply capacity will gradually increase. The external pipelines of LNG receiving stations will be interconnected with pipeline networks at all levels and connected to inland cities to realize the full connection between imported LNG and domestic gas to make up for the gap in supply and demand, meet China's growing demand for natural gas, and ensure the security of future natural gas supply.

We noted from 《關於加快推進天然氣儲備能力建設的實施意見》(Implementation Opinions on Accelerating the Construction of Natural Gas Storage Capacity\*) (the "**Implementation Opinions**") jointly issued by National Development and Reform Commission of the PRC, Ministry of Finance of the PRC, Ministry of Natural Resources of the PRC, Ministry of Housing and Urban-Rural Development of the PRC and National Energy Administration in April 2020 that it pointed out certain implementation opinions to further accelerate the construction of gas storage infrastructure and enhance natural gas storage capacity. According to the Implementation Opinions, among other things, it highlights the priority construction of underground gas storage, LNG in northern coast receiving terminals and large-scale LNG storage tanks in key areas. The existing LNG receiving terminals are encouraged to expand the scale of storage tanks, and urban clusters are encouraged to build and share gas storage facilities, in order to form a regional gas storage and peak shaving center. By giving full play to the characteristics of suitability for storage and transportation and flexibility in deployment and transportation of LNG storage tanks, pilot demonstration of LNG tank container multimodal transportation will be promoted and various measures will be taken to improve gas storage capacity. The Proposed Projects are of great significance to the improvement of natural gas storage and transmission capacity in the region.

As mentioned above, the proceeds of RMB1.362 billion will be used for the replenishment of working capital and repayment of bank loan, which represented approximately 26.65% to the maximum total amounts to be raised of RMB5.110 billion. According to the Comparable Transactions (as defined below), save for those which (i) did not plan to use proceeds from the non-public issuance for the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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purpose of replenishment of working capital and repayment of debt; and (ii) planned to use all proceeds from the non-public issuance for the purpose of replenishment of working capital, the portions relating to “proceeds for the replenishment of working capital and repayment of debt” to “maximum total amounts to be raised from the non-public issuance” ranged from approximately 7.14% to approximately 30.00%.

Based on the above, we consider the proposed use of proceeds to be justifiable.

### *Financing alternatives available to the Group*

With reference to the Board Letter, the Company completed the initial public offering and listing of 134,750,000 A Shares with a nominal value of RMB1.00 each on the Shanghai Stock Exchange on 29 June 2020 and the then existing domestic shares of the Company were simultaneously converted to A shares. The issue price was RMB3.18 per A share and the total proceeds from that offering was RMB428,505,000 and the net proceeds was RMB389,829,300 after deduction of offering expenses of RMB38,675,700. After the offering, the total number of Shares of the Company was 3,849,910,396, comprising 2,010,906,000 A Shares and 1,839,004,396 H Shares.

Save for the above, the Company did not conduct any equity fund raising activities involving the issuance of equity securities in the 12 months immediately preceding the Latest Practicable Date.

Upon our enquiry with the Directors, we understood that the Directors had considered various fund raising methods such as debt financing (including convertible bonds) and equity financing (such as rights issue, public issuance and non-public issuance of A Shares and H Shares) as fund raising methods for the Group from Hong Kong capital market and/or the PRC capital market based on the capital needs for the Group’s project development as a whole. As at 31 December 2020, the Group had 26 wind power and gas pipeline projects under construction, with an accumulative total investment of approximately RMB13.9 billion, while the remaining capital expenditure of these projects amounting to approximately RMB35.6 billion.

In relation to debt financing, while bank borrowing remains as one of the major financing channel of the Group, the Company has obtained approval from the CSRC in relation to its renewable green corporate bonds of up to and including RMB3 billion in the PRC, and the first tranche of RMB1.04 billion of which was issued on 10 March 2021 (details are set out in the Company’s announcement dated 11 March 2021). The gearing ratio of the Group as at 31 December 2020 had reached 70.84%, and it is expected to increase in 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Board believes that equity fund-raising is more in line with the long-term interests of the Company as opposed to debts financing. In relation to equity financing:

- the rights issue is targeted at the Company's existing Shareholders and shall be implemented to the holders of A Shares and H Shares simultaneously at the same price. The average closing price of A Shares during the period of the A Share listing date to the date of the A Share issuance plan represented a significant premium to the closing price of H Shares during the same period. Given the significant premium of the price of A Shares over the price of H Shares during the aforesaid period and the capital market environment of Hong Kong and the mainland China are different, it is not practical to determine a price suitable for both classes of Shares, and thus the Company did not consider rights issue as an appropriate fund-raising method for the Group.
- the public issuance is the issuance of shares to unspecified investors. As advised by the Directors, it was uncommon for listed issuers to conduct equity fund raising by way of public issuance. Based on our research, there were only three transactions in respect of equity fund raising by way of public issuance of A shares by companies listed on mainboard of Shanghai Stock Exchange from 1 January 2019 to 31 January 2021.
- as there was a significant premium of the price of A Shares over the price of H Shares, should the Company conduct a fund raising exercise by issuance of new H Shares with proceeds of RMB5.11 billion, assuming that (A) an equivalent pricing basis is adopted to determine the benchmark price for the H Share issuance (that is, being the higher of (i) 80% of the average trading price of the H Shares during the 20 trading days immediately preceding the price benchmark date; and (ii) the latest audited net asset value per share attributable to ordinary shareholders of the Company); and (B) the stock prices of the Company's A Shares and H Shares remain at current levels, the number of H Shares to be issued will be significantly more than that required under the Issuance, which will lead to a much larger dilution on the shareholding of the existing shareholders.

Furthermore, the closing prices of the H Shares ranged from HK\$2.27 to HK\$2.77 during the period from beginning of 2021 to the date of announcement in respect of the Issuance, which represented substantial discounts to the latest audited net asset value per share attributable to ordinary shareholders of the Company of approximately RMB3.42 per Share as at 31 December 2020. Therefore, it would be more difficult for the Company to identify investors to subscribe shares with issue price at premium over the current market price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered the above, the Directors are of the opinion that the Issuance, including the Subscription, is an appropriate fund raising method for the Group.

As the Original Issuance Plan and relevant resolutions were not passed at the first A Share class meeting for 2021 held by the Company on 8 February 2021, the Original Issuance Plan was not implemented.

After taking into account and evaluating the capital needs of the Group development project, and comparing the timelines and financing costs of different financing methods, the Company considers equity fundraising through non-public issuance as the most feasible option for the Company at this stage. Therefore, the Company intends to once again propose the non-public issuance of up to 1,154,973,118 A Shares to target subscribers. When reformulating the plan, the Company has had due regard to the interests and concerns about equity investment returns of small-and-medium Shareholders, and adjusted the Shareholders' return plan for the next three years after the Issuance, therefore further safeguarding the return on equity investment of existing Shareholders. At the same time, the lock-up period of A Shares subscribed by HECIC in the Issuance will extend to within a period of 36 months from the date of the completion of the Issuance.

As confirmed by the Directors, save for (i) the amendment on the shareholders' return plan for the 2021-2023; (ii) the adjustments on the utilisation amounts of proceeds for the Proposed Projects; and (iii) the lock-up period for the HECIC's subscription pursuant to the Issuance (i.e. the Subscription), there is no other amendment on the Issuance which is material as compared to the Original Issuance. As the Company increased the percentage of dividend distribution (from "not be less than 15% of the distributable profit attributable to Shareholders of the Company for the year" to "not be less than 20% of the distributable profit attributable to Shareholders of the Company for the year"), the Issuance is more beneficial to the Independent Shareholders.

Despite that the Original Issuance Plan and the relevant resolutions were not passed at the first A Share class meeting for 2021 held by the Company on 8 February 2021, we, after taking into account of our analyses as stated in the letter from independent financial adviser as contained in the Previous Circular, uphold our view in respect of the Original Subscription (i.e. (i) the terms of the Original Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Original Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole). In addition, we also consider that the fairness and reasonableness of the Issuance / Original Issuance based on the structures/terms of the transaction, which have no relevancy on the poll results from the Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of that (i) the Issuance, including the Subscription, is an appropriate fund raising method for the Group as mentioned above; (ii) the proposed use of proceeds from Issuance to be justifiable; (iii) the Subscription indicates HECIC's confidence in the Company and its support to the Company's business development; (iv) the fairness and reasonableness of the Issuance / Original Issuance based on the structures/terms of the transaction, which have no relevancy on the poll results from the Shareholders; and (v) the Issuance is more beneficial to the Independent Shareholders as compared to the Original Issuance, we consider that although the Subscription is not conducted in the ordinary and usual course of business of the Group, it is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### (2) Principal terms of the Subscription

The table below summarises the principal terms of the New Subscription Agreement (details of which are set out under the section headed "THE SUBSCRIPTION" in the Board Letter:

#### **Date**

5 March 2021

#### **Parties**

- (1) The Company (as the issuer); and
- (2) HECIC (as the subscriber).

#### **Subscription amount and subscription number**

With reference to the Board Letter, HECIC has agreed to subscribe for the A Shares under the Issuance in cash. The number of Shares to be subscribed by HECIC shall not be less than 48.73% of the number of A Shares actually issued in the Issuance, and up to 661,319,941 Shares. Upon completion of the Issuance, the shareholding of HECIC in the Company will not exceed 50.70%.

In case of any change of the share capital of the Company, including scrip issue, repurchase or capitalization of reserves etc. during the period from the date of announcement of the Board resolution regarding the Issuance to the date of Issuance, the upper limit of the number of A Shares issued will be adjusted accordingly. If the number of A Shares under the Issuance is adjusted to comply with any regulatory policies or due to the decision of the Board of the Company or its authorized person within the scope of the general meeting's authorization based on actual needs, etc., the number of A Shares to be subscribed by HECIC under the Issuance will be adjusted accordingly.

The specific subscription quantity and subscription price of HECIC shall be confirmed by way of supplemental agreement to be entered into by HECIC and the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Subscription price

HECIC will subscribe for A Shares at the issue price under the Issuance, details of which are as follows:

The pricing benchmark date for the Issuance is the first day of the offering period.

The issue price shall neither be less than 80% of the average trading price of A Shares in the 20 trading days prior to the pricing benchmark date (average trading price of A Shares in the 20 trading days before the pricing benchmark date = total trading amount of A Shares in the 20 trading days before the pricing benchmark date ÷ total trading volume of A Shares in the 20 trading days before the pricing benchmark date) nor be less than the latest audited net asset per share attributable to ordinary shareholders of parent company (if the CSRC made adjustments to the pricing method of the non-public issuance prior to the Issuance, the minimum price under the issuance shall be adjusted by the Board, as authorized by the general meeting, pursuant to the requirements of relevant laws and regulations).

The above issue price will be adjusted accordingly if any ex-right or ex-dividend event occurs between the pricing benchmark date and the date of issue, including distribution of dividend, scrip issue or capitalization of reserves etc. After the Issuance is approved by the CSRC, the final issue price will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC regulations within the authorization granted by the Shareholders at the general meeting, having regard to the quotations offered by target subscribers and based on principles such as price priority.

HECIC will not participate in the market bidding process, but has undertaken to accept the market bidding results and subscribe for the A Shares to be issued under the Issuance at the same price as other specific investors do. If the issue price is not determined by way of bidding, HECIC will continue to participate in the Subscription. The subscription price shall be the higher of 80% of the average trading price of the A Shares in the 20 trading days prior to the pricing benchmark date of the Company and the latest audited net asset per share attributable to the holders of ordinary shares of parent company.

When determining the issue price of the Issuance, the Company first considered the requirements for non-public issuance of A shares under relevant PRC laws and regulations. In the premise of ensuring compliance with the relevant regulatory requirements, the Company has made reference to the pricing method of companies whose shares are listed on SSE and which have conducted non-public issuances of shares since the publication of the amended Administrative Measures in February 2020 and their final issue prices, details of which are set out under the section headed “The New Subscription Agreement” of the Board Letter.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to ensure the smooth completion of the Issuance and to maximise the possibility of potential investors' participation in the Issuance, the Company sets 80% of the average trading price of A Shares for the 20 trading days prior to the pricing benchmark date as one of the key thresholds of the final issue price. However, the final issue price will be determined in accordance with the price priority principle based on the quotations offered by the target subscribers during the market bidding process.

To further assess the fairness and reasonableness of the subscription price, we identified transactions (the “**Comparable Transactions**”) regarding (i) non-public issuance of A shares by companies listed on the main board of Shanghai Stock Exchange (which are not involving in delisting risk caution or other risks caution raised by Shanghai Stock Exchange); and (ii) the pricing benchmark date will be the first day of issuance period (發行期) as first announced since 1 February 2021, being approximately one month immediately before the date of the Issuance (the “**Review Period**”), and up to and including the date of Issuance announcement, for comparison purpose. We identified 10 transactions which met our aforesaid criteria (the “**Comparables**”) and they are exhaustive. Despite that the businesses, operations and prospects of the Company are not exactly the same as the Comparables, the Comparables are adequate and appropriate to demonstrate the market practices regarding non-public issuance of A shares by companies listed on main board of Shanghai Stock Exchange.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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<b>Company</b>	<b>Publication date of announcement</b>	<b>Basis for the determination of issue price</b>
Dongxing Securities Co., Limited. (SH601198)	3 February 2021	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Chongqing Construction Engineering Group Co., Limited (SH600939)	6 February 2021	Not less than 80% of the average trading price for the period of last 20 trading days preceding the pricing benchmark date (i.e. the first day of the issuance period)
Guolian Securities Co., Limited (1456 & SH601456)	6 February 2021	Not less than 80% of the average trading price for the period of last 20 trading days preceding the pricing benchmark date (i.e. the first day of the issuance period)
Shandong Jinjing Science&Technology Stock Co., Limited (SH600586)	10 February 2021	Not less than 80% of the average trading price for the period of last 20 trading days preceding the pricing benchmark date (i.e. the first day of the issuance period)
Hainan Huluwa Pharmaceutical Group Co., Limited (SH605199)	10 February 2021	Not less than 80% of the average trading price for the period of last 20 trading days preceding the pricing benchmark date (i.e. the first day of the issuance period)
Chang Yuan Technology Group Limited (SH600525)	10 February 2021	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Shanghai Shenda Co., Limited (SH600626)	19 February 2021	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company	Publication date of announcement	Basis for the determination of issue price
Ningbo Shenglong Automotive powertrain System Co., Limited (SH603178)	2 March 2021	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
StarPower Semiconductor Limited (SH603290)	3 March 2021	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Lbx Pharmacy Chain Joint Stock Company (SH603883)	4 March 2021	Not less than 80% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

Sources: <http://www.cninfo.com.cn/>

As depicted by the above table, the pricing terms of the Issuance is not exceptional based on market comparison. With these being the case, we are of the opinion that the pricing terms under the Issuance are in line with market practice.

As further advised by the Directors, the issue/subscription price and their determination basis were in compliance with 《上市公司證券發行管理辦法》(Measures for Administration of the Issue of Securities by Listed Companies\*) and 《上市公司非公開發行股票實施細則》(the Detailed Implementing Rules for the Non-Public Offering of Stocks of Listed Companies\*) issued by CSRC (collectively, the “**Administrative Measures**”). According to the Administrative Measures:

- the issue price shall not be lower than 80% of the average trading price for the period of last 20 trading days preceding the pricing benchmark date.
- pricing benchmark date is defined as the first day of the issuance period (發行期) of the non-public issuance. However, pricing benchmark date could also be (i) the date of announcement of the board resolutions relating to the non-public issuance; or (ii) the date of announcement of the shareholders’ resolutions relating to the non-public share issuance, both (i) and (ii) are subject to the various requirements under the Administrative Measures (including but not limited to all target subscribers being confirmed before the listed company’s board resolution in respect of the non-public issuance).

*Note:* As advised by the Directors, as the Company did not confirm all target subscribers before the board resolution in respect of the Issuance, the Company could only select the first day of the issuance period as the pricing benchmark date of the Issuance.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, we obtained information as extracted from Wind (萬得)<sup>Note</sup> showing non-public issuance of A shares transactions that (i) were conducted by companies listed on the main board of Shanghai Stock Exchange (which are not involving in delisting risk caution or other risks caution raised by Shanghai Stock Exchange); and (ii) the pricing benchmark date was the first day of issuance period (發行期) and fell within the period from 22 December 2020 to 4 March 2021 (i.e. the A shares were issued by the aforesaid listed companies by way of non-public issuance). According to the aforesaid information, (i) there were 14 transactions which met the aforesaid criteria; (ii) the ratios of actual issue price to average trading price for the period of last 20 trading days preceding the pricing benchmark date (the “Ratios”) ranged from 80.0% to 110.04% with an average of 86.84%; and (iii) save for two transactions, the Ratios of other 12 transactions were less than 100%. Having considered (i) the Ratios’ range and average; (ii) the requirements of the Administrative Measures; and (iii) under the circumstances of the closing price of A Shares being higher than the latest audited net asset value per share attributable to ordinary shareholders of the Company, it would increase the possibility of potential investors’ participation in the Issuance with a lower key threshold for the final issue price, which may further lead to the smooth completion of the Issuance, we consider that the Company sets the final issue price being not less than 80% of the average trading price of A Shares for the 20 trading days prior to the pricing benchmark date as one of the key thresholds to be justifiable.

In light of the above factors, in particular (i) the basis of subscription price is in line with market practice; (ii) the pricing terms are in compliance with relevant regulations in the PRC; (iii) if there are other subscribers, HECIC will not participate in the market bidding process and has undertaken to accept the market bidding results and subscribe for the A Shares to be issued under the Issuance at the same price as other specific investors do, we are of the view that the basis of subscription price is fair and reasonable.

### **Lock-up period**

Pursuant to the HECIC Subscription Agreement, the A Shares to be subscribed for by HECIC under the Issuance shall not be transferred within 36 months from the date of completion of the Issuance.

As mentioned in the Administrative Measures, the shares which will be subscribed by the listed companies’ controlling shareholder, beneficial owner, or their controlled enterprise person shall not be transferred for an 18-month period.

Having considered that (i) a lock-up arrangement is required by relevant PRC regulation; and (ii) the Issuance’s lock-up arrangement for HECIC’s subscription will be stricter than the lock-up arrangement for independent investors’ subscription (i.e. six months), we consider that such arrangement is on normal commercial term and fair and reasonable.

*Note:* Based on the website of Wind (www.wind.com.cn), Wind was founded in 1994. As the market leader in China’s financial information services industry, Wind is dedicated to provide accurate and real-time information, as well as sophisticated communication platforms for financial professionals.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered the above, in particular, other than number of A Shares to be subscribed, the key terms of the Subscription will be similar or stricter than those applied to independent investors, we are of the view that the terms of the Subscription are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### (3) Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the sub-section headed “Impact of the Issuance on the shareholding structure of the Company” of the Board Letter, the shareholding interests of the existing public Shareholders (including all of the public A Shareholders and H Shareholders) in the Company would be diluted by approximately 11.8 percent points immediately after completion of the Issuance (assuming that (i) a total of 1,154,973,118 A Shares at the upper limit has been issued under the Issuance, and (ii) HECIC has subscribed for 661,319,941 Shares under the Issuance). Nonetheless, in view of (i) the reasons for and the possible benefits of the Issuance; (ii) the terms of the Subscription being fair and reasonable; and (iii) our assessment and independent work done on point (i) and (ii) as mentioned above, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. 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 and the Class Meetings (as the case may be) to approve the Subscription 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 25 years of experience in investment banking industry.*

\* *For identification purposes only*

*The following is the full text of the proposal for the Issuance. This proposal is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.*

**PROPOSAL FOR NON-PUBLIC ISSUANCE OF A SHARES OF  
CHINA SUNTIEN GREEN ENERGY CORPORATION LIMITED**

**COMPANY STATEMENT**

1. The Company and all members of the Board of Directors guarantee that the contents of the proposal are true, accurate and complete without false records, misleading statements or major omissions and shall severally and jointly assume legal liability for the truthfulness, accuracy and completeness of the contents thereof.
2. This proposal is prepared in accordance with the Administrative Measures for the Issuance of Securities by Listed Companies, the Implementation Rules for Non-public Issuance of Shares by Listed Companies and No. 25 of Standard of Content and Format on Information Disclosure for Publicly Listed Companies – Listed Company’s Non-Public Share Issue Proposal and Issuance Report and other requirements.
3. Upon the completion of the Non-public Issuance of A shares, the Company shall be responsible for any change to its operation and revenue, while the investment risks caused by the Non-public Issuance of A shares shall be borne by the investors. Investors should consult their own stockbroker, lawyer, professional accountant or other professional consultant if in doubt.
4. This proposal is the statement of the Board of Directors on the Non-public Issuance. Any statement to the contrary is a misrepresentation.
5. The items mentioned in this proposal do not represent the substantive judgment, confirmation or approval of the approving authorities on the issues related to the Non-public Issuance of A shares. The entry into force and completion of the matters related to the Non-public Issuance of A shares mentioned in this proposal are still subject to the approval or authorization of the relevant approving authorities.

## SPECIAL NOTICE

1. This Non-public Issuance of A shares is in compliance with the Company Law, the Securities Law, the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), and the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and other laws, administrative regulations, departmental rules and normative documents. The Company satisfies various conditions for non-public issuance of A shares.
2. Matters related to the Non-public Issuance of A shares were considered and approved by the twenty-first extraordinary meeting of the fourth session of the Board of Directors of the Company on 5 March 2021, while the Non-public Issuance is still subject to review and approval by the Company's general meeting, A Share class meeting and H Share class meeting as well as the approval by the competent state-owned asset-related approval authority and the approval by the CSRC before implementation.
3. The target subscribers of this Non-public Issuance of A shares are not more than 35 specific investors including HECIC, the controlling shareholder of the Company. In particular, the proposed subscription by HECIC shall be not less than 48.73% of the number of shares actually issued under this Non-public Issuance of A shares, but not to exceed 661,319,941 shares. Upon completion of the Non-public Issuance, the shareholding proportion held by HECIC in the Company will not exceed 50.70%, while the remaining shares shall be subscribed for by target subscribers in cash. The final number of shares to be subscribed for by HECIC shall be determined under the supplemental agreement to be entered into between HECIC and the Company after determination of the issue price. HECIC will not participate in the market bidding process, but has undertaken to accept the market bidding results and subscribe for the A shares to be issued under this Non-public Issuance at the same price as other specific investors do. Target subscribers other than HECIC include: securities investment fund management companies, securities companies, trust companies, finance companies, insurance institutional investors, qualified foreign institutional satisfying the criteria set by the CSRC, and other eligible corporations, natural persons or other legal investment organizations qualified for the conditions required by relevant laws and regulations.

Any securities investment fund management company, securities company, qualified foreign institutional investor and Renminbi qualified foreign institutional investor who subscribes for the shares through two or more products managed by it shall be treated as one target subscriber; and any trust company acting as an target subscriber may only subscribe for the shares with its own funds.

Subject to the authorization to be granted by the general meeting, the Board of the Company will determine target subscribers other than HECIC through negotiation with the sponsor (lead underwriter) within the above scope based on the bidding results in accordance with the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》). In case of any new provisions on target subscribers of shares in the Issuance under relevant laws, regulations and normative

documents, the Company shall make adjustments according to the new provisions. All target subscribers shall subscribe for the shares under this Non-public Issuance of A shares in cash.

4. In accordance with the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《上市公司非公开发售股票实施细则》), the Pricing Benchmark Date for this Non-public Issuance of A shares is the first day of the offering period. The issue price of shares for this Issuance shall neither be less than 80% of the average trading price of A shares in the 20 trading days prior to the Pricing Benchmark Date (average trading price of A shares of the Company in the 20 trading days before the Pricing Benchmark Date = total trading amount of A shares of the Company in the 20 trading days before the Pricing Benchmark Date/total trading volume of shares of the Company in the 20 trading days before the Pricing Benchmark Date) nor be less than the latest audited net asset per share attributable to ordinary shareholders of parent company (the minimum price under this Non-public Issuance shall be subject to adjustment by the Board, as authorized by the general meeting, pursuant to the requirements of relevant laws and regulations if the CSRC made adjustments to the pricing approach of the Non-Public issuance prior to the Issuance).

The above issue price will be adjusted accordingly if any ex-right or ex-dividend event occurs between the Pricing Benchmark Date and the date of issue, including distribution of dividend, scrip issue or capitalization of reserves etc. After the Issuance is approved by the CSRC, the final issue price will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC regulations within authorization granted at the general meeting, having regard to the quotations offered by target subscribers and based on principles such as price priority.

HECIC will not participate in the market bidding process, but has undertaken to accept the market bidding results and subscribe for the A shares to be issued under this Non-public Issuance at the same price as other specific investors do. If the issue price is not determined by way of bidding in this Issuance, HECIC will continue to participate in the subscription and the shareholding of HECIC in the Company after the subscription will not exceed 50.70%. The subscription price shall be the higher of 80% of the average trading price of A shares in the 20 trading days prior to the Pricing Benchmark Date and the latest audited net asset per share attributable to the holders of ordinary shares of parent company.

5. The total number of shares issued in this Non-public Issuance of A shares shall be up to 30% of the total share capital prior to the Issuance, i.e. 1,154,973,118 shares (inclusive). Within the above scope, the final number of shares to be issued shall be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) according to the relevant CSRC regulations and the actual conditions at issue within the authorization granted at the general meeting. In case of any change of share capital, including scrip issue, repurchase, capitalization of reserves etc., during the period from the date of announcement of the Board resolution regarding the Non-public Issuance to the date of issuance, the upper limit of the number of A shares issued will be adjusted accordingly.

6. The total proceeds of this Non-public Issuance of A shares will not exceed RMB5.110 billion (inclusive) and will be used for investment in construction of Tangshan LNG Project (first phase and second phase), Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section), Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section), replenishment of working capital and repayment of bank loans after deducting issue expenses. Before the receipt of the proceeds from the Issuance, the Company will first pay for the projects with the funds otherwise available to it based on the actual progress of the project, the priority of capital needs, etc., and replace such funds in accordance with the procedures prescribed by relevant laws and regulations after the proceeds are in place. If the actual amount of proceeds from this Issuance is less than the intended investment amount of the proceeds in the above projects, the shortfall will be covered by the Company through self-raised fund.

To the extent of the definitive Investment Projects, the Board of the Company shall make appropriate adjustment to the sequence and amount of the proceeds to be invested in the above projects according to the actual needs of the project after obtaining the authorization of the Company's general meeting.

7. According to the Implementation Rules for Non-public Issuance of Shares by Listed Companies and other relevant laws and regulations, after the completion of this Non-public Issuance, the shares subscribed for by the target subscribers other than HECIC shall not be transferred within 6 months from the date of completion of the Issuance and the shares subscribed for by HECIC shall not be transferred within 36 months from the date of completion of the Issuance. If relevant regulatory authority requires otherwise in respect of the lock-up period for the shares subscribed for by the target subscribers and the transfer of shares upon expiry of the lock-up period, such requirements shall prevail.
8. Upon completion of this Non-public Issuance of A shares, the controlling shareholder and the actual controller of the Company will remain unchanged, and will not result in ineligibility of the Company's shareholding structure for listing.
9. Upon completion of the Non-public Issuance of A shares, the retained undistributed profits of the Company prior to the completion of the Issuance will be shared by existing and new shareholders pro-rata to their respective shareholdings in the Company after the completion of this Issuance.
10. In accordance with relevant provisions under the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies, (《上市公司監管指引第3號 — 上市公司現金分紅》) (CSRC Announcement [2013] No. 43) and the Notice on Further Implementing Issues concerning Cash Dividends of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37) of the CSRC, the details of the profit distribution policy of the Company, the cash dividends for the next three years of the Company, and the future shareholders' return plan of the Company are set out in "Section V Profit Distribution Policy of the Company and its Implementation" under this proposal and investors are advised to pay attention thereto.



11. In accordance with relevant provisions under the Opinions on Further Strengthening the Work for Protection of Legitimate Rights and Interests of Minority Investors in the Capital Market (《關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110) of the General Office of the State Council, the Guiding Opinions on Matters Relating to Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Assets Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) of the CSRC and other documents, the Company has carefully analyzed the impact of this Issuance on the dilution of immediate return, and will take various measures to ensure effective use of proceeds, effective prevention of the risk of dilution of immediate return and improve the ability to generate future return. For details, please refer to the “Section VI Risk Warning on the Dilution of Immediate Return by the Non-public Issuance of A Shares and Measures taken by the Company” under this proposal.

The Company’s formulation of the above remedial measures does not guarantee future profits of the Company. Investors shall not make their investment decisions in reliance thereon. Investors should be aware that the Company disclaims any responsibility for any loss of investors arising from investment decisions in reliance thereon.

12. Investors are particularly reminded to read carefully “VI. Risks Related to this Issuance” of “Section IV Discussion and Analysis of the Board of Directors on the Impacts of this Issuance on the Company”.

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## DEFINITIONS

In this proposal, unless the context requires otherwise, the following terms have the following meanings:

## I. Glossary of general terms

the “Company”, “Suntien Green Energy”, “Issuer”	China Suntien Green Energy Corporation Limited* (新天綠色能源股份有限公司)
“this proposal”	the proposal for non-public issuance of A shares of China Suntien Green Energy Corporation Limited
“actual controller”, “HBSA”	the State-Owned Asset Supervision and Administration Commission of the People’s Government of Hebei Province
“controlling shareholder”, “HECIC”	Hebei Construction & Investment Group Co., Ltd.* (河北建設投資集團有限責任公司), one of the promoters of the Company
“Issuance”, “Non-public Issuance”	the issuance of up to 1,154,973,118 shares (inclusive) of ordinary shares (A shares) to not more than 35 target subscribers (including HECIC, the controlling shareholder of the Company) in the form of non-public issuance by the Issuer
“the date of announcement of the Board resolution”	5 March 2021
“Pricing Benchmark Date”	the first day of the issue period of the Non-public Issuance of A shares
“Caofeidian Company”	Caofeidian Suntien Liquefied Natural Gas Co., Ltd.* (曹妃甸新天液化天然氣有限公司), a controlled subsidiary of the Company, and an entity implementing certain Investment Projects
“Investment Projects”	Tangshan LNG Project (first phase and second phase), Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section), Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section), replenishment of working capital and repayment of bank loans
“A shares”	domestic listed RMB ordinary shares

“H shares”	shares that the Company issues to foreign investors for subscription in foreign currencies on The Stock Exchange of Hong Kong Limited, with a par value of RMB1.00 each
“Articles of Association”	the Articles of Association of China Suntien Green Energy Corporation Limited
“general meeting”	general meeting of China Suntien Green Energy Corporation Limited
“Board”	the board of directors of China Suntien Green Energy Corporation Limited
“Supervisory Committee”	the supervisory committee of China Suntien Green Energy Corporation Limited
“State Council”	the State Council of the People’s Republic of China
“MOF”	the Ministry of Finance of the People’s Republic of China (中華人民共和國財政部)
“NDRC”	National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“NEA”	National Energy Administration of the People’s Republic of China (中華人民共和國國家能源局)
“Ministry of Natural Resources”	the Ministry of Natural Resources of the People’s Republic of China (中華人民共和國自然資源部)
“Ministry of Environmental Protection”	the former Ministry of Environmental Protection of the People’s Republic of China (中華人民共和國環境保護部)
“Ministry of Transport”	the Ministry of Transport of the People’s Republic of China (中華人民共和國交通運輸部)
“PetroChina”	China National Petroleum Corporation (中國石油天然氣集團有限公司)
“Sinopec”	China Petrochemical Corporation (中國石油化工集團有限公司)
“CNOOC”	CNOOC Gas and Power Group Ltd. (中海石油氣電集團有限公司)

“Tangshan Haohua”	Tangshan Haohua Trading Co., Ltd.* (唐山皓華貿易有限公司), a wholly-owned subsidiary of The Hong Kong and China Gas (Tangshan) Company Limited
“CSRC”	China Securities Regulatory Commission
“SSE” or “Shanghai Stock Exchange”	Shanghai Stock Exchange
“Company Law”	Company Law of the People’s Republic of China
“Securities Law”	Securities Law of the People’s Republic of China
“Implementation Rules for Non-public Issuance of Shares by Listed Companies”	the Implementation Rules for Non-public Issuance of Shares by Listed Companies (2020 Revision)
“RMB, RMB’0,000, RMB’00 million”	RMB, RMB10,000, RMB100 million
“Reporting Period”	each of 2017, 2018, 2019, and January-September 2020
“the end of each Reporting Period”	31 December 2017, 31 December 2018, 31 December 2019, 30 September 2020, respectively

## II. Glossary of technical terms

CNG	Compressed natural gas. Gaseous natural gas compressed whose pressure is greater than or equal to 10Mpa and not greater than 25Mpa
LNG	Liquefied natural gas. When natural gas is cooled to approximately -163 degrees Celsius, it changes from the gas phase to the liquid phase

*Note:* Any discrepancy between the total and the sum of its components is due to the effects of rounding.

**SECTION I SUMMARY OF THE PROPOSAL ON  
THIS NON-PUBLIC ISSUANCE OF A SHARES**

**I. BASIC INFORMATION ON THE ISSUER**

Registered Chinese name	新天綠色能源股份有限公司
Registered English name	China Suntien Green Energy Corporation Limited
Registered capital	RMB3,849,910,396
Legal representative	Cao Xin
Date of establishment	9 February 2010
Listing date of A shares	29 June 2020
Listing date of H shares	13 October 2010
Abbreviation of A shares	Suntien Green Energy (新天綠能)
Stock code of A shares	600956
Abbreviation of H shares	China Suntien
Stock code of H shares	00956
Industry	D power, heat, gas, water production and supply industries
Company address	No. 9 Yuhua West Road, Shijiazhuang City
Listing exchange	Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited
Tel	0311-85516363
Fax	0311-85288876
E-mail	ir@suntien.com
Business scope	Investment in wind, solar, nuclear and other new energy projects, electric power environmental protection equipment manufacturing projects, and natural gas, liquefied natural gas, compressed natural gas, coal gasification, coal bed methane development and utilization projects (other than the projects restricted or eliminated by the State); new energy, clean energy technology development, technology services, technology consulting.



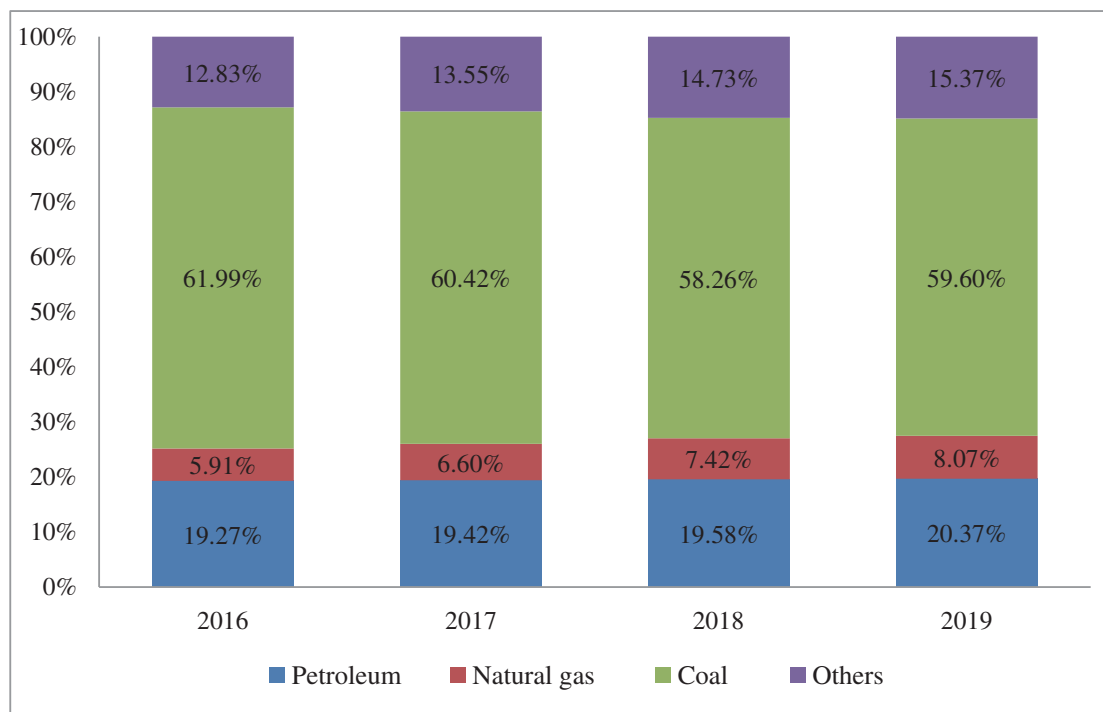
## II. BACKGROUND AND PURPOSE OF THIS NON-PUBLIC ISSUANCE

### (I) Background of this Non-public Issuance

#### *1. The proportion of natural gas in China's primary energy consumption is gradually increasing*

At present, coal is still the first choice for China's primary energy consumption. According to statistics from the BP Statistical Review of World Energy (June 2020), global coal consumption in 2019 was 3,770 million metric tons of oil equivalent, of which China's coal consumption was 1,951 million metric tons of oil equivalent, accounting for 51.74% of global coal consumption, ranking first in the world. With the booming economy in China and the increasing demand for ecological and environmental construction of people, environmental protection has become a core task in the process of China's socialist construction. Natural gas, as a high-quality and high-efficiency clean energy, has gradually taken up a larger proportion in China's primary energy consumption structure, increasing from 5.91% in 2016 to 8.07% in 2019. During the "12th Five-Year Plan" period, China's natural gas consumption increased by 12.4% annually, and the cumulative consumption was approximately 830 billion cubic meters, which was twice the consumption during the "11th Five-Year Plan" period. It is expected that China's natural gas consumption will maintain a steady growth in the future.

#### **China's primary energy consumption structure from 2016 to 2019**



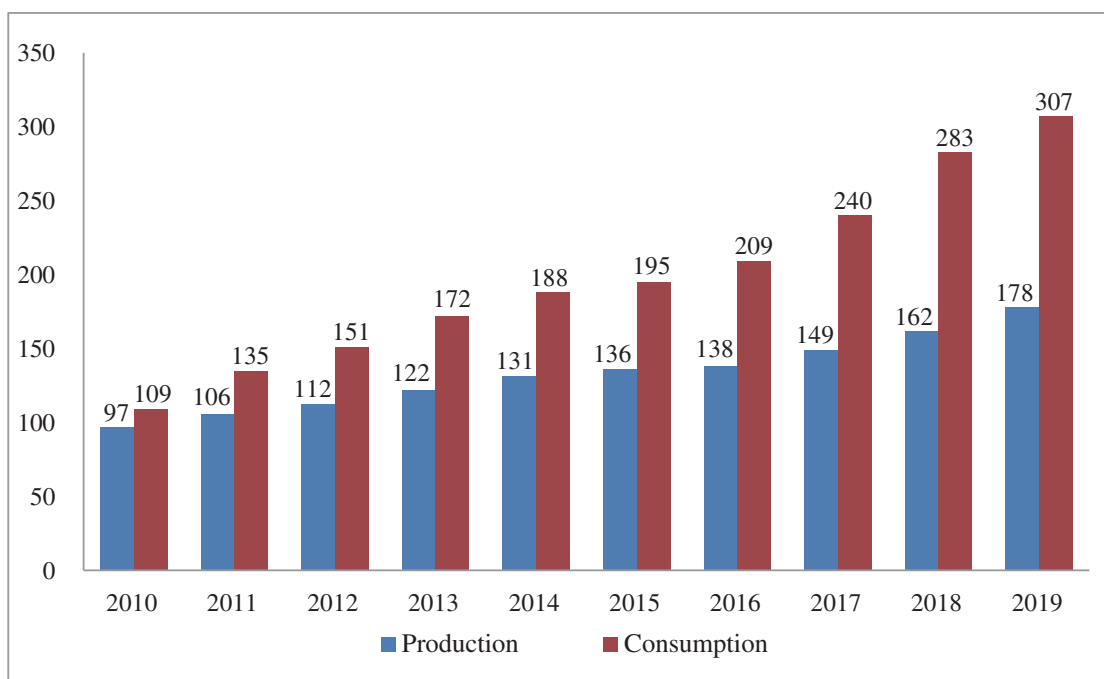
Data source: BP Statistical Review of World Energy (all data)

2. *China’s natural gas production-and-consumption gap has been increasing year by year*

With the increasing awareness of energy conservation, emission reduction and environmental protection in the whole society, and increasing emphasis on the development of clean natural gas energy, China’s natural gas market has entered a stage of rapid development. In the past 10 years, China’s natural gas production and consumption are as follows:

**China’s natural gas production and consumption in the past 10 years**

*Unit: billion cubic meter*



Data source: BP Statistical Review of World Energy (June 2020)

As China’s natural gas consumption increases and natural gas production-and-consumption gap widens year by year, imported natural gas has become an important supplementary gas source for the domestic natural gas industry.

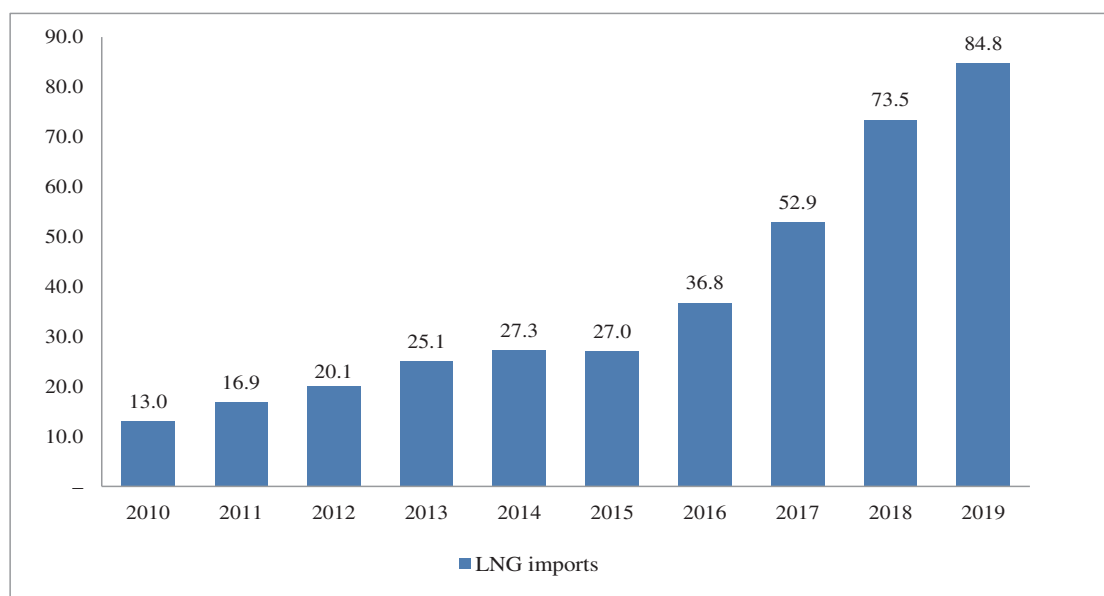
### 3. *LNG has become the major form of natural gas imported by China*

As an important branch of the natural gas energy sector, LNG is increasingly favored by the global energy consumption market. LNG mainly has the following three characteristics: First, clean energy resource. LNG has incomparable advantages over traditional energy sources such as safety, environmental protection and economy, and therefore, the promotion of LNG clean energy is an important way to effectively solve air pollution, promote important energy substitution and support for the realization of the goal of “Protect Our Lush Mountains and Lucid Waters and Build a Beautiful China”. Second, high-density energy resource. The density of LNG is 600 times the density of gaseous natural gas, thus its volume is approximately 1/600 of the volume of the same amount of gaseous natural gas. Third, transport convenience. Compared with gaseous natural gas that requires pipelines, LNG imports are mainly through ship transportation, and a current mainstream large-scale LNG ship’s transportation volume can reach 170,000-180,000 cubic meters, which is very conducive to large-scale transactions.

In 2019, China imported 132.5 billion cubic meters of natural gas, of which imported pipeline gas was 47.7 billion cubic meters, accounting for 36.00% and representing a year-on-year decrease of 0.42%, and imported liquefied natural gas was 84.8 billion cubic meters, accounting for 64.00% and representing a year-on-year increase of 15.41%. It is expected that China’s LNG imports will continue to increase in the future.

#### China’s LNG imports in the past 10 years

*Unit: billion cubic meter*



Data source: BP Statistical Review of World Energy (all data)

***4. The demand for natural gas in the Beijing-Tianjin-Hebei region is high and Caofeidian Industrial Zone has favorable conditions for building LNG terminals***

In March 2017, the Air Pollution Prevention and Control Solutions in Beijing, Tianjin and Hebei and Surrounding Areas in 2017 was jointly issued by the Ministry of Environmental Protection, NDRC, MOF, NEA and related 6 major provincial and municipal governments to strengthen the prevention and control of air pollution in winter and comprehensively reduce the regional pollution discharge load by taking various measures focusing on the improvement of quality of regional ambient air with an emphasis on the reduction of severely polluted weather. North China, especially the Beijing-Tianjin-Hebei region, urgently needs natural gas to play an important role in realizing clean energy substitution and ensuring the balance of energy supply and demand.

In December 2017, eight ministries and commissions including the NDRC and the National Energy Administration jointly issued the Notice on the Winter Clean Heat Plan (2017 to 2021) of the Northern China (《關於印發北方地區冬季清潔取暖規劃(2017-2021)的通知》) (Fa Gai Neng Yuan (2017) No. 2100), with an aim of improving the level of clean heating in regions in Northern China and reducing the emission of air pollutants. It is planned that by 2019, the clean heating rate in regions in Northern China will reach 50%, which will replace coal (including coal used with small inefficient boilers) of 150 million tons. The work will focus on the “2+26” cities and promote the replacement of coal by natural gas for heat supply with full efforts. It will accelerate the construction of supporting facilities for urban natural gas pipeline network in cities, and counties in Northern China so as to prioritize the development of gas heating. The additional area using gas for heat generation and additional use of natural gas of the “2+26” cities accumulated during 2017 to 2021 will be 1.8 billion square meters and 23.0 billion cubic meters respectively.

According to the Layout Scheme of Key Liquefied Natural Gas Terminals Construction in the Bohai Rim Region (2022)(Jiao Ban Gui Hua [2018] No. 92) issued by the General Office of the Ministry of Transport, due to the rapid growth of natural gas consumption demand in the Bohai Rim region, in order to improve the LNG terminals construction in the Bohai Rim region, the Ministry of Transport has deployed 16 berths in the 5 major ports in the Bohai Rim region to ensure the supply target in the Bohai Rim region. Among them, Caofeidian Port area in Tangshan Port: 1 berth has been built and 3 berths have been added. The Caofeidian Industrial Zone, where the Tangshan LNG project is located, is situated in the southern coast of Tangshan and the center of Bohai Bay. The construction of the project is mainly increasing the supply of natural gas in Hebei and surrounding areas, especially to increase the peak-shaving capacity of natural gas. After the completion of the Tangshan LNG project, as a key LNG terminal in the Bohai Rim in the future, it will secure the seasonal and daily gaps in the coverage area.

**5. *The amount of investment in the Investment Projects is huge, and the pressure is too great when solely using debt instruments to finance.***

The Investment Projects including Tangshan LNG Project (first phase and second phase), Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section), Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section) will be implemented by Caofeidian Company, a controlled subsidiary of the Company, with a total investment of RMB27.968 billion. The natural gas sales and wind power generation businesses of the Company are capital intensive industries with a high demand for funds. At the end of each Reporting Period, the gearing ratio of the Company were 69.43%, 68.34%, 67.90% and 69.23%, respectively, staying at high levels. If solely relying on debt instruments to raise funds required for Investment Projects, the gearing ratio of the Company will be further increased, bringing higher operating risks.

**(II) Purpose of this Non-public Issuance**

**1. *It is in compliance with national industrial policies and conducive to enhancing the Company's profitability and sustainable development capabilities***

With the rapid development of China's natural gas industry, natural gas consumption continues to grow rapidly, and its importance in the national energy system continues to increase. However, China's gas storage infrastructure has lagged behind and its gas storage capacity is significantly lower than the global average, resulting in a shortage of gas supply in certain areas in winter, which become a shortcoming for the safe and stable supply of natural gas and the healthy development of the industry.

In order to prevent the risk of gas shortage in winter, strengthen the capacity of natural gas storage and peak shaving in northern regions, and accelerate the construction of gas storage facilities, on 14 April 2020, five departments including the NDRC, the MOF, the Ministry of Natural Resources, the Ministry of Housing and Urban-Rural Development, and the NEA jointly issued the Implementation Opinions on Accelerating the Construction of Natural Gas Reserve Capacity (《關於加快推進天然氣儲備能力建設的實施意見》) (Fa Gai Jia Ge [2020] No. 567) to further accelerate the construction of gas storage infrastructure and enhance natural gas storage capacity. The Opinions put forward: “highlight the scale effect, give priority to the construction of underground gas storage, liquefied natural gas (LNG) in northern coast receiving terminals and large-scale LNG storage tanks in key areas. The existing LNG receiving terminals are encouraged to expand the scale of storage tanks, and urban clusters are encouraged to build and share gas storage facilities, in order to form a regional gas storage and peak shaving center. By giving full play to the characteristics of suitability for storage and transportation and flexibility in deployment and transportation of LNG storage tanks, pilot demonstration of LNG tank container multimodal transportation will be promoted and various measures will be taken to improve gas storage capacity.” Therefore, the funds raised from the Non-public Issuance of A shares are intended

to be used in the Tangshan LNG Project and Outbound Pipelines Project, which is of great significance to the improvement of natural gas storage and transmission capacity in the region. This Non-public Issuance is a specific implementation of the Company's established development strategy, which is conducive to further consolidating the advantages of the Company's principal business and enhancing the Company's core competitiveness in the principal business, which plays an important role in the realization of the Company's sustainable development.

**2. *It reduces the Company's gearing ratio to enhance the risk resistance capacity***

With the rapid development of the Company, the size of the Company's liabilities has also gradually expanded. As at 30 September 2020, the Company's total assets under the consolidated statements amounted to RMB53,497,607,400, the size of total liabilities was RMB37,037,376,700, and the gearing ratio reached 69.23%.

At present, the Company's gearing ratio is relatively high. This Non-public Issuance will help strengthen the Company's capital strength, reduce the gearing ratio, reduce financial expenses, improve the Company's financial position, and enhances the risk-prevention capability of the Company. On the one hand, it conforms to the national "structural de-leveraging" policy requirements and, on the other hand, it can enhance the Company's profitability and operational stability, provide financial support for the continuous growth of the Company's businesses, and provide a strong guarantee for the Company's sustainable development.

### **III. TARGET SUBSCRIBERS AND THEIR RELATIONSHIP WITH THE COMPANY**

The target subscribers of this Non-public Issuance of A shares are not more than 35 specific investors including HECIC, the controlling shareholder of the Company, including securities investment and fund management companies, securities companies, trust companies, finance companies, insurance institutional investors and qualified foreign institutional investors which are qualified for the conditions required by the CSRC and other corporations, natural persons and other legal investment organizations qualified for the conditions required under relevant laws and regulations.

Any securities investment fund management company, securities company, qualified foreign institutional investor and Renminbi qualified foreign institutional investor who subscribes for the shares through two or more products managed by it shall be treated as one target subscriber; and any trust company acting as a target subscriber may only subscribe for the shares with its own funds.

After obtaining the approval from the CSRC, definitive target subscribers will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC regulations within the authorization granted by the shareholders at the general meeting, having regard to the

quotations offered by target subscribers and based on principles such as price priority. The target subscribers of this Issuance shall subscribe for A Shares under the Non-public Issuance in cash at the same subscription prices.

As of the date of this proposal, except for the HECIC, the controlling shareholder of the Company, other target subscribers have not yet been determined. The target subscribers will be disclosed in the Issuance Report to be published following the completion of this Issuance. The Company will adjust this proposal if new requirements are introduced by national laws and regulations with respect to the target subscribers of the Non-public Issuance.

#### **IV. OVERVIEW OF THE PROPOSAL ON THIS NON-PUBLIC ISSUANCE**

##### **(I) Class and par value of the shares to be issued**

The shares under this Non-public Issuance are domestically-listed and RMB-denominated ordinary shares (A Shares) with a par value of RMB1.00 each.

##### **(II) Method and time of issuance**

This Issuance will be proceeded by way of non-public issuance. The Company will choose the appropriate timing to issue the shares to the specific target subscribers within the valid period after obtaining the approval from the CSRC and the target subscribers shall subscribe for the shares in cash. The Company will adjust this proposal if new requirements are introduced by national laws and regulations.

##### **(III) Target subscriber and subscription method**

The target subscribers of this Non-public Issuance will be not more than 35 specific investors including HECIC, the controlling shareholder of the Company, including securities investment and fund management companies, securities companies, trust companies, finance companies, insurance institutional investors and qualified foreign institutional investors satisfying the criteria set by the CSRC, and other eligible corporations, natural persons and other legal investment organizations qualified for the conditions required under relevant laws and regulations.

Any securities investment and fund management company, securities company, qualified foreign institutional investor and Renminbi qualified foreign institutional investor who subscribes for the shares through two or more products managed by it shall be treated as one target subscriber; and any trust company acting as a target subscriber may only subscribe for the shares with its own funds.

HECIC has agreed to subscribe for A shares in cash under the Issuance, and the number of subscription shares shall not be less than 48.73% of the number of A shares actually issued in the Non-public Issuance, but not to exceed 661,319,941 shares, and upon completion of this Non-public Issuance, the shareholding of HECIC in the Company will not exceed 50.70%, and the specific number of shares to be subscribed for will be confirmed by way of the supplemental agreement to be entered into by

HECIC and the Company after determination of the issue price. Except for HECIC, after obtaining the approval from the CSRC, other definitive target subscribers will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC regulations within the authorization granted at the general meeting, having regard to the quotations offered by target subscribers and based on principles such as price priority. The target subscribers of this Issuance shall subscribe for the A Shares under the Non-public Issuance in cash at the same subscription price.

**(IV) Pricing Benchmark Date, issue price, and pricing principles**

The Pricing Benchmark Date for this Non-public Issuance of A shares is the first day of the offering period.

The issue price shall neither be less than 80% of the average trading price of A shares of the Company in the 20 trading days prior to the Pricing Benchmark Date (average trading price of A shares in the 20 trading days before the Pricing Benchmark Date = total trading amount of A shares in the 20 trading days before the Pricing Benchmark Date/total trading volume of A shares in the 20 trading days before the Pricing Benchmark Date) nor be less than the latest audited net asset per share attributable to ordinary shareholders of parent company (if the CSRC made adjustments to the pricing method of the Non-public Issuance prior to the Issuance, the minimum price under the Issuance shall be adjusted by the Board, as authorized by the general meeting, pursuant to the requirements of relevant laws and regulations).

The above issue price will be adjusted accordingly if any ex-right or ex-dividend event occurs between the Pricing Benchmark Date and the date of issue, including distribution of dividend, scrip issue or capitalization of reserves. After the Issuance is approved by the CSRC, the final issue price will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC regulations within the authorization granted at the general meeting, having regard to the quotations offered by target subscribers and based on principles such as price priority.

HECIC will not participate in the market bidding process, but has undertaken to accept the market bidding results and subscribe for the A Shares to be issued under this Non-public Issuance at the same price as other specific investors do. If the issue price is not determined by way of bidding in this Issuance, HECIC will continue to participate in the subscription. The subscription price shall be the higher of 80% of the average trading price of the shares in the 20 trading days prior to the Pricing Benchmark Date of the Company and the latest audited net asset per share attributable to the holders of ordinary shares of the parent company.

**(V) Number of shares to be issued**

The total number of shares issued in this Non-public Issuance of A shares shall not exceed 30% of the total share capital prior to the issue, i.e. 1,154,973,118 shares (inclusive), which is subject to the CSRC approval for the Issuance.



In case of any change of the share capital, including scrip issue, repurchase or capitalization of reserves etc. during the period from the date of announcement of the Board resolution regarding the Non-public Issuance to the date of Issuance, the upper limit of the number of A Shares issued will be adjusted accordingly.

Within the above range, the final number of shares issued will be determined by the Board of the Company through negotiation with the sponsor (lead underwriter) of the Issuance according to the relevant CSRC regulations within the authorization granted at the general meeting, having regard to the quotations offered by target subscribers and based on principles such as price priority.

If the issue price is not determined by way of bidding in this Issuance, HECIC will continue to participate in the subscription and the shareholding of HECIC in the Company after the subscription will not exceed 50.70%.

#### **(VI) Lock-up period**

Among the shares to be issued to target subscribers under this Issuance, the shares to be subscribed for by HECIC shall not be transferred within 36 months from the date of completion of this Non-public Issuance, while the shares to be subscribed for by other investors shall not be transferred within 6 months from the date of completion of this Non-public Issuance. During the lock-up period, any shares derived from the scrip issue or capitalization of reserves shall also be subject to the aforesaid lock-up arrangements. After the end of the lock-up period, the transfer of A shares under the Non-public Issuance shall be subject to the relevant provisions of the CSRC and the Shanghai Stock Exchange.

#### **(VII) Accumulated profit arrangement before the Non-public Issuance**

Both existing and new shareholders upon completion of this Non-public Issuance of A shares will be entitled the Company's accumulated undistributed profits retained prior to the completion of this Issuance in proportion to their respective shareholding percentage following this Issuance.

#### **(VIII) Place of listing of shares under the Issuance**

Upon the expiration of the lock-up period, the A shares issued under the Issuance will be listed and traded on the Main Board of the Shanghai Stock Exchange.

**(IX) Amount to be raised and use of proceeds**

The total amount of proceeds to be raised from this Non-public Issuance (including issuance expenses) will not exceed RMB5.110 billion (inclusive), and the net proceeds after deduction of issuance expenses will be used in the following projects:

*Unit: RMB'00 million*

Project name	Implementing entities	Total investment	Utilization amount of the proceeds
Tangshan LNG Project (first phase and second phase)	Caofeidian Company	185.97	26.96
Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section)	Caofeidian Company	64.17	7.86
Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section)	Caofeidian Company	29.54	2.66
Replenishment of working capital and repayment of bank loans	Suntien Green Energy	13.62	13.62
<b>Total</b>		<b><u>293.30</u></b>	<b><u>51.10</u></b>

The actual amount of net proceeds to be raised from this Issuance is less than the requisite capital for the Investment Projects. The Board of the Company may, taking into account the actual needs and without altering the list of Investment Projects, make appropriate adjustments to the priority and amounts of the proceeds allocated to the above projects. Pending the receipt of the proceeds from this Issuance, the Company may, based on the actual progress of the relevant projects, first apply any funds otherwise available to it to the projects and, when the proceeds are available, use the proceeds to replace such funds otherwise raised in accordance with the procedures required by relevant laws and regulations. If the actual amount of proceeds from this Issuance is less than the utilization amount of the proceeds of the above projects, the shortfall will be covered by the Company through self-raised funds.

The Board has the right to adjust or determine the specific arrangements such as the Investment Projects and the amounts required to the extent as permitted by the relevant laws and regulations and as authorized by the resolution of the general meeting.

**(X) The effective period for the resolution on the Non-public Issuance of shares**

The resolution on this Non-public Issuance of A shares will be valid for 12 months from the date of the passing of such resolution at the Company's general meeting, the A shares class meeting and the H shares class meeting.

**V. WHETHER THIS NON-PUBLIC ISSUANCE CONSTITUTES A CONNECTED TRANSACTION**

The target subscribers of this Non-public Issuance of A shares include HECIC, the controlling shareholder of the Company, therefore this Issuance constitutes a connected transaction. The Company strictly complies with the laws and regulations and internal rules of the Company to fulfill the approval procedures for connected transactions. In the process of voting on this Non-public Issuance of A shares by the Board, the related directors have abstained from voting on relevant resolutions, and independent directors expressed prior approval and independent opinions on the connected transaction. The related shareholders shall also abstain from voting on relevant resolutions regarding this Non-public Issuance at the general meeting, the A share class meeting and the H share class meeting.

**VI. WHETHER THIS NON-PUBLIC ISSUANCE WILL CAUSE A CHANGE OF CONTROL OF THE COMPANY**

As of the date of this proposal, the Company's share capital consists of 3,849,910,396 shares, of which HECIC directly holds 1,876,156,000 shares of the Company, accounting for 48.73% of the Company's total share capital. HECIC is the controlling shareholder of the Company, and the HBSA is the actual controller of the Company.

The total number of shares issued in this Non-public Issuance of A shares shall not exceed 30% of the total share capital prior to the Issuance, i.e. 1,154,973,118 shares (inclusive), subject to the CSRC approval for this Issuance. The number of subscription shares HECIC intends to subscribe for shall not be less than 48.73% of the number of A shares actually issued in the Non-public Issuance, but not to exceed 661,319,941 shares and after completion of this Non-public Issuance, the shareholding of HECIC in the Company will not exceed 50.70%. Therefore, after the completion of this Issuance, it is expected that the percentage of the shareholdings of HECIC in the Company will not be less than 48.73% and not be more than 50.70%. HECIC is still the controlling shareholder of the Company and the HBSA is still the actual controller of the Company.

Overall, this Non-public Issuance will not result in changes of control of the Company.

**VII. APPROVAL OF THE ISSUANCE PLAN FROM THE RELEVANT COMPETENT AUTHORITIES AND APPROVAL PROCEDURES**

Matters related to the Non-public Issuance were considered and approved by the twenty-first extraordinary meeting of the fourth session of the Board of Directors of the Company on 5 March 2021. According to the Company Law, the Securities Law, the Administrative Measures for the Issuance of Securities by Listed Companies and the Implementation Rules for Non-public Issuance of Shares by Listed Companies and other relevant laws, regulations and regulatory documents, the Non-public issuance is still subject to approval by the competent state-owned asset-related approval authority and review and approval by the Company's general meeting the A share class meeting and the H share class meeting, as well as approval by the CSRC before implementation.

**SECTION II OVERVIEW OF HECIC AND SUMMARY OF  
THE CONDITIONAL AGREEMENT FOR SUBSCRIPTION OF  
A SHARES UNDER THE NON-PUBLIC ISSUANCE**

On 5 March 2021, the target subscriber determined at the twenty-first extraordinary meeting of the fourth session of the Board of the Company was HECIC, the controlling shareholder of the Company. Other specific target subscribers will be determined based on the principle of price priority and in accordance with the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《上市公司非公开发行股票实施细则》) and other relevant requirements, as well as the quotations offered by investors, after the approval for the Non-public Issuance of A shares is obtained from the CSRC. The overview of HECIC and the Conditional Agreement for Subscription of A Shares under the Non-public Issuance of China Suntien Green Energy Corporation Limited are summarized as follows:

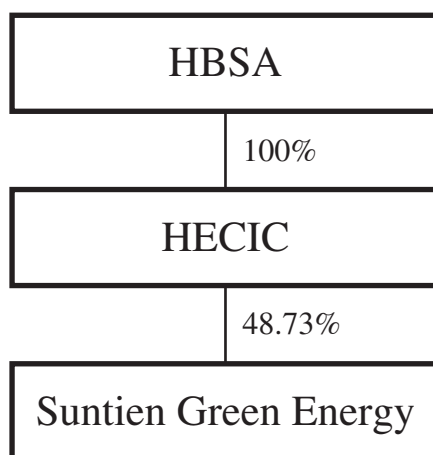
**I. OVERVIEW OF HECIC**

**(I) Basic information**

Company name:	Hebei Construction & Investment Group Co., Ltd.
Legal representative:	Li Lianping
Registered capital:	RMB15 billion
Date of establishment:	21 March 1990
Social unified credit code:	91130000104321511R
Registered address:	Block A, Yuyuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City
Company type:	limited liability company (wholly state-owned)
Business scope:	Investment and management of energy, transportation, water business, agriculture, tourism, service industry, real estate, industry, and commerce

**(II) Equity control relationship between the Company and HECIC**

The controlling shareholder of the Company is HECIC and the actual controller is HBSA. As at the date of announcement on this proposal, the shareholding structure between HECIC and the Company is as follows:

**(III) Principal businesses of HECIC**

The main business of HECIC is divided into three major segments, namely energy (including power and natural gas), water business, and investment in transportation sector in the form of share participation (including investment in railways and ports, and income is reflected in investment income).

**(IV) Summary financial statements of HECIC for the Recent Three Years**

*Unit: RMB0'000*

<b>Item</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Total assets	19,118,670.54	17,574,463.20	15,396,049.27
Total liabilities	<u>10,190,083.73</u>	<u>9,669,178.24</u>	<u>8,736,987.90</u>
Total owner's equity	<u>8,928,586.81</u>	<u>7,905,284.96</u>	<u>6,659,061.37</u>
<b>Item</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total operating revenue	3,483,032.36	3,360,184.99	2,696,516.70
Total profit	467,457.36	440,630.86	415,300.18
Net profit	<u>383,181.53</u>	<u>380,040.30</u>	<u>376,099.94</u>

*Note:* The audited financial statements of HECIC for the recent three years.

**(V) Punishments and litigations against HECIC and its current directors, supervisors and senior management in the recent five years**

HECIC and its current directors, supervisors and senior management (or main person in charge) were not subject to any administrative or criminal punishment nor involved in any major civil litigation or arbitration related to economic disputes in the recent five years.

**(VI) Horizontal competition or potential horizontal competition upon completion of the Non-public Issuance of A shares**

Upon completion of the Non-public Issuance of A shares, there will be no horizontal competition or potential horizontal competition between the businesses of the Company and HECIC and other enterprises controlled by HECIC.

**(VII) Connected transactions subsequent to the Non-public Issuance of A shares**

The connected transactions between the Company and HECIC have been fully disclosed in the Company's periodic reports and provisional announcements. The connected transactions were made due to the needs of the Company for business development and are fair behaviors conducted based on the principle of market fairness and according to the actual situation. There is no deviation from comparable market prices for such transactions and the necessary procedures have been completed. The connected transactions do not affect the independence of the Company's operations nor prejudice the interests of the Company and minority shareholders.

The proposed subscription by HECIC of A shares under the Non-public Issuance of the Company constitutes a connected transaction with the Company. As such, the Company will strictly perform the obligation of information disclosure and the procedures for the review of connected transactions in strict compliance with laws and regulations, the regulations and rules of the Company with respect to connected transactions and other requirements, and based on the principles of justice, fairness and openness, to maintain the independence of the Company and safeguard the interests of the Company and other shareholders.

**(VIII) Major transactions between the target subscribers and their respective controlling shareholders and actual controllers and the Company within 24 months prior to the announcement of this proposal for Non-public Issuance of A shares**

Details of the major connected transactions between the Company and HECIC, the controlling shareholder of the Company, within 24 months prior to the disclosure of this proposal for Non-public Issuance of A shares are set out in the periodic reports, provisional announcements and other information disclosure documents disclosed by the Company on the official websites of the SSE and The Stock Exchange of Hong Kong Limited.

## II. SUMMARY OF THE CONDITIONAL AGREEMENT FOR SUBSCRIPTION OF A SHARES UNDER THE NON-PUBLIC ISSUANCE

On 5 March 2021, the Company and HECIC entered into the Conditional Agreement for Subscription of A Shares under the Non-public Issuance of China Suntien Green Energy Corporation Limited. The main contents of the Conditional Agreement for Subscription of A Shares under the Non-public Issuance of China Suntien Green Energy Corporation Limited entered into between the Company and HECIC are as follows:

### (I) Parties to the agreement

Party A: Hebei Construction & Investment Group Co., Ltd.

Party B: China Suntien Green Energy Corporation Limited

### (II) Subscription price and pricing principle

1. The Pricing Benchmark Date for the Non-public Issuance is the first day of the offering period of the Non-public Issuance of A shares. The issue price of A shares under the Non-public Issuance shall be no less than 80% of the average trading price of A shares of Party B in the 20 trading days prior to the Pricing Benchmark Date (exclusive of the Pricing Benchmark Date, the same for below) nor be less than the latest audited net asset per share attributable to ordinary shareholders of the parent company. Average trading price of A shares in the 20 trading days before the Pricing Benchmark Date = total trading amount of A shares in the 20 trading days before the Pricing Benchmark Date / total trading volume of A shares in the 20 trading days before the Pricing Benchmark Date. The issue price of A shares will be adjusted accordingly if any ex-right or ex-dividend event occurs between the Pricing Benchmark Date and the issue date of A shares, including distribution of dividend, scrip issue, capitalization of reserves etc.
2. The final issue price under the Issuance will be determined by the Board of Party B under the authorization granted by the general meeting through negotiation with the sponsor (lead underwriter) and in accordance with the Implementation Rules for Non-public Issuance of Shares by Listed Companies and the requirements of the CSRC and other competent authorities as well as the quotations offered by the target subscribers, and based on the principle of price priority. Party A will not participate in market bidding in connection with the pricing of the Non-public Issuance but undertakes that it will accept the marketing bidding results and subscribe for A shares at the same price as the other target subscribers do. If the issue price is not determined by way bidding in the Issuance, Party A will continue to participate in the subscription and the shareholding of Party A in Party B following the subscription will not exceed 50.70%. The subscription price shall be the higher of 80% of the average trading price of A shares in the 20 trading days prior to the Pricing Benchmark Date or Party B's latest audited net asset per share attributable to the holders of ordinary shares of the parent company.

**(III) Subscription amount and subscription quantity**

1. Party A has agreed to subscribe for the A shares under the Non-public Issuance in cash. The number of A shares to be subscribed by Party A shall not be less than 48.73% of the number of A shares actually issued under the Non-public Issuance, but not to exceed 661,319,941 A shares. Upon completion of the Non-public Issuance, and the shareholding of Party A in Party B will not exceed 50.70%.
2. In case of any change in the share capital of the Company, including scrip issue, repurchase and capitalization of reserves etc. during the period from the date of announcement of the Board resolution regarding the Non-public Issuance to the date of Issuance, the upper limit of the number of A shares issued under the Issuance will be adjusted accordingly. If the number of A shares under the Non-public Issuance is adjusted to comply with any regulatory policies or due to the decision of the Board of Party B or its authorized person within the scope of the general meeting's authorization based on actual needs, etc., then the number of A shares to be subscribed for by Party A under the Non-public Issuance will be adjusted accordingly.
3. The specific subscription quantity and subscription price of Party A shall be confirmed by way of supplemental agreement to be entered into separately by both parties.

**(IV) Payment method**

Party A agrees that when all the conditions precedents stipulated in the agreement are fulfilled and upon receiving the payment notice of the subscription from Party B or the sponsor (lead underwriter), it shall make payment for the subscription to the designated special payment account before deadline as stated in the payment notice.

**(V) Lock-up period**

Pursuant to the Administrative Measures for the Issuance of Securities by Listed Companies, the Implementation Rules for Non-public Issuance of Shares by Listed Companies and other relevant regulations, the A shares to be subscribed for by Party A under the Issuance shall not be transferred within 36 months from the date of completion of the Non-public Issuance.

If the aforesaid lock-up period does not conform to the latest regulatory opinions or regulatory requirements of the securities regulatory authorities, both parties shall enter into a separate supplemental agreement to adjust the lock-up period accordingly in accordance with the regulatory opinions or regulatory requirements of the relevant securities regulatory authorities. Upon completion of the Issuance, any shares derived from the scrip issue and capitalization of reserves of Party B in respect of the A shares subscribed for by Party A under the Issuance shall also be subject to the aforementioned arrangement. Where any law or regulation provides otherwise on the lock-up period, such law or regulation shall prevail. Party A shall, in accordance with



relevant laws and regulations and the relevant requirements of the CSRC and the Shanghai Stock Exchange, issue relevant lock-up undertaking for the subscription shares under the Non-public Issuance per the request of Party B, and handle related lock-up matters.

**(VI) Conditions precedent and effective date**

The conditional subscription agreement will be effective when it is signed and sealed by both parties and all the following conditions are met:

1. each of the Board of Party B, the general meeting, the A share class meeting and the H share class meeting of the Company shall have considered and approved the Non-public Issuance and the subscription;
2. the competent state-owned assets-related approval authority shall have approved the Non-public Issuance; and
3. the CSRC shall have approved the Non-public Issuance.

**(VII) Liabilities for breach**

Under the conditional subscription agreement, except for force majeure, any party who violates the relevant obligations, undertakings, declarations and warranties under the agreement shall be deemed as breach of agreement. If the agreement cannot be fully performed, partially performed, or cannot be performed in a timely manner due to any breach by the defaulting party and the other party suffers from loss arising therefrom, the defaulting party shall be liable for compensation.

**SECTION III FEASIBILITY ANALYSIS OF THE BOARD OF DIRECTORS ON  
THE USE OF THE PROCEEDS**

**I. PLAN ON THE USE OF PROCEEDS**

The plan on the use of proceeds is as follows:

*Unit: RMB'00 million*

<b>Project name</b>	<b>Implementing entities</b>	<b>Total investment</b>	<b>Utilization amount of the proceeds</b>
Tangshan LNG Project (first phase and second phase)	Caofeidian Company	185.97	26.96
Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian – Baodi section)	Caofeidian Company	64.17	7.86
Tangshan LNG Terminal Outbound Pipelines Project (Baodi – Yongqing section)	Caofeidian Company	29.54	2.66
Replenishment of working capital and repayment of bank loans	Suntien Green Energy	13.62	13.62
<b>Total</b>		<b><u>293.30</u></b>	<b><u>51.10</u></b>

The actual amount of net proceeds to be raised from this Issuance is less than the requisite capital for the Investment Projects. The Board of the Company may, taking into account the actual needs and without altering the list of Investment Projects, make appropriate adjustments to the priority and amounts of the proceeds allocated to the above projects. Pending the receipt of the proceeds from this Issuance, the Company may, based on the actual progress of the relevant projects, first apply any funds otherwise available to it to the projects and, when the proceeds are available, use the proceeds to replace such funds otherwise raised in accordance with the procedures required by relevant laws and regulations. If the actual amount of proceeds from this Issuance is less than the utilization amount of the proceeds of the above projects, the shortfall will be covered by the Company through self-raised funds.

The Board has the rights to adjust or determine the specific arrangements such as the Investment Projects and the amounts required to the extent as permitted by relevant laws and regulations and as authorized by the resolutions of the general meeting.

**II. NECESSITY AND FEASIBILITY ANALYSIS OF THE INVESTMENT PROJECTS****(I) Necessity Analysis of the Investment Projects*****1. National requirements for the construction of natural gas storage peak-shaving facilities***

With the rapid development of natural gas industry in the PRC, natural gas consumption continues to grow rapidly while its importance in the national energy system is constantly increasing. However, the gas storage infrastructure of the state has lagged behind, and the gas storage capacity is significantly lower than the global average, leading to a severe gas supply situation in certain regions during winter, and has become a shortcoming for the safe and stable supply of natural gas and the healthy development of the industry.

In order to prevent the risk of gas shortage in winter, strengthen the capacity of natural gas storage peak shaving in northern regions, and accelerate the construction of gas storage facilities, five departments including the NDRC, the MOF, the Ministry of National Resources, the Ministry of Housing and Urban-Rural Development, and the NEA jointly published the Implementation Opinions on Accelerating the Construction of Natural Gas Reserve Capacity to further accelerate the construction of gas storage infrastructure and enhance natural gas storage capacity. The Opinions put forward: “highlight the scale effect, give priority to the construction of underground gas storage, liquefied natural gas (LNG) in northern coast receiving terminals and large-scale LNG storage tanks in key areas. The existing LNG receiving terminals are encouraged to expand the scale of storage tanks, and urban clusters are encouraged to build and share gas storage facilities, in order to form a regional gas storage peak shaving center. By giving full play to the characteristics of suitability for storage and transportation and flexibility in deployment and transportation of LNG storage tanks, pilot demonstration of LNG tank container multimodal transportation will be promoted and various measures will be taken to improve gas storage capacity.” The Investment Projects meet the national requirements for the construction of natural gas storage peak shaving facilities, and is of great significance to enhancing the capacity of natural gas storage in the region.

***2. Needs to ensure the safety of energy supply in the Beijing-Tianjin-Hebei region***

In response to the national energy policy, the Beijing-Tianjin-Hebei region has vigorously developed the natural gas industry, carried out the work of “gas replacing coal” and “coal to gas”, increased the proportion of natural gas in primary energy resources, and achieved good social, economic and environmental benefits. With the increasing demand for natural gas, the safety of natural gas supply has become an important social and political issue.

At present, the main peak shaving sources of natural gas in North China are the established facilities such as Dagang, northern China storage groups, PetroChina Tangshan LNG, CNOOC Tianjin LNG and Sinopec Tianjin LNG. Affected by the climate, the imbalance of natural gas consumption demand in the Beijing-Tianjin-Hebei region is very prominent, with large seasonal peak-to-valley differences and large peak-shaving load. In recent years, as entering the heating season each year, the volume of natural gas utilized in North China increased significantly, and the supply in such regions has become tighter, leading to repeated emergency measures such as gas restrictions during peak gas use periods. With the growth of gas consumption in North China, the situation of gas supply in winter will be more severe in the future. Existing gas storage facilities and other emergency gas supply facilities cannot meet the demand for gas storage and peak shaving capacity in the Beijing-Tianjin-Hebei region, and new supply channels and resources need to be added. Tangshan, Hebei, the location for the Investment Projects, namely Tangshan LNG Project and Outbound Pipelines Project, has inherent location advantages, and LNG has the characteristics of high gas storage efficiency, convenient deployment and transportation, and flexible adjustment of gasification capacity. The construction of the Investment Projects is conducive to improving the gas storage capacity of the Beijing-Tianjin-Hebei region and ensuring the safety of energy supply in the Beijing-Tianjin-Hebei region.

### ***3. Strengthening the interconnection of regional pipeline networks and improving trunk pipeline transmission capacity***

The “13th Five-year Plan for Natural Gas Development” issued by the NDRC clearly indicated that: to improve the trunk pipeline transmission capacity, accelerate the construction of gas pipelines to the Beijing-Tianjin-Hebei region, and enhance the gas supply and peak shaving capabilities in northern China; to strengthen the construction of regional pipeline networks and interconnected pipelines to further improve the main consumption area trunk pipelines and intra-provincial gas transmission and distribution pipeline network systems, strengthen the construction of inter-provincial connection lines, increase the degree of pipeline networking, and accelerate the construction of urban gas pipeline networks; to strengthen the interconnection of main pipelines, and gradually form a main pipeline network system with smooth connections, flexible operation, safety and reliability.

At present, the national backbone pipeline network in the Beijing-Tianjin-Hebei region includes the constructed Shaanxi-Beijing Pipeline System, the Tianjin LNG Outbound Pipeline, the Yulin-Jinan Pipeline, the Erdos-Anping-Cangzhou Pipeline, etc., and the planned or under construction include the Sino-Russian Eastern Pipeline and the West Inner Mongolia Coal-based Gas Transmission Pipeline, etc. According to the “Text Record of the Online Press Conference of the National Energy Administration for the First Quarter of 2021”, since 1 January 2021, the maximum daily gas transmission volume on the Sino-Russian Eastern Pipeline has doubled, further increasing the effective supply of natural gas in the Beijing-Tianjin-Hebei region. After the

completion of the Investment Projects, the above national backbone gas pipelines will be interconnected to improve the gas transmission and deployment capacity of the pipeline network in the Beijing-Tianjin-Hebei region, and improve the security of winter gas supply capacity in the Beijing-Tianjin-Hebei region.

## **(II) Feasibility Analysis of the Investment Projects**

### ***1. Compliance with national energy industry policy***

In June 2017, 13 ministries and commissions including the NDRC jointly issued the Opinions on Accelerating the Utilization of Natural Gas (《加快推進天然氣利用的意見》). The Opinions proposed that natural gas will be gradually cultivated as one of the major energy resources in China's modern clean energy system. The proportion of natural gas in the primary energy resource consumption structure will reach about 10% by 2020, and underground gas storage to form an effective working gas volume of 14.8 billion cubic meters. The proportion of natural gas in the primary energy consumption structure will reach about 15% by 2030, and underground gas storage to form an effective working gas volume of more than 35.0 billion cubic meters, cultivating natural gas as one of the main energy sources in China's modern clean energy system. As at the end of 2019, the apparent consumption of natural gas amounted to 306.7 billion cubic meters in China, representing an increase of 9.4% as compared with the same period of last year. With the further implementation of relevant policies, the proportion of natural gas in China's energy resource consumption structure has been increasing. The construction of the Investment Projects is in line with the national energy policy, which can optimize the energy structure of the Company's business area and play a positive role in maintaining the sustainable development of Hebei Province and even the in Beijing-Tianjin-Hebei region, as well as solving the dual problems of energy supply security and ecological and environmental protection.

### ***2. Demand has increased significantly for clean energy consumption in the Beijing-Tianjin-Hebei region***

Beijing-Tianjin-Hebei region is located in the center of China's Bohai Rim Economic Zone, which is one of the areas in northern China with a developed economy, high concentration of energy-consuming industries, high urbanization level, and a concentrated population, with a relatively large demand for energy. In recent years, with the rapid development of China's economy and the increase in the level of urbanization, the effect of large city circles has become more pronounced, and the influx of population is obvious. The Beijing-Tianjin-Hebei region and its surrounding areas were once one of the most polluted regions in China. In order to ensure the sustainable development of the economy, the transformation of the energy consumption structure is imperative. The Action Plan for the Energy Development Strategy (2014-2020) (《能源發展戰略行動計劃(2014-2020)》) states that by 2020, coal consumption in the four provinces and municipalities of Beijing, Tianjin, Hebei and Shandong will be reduced by a net 100 million tons from the 2012 level, and thus the demand will increase for

natural gas as an important clean energy source in the Beijing–Tianjin–Hebei region. According to estimates, the demand for natural gas in the Beijing–Tianjin–Hebei region will increase from 140.3 billion cubic meters to 231.3 billion cubic meters between 2021 and 2030, the proportion of natural gas in the primary energy resource consumption structure will also increase significantly. Therefore, the Investment Projects have good market demand as a basis.

**3. *Closely relating to the Company's major businesses to enhance the competitiveness of the Company's major businesses***

The major businesses of the Company are the natural gas sale business and the wind power generation business.

In the natural gas business segment, the Company is a leading clean energy company in North China, the third largest distributor of PetroChina in North China and one of the leading natural gas distributors in Hebei Province. As of 30 September 2020, the aggregate length of the Company's natural gas pipelines in operation was 5,317.54 kilometers, and the Company has 30 urban gas projects and 7 CNG primary fueling stations. From January to September 2020, the Company's sales volume of natural gas was 2,394 million cubic meters. After years of operation, the Company has a professional team with extensive experience in management and operation in the natural gas business, which provides a good guarantee for the smooth implementation of the Investment Projects. In addition, the completion of the Tangshan LNG Project and Tangshan LNG Terminal Outbound Pipelines Project will greatly enhance the Company's ability of peak shaving gas supply and pipeline transmission during the winter peak, improve the Company's ability to secure gas supply and strengthen the competitiveness of the Company's major business.

**4. *The Investment Projects with good economic benefits***

In the absence of major changes in the current economic situation and policies, and based on current data, it is estimated that the return on investment and after-tax profit of the Investment Projects are both significant and economically viable, and will generate good returns for shareholders.

### III. INVESTMENT PROJECTS

**(I) Tangshan LNG Project (first phase and second phase)**

The total investment of Tangshan LNG Project (first phase and second phase) is RMB18.597 billion, and the proposed use of proceeds is RMB2.696 billion.

**1. *Project plan***

The Tangshan LNG project (first phase and second phase) is located in Caofeidian Port Logistics Park, Tangshan City, Hebei Province. The first phase of the project is intended to construct and put into operation four 200,000-cubic

meter LNG storage tanks, one 80,000 to 266,000-cubic meter LNG berth, as well as other supporting process facilities such as receiving and unloading, gasification, and outbound transportation, with a designed receiving and unloading capacity of 5 million tons per year and is scheduled for completion in 2022. The second phase of the project is to build eight 200,000-cubic meter LNG storage tanks (among which for two tanks, the Company has entered into a capital contribution contract and an entrusted construction management contract with Tangshan Haohua), one 10,000 to 266,000-cubic meter LNG berth, and related auxiliary process facilities for receiving and discharging, gasification, and outbound transportation, with a design capacity of 5 million tons per year, and is scheduled for completion in 2025.

## 2. Investment estimates

The investment breakdown of the Tangshan LNG Project (first phase and second phase) are as follows:

No.	Name of Project or Cost	Investment Estimates (RMB'0,000)	Percentage of Investment Estimates
<b>I</b>	<b>LNG Receiving Terminal (first phase and second phase)</b>	<b>1,471,136.37</b>	<b>79.11%</b>
1	Project expenses	1,270,568.76	68.32%
1.1	Equipment purchases expenses	285,018.51	15.33%
1.2	Major material purchase expenses	659,622.81	35.47%
1.3	Installation engineering expenses	99,089.72	5.33%
1.4	Construction expenses	226,837.72	12.20%
2	Other expenses	125,246.38	6.73%
3	Preparation expenses	75,321.23	4.05%
<b>II</b>	<b>Terminal (first phase and second phase)</b>	<b>247,750.78</b>	<b>13.32%</b>
1	Project expenses	199,086.78	10.71%
1.1	Construction and installation expenses	182,110.99	9.79%
1.2	Equipment purchases expenses	16,875.79	0.91%
1.3	Other expenses	100.00	0.01%
2	Other expenses	32,456.01	1.75%
3	Preparation expenses	16,207.99	0.87%
<b>III</b>	<b>Construction period interest</b>	<b>84,521.00</b>	<b>4.54%</b>
<b>IV</b>	<b>Replenishment of working capital</b>	<b>56,262.00</b>	<b>3.03%</b>
<b>Total</b>		<b><u>1,859,670.15</u></b>	<b><u>100.00%</u></b>

**3. *The construction subject of the project and the time schedule***

The Investment Project is constructed by Caofeidian Company, a controlled subsidiary of the Company, and the construction period of the Investment Project is estimated to be six years.

**4. *Project site selection***

The site of the Investment Project is located at the south side of No. 1 Road of Caofeidian Industrial Zone in Tangshan City, Hebei Province and the east side of PetroChina's Tangshan LNG Project, which occupies an area of 1,302.15 mu.

**5. *Benefit analysis of the project***

As estimated, the average annual net profit during the operation period will be RMB900.64 million, with an estimated payback period of 14.04 years (including the construction period). The economic outlook for the project is good.

**6. *Approval status of the project***

- (1) It has received the "Approval of the Tangshan Liquefied Natural Gas Project of Caofeidian Suntien Liquefied Natural Gas Co., Ltd." (Fa Gai Neng Yuan [2019] No. 1678) issued by the NDRC in October 2019;
- (2) It has received the "Approval of the Environmental Impact Report on the Tangshan LNG Project" (Huan Shen [2019] No. 70) issued by the Ministry of Ecology and Environment in May 2019;
- (3) It has received the "Letter on the Pre-Approval Opinion on the Use of the Sea for Tangshan LNG Project" (Zi Ran Zi Han [2019] No. 256) issued by the Ministry of Natural Resources in May 2019;
- (4) It has received the "Opinions on Tangshan Port Caofeidian Port Area Suntien Liquefied Natural Gas Project Supporting Terminal Project" (Jiao Gui Hua Han [2019] No. 569) issued by the Ministry of Transportation and Communications in August 2019.

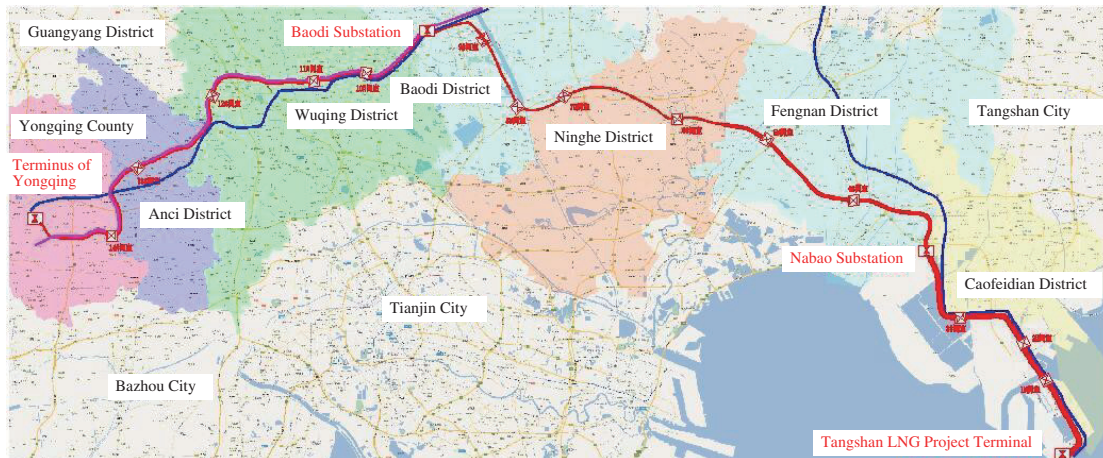


## (II) Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section)

The total investment of the Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section) is RMB6.417 billion, and the proposed use of proceeds is RMB786 million.

### 1. Project plan

The Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section) starts from Tangshan LNG receiving terminal and ends at Baodi distribution terminal in Tianjin. The 176.18 km long pipeline has a diameter of 1,422 mm, a design pressure of 10 MPa, a design annual gas transmission capacity of 11.2 billion cubic meters and a maximum daily transmission capacity of 160 million cubic meters. There will be two process stations and nine valve chambers along the pipeline, and related engineering facilities will also be constructed.



## 2. *Investment estimates*

No.	Name of Project or Cost	Investment Estimates (RMB'0,000)	Percentage of Investment Estimates
<b>I</b>	<b>Project expenses</b>	<b>390,038.00</b>	<b>60.78%</b>
1.1	Equipment purchases expenses	154,769.00	24.12%
1.2	Major material expenses	4,353.00	0.68%
1.3	Installation expenses	175,019.00	27.28%
1.4	Construction expenses	55,897.00	8.71%
<b>II</b>	<b>Other expenses</b>	<b>185,714.00</b>	<b>28.94%</b>
<b>III</b>	<b>Preparation expenses</b>	<b>46,060.00</b>	<b>7.18%</b>
<b>IV</b>	<b>Construction period interest</b>	<b>19,404.00</b>	<b>3.02%</b>
<b>V</b>	<b>Replenishment of working capital</b>	<b>458.00</b>	<b>0.07%</b>
<b>Total</b>		<b><u>641,675.00</u></b>	<b><u>100.00%</u></b>

## 3. *The construction subject of the project and the time schedule*

The Investment Project is constructed by Caofeidian Company, a controlled subsidiary of the Company. This project is part of the Tangshan LNG Terminal Outbound Pipelines Project, the time schedule will match the construction progress of the Tangshan LNG Project Phase I, and the construction period is 2 years.

## 4. *Project site selection*

The Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section) is proposed to be constructed from the receiving terminal of Tangshan LNG Project to the Baodi substation. It passes through four districts: Caofeidian District, Fengnan District of Tangshan City of Hebei Province; and Ninghe District and Baodi District of Tianjin City.

## 5. *Benefit analysis of the project*

As estimated, the average annual net profit during the operation period will be RMB341.68 million, with an estimated payback period of 13.06 years (including the construction period). The economic outlook for the project is good.

## 6. *Approval status of the project*

- (1) It has received the “Reply for the Approval of the Hebei Suntien Tangshan Liquefied Natural Gas Terminal Outbound Pipelines Project (Caofeidian-Baodi section)” (Fa Gai Neng Yuan [2019] No. 1677) issued by the NDRC in October 2019;

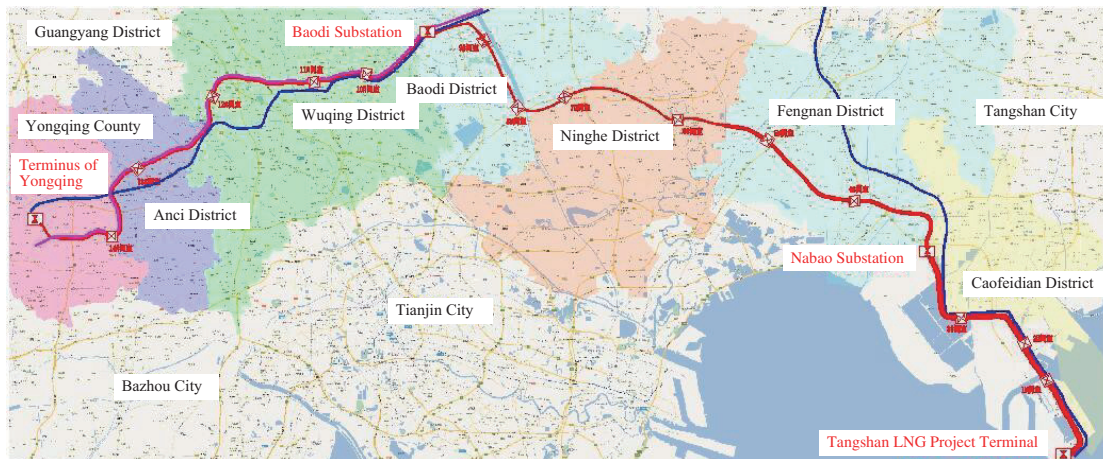
- (2) It has received the “Approval of the Environmental Impact Report on the Tangshan LNG Outbound Pipelines Project (Cao-Bao section)” (Huan Shen [2019] No. 23) issued by the Ministry of Ecology and Environment in February 2019;
- (3) It has received the “Reply Letter on the Pre-Approval Opinion on the Construction Land for the Tangshan LNG Outbound Pipelines Project (Cao-Bao section)” (Zi Ran Zi Yu Shen Zi [2019] No. 93) issued by the Ministry of Natural Resources in March 2019;
- (4) It has received the “Letter on the Pre-Approval Opinion on the Use of the Sea for the Tangshan LNG Outbound Pipelines Project” (Zi Ran Zi Han [2019] No. 257) issued by the Ministry of Natural Resources in May 2019.

### (III) Tangshan LNG Terminal Outbound Pipelines Project (Baodi–Yongqing section)

The total investment of Tangshan LNG Terminal Outbound Pipelines Project (Baodi–Yongqing section) is RMB2,954 million, and the proposed use of proceeds is RMB266 million.

#### 1. Project plan

The Tangshan LNG Terminal Outbound Pipelines Project (Baodi–Yongqing section) starts from Baodi substation in Tianjin and ends at Yongqing terminal located in Langfang, Hebei Province. The 112 km long pipeline has a design annual gas transmission capacity of 11.2 billion cubic meters, a diameter of 1,422 mm, a design pressure of 10 MPa and a maximum daily transmission capacity of 151 million cubic meters. There will be five valve chambers along the pipeline, and related engineering facilities will also be constructed.



## 2. *Investment estimates*

No.	Name of Project or Cost	Investment Estimates (RMB'0,000)	Percentage of Investment Estimates
<b>I</b>	<b>Project expenses</b>	<b>188,326.00</b>	<b>63.74%</b>
1.1	Equipment purchases expenses	87,806.00	29.72%
1.2	Major material expenses	3,351.00	1.13%
1.3	Installation expenses	78,826.00	26.68%
1.4	Construction expenses	18,343.00	6.21%
<b>II</b>	<b>Other expenses</b>	<b>76,766.00</b>	<b>25.98%</b>
<b>III</b>	<b>Preparation expenses</b>	<b>21,207.00</b>	<b>7.18%</b>
<b>IV</b>	<b>Construction period interest</b>	<b>8,934.00</b>	<b>3.02%</b>
<b>V</b>	<b>Replenishment of working capital</b>	<b>211.00</b>	<b>0.07%</b>
<b>Total</b>		<b><u>295,444.00</u></b>	<b><u>100.00%</u></b>

## 3. *The construction subject of the project and the time schedule*

The Investment Project is constructed by Caofeidian Company, a controlled subsidiary of the Company. This project is part of the Tangshan LNG Outbound Pipelines project, the time schedule will match the construction progress of the Tangshan LNG Project Phase I, and the construction period is 2 years.

## 4. *Project site selection*

The Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section) is proposed to be constructed from the Baodi substation in Tianjin to the Yongqing terminal located in Langfang, Hebei Province. It passes through four districts, namely Baodi District and Wuqing District of Tianjin City; and Anci District and Yongqing County of Langfang City.

## 5. *Benefit analysis of the project*

As estimated, the average annual net profit during the operation period will be RMB160.93 million, with an estimated payback period of 13.05 years (including the construction period). The economic outlook for the project is good.

## 6. *Approval status of the project*

- (1) It has received the “Reply for the Approval of the Hebei Suntien Tangshan LNG Terminal Outbound Pipelines Project (Baodi – Yongqing section)” (Fa Gai Neng Yuan [2019] No. 1842) issued by the NDRC in November 2019;

- (2) It has received the “Approval of the Environmental Impact Report on the Tangshan LNG Outbound Pipelines Project (Bao-Yong section)” (Huan Shen [2020] No. 42) issued by the Ministry of Ecology and Environment in March 2020;
- (3) It has received the “Reply Letter on the Pre-Approval Opinion on the Construction Land for the Tangshan LNG Outbound Pipelines Project (Bao-Yong section)” (Zi Ran Zi Ban Han [2019] No. 1340) issued by the Ministry of Natural Resources in August 2019.

#### **(IV) Replenishment of working capital and repayment of bank loans**

##### ***1. Project overview***

The Company intends to utilize RMB1.362 billion raised from the Non-public Issuance to replenish working capital and repay bank loans to meet the Company’s need of working capital for continuous expansion, improve the Company’s resource allocation efficiency, and provide guarantee for the Company’s healthy and sustainable development.

##### ***2. Necessity of the project and its impact on the Company’s financial status***

###### ***(1) Satisfying the capital demand as a result of the increasing scale of operations***

In recent years, the Company’s business scale and operating income have shown a continuous growth trend. The wind power and gas industry in which the Company engages is a capital-intensive industry. With the continuous growth of business scale, the demand for working capital will become increasingly strong. At the same time, the Company currently has many high-quality reserve projects. After the proceeds raised from the Issuance are in place, the replenishment of working capital will effectively alleviate the financial pressure of the Company’s development and improve the Company’s daily operating efficiency.

###### ***(2) Optimizing capital structure and enhancing financial strength***

The funding need for the Company’s development in recent years have mainly been solved through debt financing, including bank loans and the issuance of medium-term notes and short-term financing bonds. The gearing ratios at the end of each Reporting Period were 69.43%, 68.34%, 67.90% and 69.23%, respectively. At present, the Company’s financial leverage utilization rate has reached a relatively high level, which has weakened the Company’s ability to resist risks to a certain extent and affected the Company’s sustainable development.

After the proceeds raised are in place, it will help improve the Company's gearing ratio and reduce the Company's liquidity risk. In the long run, it can improve the Company's debt financing capacity and space, meet the funding needs of the Company's subsequent development, and lay the foundation for the Company's sustainable development.

(3) *Reducing financial expenses and increasing operating efficiency of the Company*

Raising funds through bank loans or otherwise has provided financial support and guarantee for the Company to expand its business scale and improve its operating quality, but the finance costs incurred therefrom have also reduced the Company's profitability.

The Company carries out the Non-public Issuance of A shares to replenish working capital and repay bank loans, so as to alleviate part of the Company's demand for bank loans to make up for the shortfalls in working capital required for the developing various businesses, which can help control the scale of interest-bearing debts, reduce the Company's financial expenses and improve the Company's operating performance.

**3. Conclusion**

In view of above, the Board believes that using the proceeds raised from the Issuance to replenish working capital and repay bank loans will be conducive to the further expansion of operation and overall strength of the Company, and will enhance the operating benefits of the Company, optimize the capital structure and lay a foundation for the healthy development of the Company in the future, and is in the interests of the Company and the shareholders as a whole.

**IV. EFFECTS OF THE USE OF PROCEEDS ON THE OPERATING CONDITIONS AND FINANCIAL POSITION OF THE COMPANY**

The Investment Projects are closely related to the existing natural gas business of the Company. Upon completion of the projects, the Company's natural gas storage and supply capacity will be increased, and its business scale and market competitiveness will be further enhanced, which will enhance the Company's influence in the industry and strengthen the Company's sustainable operation ability.

After the completion of this Non-public Issuance of A shares, the Company's total assets will be increased and the gearing ratio will be lowered, while the current ratio and quick ratio will be further increased. This will help enhance the solvency of the Company and reduce the financial risks.

After the proceeds are in place, the net assets of the Company will increase and the return on the net assets of the Company may be diluted in the near future. However, with favorable market prospects and a high level of profitability, the Investment Projects are expected to boost the total operating revenue and profit of the Company upon its commencement of operation.

**SECTION IV DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE IMPACTS OF THIS ISSUANCE ON THE COMPANY****I. INTEGRATION PLAN FOR THE COMPANY'S ASSETS AND BUSINESS AFTER THE ISSUANCE AND CHANGES IN ARTICLES OF ASSOCIATION, SHAREHOLDING STRUCTURE, SENIOR MANAGEMENT STRUCTURE AND BUSINESS STRUCTURE****(I) Integration plan for the Company's assets and business after the Issuance**

There is no plan for integration of business and assets of the Company after the completion of the Non-public Issuance as of the date of this proposal.

**(II) Impact of the Issuance on the Articles of Association**

Upon completion of the Issuance, the Company's registered capital and total share capital will increase correspondingly. The shareholding proportion of the original shareholders of the Company will also change correspondingly. The Company will make amendments to the provisions related to the share capital in the Articles of Association, and complete the change of registration with the authority in charge of industrial and commercial administration based on the actual situation of the Issuance.

**(III) Impact of the Issuance on the shareholding structure**

Upon completion of the Issuance, the Company's shares in circulation subject to selling restrictions will increase by not more than 1,154,973,118 shares. The Issuance will not lead to any change in the control of the Company. HECIC remains to be the controlling shareholder of the Company, and HBSA remains to be the actual controller of the Company.

**(IV) Impact of the Issuance on the senior management structure**

The Issuance will not lead to any changes in the senior management structure of the Company.

**(V) Impact of the Issuance on the business structure**

The Issuance will not lead to any significant changes in the business revenue structure of the Company.

**II. CHANGES IN THE FINANCIAL POSITION, PROFITABILITY AND CASH FLOW OF THE COMPANY AFTER THIS ISSUANCE**

After the Issuance, the total assets and net assets of the Company will increase and its gearing ratio will be lowered accordingly, and the Company's financial structure will be improved and optimized. When the target output of Investment Projects is achieved, the Company's revenue scale will be enlarged and its profits will further increase. During the year of completion of the Issuance, the cash inflow from financing activities of the

Company will increase substantially, and with the subsequent implementation of the Investment Projects and the benefits arising therefrom, the cash outflow from investing activities and cash inflow from operating activities in the future will increase.

**III. CHANGES IN BUSINESS RELATIONSHIP, MANAGEMENT RELATIONSHIP, CONNECTED TRANSACTIONS, BUSINESS COMPETITION, ETC. BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER AND ITS AFFILIATES**

**(I) Change in business relationship and management relationship between the Company and the controlling shareholder and its affiliates**

Upon completion of the Issuance, there will be no significant change in the business relationship and management relationship between the Company and the controlling shareholder and its affiliates due to the Issuance.

**(II) Change in connected transactions between the Company and its affiliates**

Upon completion of the Issuance, there will be no new connected transactions between the Company and the controlling shareholder and its affiliates due to the Issuance.

**(III) Change in business competition between the Company and the controlling shareholder and its affiliates**

There will be no business competition between the Company and the controlling shareholder and its affiliates due to the Issuance.

**IV. UPON COMPLETION OF THIS ISSUANCE, WHETHER THE FUNDS AND ASSETS OF THE COMPANY ARE APPROPRIATED BY THE CONTROLLING SHAREHOLDER AND ITS AFFILIATES OR WHETHER THE COMPANY PROVIDES GUARANTEE FOR THE CONTROLLING SHAREHOLDER AND ITS AFFILIATES**

Upon completion of the Issuance, the fund transactions between the Company and the controlling shareholder and other affiliates under its control will be conducted in the ordinary course of business. The funds and assets will not be illegally appropriated, nor will the Company illegally provide guarantee for the controlling shareholder and its affiliates.

**V. IMPACT OF THIS ISSUANCE ON THE DEBTS OF THE COMPANY**

As of 30 September 2020, the Company's asset to liability ratio on a consolidated basis was 69.23%, which is a relatively high level. The A shares under the Issuance will be subscribed for in cash. Upon completion of the Issuance, the asset to liability ratio of the Company will decrease, and the Issuance will not cause significant increase in debts. The financial structure of the Company will become healthier and the risk resistance ability will



be further strengthened. Meanwhile, the Issuance will provide more room for and improve the ability in debt financing of the Company so as to guarantee the future development of the Company.

## VI. RISKS RELATED TO THIS ISSUANCE

### (I) Policy risk

#### 1. *Risks of changes in national industrial policies*

The development of domestic wind power industry has largely benefited from China's strong support for the renewable energy industry, particularly protection on on-grid tariffs and tax incentives for the wind power industry. In recent years, China successively promulgated a series of related policies and regulations, including the Renewable Energy Law (《可再生能源法》), the Mid- and Long-term Development Plan for Renewable Energy (《可再生能源中長期發展規劃》), the 2017-2020 New Construction Plan for Wind Power (《2017-2020年風電新增建設規劃方案》), and the Notice on Establishing and Improving the Guarantee Mechanism for Renewable Energy Electric Power Consumption (《關於建立健全可再生能源電力消納保障機制的通知》), etc., to encourage the construction and development of the renewable energy industry, and promote the consumption of renewable energy. Any changes in the relevant national policies supporting the wind power industry in future may reduce the income from wind power projects and thereby adversely affect the Company's operating results.

The National Natural Gas Utilization Policy (《天然氣利用政策》) promulgated by the NDRC on 14 October 2012 as well as the Administrative Measures for the Pricing of Natural Gas Pipeline Transmission (for Trial Implementation) (《天然氣管道運輸價格管理辦法(試行)》) and the Supervising Measures for the Cost Pricing of Natural Gas Pipeline Transmission (for Trial Implementation) (《天然氣管道運輸定價成本監審辦法(試行)》) promulgated on 16 August 2016 confirmed the basic principles including “protect the livelihood of the people, protect the business focus and protect the development” and the policy objective of “increasing the proportion of natural gas in the primary energy consumption”. The vast majority of the end-users of the Company belong to the priority natural gas users including “city gas users such as urban residents in use of hot water for cooking and living, public service facility users, natural gas vehicle users, centralized heating users and other city gas users, and interruptible users in related industries and other industrial fuel users” listed in the National Natural Gas Utilization Policy. Therefore, the Company has relatively easy access to upstream gas supply units in terms of protection of gas source, and has received corresponding policy support from the competent authorities in terms of construction of pipeline networks, refueling stations and in subsequent operations.

Given that natural gas has advantages such as low carbon content, low pollution and high calorific value, as well as China's current situation of environmental pollution and pressure on reducing carbon dioxide emissions, the Company expects that China's natural gas industry policy will not change in the

short term. However, if China adjusts the policy on natural gas industry in the future, and some of the Company's businesses are no longer under the priority or encouraged category, it may have an adverse impact on the Company's access to gas source, gas procurement price and business expansion, thereby affecting the operating results of the Company.

## **2. *Government approval or franchise risks***

Approval and permission from different government departments are required for the design of wind power projects, construction of wind farms, grid-connection power generation and on-grid tariffs. The investment and construction of the Company's wind power projects are subject to the approval from the local government investment authority, as well as other approvals and permissions from the local government where the projects are located, including, among other things, multiple approvals or permissions for the project construction site and environmental assessment. If the approval criteria for wind power projects are more stringent in the future, the initial investment in the Company's project development may be increased, and the construction and production timeline of projects may be extended, thereby adversely affecting the business expansion and operating results of the Company.

As stipulated in the Administrative Measures for the Franchising of Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》) promulgated and implemented by six national departments and commissions including the NDRC and the Ministry of Housing and Urban-Rural Development in June 2015, the term of franchise for infrastructure and public utilities shall be determined based on the industry characteristics, demands for public utilities or services provided, project life cycle, investment payback period, etc., and the maximum period shall not be more than 30 years. For the selection of franchisee upon expiry of the term of franchise, the original franchisee shall be given priority in obtaining the concession under the same conditions. If the Company's term of franchise on gas expires, due to changes in relevant national regulations regarding franchising rights, or the Company is unable to obtain subsequent authorization due to its failure in continually meeting relevant requirements, the business operation of gas in the relevant city may be adversely affected, and the Company's city gas projects may face operational risks arising from the failure in obtaining subsequent authorization from the government upon the expiration of franchise.

## **3. *Risks of "Wind Power and Photovoltaic Power Curtailment"***

Since the implementation of the "13th Five-Year Plan", China successively issued relevant policies on "wind power and photovoltaic power curtailment". Through reasonable allocation of projects and strengthening construction on power grids facilities, China's average percentage of wind power and photovoltaic power curtailment decreased from 12.00% and 6.00% in 2017 to 4.00% and 2.00% in 2019, and the problem of curtailment of wind and photovoltaic power generation has improved significantly. The proportion of "wind curtailment" and

“photovoltaic power curtailment” will gradually decrease in the long term with the gradual implementation of various policies and improvement of power grids facilities. If the implementation of various policies in improving “wind curtailment” and “photovoltaic power curtailment” does not have a significant effect in the short term, there will be certain adverse impacts on the wind power/photovoltaic power business of the Issuer.

## **(II) Risk of Investment Projects**

### ***1. Risks of implementation of the Investment Projects***

The Company has conducted adequate market research and prudent analysis in determining the Investment Projects funded by the proceeds from the Non-public Issuance of A shares, and concluded that the Investment Projects satisfy the national industry policies and the development strategies of the Company with good market prospect. However, during the implementation of projects and after the completion of project construction, if there are material adverse changes in national policy, market environment, industrial technology and relevant factors, it may result in the Company being unable to reach the anticipated income and profit level after the Investment Projects of the Company are put into operation.

### ***2. Market risk***

Upon completion of construction of the Investment Projects, it may not be able to maintain a steady supply of upstream LNG resources, and there is possibility for reduction in gas consumption by downstream gas customers, thereby the Investment Projects may face risk of not achieving the expected benefits. In addition, there may be risk of unusual price surges on LNG CIF (cost insurance and freight). Since the LNG CIF is more sensitive to the impact of gas prices, price increases may bring risks such as reduction of consumption by downstream users.

### ***3. Risks of the dilution of immediate return by the Non-public Issuance***

Upon completion of the Non-public Issuance of A shares, the total share capital and net assets of the Company will increase substantially and the overall capital strength of the Company will be enhanced. Since it takes a certain period of time for the construction and profit generation of the Investment Projects, with the increasing total share capital and net assets of the Company, if the Company fails to produce a corresponding increase in profitability level in the short term, the above-mentioned factors may cause the Company’s profit growth in the year of the Issuance to be lower than the expansion of the total share capital, and business indicators of the Company such as earnings per share and weighted average return on net assets will be diluted within a certain period of time after the Issuance. The Company is exposed to the risk of a decline in indicators such as earnings per share and weighted average return on net assets in the year of Issuance as a result of the increase in new shares upon the Issuance.

**(III) Management risk**

Upon completion of the Issuance, the Company's asset scale and business scale will be expanded accordingly, and higher requirements will be placed on the Company's project implementation and operation and management capabilities. Although the Company has established a more standardized management system and the key management personnel of the Company have relatively rich management experience, the Company's organizational structure and management system will become increasingly complex with the growth of the Company's business scale. If the Company fails to properly address the operational management problems arising from the expansion of its business scale in the course of business development, the production and operation of the Company will be adversely impacted.

**(IV) Safety accident risk**

Safety accident risk refers to the risks that may arise during the process of receiving, storing, transporting and using natural gas. Natural gas is flammable and explosive in both gaseous and liquid state, and any safety accident in the process of receiving, storing, transporting and using natural gas will cause serious consequences.

In the course of use, users may cause natural gas leakage due to improper use or quality issue of gas appliances, resulting in various types of accidents. Since gas pipelines are installed underground, it may trigger various types of accidents due to leakage caused by third-party damage, which will adversely affect the production and operation of the Company. Therefore, safe production is particularly important for gas enterprises.

In the future, the possibility of safety accidents arising from human mistake, improper use by users, quality issue of gas appliances, third-party damage, etc. cannot be completely ruled out.

As some of the Company's wind farms are located in areas covered by forests and grasslands, there is a possibility of fires due to failure of wind turbine equipment, igniting forests or grasslands, and causing fires in forest or grassland.

If a safety accident occurs, it may have a significant adverse impact on the production and operation of the Company.

**(V) Approval risk**

The plan for the Non-public Issuance of A shares is subject to the approval from the competent state-owned assets approval authorities, approvals at the general meeting, the A share class meeting and the H share class meeting of the Company and the approval by the CSRC. There are certain uncertainties as to whether the relevant approvals or authorizations can be obtained and when they will eventually be obtained.

**(VI) Risk of loss resulting from fluctuations in share prices**

The Non-public Issuance will have a significant impact on the production and operation as well as the financial condition of the Company, which will in turn affect the stock price in the secondary market. The Company has at all times fulfilled its obligations to disclose important information in a timely manner in accordance with the requirements of relevant laws and regulations. However, the causes of fluctuations in stock prices are rather complicated. The market price of the stock market will be affected by various factors, such as changes in the industry prospects, changes in the macro-economic condition, adjustments on national economic policy, changes in the operating conditions of companies and psychological changes of investors. Therefore, investors should fully consider the various risks in the market and pay attention to investment risks when investing in the Company's shares.

**SECTION V PROFIT DISTRIBUTION POLICY OF  
THE COMPANY AND ITS IMPLEMENTATION**

The Company has always attached importance to reasonable return on investment to investors, and maintained the consistency and stability of the profit distribution policy. In accordance with relevant regulations such as the Notice on Further Implementing Issues concerning Cash Dividends of Listed Companies and the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies, the Shareholders’ Return Plan for the Next Three Years (2021-2023) after the Issuance was considered and approved at the twenty-first extraordinary meeting of fourth session of the Board of Directors. Meanwhile, the Company clearly stipulates the cash dividend policy, cash dividend conditions and minimum ratio in the Articles of Association. The specific details are as follows:

**I. THE CURRENT DIVIDEND DISTRIBUTION POLICY OF THE COMPANY**

In accordance with the Company Law and the Articles of Association, the Company’s current dividend distribution policy is as follows:

“Article 212 When the Company is distributing after-tax profits of current year, it should allocate 10% of the profits into the statutory reserve fund. If the cumulated statutory reserve fund reaches more than 50% of the registered capital of the Company, no further allocation is required.

When the statutory reserve fund of the Company is insufficient to make up the losses incurred during the previous year, the profits generated during the current year shall be used to make up for such losses, before making allocation to the statutory reserve fund in accordance with the preceding paragraph.

After the Company makes allocation to the statutory reserve fund from the after-tax profits, the Company may, subject to resolution adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary reserve fund.

Any remaining profits, after making up for the losses and allocating the reserve fund, shall be distributed to the shareholders in proportion to their respective shareholdings, except as otherwise specified herein.

If the general meeting distributes profits to the shareholders before making up for the Company’s losses and allocating the statutory reserve fund in violation of the provisions of the preceding paragraph, the shareholders must refund the same to the Company.

No profits shall be distributed in respect of the shares held by the Company.

Article 213 The Company may distribute dividends in either or in combination of the following forms:

- (1) cash;
- (2) stocks.

The dividends and other payments by the Company to its domestic shareholders shall be valued and declared in Renminbi, and paid in Renminbi within two months of the date of the declaration of dividends. The dividends and other payments by the Company to holders of its overseas listed shares shall be valued and declared in Renminbi, and paid in foreign currency within two months of the date of the declaration of dividends. The exchange rate between applicable foreign currency and Renminbi shall be the average closing rate posted by People's Bank of China of the five days immediately prior to the date of distribution of the declared dividend or other distributions, and the foreign currency the Company needs to pay to the holders of its overseas listed shares is subject to the regulations of the State Administration of Foreign Exchange. The board of directors shall implement the distribution of the Company's dividend as authorized by the general meeting by an ordinary resolution.

Article 214 Basic principles for the profit distribution policy of the Company:

- (1) The Company shall fully take into account the returns for investors;
- (2) The Company shall be consistent and stable in developing its profit distribution policy, while taking into account the long-term interests of the Company, the entire interests of shareholders as a whole, and the sustainable development of the Company;
- (3) Cash dividend shall take precedence in the Company's profit distribution.

Article 215 The Company's profit distribution policy are detailed as follows:

- (i) The Company may distribute profit in cash, in shares or in a combination of both or otherwise permitted under the laws, regulations and normative documents, and cash dividend shall take precedence in profit distribution;
- (ii) The Company may distribute dividend in cash if the distributable profit realized by the Company (i.e. the profit after tax remaining after offsetting loss and setting aside reserves) for the year is a positive value and the auditor has issued a standard auditor's report without qualified opinions on the Company's financial report for the year. The total profit distributed in cash by the Company each year shall not be less than 15% of the realized distributable profit attributable to the shareholders of the Company for the year. The distributable profit that has not been distributed for the year can be carried forward for distribution in subsequent years. The profit distribution by the Company shall not exceed the total distributable profit or affect the Company's sustainable operation ability;

- (iii) The board of directors shall propose differentiated cash dividend policies, after taking into full consideration the characteristics of the industry in which the Company operates, its stage of development, its business model, profitability and whether there are any arrangements for significant capital expenses:
- (1) If the Company is at a mature stage and has no arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 80% of the total profit distributed;
  - (2) If the Company is at a mature stage and has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 40% of the total profit distributed;
  - (3) If the Company is at a growth stage and has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 20% of the total profit distributed;
  - (4) If it is difficult to identify the Company's development stage and the Company has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 20% of the total profit distributed.

The "arrangements for significant capital expenses" above means that the total expenses of the Company in proposed external investments, acquisition of assets or purchase of equipment and buildings for the next 12 months reach or exceed 20% of the latest audited net assets of the Company and are more than RMB50 million in absolute value.

- (iv) Subject to the conditions for cash dividends set out in the Articles of Association, the Company shall distribute dividends actively in cash and shall distribute cash dividends once each year in principle. The board of directors may propose the distribution of interim dividends in view of the profitability and capital needs of the Company;
- (v) In order to keep the pace of the increase of share capital with the Company's business growth, the Company may distribute profits by way of share dividends in view of its total distributable profit, capital reserve and cash flow position, subject to the minimum cash dividend percentage and the aforesaid conditions for cash dividends.



Article 216 Review procedures of the Company's profit distribution proposal:

- (1) The annual profit distribution proposal of the Company shall be raised and prepared by the board of directors in accordance with the requirements of the Articles of Association and in view of the profitability and capital supply and needs. Independent directors shall issue their independent opinions on the profit distribution proposal which, subject to the consideration and approval by the board of directors, will be submitted to the shareholders' meeting for consideration and approval by the shareholders. Independent directors may seek opinions of minority shareholders and prepare and submit a distribution proposal directly to the board of directors for consideration.
- (2) When considering the profit distribution proposal at the shareholders' meeting, the shareholders shall be provided with the channel for online voting, or the board of directors, independent directors and shareholders satisfying the relevant conditions may solicit voting proxy from shareholders, in particular the minority shareholders, in respect of the voting on the profit distribution proposal during the period from the record date for the shareholders' meeting to the date of the shareholders' meeting.
- (3) Subject to the conditions for cash dividends set out in the Articles of Association, if the Company is facing material investment opportunity, great prospects for investment, significant capital needs or other special circumstances and does not desire to implement the cash dividend proposal for the time being, the board of directors shall give specific explanation of the specific reason for no distribution of cash dividends, the purpose and plan of uses of the funds that would otherwise be distributed as dividends and disclose the same in regular reports, which shall be proposed at the shareholders' meeting for consideration after the independent directors have expressed their opinions and shall be disclosed on the media designated by the Company.
- (4) If any adjustment or change to the policy for cash dividends of the Company is indeed necessary, they shall be made for the purpose of protecting the interests of the shareholders. The board of directors shall thoroughly discuss the rationale of the adjustment or change to the profit distribution proposal and adopt it as a resolution before submission to the shareholders' meeting for consideration. When being considered at the shareholders' meeting, it shall be approved by more than 2/3 voting rights held by shareholders attending the shareholders' meeting.

Article 217 The Company may adjust its profit distribution policy under the following circumstances:

- (1) occurrence of force majeure such as war and natural disasters;
- (2) the Company suffers loss as a result of material adverse effect on the production and operation of the Company due to significant changes in the national laws, regulations and industry policies;

- (3) the percentage of net cash flows from operating activities and net profit of the Company is lower than 20% for three consecutive accounting years, due to material changes in the external operating environment or the operation of the Company;
- (4) any material change occurs to the Company's operation which requires the adjustment to the profit distribution policy;
- (5) the adjustment to the profit distribution policy is required in order to protect the interests of the shareholders or maintain the normal and sustainable development of the Company."

## II. ACTUAL PROFIT DISTRIBUTION DURING THE REPORTING PERIOD

According to the resolution of the Company's 2016 annual general meeting held on 8 June 2017, the Company distributed cash dividends of RMB234,055,100 to shareholders based on the 2016 operating results.

According to the resolution of the Company's 2017 annual general meeting held on 8 June 2018, the Company distributed cash dividends of RMB382,661,500 to shareholders based on the 2017 operating results.

According to the resolution of the Company's 2018 annual general meeting held on 11 June 2019, the Company distributed cash dividends of RMB464,395,000 to shareholders based on the 2018 operating results.

According to the resolution of the Company's first extraordinary general meeting in 2020 held on 13 October 2020, the Company distributed cash dividends of RMB481,238,800 to shareholders based on the 2019 operating results.

The table below sets out the Company's profit distribution from 2017 to 2019:

<b>Item</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cash dividends/net profit attributable to the owners of the parent for the period	34.01%	36.61%	40.73%
Cumulative cash dividend for the last three years (RMB0'000)			132,829.53
Average annual net profit attributable to the owners of the parent for the last three years (RMB0'000)			120,763.55
Cumulative cash dividends for the last three years/average annual net profit attributable to the owners of the parent for the last three years			109.99%

The Company's cumulative distribution of profit in cash from 2017 to 2019 was RMB1,328,295,300, accounting for 109.99% of the annual average distributable profits realized in the last three years.

### **III. DISTRIBUTION PLAN OF ACCUMULATED UNDISTRIBUTED PROFITS**

The accumulated distributable profit of the Company prior to the completion of this Non-public Issuance of A shares shall be shared by existing and new shareholders immediately following completion of the Issuance in proportion to their respective shareholding.

### **IV. FUTURE PROFIT DISTRIBUTION PLAN OF THE COMPANY**

The shareholders' return plan for the next three years after the Company's Non-public Issuance of A shares is as follows:

#### **(I) Factors considered in preparing the plan for shareholders' returns**

In view of the Company's long-term and sustainable development and taking into account its actual status and development objectives, the Company aims at establishing a consistent, stable and scientific return plan and mechanism for investors to make systematic arrangements for dividend distribution and ensure the continuity and stability of its dividend distribution policy.

#### **(II) Principles of preparing the plan for shareholders' returns**

In preparing the plan for shareholders' returns, the Company has fully considered and listened to the demands and desires of the shareholders, in particular, the minority shareholders, adhered to the basic principle of cash dividend while ensuring the normal operation and business development of the Company, and taken into account the characteristics of the industry in which the Company operates, its stage of development, its business model, profitability and whether there are significant capital expenses.

#### **(III) Cycle of preparing the plan for shareholders' returns**

The Company shall review the Plan for Distribution of Dividends to Shareholders at least once every three years, and the Board of the Company shall prepare year-end or interim dividend distribution plan based on the results of operation of the Company and taking into account its current profitability, cash flow, stage of development and existing capital needs.

**(IV) Plan for distribution of dividends to shareholders for the three years following the Non-public Issuance (including the year of the Issuance)**

***1. Basic principles of the profit distribution policy of the Company***

The Company adopts an active profit distribution policy and emphasizes on reasonable investment returns to investors. The profit distribution policy of the Company shall be consistent and stable, taking into account the long-term interests of the Company, the entire interests of shareholders as a whole, and the sustainable development of the Company. The profit distribution shall be up to the distributable profit and shall not harm the Company's ability to continue as a going concern. In discussing and determining the profit distribution policy, the Board, the Supervisory Committee and the general meeting shall give full consideration to the opinions of independent directors and public investors.

***2. Methods of profit distribution***

The Company may distribute profit in cash, shares or in combination of both, and cash dividend shall take precedence in profit distribution.

***3. Condition and percentage of dividend distribution***

Dividends may be distributed subject to the following conditions:

- (1) the distributable profit realized by the Company (i.e. the profit after tax offsetting loss and allocating reserves) for the year is a positive value;
- (2) a standard auditor's report without qualified opinions has been issued by the auditors for the financial report of the Company for the year.

The Company may distribute profit in cash when it has realized profit but without uncovered loss, and there is sufficient cash for cash dividend distribution without affecting the normal operation of the Company. The profit distributed in cash by the Company each year shall not be less than 20% of the distributable profit attributable to Shareholders of the Company for the year. The distributable profit that has not been distributed for the year can be carried forward for distribution in subsequent years. The profit distribution by the Company shall neither exceed the total distributable profit nor affect the Company's ability to continue as a going concern.

#### *4. Percentage and intervals of cash dividends*

The Board shall propose differentiated cash dividend policies after taking into full consideration the characteristics of the industry in which the Company operates, its stage of development, business model, profitability and whether there are any arrangements for significant capital expenses:

- (1) If the Company is at a mature stage and has no arrangement for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 80% of the total dividends distributed;
- (2) If the Company is at a mature stage and has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 40% of the total dividends distributed;
- (3) If the Company is at a growth stage and has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 20% of the total dividends distributed;
- (4) If it is difficult to identify the Company's development stage and the Company has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 20% of the total dividends distributed.

The "arrangements for significant capital expenses" means that the total expenses of the Company in proposed external investments, acquisition of assets or purchase of equipment and buildings for the next twelve months reach or exceed 20% of the latest audited net assets of the Company and are more than RMB50 million in absolute value.

In principle, the Company shall distribute dividends in cash each year following the approval at the annual general meeting, and the Board of the Company may propose interim cash dividends in view of the Company's profitability and capital needs.

#### **(V) Conditions for distribution of share dividends**

Where the Company is at a good business operation status and the Board considers that the distribution of share dividend will be in the interests of the shareholders of the Company as a whole, the Company may propose a plan for distribution of share dividend, provided that there are sufficient cash for dividend distribution. Profit distribution in shares shall be based on true and reasonable factors such as the growth of the Company and the dilution of net assets per share.

**(VI) Procedures for reviewing the profit distribution proposal of the Company**

- (1) The annual profit distribution proposal of the Company shall be proposed and prepared by the Board of the Company in accordance with the requirements of the Articles of Association and in view of the profitability and capital supply and needs. Independent directors shall issue their independent opinions on the profit distribution proposal, which, subject to the consideration and approval by the Board, will be submitted to the general meeting for consideration and approval by the shareholders. Independent directors may seek opinions from minority shareholders, prepare and submit a distribution proposal directly to the Board for consideration.
- (2) When considering the profit distribution proposal at the general meeting, the shareholders shall be provided with the method of online voting, or the Board, independent directors and shareholders satisfying the relevant conditions may solicit voting proxy from shareholders, in particular the minority shareholders, in respect of the voting on the profit distribution proposal during the period from the record date for the shareholders' meeting to the date of the shareholders' meeting.
- (3) Subject to the conditions for cash dividends set out in the Articles of Association, if the Company is facing material investment opportunity, great prospects for investment, significant capital needs or other special circumstances, and the Company does not desire to implement the cash dividend proposal for the time being, the Board of the Company shall give specific explanation of the specific reason for no distribution of cash dividends, the purpose and plan of uses of funds that would otherwise be distributed as dividends and disclose the same in regular reports, which shall be proposed at the shareholders' meeting for consideration after the independent directors have expressed their opinions and shall be disclosed on the media designated by the Company.
- (4) If any adjustment or change to the policy for cash dividends of the Company is indeed necessary, they shall be made for the purpose of protecting the interests of the shareholders. The Board shall thoroughly discuss the rationale of the adjustment or change to the profit distribution proposal and adopt it as a resolution before submission to the shareholders' meeting for consideration. When being considered at the shareholders' meeting, it shall be approved by more than 2/3 voting rights held by shareholders attending the shareholders' meeting.

**(VII) CHANGES IN PROFIT DISTRIBUTION POLICY OF THE COMPANY**

The Company shall prepare or adjust the plan and scheme for distribution of dividends in view of its own situations and taking into account the opinions of shareholders (especially public investors) and independent directors. However, the Company shall ensure that the existing and future plans and scheme for distribution of dividends will not violate any of the following principles: If the Company is profitable

for any year and the conditions for cash dividends have been met, the Company shall distribute cash dividends in the amount representing no less than 20% of the profit distributed for that time.

If any adjustment to the profit distribution policy is necessary as a result of material changes in the external operating environment or the operation of the Company, a detailed demonstration and explanation shall be given in the proposal produced at the general meeting in order to protect the interests of shareholders. The adjusted profit distribution policy shall not violate any requirements of the CSRC and stock exchanges. The resolution on the adjustment to the profit distribution policy is subject to the consideration and approval by the Board and the Supervisory Committee before submission to the general meeting for approval. Independent directors shall express independent opinions on the resolution, and in considering the resolution at the general meeting, online voting method shall be provided to public shareholders for them to attend and vote at the meeting. The proposal for the adjustment to profit distribution policy shall be approved by more than 2/3 of the voting rights held by shareholders attending the general meeting.

The material changes in the external operating environment or the operation of the Company means any of the following:

1. the Company suffers from operating loss as a result of a material adverse effect on its production and operation due to significant changes in the national laws, regulations and industry policies;
2. the Company suffers from operating loss as a result of a material adverse effect on its production and operation due to war, natural disasters and other force majeure factors;
3. the percentage of net cash flows from operating activities and net profit of the Company is lower than 20% for three consecutive accounting years due to material changes in the external operating environment or the operation of the Company;
4. any other matters specified by the CSRC and stock exchanges.

**SECTION VI RISK WARNING ON THE DILUTION OF IMMEDIATE RETURN BY THE NON-PUBLIC ISSUANCE OF A SHARES AND MEASURES TAKEN BY THE COMPANY**

Pursuant to the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Work for Protection of Legitimate Rights and Interests of Minority Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31), Suntien Green Energy has seriously conducted an analysis on the impact of the Non-public Issuance of A shares on the dilution of immediate return after taking into account the latest situation and formulated specific remedial measures against dilution of immediate return for the purpose of protecting the interests of minority investors. The specific details are illustrated as follows:

**I. IMPACT OF THE NON-PUBLIC ISSUANCE ON MAJOR FINANCIAL INDICATORS OF THE COMPANY INCLUDING EARNINGS PER SHARE**

Upon completion of the Issuance, the total share capital of the Company will increase following the receipt of the proceeds therefrom. There exists the risk that the earnings per share of the Company will be diluted in the year when the proceeds are received because it is difficult for both the operating income and net profit of the Company to achieve an immediate increase at the same time.

**(1) Major assumptions on the calculation of financial indicators**

1. It is assumed that the Company will complete the Non-public Issuance of A shares by the end of June 2021 (such completion time is only an estimate of the Company, which is eventually subject to the actual completion time of the Issuance approved by the CSRC);
2. The number of A shares under the Non-public Issuance will be up to 1,154,973,118 shares (inclusive), which is calculated based on the cap on the number of A shares under the Issuance (such number of shares under the Issuance is only an estimate of the Company for this projection, which is eventually subject to the actual number of shares issued after the approval of the CSRC), and the amount of proceeds received by the account will be RMB5,110 million (excluding issue costs). Upon completion of the Issuance, the total share capital of the Company will increase from 3,849,910,396 shares to 5,004,883,514 shares;
3. It is assumed that no adverse material change will arise in the macro-economic environment, the industry in which the Company operates, and the operating environment of the Company;



4. The net profit of the Company attributable to shareholders of the parent company in 2019 was RMB1,414.7856 million (RMB1,365.7611 million was the net profit attributable to shareholders of the parent company after deduction of non-recurring gains and losses). It is assumed that the net profit of the Company attributable to shareholders of the parent company in 2020 would remain the same compared with that in 2019 and the net profit of the Company attributable to shareholders of the parent company after deduction of non-recurring gains and losses in 2020 would remain the same compared with that in 2019. Such analysis of assumption does not represent the judgment of the Company on its operation and development trend in 2020, nor does it constitute a profit forecast of the Company;

It is assumed that the net profit of the Company attributable to shareholders of the parent company in 2021 is estimated in each of the following three circumstances: (1) decrease by 10% compared with that in 2020; (2) remain the same compared with that in 2020; (3) increase by 10% compared with that in 2020; the assumption is solely for the purpose of measuring the impact of a dilution of immediate return resulting from the Issuance of A shares on the major financial indicators, which does not represent the judgment of the Company on its operation and development trend in 2021, nor does it constitute a profit forecast of the Company;

5. The impact of receipt of the proceeds from the Non-public Issuance of A shares on the production, operation and financial position (such as financial expenses and investment income) of the Company is not considered;
6. The above analysis of assumptions in relation to the major financial indicators of the Company before and after the Issuance does not constitute a profit forecast of the Company. Investors should not make investment decision based on such information. Where losses arise from the investment decision made by investors based on such information, the Company will not be liable for making compensation.

(2) **Estimation of the impact of the Issuance on the major financial indicators of the Company including earnings per share**

Based on the above assumptions, the Company has estimated the impact of the Non-public Issuance of A shares on the major financial indicators of the Company in 2021, the specific details of which are as follows:

Items	Year 2020/ the end of 2020 (Assumed figures)	Year 2021/the end of 2021	
		Before the Issuance	After the Issuance
Total number of shares at the end of the period (shares)	3,849,910,396	3,849,910,396	5,004,883,514
Total amount of the proceeds raised (RMB0'000)		511,000.00	
<b>Assumption I: Net profit attributable to shareholders of the parent company in 2021 decreases by 10% compared with that in 2020</b>			
Net profit attributable to shareholders of the parent company (RMB0'000)	141,478.56	127,330.70	127,330.70
Net profit attributable to shareholders of the parent company after deduction of non-recurring gains and losses (RMB0'000)	136,576.11	122,918.50	122,918.50
Weighted average return on net assets	11.12%	9.18%	7.75%
Weighted average return on net assets after deduction of non-recurring gains and losses	10.74%	8.86%	7.48%
Basic earnings per share (RMB/share)	0.37	0.33	0.29
Diluted earnings per share (RMB/share)	0.37	0.33	0.29
Basic earnings per share (RMB/share) (after deduction of non-recurring gains and losses)	0.36	0.32	0.28
Diluted earnings per share (RMB/share) (after deduction of non-recurring gains and losses)	0.36	0.32	0.28
<b>Assumption II: Net profit attributable to shareholders of the parent company in 2021 remains the same compared with that in 2020</b>			
Net profit attributable to shareholders of the parent company (RMB0'000)	141,478.56	141,478.56	141,478.56
Net profit attributable to shareholders of the parent company after deduction of non-recurring gains and losses (RMB0'000)	136,576.11	136,576.11	136,576.11
Weighted average return on net assets	11.12%	10.15%	8.58%
Weighted average return on net assets after deduction of non-recurring gains and losses	10.74%	9.80%	8.28%
Basic earnings per share (RMB/share)	0.37	0.37	0.32
Diluted earnings per share (RMB/share)	0.37	0.37	0.32

Items	Year 2020/ the end of 2020	Year 2021/the end of 2021	
	(Assumed figures)	Before the Issuance	After the Issuance
Basic earnings per share (RMB/share) (after deduction of non-recurring gains and losses)	0.36	0.35	0.31
Diluted earnings per share (RMB/share) (after deduction of non-recurring gains and losses)	0.36	0.35	0.31
<b>Assumption III: Net profit attributable to shareholders of the parent company in 2021 increases by 10% compared with that in 2020</b>			
Net profit attributable to shareholders of the parent company (RMB0'000)	141,478.56	155,626.42	155,626.42
Net profit attributable to shareholders of the parent company after deduction of non-recurring gains and losses (RMB0'000)	136,576.11	150,233.72	150,233.72
Weighted average return on net assets	11.12%	11.11%	9.40%
Weighted average return on net assets after deduction of non-recurring gains and losses	10.74%	10.72%	9.07%
Basic earnings per share (RMB/share)	0.37	0.40	0.35
Diluted earnings per share (RMB/share)	0.37	0.40	0.35
Basic earnings per share (RMB/share) (after deduction of non-recurring gains and losses)	0.36	0.39	0.34
Diluted earnings per share (RMB/share) (after deduction of non-recurring gains and losses)	0.36	0.39	0.34

*Notes:* The specific formulas for the calculation of the above earnings per share are as follows:

**1. Weighted average return on net assets**

$$\text{Weighted average return on net assets} = P / (E0 + NP \div 2 + Ei \times Mi \div M0 - Ej \times Mj \div M0 \pm Ek \times Mk \div M0)$$

Of which: P refers to the net profit attributable to ordinary shareholders of the Company or the net profit attributable to ordinary shareholders of the Company after deduction of non-recurring gains and losses; NP refers to the net profit attributable to ordinary shareholders of the Company; E0 refers to the net assets at the beginning of the period attributable to ordinary shareholders of the Company; Ei refers to the increased net assets attributable to ordinary shareholders of the Company resulting from the issue of new shares or debt-to-equity swap during the Reporting Period; Ej refers to the decreased net assets attributable to ordinary shareholders of the Company resulting from repurchases or distribution of cash dividends during the Reporting Period; M0 refers to the number of months in the Reporting Period; Mi refers to the number of months from the month following the increase in net assets to the end of the Reporting Period; Mj is the number of months from the month following the decrease in net assets to the end of the Reporting Period; Ek refers to the increase or decrease in net assets arising from other transactions or matters; Mk is the number of months from the month following the increase or decrease in other net assets to the end of the Reporting Period.

**2. Basic earnings per share**

Basic earnings per share =  $P/S$

$$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Of which: P refers to the net profit attributable to ordinary shareholders of the Company or the net profit attributable to ordinary shareholders of the Company after deduction of non-recurring gains and losses; S refers to the weighted average number of ordinary shares outstanding; S<sub>0</sub> refers to the total number of shares at the beginning of the period; S<sub>1</sub> refers to the number of shares increased resulting from the capitalization of reserves or distribution of dividends in shares during the Reporting Period; S<sub>i</sub> refers to the number of shares increased resulting from the issue of new shares or debt-to-equity swap during the Reporting Period; S<sub>j</sub> refers to the number of shares decreased resulting from repurchases during the Reporting Period; S<sub>k</sub> refers to the number of shares reduced in the Reporting Period; M<sub>0</sub> refers to the number of months in the Reporting Period; M<sub>i</sub> refers to the number of months from the month following the increase in shares to the end of the Reporting Period; M<sub>j</sub> refers to the number of months from the month following the decrease in shares to the end of the Reporting Period.

**3. Diluted earnings per share**

Diluted earnings per share =  $[P + (\text{dilutive potential interests on ordinary shares recognized as expense} - \text{conversion fee}) \times (1 - \text{income tax rate})] / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{the weighted average number of ordinary shares resulting from an increase in warrants, share options, and convertible bonds})$

Of which: P refers to the net profit attributable to ordinary shareholders of the Company or the net profit attributable to ordinary shareholders of the Company after deduction of non-recurring gains and losses; S<sub>0</sub> refers to the total number of shares at the beginning of the period; S<sub>1</sub> refers to the number of shares increased resulting from the capitalization of reserves or distribution of dividends in shares during the Reporting Period; S<sub>i</sub> refers to the number of shares increased resulting from the issue of new shares or debt-to-equity swap during the Reporting Period; S<sub>j</sub> refers to the number of shares decreased resulting from repurchases during the Reporting Period; S<sub>k</sub> refers to the number of shares reduced in the Reporting Period; M<sub>0</sub> refers to the number of months in the Reporting Period; M<sub>i</sub> refers to the number of months from the month following the increase in shares to the end of the Reporting Period; M<sub>j</sub> refers to the number of months from the month following the decrease in shares to the end of the Reporting Period. When calculating the diluted earnings per share, the Company should consider the effect of all potential dilutive ordinary shares until the diluted earnings per share reaches the minimum.

According to the above projection based on the assumptions, there will be a certain degree of decline in the basic earnings per share, diluted earnings per share and weighted average return on net assets of the Company after the Issuance when compared with those before the Issuance.

## **II. RISK WARNING ON THE DILUTION ON IMMEDIATE RETURN BY THE NON-PUBLIC ISSUANCE OF A SHARES**

Upon completion of the Non-public Issuance of A shares, the size of share capital and net assets of the Company will increase significantly. Since a certain period of time is required for the implementation of the Investment Projects and for such projects to generate economic benefits, the indicators of the Company such as earnings per share and return on net assets will decrease in the short term, thus incurring a risk of dilution of immediate return. The Company hereby reminds investors of the risk of any possible dilution of immediate return by the Non-public Issuance of A shares.

### III. NECESSITY AND JUSTIFICATION OF THE FINANCING EXERCISE OPTED BY THE BOARD

#### (1) It is in line with the objective of adjustment to the national energy structure

The energy structure in the PRC is dominated by coal while other types of energy including oil and natural gas account for a relatively small proportion. As such, in order to optimize the energy structure, strive for sustainable economic and social development, and address the dual problems of energy supply security and ecological environment protection, 13 ministries and commissions including the NDRC jointly formulated the Opinions on Accelerating the Use of Natural Gas (《加快推進天然氣利用的意見》) in June 2017, which pointed out that natural gas will be gradually developed as one of the main energy sources in the national modern clean energy system, and by 2030, the proportion of natural gas in the primary energy consumption structure shall increase to approximately 15%, forming an underground natural gas storage with effective working gas capacity of over 35 billion cubic meters. As a result, natural gas will be developed as one of the main energy sources in the national modern clean energy system.

The planning and construction of the Tangshan LNG Project and the Outbound Pipelines Project, which are in line with the national development plan of energy, not only meet the requirement for a balance between domestic energy supply and demand, but also facilitate the adjustment to energy structure and accelerate the transformation of the form of energy development. As such, continuous and rapid economic and social development in the Beijing-Tianjin-Hebei region can be ensured with an improvement of the people's living standard.

#### (2) It can facilitate the implementation of LNG storage and transportation projects in the Pan Bohai Region

In the Several Opinions of the State Council on Promoting the Coordinated and Stable Development of the Natural Gas Industry (國務院《關於促進天然氣協調穩定發展的若干意見》) (Guo Fa [2018] No. 31), the State Council emphasized the following: "improving diversified overseas supply system of natural gas, accelerating the diversification of importing countries (regions), transportation methods, import channels, contract models, and participating entities. The import trade of natural gas sticks to the two-pronged approach of both long-term contracts and spot resources, which can give full play to the market regulation role of spot resources while ensuring the stability of long-term supply. Multi-level storage system shall be built through the establishment of a multi-level gas storage system mainly based on underground gas storage and coastal liquefied natural gas (LNG) terminals, supplemented by inland intensive large-scale LNG storage tanks in key areas, and supported by interconnection of pipeline networks. To enable gas supply companies to reach a gas storage capacity of no less than 10% of their annual contracted sales by 2020, it is necessary to strengthen the construction of natural gas infrastructures and interconnection, accelerate the construction of natural gas pipelines, LNG terminals and other projects, focus on

major pipeline interconnection projects, and accelerate the implementation of various projects included in the implementation plan of the LNG storage and transportation system in the Pan Bohai Region.”

The planning and construction of the Tangshan LNG Project and the Terminal Outbound Pipelines Project, which are in line with the requirements of the Several Opinions of the State Council on Promoting the Coordinated and Stable Development of the Natural Gas Industry (國務院《關於促進天然氣協調穩定發展的若干意見》) (Guo Fa [2018] No. 31), will accelerate the implementation of LNG storage and transportation projects in the Pan Bohai Region, thus providing a strong support of ensuring gas sources for the economic and social development in the Pan Bohai Region and the improvement of the people’s living standard.

### **(3) It can ensure the security of energy supply in Hebei Province**

The main source of city gas in Hebei Province is natural gas, which is currently sourced from PetroChina, Sinopec and CNOOC. The completed natural gas supply pipelines include the Shaanxi-Beijing Pipeline System, the Tianjin LNG Outbound Pipeline, the Yulin-Jinan Pipeline and the Erdos-Anping-Cangzhou Pipeline, etc. The natural gas supply pipelines under planning or construction include the Sino-Russian Eastern Pipeline, the West Inner Mongolia Coal-based Gas Transmission Pipeline, etc.

Attaining energy supply security is the basic goal of the national energy policy. With the establishment of the market economy system and further opening up of the country, competition in the energy market will become increasingly intense due to the gradual increase in market demands. As such, there is an urgent need to establish a safe and stable energy supply system. As the demand for various energy sources, including natural gas, in Hebei Province will increase significantly amid continuous and rapid economic development, the energy supply reliability is of key importance. It is really necessary to achieve the goal of supply from multiple gas sources and their mutual complementation and backup.

The planning and construction of the Tangshan LNG Project and the Terminal Outbound Pipelines Project will ensure that Hebei Province obtains long-term and stable quality energy supply from the international energy market, which helps establish a secure and stable gas supply system composed of multiple gas sources, lay a foundation for the gradual establishment of a contingency system for natural gas reserves, and provide a strong support of gas sources for economic and social development.

### **(4) It can benefit the gas consumption planning in Xiong’an New Area**

It is mentioned in the “13th Five-Year Plan of Energy Development in Hebei Province” that by 2020, the total energy consumption in Hebei Province should be capped at approximately 327 million tons of standard coal with the proportion of natural gas consumption increasing to over 10%. With a focus on establishing a regional base that guarantees clean energy supply in the Xiong’an New Area, the

planning and construction of Xiong'an New Area ring network, together with the Beijing-Tianjin ring network and Hebei ring network, will create a strong integrated main network.

Upon completion of the Tangshan LNG Project and the Terminal Outbound Pipeline Project, the natural gas transmission pipeline network in Hebei Province can be utilized to provide a stable and reliable gas supply source for the Xiong'an New Area.

In summary, the Tangshan LNG Project and the Terminal Outbound Pipelines Project, which are in line with the requirement of adjustment to the national energy structure, will facilitate the implementation of LNG storage and transportation projects in the Pan Bohai Region and ensure the security of energy supply in Hebei Province. It is really necessary to implement these projects as they are beneficial to gas consumption planning in the Xiong'an New Area.

#### **IV. RELATIONSHIP BETWEEN THE INVESTMENT PROJECTS AND THE COMPANY'S EXISTING BUSINESS AND RESERVE OF THE COMPANY FOR THE INVESTMENT PROJECTS IN TERMS OF PERSONNEL, TECHNOLOGY AND MARKET**

The proceeds from the Non-public Issuance after deduction of issue expenses will be used in the Tangshan LNG Project (first phase and second phase), Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section), Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section), and for the replenishment of working capital and the repayment of bank loans. Upon completion of the Tangshan LNG Project and the Terminal Outbound Pipelines Project, their major functions are divided in four categories, namely loading and unloading of LNG from ocean carriers, storage of LNG in storage tanks, pressurized gasification and liquid transportation. The business belongs to the natural gas business, one of the Company's main businesses, and can create a synergistic effect with the original gas business. On the other hand, the proceeds used for the replenishment of working capital and the repayment of bank loans can satisfy the requirement of the Company for working capital for its further expansion of business, optimize capital structure, lower financial risks, and enhance its capability of sustainable development.

##### **(1) Personnel reserve**

The management team of the Company has been engaged in the clean energy industry for many years and possesses extensive management experience in the field of natural gas. The insight of senior management of the Company into industry management and the future development of the industry can effectively ensure smooth implementation of the Investment Projects. Through years of cultivation and accumulation, the Company has established a team comprising hundreds of production and technical staff. They possess stronger professional operation and maintenance capability as they are equipped with a high level of professional knowledge and relevant technical qualifications and have undergone professional training. Meanwhile, the Company continues to adopt various methods, including internal and external trainings, to provide professional training in relation to the natural gas business to

management and technical personnel. In addition, the Company will proceed with the staff recruitment and cultivation plan, continue to strengthen personnel reserve based on its business development requirement, so as to ensure smooth implementation of the Investment Projects.

**(2) Technology reserve**

As the Company entered the clean energy sector in Hebei Province at an early time, it has built highly specialized and experienced professional technical teams that possess extensive experience and sophisticated technology in the natural gas sector over the years of operation and development. Regardless of the project site selection and project construction at an initial stage, or the project operation at a later stage, the Company has satisfactory technical reserves to provide strong technical support for the implementation of the Investment Projects.

**(3) Market reserve**

The Company is a leading clean energy company in North China. In the field of natural gas business, the Company was the third largest distributor of PetroChina in North China and one of the leading natural gas distributors in Hebei Province in terms of the total sales of natural gas in 2019. In recent years, the Company has constantly expanded the coverage of its natural gas business, with the business scope continuing to widen. As of 30 September 2020, the Company has expanded its natural gas business in Hebei Province to cover 30 regional markets. The extensive customer reserve of the Company in the natural gas field will lay a good customer base for smooth implementation of the Investment Projects.

**V. SPECIFIC REMEDIAL MEASURES FOR THE IMMEDIATE RETURN DILUTION OF THE COMPANY UPON ISSUANCE AND LISTING OF A SHARES**

Upon the Non-public Issuance of A shares and receipt of the proceeds, the Company's share capital and net assets will increase considerably but the indicators of the Company such as earnings per share and return on net assets may decrease, and the immediate return for investors of the Company will possibly be diluted. As such, the Company intends to adopt the following measures to improve its ability to generate return for investors upon receipt of the proceeds:

**(1) Ensuring the investment progress of the Investment Projects to maximize their benefits**

The proceeds from the Non-public Issuance of A shares will be applied in the Tangshan LNG Project and the Terminal Outbound Pipelines Project, which are the principal business of the Company and in line with the relevant national industry policies and the future development direction of the Company's overall strategy, and have good prospects for development and strong economic benefits. Upon receipt of the proceeds from the Issuance, the Company will strive to ensure the implementation progress of the Investment Projects. The successful implementation and the realization



of benefits of the Investment Projects will help recover the dilution of immediate return by the Non-public Issuance of A shares, which is in line with the long-term interests of the shareholders of the Company.

## **(2) Strengthening the management of proceeds**

In order to regulate the utilization and management of the proceeds by the Company and ensure the standardized, safe and efficient use of the proceeds, the Company has formulated the Management Rules for Proceeds (《募集資金管理規定》) in accordance with laws, administrative regulations, departmental rules and regulatory documents, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Regulatory Guideline for Listed Companies No. 2 – Regulatory Requirements for the Management and Utilization of Proceeds by Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Management Measures for Proceeds by Companies Listed on the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理辦法》).

Upon receipt of the proceeds from the Non-public Issuance of A shares, the Company will enter into a tripartite custody agreement for proceeds with the sponsor and the commercial bank at which the proceeds are to be placed in a timely manner in accordance with the Management Rules for Proceeds, and deposit the proceeds into a special account approved by the Board. During the process of utilization of proceeds, the Company will strictly carry out the application and approval procedures and make records for the utilization of proceeds to set out in detail the expenses of proceeds and the investment made in the Investment Projects to ensure that the proceeds are utilized for specified purposes only.

## **(3) Strictly implementing the Company's profit distribution policy and enhancing the mechanism of return for investors**

In order to clarify the dividends to be distributed to the new and existing shareholders of the Company following the Non-public Issuance of A shares, further refine the provisions of the Articles of Association in relation to profit distribution policy, and strengthen the transparency and operability of the decision-making on profit distribution, the Company has developed the Shareholders' Return Plan for the Next Three Years (2021-2023) of the Issuance (《本次非公開發行後未來三年(2021-2023)的股東分紅回報規劃》).

The Company will strictly implement the profit distribution policy set out in the Articles of Association and strive to create long-term values for shareholders through the development of reasonable dividend distribution plan to protect the lawful interests of shareholders of the Company.

**VI. UNDERTAKINGS MADE BY THE CONTROLLING SHAREHOLDER, DIRECTORS, AND SENIOR MANAGEMENT OF THE COMPANY IN RESPECT OF THE EFFECTIVE IMPLEMENTATION OF THE REMEDIAL MEASURES OF THE COMPANY**

In order to protect the right to information and safeguard the interests of minority investors, the controlling shareholder, directors and senior management of China Suntien Green Energy Corporation Limited have made the following undertakings in respect of the effective implementation of the remedial measures of the Company in accordance with the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Work for Protection of Legitimate Rights and Interests of Minority Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110), the Guiding Opinions of the China Securities Regulatory Commission on Matters Relating to Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (《中國證券監督管理委員會關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) and other provisions:

**(1) Undertakings by the controlling shareholder**

HECIC, the controlling shareholder of the Company, has made the following undertakings in respect of the effective implementation of the remedial measures of the Company:

- “1. We undertake that we will not act beyond our power to interfere with the operation and management of Suntien Green Energy nor expropriate the interests of Suntien Green Energy;
2. From the date of this undertaking until the completion of the Non-public Issuance, if securities regulatory authorities including the CSRC and the Shanghai Stock Exchange have any other new regulatory requirements concerning the remedial measures and the undertakings provided by us or make other related requirements, and if the relevant content of this undertaking fails to meet such provisions and requirements of securities regulatory authorities, we undertake to issue supplementary undertakings in accordance with the latest provisions and requirements of securities regulatory authorities including the CSRC and Shanghai Stock Exchange;
3. We undertake that we will ensure effective implementation of the remedial measures formulated by Suntien Green Energy and any of our undertakings provided in respect of the remedial measures. If we breach such undertakings and causes losses to Suntien Green Energy or investors, we are willing to take the responsibility for making compensation to Suntien Green Energy or investors in accordance with law.

If we, as one of the relevant entities responsible for the remedial measures, breach or refuse to perform the above undertakings, we agree to accept relevant punishments or regulatory measures imposed by the securities regulatory authorities including the CSRC and the Shanghai Stock Exchange pursuant to the relevant provisions and rules formulated or issued by them.”

**(2) Undertakings by directors and senior management**

The directors and senior management of the Company have made the following undertakings in respect of the effective implementation of the remedial measures of the Company:

- “1. I will not transfer benefits to any other entity or person at no consideration or on unfair terms nor harm the interests of the Issuer in any manner;
2. Restrictions will be imposed on the expenses to be incurred by the directors and senior management of the Company in performing their duties;
3. I will not utilize any assets of the Issuer in any investment or consumption that is not related to my performance of duties;
4. The remuneration system established by the Board of Directors or the Remuneration and Appraisal Committee will be linked to the implementation of the remedial measures of the Issuer for the dilution of return;
5. The conditions to be announced for the exercise of share options of the Issuer will be linked to the implementation of the remedial measures of the Issuer for the dilution of return;
6. I will comply with the future requirements of the CSRC, stock exchanges and other regulatory authorities and actively adopt all necessary and reasonable measures to enable the effective implementation of the remedial measures of the Issuer for the dilution of return;
7. If I fail to perform such undertakings, I will actively adopt measures so that all these undertakings will be re-performed and the remedial measures of the Issuer for the dilution of return will be effectively implemented, and will publicly offer explanations and apologies on the website designated by the CSRC for the failure on my part to perform such undertakings and make compensation in accordance with law for any losses incurred by the Issuer or shareholders as a result of my violation of any of these undertakings.”

The Board of Directors of China Suntien Green Energy Corporation Limited  
5 March 2021

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## APPENDIX II      FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE ISSUANCE

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*The following is the full text of the feasibility analysis report on the use of proceeds from the Issuance. The report is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.*

### FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES OF CHINA SUNTIEN GREEN ENERGY CORPORATION LIMITED

#### I. PLAN ON THE USE OF PROCEEDS

The plan on the use of proceeds is as follows:

*Unit: RMB'00 million*

<b>Project name</b>	<b>Implementing entities</b>	<b>Total investment</b>	<b>Utilization amount of the proceeds</b>
Tangshan LNG Project (first phase and second phase)	Caofeidian Company	185.97	26.96
Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian – Baodi section)	Caofeidian Company	64.17	7.86
Tangshan LNG Terminal Outbound Pipelines Project (Baodi – Yongqing section)	Caofeidian Company	29.54	2.66
Replenishment of working capital and repayment of bank loans	Suntien Green Energy	13.62	13.62
<b>Total</b>		<b><u>293.30</u></b>	<b><u>51.10</u></b>

The actual amount of net proceeds to be raised from this Issuance is less than the requisite capital for the Investment Projects. The Board of the Company may, taking into account the actual needs and without altering the list of Investment Projects, make appropriate adjustments to the priority and amounts of the proceeds allocated to the above projects. Pending the receipt of the proceeds from this Issuance, the Company may, based on the actual progress of the relevant projects, first apply any funds otherwise available to it to the projects and, when the proceeds are available, use the proceeds to replace such funds otherwise raised in accordance with the procedures required by relevant laws and regulations. If the actual amount of proceeds from this Issuance is less than the utilization amount of the proceeds of the above projects, the shortfall will be covered by the Company through self-raised funds.

The Board has the rights to adjust or determine the specific arrangements such as the Investment Projects and the amount required to the extent as permitted by the relevant laws and regulations and as authorized by the resolutions of the general meeting.

**II. NECESSITY AND FEASIBILITY ANALYSIS OF THE INVESTMENT PROJECTS**

**(I) Necessity Analysis of the Investment Projects**

***1. National requirements for the construction of natural gas storage peak-shaving facilities***

With the rapid development of natural gas industry in the PRC, natural gas consumption continues to grow rapidly while its importance in the national energy system is constantly increasing. However, the gas storage infrastructure of the state has lagged behind, and the gas storage capacity is significantly lower than the global average, leading to a severe gas supply situation in certain regions during winter, and has become a shortcoming for the safe and stable supply of natural gas and the healthy development of the industry.

In order to prevent the risk of gas shortage in winter, strengthen the capacity of natural gas storage peak shaving in northern regions, and accelerate the construction of gas storage facilities, five departments including the NDRC, the MOF, the Ministry of National Resources, the Ministry of Housing and Urban-Rural Development, and the NEA jointly published the Implementation Opinions on Accelerating the Construction of Natural Gas Reserve Capacity to further accelerate the construction of gas storage infrastructure and enhance natural gas storage capacity. The Opinions put forward: “highlight the scale effect, give priority to the construction of underground gas storage, liquefied natural gas (LNG) in northern coast receiving terminals and large-scale LNG storage tanks in key areas. The existing LNG receiving terminals are encouraged to expand the scale of storage tanks, and urban clusters are encouraged to build and share gas storage facilities, in order to form a regional gas storage peak shaving center. By giving full play to the characteristics of suitability for storage and transportation and flexibility in deployment and transportation of LNG storage tanks, pilot demonstration of LNG tank container multimodal transportation will be promoted and various measures will be taken to improve gas storage capacity.” The Investment Projects meet the national requirements for the construction of natural gas storage peak shaving facilities, and is of great significance to enhancing the capacity of natural gas storage in the region.

***2. Needs to ensure the safety of energy supply in the Beijing-Tianjin-Hebei region***

In response to the national energy policy, the Beijing-Tianjin-Hebei region has vigorously developed the natural gas industry, carried out the work of “gas replacing coal” and “coal to gas”, increased the proportion of natural gas in primary energy resources, and achieved good social, economic and environmental benefits. With the increasing demand for natural gas, the safety of natural gas supply has become an important social and political issue.

At present, the main peak shaving sources of natural gas in North China are the established facilities such as Dagang, northern China storage groups, PetroChina Tangshan LNG, CNOOC Tianjin LNG and Sinopec Tianjin LNG. Affected by the climate, the imbalance of natural gas consumption demand in the Beijing-Tianjin-Hebei region is very prominent, with large seasonal peak-to-valley differences and large peak-shaving load. In recent years, as entering the heating season each year, the volume of natural gas utilized in North China increased significantly, and the supply in such regions has become tighter, leading to repeated emergency measures such as gas restrictions during peak gas use periods. With the growth of gas consumption in North China, the situation of gas supply in winter will be more severe in the future. Existing gas storage facilities and other emergency gas supply facilities cannot meet the demand for gas storage and peak shaving capacity in the Beijing-Tianjin-Hebei region, and new supply channels and resources need to be added. Tangshan, Hebei, the location for the Investment Projects, namely Tangshan LNG Project and Outbound Pipelines Project, has inherent location advantages, and LNG has the characteristics of high gas storage efficiency, convenient deployment and transportation, and flexible adjustment of gasification capacity. The construction of the Investment Projects is conducive to improving the gas storage capacity of the Beijing-Tianjin-Hebei region and ensuring the safety of energy supply in the Beijing-Tianjin-Hebei region.

***3. Strengthening the interconnection of regional pipeline networks and improving trunk pipeline transmission capacity***

The “13th Five-year Plan for Natural Gas Development” issued by the NDRC clearly indicated that: to improve the trunk pipeline transmission capacity, accelerate the construction of gas pipelines to the Beijing-Tianjin-Hebei region, and enhance the gas supply and peak shaving capabilities in northern China; to strengthen the construction of regional pipeline networks and interconnected pipelines to further improve the main consumption area trunk pipelines and intra-provincial gas transmission and distribution pipeline network systems, strengthen the construction of inter-provincial connection lines, increase the degree of pipeline networking, and accelerate the construction of urban gas pipeline networks; to strengthen the interconnection of main pipelines, and gradually form a main pipeline network system with smooth connections, flexible operation, safety and reliability.

At present, the national backbone pipeline network in the Beijing-Tianjin-Hebei region includes the constructed Shaanxi-Beijing Pipeline System, the Tianjin LNG outbound pipeline, the Yulin-Jinan Pipeline, the Erdos-Anping-Cangzhou Pipeline, etc., and the planned or under construction include the Sino-Russian Eastern Pipeline and the West Inner Mongolia Coal-based Gas Transmission Pipeline, etc. According to the “Text Record of the Online Press Conference of the National Energy Administration for the First Quarter of 2021”, since 1 January 2021, the maximum daily gas transmission volume on the Sino-Russian Eastern Pipeline has doubled, further increasing the effective supply of natural gas in the Beijing-Tianjin-Hebei region. After the

completion of the Investment Projects, the above national backbone gas pipelines will be interconnected to improve the gas transmission and deployment capacity of the pipeline network in the Beijing-Tianjin-Hebei region, and improve the security of winter gas supply capacity in the Beijing-Tianjin-Hebei region.

**(II) Feasibility Analysis of the Investment Projects**

***1. Compliance with national energy industry policy***

In June 2017, 13 ministries and commissions including the NDRC jointly issued the Opinions on Accelerating the Utilization of Natural Gas (《加快推進天然氣利用的意見》). The Opinions proposed that natural gas will be gradually cultivated as one of the major energy resources in China's modern clean energy system. The proportion of natural gas in the primary energy consumption structure will reach about 15% by 2030, and underground gas storage to form an effective working gas volume of more than 35.0 billion cubic meters, cultivating natural gas as one of the main energy sources in China's modern clean energy system. As at the end of 2019, the apparent consumption of natural gas amounted to 306.7 billion cubic meters in China, representing an increase of 9.4% as compared with the same period of last year. With the further implementation of relevant policies, the proportion of natural gas in China's energy resource consumption structure has been increasing. The construction of the Investment Projects is in line with the national energy policy, which can optimize the energy structure of the Company's business area and play a positive role in maintaining the sustainable development of Hebei Province and even the in Beijing-Tianjin-Hebei region, as well as solving the dual problems of energy supply security and ecological and environmental protection.

***2. Demand has increased significantly for clean energy consumption in the Beijing-Tianjin-Hebei region***

Beijing-Tianjin-Hebei region is located in the center of China's Bohai Rim Economic Zone, which is one of the areas in northern China with a developed economy, high concentration of energy-consuming industries, high urbanization level, and a concentrated population, with a relatively large demand for energy. In recent years, with the rapid development of China's economy and the increase in the level of urbanization, the effect of large city circles has become more pronounced, and the influx of population is obvious. The Beijing-Tianjin-Hebei region and its surrounding areas were once one of the most polluted regions in China. In order to ensure the sustainable development of the economy, the transformation of the energy consumption structure is imperative. The Action Plan for the Energy Development Strategy (2014-2020) (《能源發展戰略行動計劃(2014-2020)》) states that by 2020, coal consumption in the four provinces and municipalities of Beijing, Tianjin, Hebei and Shandong will be reduced by a net 100 million tons from the 2012 level, and thus the demand will increase for natural gas as an important clean energy source in the Beijing-Tianjin-Hebei region. According to estimates, the demand for natural gas in the

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Beijing-Tianjin-Hebei region will increase from 140.3 billion cubic meters to 231.3 billion cubic meters between 2021 and 2030, the proportion of natural gas in the primary energy resource consumption structure will also increase significantly. Therefore, the Investment Projects have good market demand as a basis.

### ***3. Closely relating to the Company's major businesses to enhance the competitiveness of the Company's major businesses***

The major businesses of the Company are the natural gas sale business and the wind power generation business.

In the natural gas business segment, the Company is a leading clean energy company in North China, the third largest distributor of PetroChina in North China and one of the leading natural gas distributors in Hebei Province. As of 30 September 2020, the aggregate length of the Company's natural gas pipelines in operation was 5,317.54 kilometers, and the Company has 30 urban gas projects and 7 CNG primary fueling stations. From January to September 2020, the Company's sales volume of natural gas was 2,394 million cubic meters. After years of operation, the Company has a professional team with extensive experience in management and operation in the natural gas business, which provides a good guarantee for the smooth implementation of the Investment Projects. In addition, the completion of the Tangshan LNG Project and Tangshan LNG Terminal Outbound Pipelines Project will greatly enhance the Company's ability of peak shaving gas supply and pipeline transmission during the winter peak, improve the Company's ability to secure gas supply and strengthen the competitiveness of the Company's major business.

### ***4. The Investment Projects with good economic benefits***

In the absence of major changes in the current economic situation and policies, and based on current data, it is estimated that the return on investment and after-tax profit of the Investment Projects are both significant and economically viable, and will generate good returns for shareholders.

## III. INVESTMENT PROJECTS

### **(I) Tangshan LNG Project (first phase and second phase)**

The total investment of Tangshan LNG Project (first phase and second phase) is RMB18.597 billion, and the proposed use of proceeds is RMB2.696 billion.

#### ***1. Project plan***

The Tangshan LNG project (first phase and second phase) is located in Caofeidian Port Logistics Park, Tangshan City, Hebei Province. The first phase of the project is intended to construct and put into operation four 200,000-cubic



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meter LNG storage tanks, one 80,000 to 266,000-cubic meter LNG berth, as well as other supporting process facilities such as receiving and unloading, gasification, and outbound transportation, with a designed receiving and unloading capacity of 5 million tons per year and is scheduled for completion in 2022. The second phase of the project is to build eight 200,000-cubic meter LNG storage tanks (among which for two tanks, the Company has entered into a capital contribution contract and an entrusted construction management contract with Tangshan Haohua), one 10,000 to 266,000-cubic meter LNG berth, and related auxiliary process facilities for receiving and discharging, gasification, and outbound transportation, with a design capacity of 5 million tons per year, and is scheduled for completion in 2025.

**2. Investment estimates**

The investment breakdown of the Tangshan LNG Project (first phase and second phase) are as follows:

No.	Name of Project or Cost	Investment Estimates (RMB'0,000)	Percentage of Investment Estimates
<b>I</b>	<b>LNG Receiving Terminal (first phase and second phase)</b>	<b>1,471,136.37</b>	<b>79.11%</b>
1	Project expenses	1,270,568.76	68.32%
1.1	Equipment purchases expenses	285,018.51	15.33%
1.2	Major material purchase expenses	659,622.81	35.47%
1.3	Installation engineering expenses	99,089.72	5.33%
1.4	Construction expenses	226,837.72	12.20%
2	Other expenses	125,246.38	6.73%
3	Preparation expenses	75,321.23	4.05%
<b>II</b>	<b>Terminal (first phase and second phase)</b>	<b>247,750.78</b>	<b>13.32%</b>
1	Project expenses	199,086.78	10.71%
1.1	Construction and installation expenses	182,110.99	9.79%
1.2	Equipment purchases expenses	16,875.79	0.91%
1.3	Other expenses	100.00	0.01%
2	Other expenses	32,456.01	1.75%
3	Preparation expenses	16,207.99	0.87%
<b>III</b>	<b>Construction period interest</b>	<b>84,521.00</b>	<b>4.54%</b>
<b>IV</b>	<b>Replenishment of working capital</b>	<b>56,262.00</b>	<b>3.03%</b>
<b>Total</b>		<b><u>1,859,670.15</u></b>	<b><u>100.00%</u></b>

**3.    *The construction subject of the project and the time schedule***

The Investment Project is constructed by Caofeidian Company, a controlled subsidiary of the Company, and the construction period of the Investment Project is estimated to be six years.

**4.    *Project site selection***

The site of the Investment Project is located at the south side of No. 1 Road of Caofeidian Industrial Zone in Tangshan City, Hebei Province and the east side of PetroChina's Tangshan LNG Project, which occupies an area of 1,302.15 mu.

**5.    *Benefit analysis of the project***

As estimated, the average annual net profit during the operation period will be RMB900.64 million, with an estimated payback period of 14.04 years (including the construction period). The economic outlook for the project is good.

**6.    *Approval status of the project***

- (1) It has received the "Reply for the Approval of the Tangshan Liquefied Natural Gas Project of Caofeidian Suntien Liquefied Natural Gas Co., Ltd." (Fa Gai Neng Yuan [2019] No. 1678) issued by the NDRC in October 2019;
- (2) It has received the "Approval of the Environmental Impact Report on the Tangshan LNG Project" (Huan Shen [2019] No. 70) issued by the Ministry of Ecology and Environment in May 2019;
- (3) It has received the "Letter on the Pre-Approval Opinion on the Use of the Sea for Tangshan LNG Project" (Zi Ran Zi Han [2019] No. 256) issued by the Ministry of Natural Resources in May 2019;
- (4) It has received the "Opinions on Tangshan Port Caofeidian Port Area Suntien Liquefied Natural Gas Project Supporting Terminal Project" (Jiao Gui Hua Han [2019] No. 569) issued by the Ministry of Transportation and Communications in August 2019.

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## APPENDIX II      FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE ISSUANCE

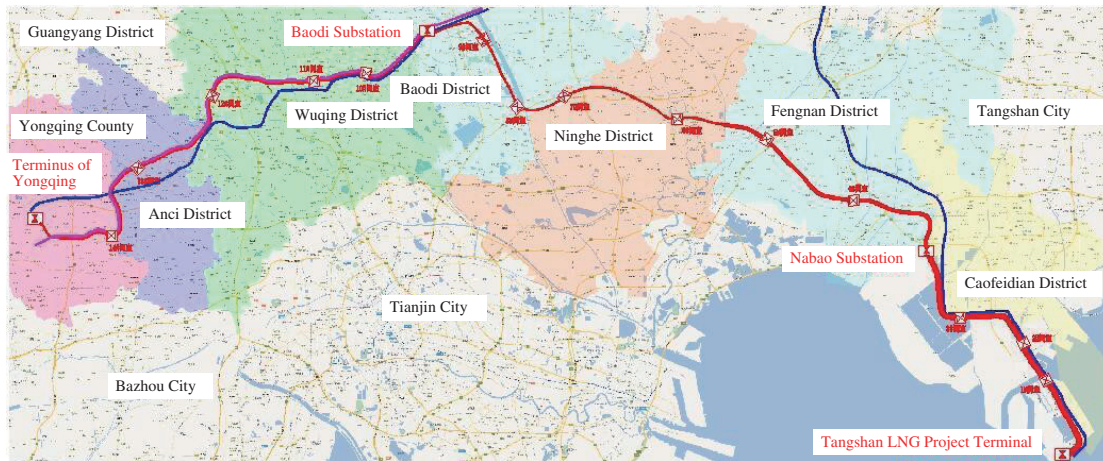
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### (II) Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section)

The total investment of the Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section) is RMB6.417 billion, and the proposed use of proceeds is RMB786 million.

#### 1. Project plan

The Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section) project starts from Tangshan LNG receiving terminal and ends at Baodi distribution terminal in Tianjin. The 176.18 km long pipeline has a diameter of 1,422 mm, a design pressure of 10 MPa, a design annual gas transmission capacity of 11.2 billion cubic meters and a maximum daily transmission capacity of 160 million cubic meters. There will be two process stations and nine valve chambers along the pipeline, and related engineering facilities will also be constructed.



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*2. Investment estimates*

No.	Name of Project or Cost	Investment Estimates (RMB'0,000)	Percentage of Investment Estimates
<b>I</b>	<b>Project expenses</b>	<b>390,038.00</b>	<b>60.78%</b>
1.1	Equipment purchases expenses	154,769.00	24.12%
1.2	Major material purchase expenses	4,353.00	0.68%
1.3	Installation expenses	175,019.00	27.28%
1.4	Construction expenses	55,897.00	8.71%
<b>II</b>	<b>Other expenses</b>	<b>185,714.00</b>	<b>28.94%</b>
<b>III</b>	<b>Preparation expenses</b>	<b>46,060.00</b>	<b>7.18%</b>
<b>IV</b>	<b>Construction period interest</b>	<b>19,404.00</b>	<b>3.02%</b>
<b>V</b>	<b>Replenishment of working capital</b>	<b>458.00</b>	<b>0.07%</b>
<b>Total</b>		<b><u>641,675.00</u></b>	<b><u>100.00%</u></b>

*3. The construction subject of the project and the time schedule*

The Investment Project is constructed by Caofeidian Company, a controlled subsidiary of the Company. This project is part of the Tangshan LNG Terminal Outbound Pipelines Project, the time schedule will match the construction progress of the Tangshan LNG Project Phase I, and the construction period is 2 years.

*4. Project site selection*

The Tangshan LNG Terminal Outbound Pipelines Project (Caofeidian-Baodi section) is proposed to be constructed from the receiving terminal of Tangshan LNG Project to the Baodi substation. It passes through four districts: Caofeidian District, Fengnan District of Tangshan City of Hebei Province; and Ninghe District and Baodi District of Tianjin City.

*5. Benefit analysis of the project*

As estimated, the average annual net profit during the operation period will be RMB341.68 million, with an estimated payback period of 13.06 years (including the construction period). The economic outlook for the project is good.

*6. Approval status of the project*

- (1) It has received the “Reply for the Project of Hebei Suntien Tangshan Liquefied Natural Gas Terminal Outbound Pipelines Project (Caofeidian-Baodi section)” (Fa Gai Neng Yuan [2019] No. 1677) issued by the NDRC in October 2019;

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**APPENDIX II      FEASIBILITY ANALYSIS REPORT ON THE USE OF  
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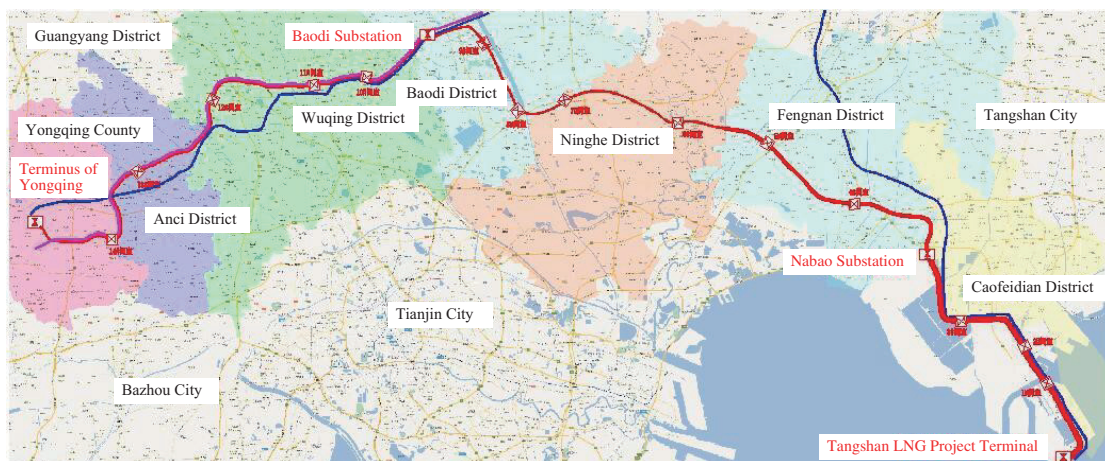
- (2) It has received the “Approval of the Environmental Impact Report on the Tangshan LNG Outbound Pipelines Project (Cao-Bao section)” (Huan Shen [2019] No. 23) issued by the Ministry of Ecology and Environment in February 2019;
- (3) It has received the “Reply Letter on the Pre-Approval Opinion on the Construction Land for the Tangshan LNG Outbound Pipelines Project (Cao-Bao section)” (Zi Ran Zi Yu Shen Zi [2019] No. 93) issued by the Ministry of Natural Resources in March 2019;
- (4) It has received the “Letter on the Pre-Approval Opinion on the Use of the Sea for the Tangshan LNG Outbound Pipelines Project” (Zi Ran Zi Han [2019] No. 257) issued by the Ministry of Natural Resources in May 2019.

**(III) Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section)**

The total investment of Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section) is RMB2,954 million, and the proposed use of proceeds is RMB266 million.

**1. Project plan**

The Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section) starts from Baodi substation in Tianjin and ends at Yongqing terminal located in Langfang, Hebei Province. The 112 km long pipelines has a design annual gas transmission capacity of 11.2 billion cubic meters, a diameter of 1,422 mm, a design pressure of 10 MPa and a maximum daily transmission capacity of 151 million cubic meters. There will be five valve chambers along the pipeline, and related engineering facilities will also be constructed.



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*2. Investment estimates*

No.	Name of Project or Cost	Investment Estimates (RMB'0,000)	Percentage of Investment Estimates
<b>I</b>	<b>Project expenses</b>	<b>188,326.00</b>	<b>63.74%</b>
1.1	Equipment purchases expenses	87,806.00	29.72%
1.2	Major material purchase expenses	3,351.00	1.13%
1.3	Installation expenses	78,826.00	26.68%
1.4	Construction expenses	18,343.00	6.21%
<b>II</b>	<b>Other expenses</b>	<b>76,766.00</b>	<b>25.98%</b>
<b>III</b>	<b>Preparation expenses</b>	<b>21,207.00</b>	<b>7.18%</b>
<b>IV</b>	<b>Construction period interest</b>	<b>8,934.00</b>	<b>3.02%</b>
<b>V</b>	<b>Replenishment of working capital</b>	<b>211.00</b>	<b>0.07%</b>
<b>Total</b>		<b><u>295,444.00</u></b>	<b><u>100.00%</u></b>

*3. The construction subject of the project and the time schedule*

The Investment Project is constructed by Caofeidian Company, a controlled subsidiary of the Company. This project is part of the Tangshan LNG Outbound Pipelines project, the time schedule will match the construction progress of the Tangshan LNG Project Phase I, and the construction period is 2 years.

*4. Project site selection*

The Tangshan LNG Terminal Outbound Pipelines Project (Baodi-Yongqing section) is proposed to be constructed from the Baodi substation in Tianjin to the Yongqing terminal located in Langfang, Hebei Province. It passes through four districts, namely Baodi District and Wuqing District of Tianjin City; and Anci District and Yongqing County of Langfang City.

*5. Benefit analysis of the project*

As estimated, the average annual net profit during the operation period will be RMB160.93 million, with an estimated payback period of 13.05 years (including the construction period). The economic outlook for the project is good.

*6. Approval status of the project*

- (1) It has received the “Reply for the Approval of the Hebei Suntien Tangshan LNG Terminal Outbound Pipelines Project (Baodi – Yongqing section)” (Fa Gai Neng Yuan [2019] No. 1842) issued by the NDRC in November 2019;

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- (2) It has received the “Approval of the Environmental Impact Report on the Tangshan LNG Outbound Pipelines Project (Bao-Yong section)” (Huan Shen [2020] No. 42) issued by the Ministry of Ecology and Environment in March 2020;
- (3) It has received the “Reply Letter on the Pre-Approval Opinion on the Construction Land for the Tangshan LNG Outbound Pipelines Project (Bao-Yong section)” (Zi Ran Zi Ban Han [2019] No. 1340) issued by the Ministry of Natural Resources in August 2019.

### **(IV) Replenishment of working capital and repayment of bank loans**

#### ***1. Project overview***

The Company intends to utilize RMB1.362 billion raised from the Non-public Issuance to replenish working capital and repay bank loans to meet the Company’s need of working capital for continuous expansion, improve the Company’s resource allocation efficiency, and provide guarantee for the Company’s healthy and sustainable development.

#### ***2. Necessity of the project and its impact on the Company’s financial status***

##### ***(1) Satisfying the capital demand as a result of the increasing scale of operations***

In recent years, the Company’s business scale and operating income have shown a continuous growth trend. The wind power and gas industry in which the Company engages is a capital-intensive industry. With the continuous growth of business scale, the demand for working capital will become increasingly strong. At the same time, the Company currently has many high-quality reserve projects. After the proceeds raised from the Issuance are in place, the replenishment of working capital will effectively alleviate the financial pressure of the Company’s development and improve the Company’s daily operating efficiency.

##### ***(2) Optimizing capital structure and enhancing financial strength***

The funding need for the Company’s development in recent years have mainly been solved through debt financing, including bank loans and the issuance of medium-term notes and short-term financing bonds. The gearing ratios at the end of each Reporting Period were 69.43%, 68.34%, 67.90% and 69.23%, respectively. At present, the Company’s financial leverage utilization rate has reached a relatively high level, which has weakened the Company’s ability to resist risks to a certain extent and affected the Company’s sustainable development.

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## APPENDIX II      FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE ISSUANCE

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After the proceeds raised are in place, it will help improve the Company's gearing ratio and reduce the Company's liquidity risk. In the long run, it can improve the Company's debt financing capacity and space, meet the funding needs of the Company's subsequent development, and lay the foundation for the Company's sustainable development.

(3) *Reducing financial expenses and increasing operating efficiency of the Company*

Raising funds through bank loans or otherwise has provided financial support and guarantee for the Company to expand its business scale and improve its operating quality, but the finance costs incurred therefrom have also reduced the Company's profitability.

The Company carries out the Non-public Issuance of A shares to replenish working capital and repay bank loans, so as to alleviate part of the Company's demand for bank loans to make up for the shortfalls in working capital required for the developing various businesses, which can help control the scale of interest-bearing debts, reduce the Company's financial expenses and improve the Company's operating performance.

### 3. *Conclusion*

In view of above, the Board believes that using the proceeds raised from the Issuance to replenish working capital and repay bank loans will be conducive to the further expansion of operation and overall strength of the Company, and will enhance the operating benefits of the Company, optimize the capital structure and lay a foundation for the healthy development of the Company in the future, and is in the interests of the Company and the shareholders as a whole.

## IV. EFFECTS OF THE USE OF PROCEEDS ON THE OPERATING CONDITIONS AND FINANCIAL POSITION OF THE COMPANY

The Investment Projects are closely related to the existing natural gas business of the Company. Upon completion of the projects, the Company's natural gas storage and supply capacity will be increased, and its business scale and market competitiveness will be further enhanced, which will enhance the Company's influence in the industry and strengthen the Company's sustainable operation ability.

After the completion of this Non-public Issuance of A shares, the Company's total assets will be increased and the gearing ratio will be lowered, while the current ratio and quick ratio will be further increased. This will help enhance the solvency of the Company and reduce the financial risks.

After the proceeds are in place, the net assets of the Company will increase and the return on the net assets of the Company may be diluted in the near future. However, with favorable market prospects and a high level of profitability, the Investment Projects are expected to boost the total operating revenue and profit of the Company upon its commencement of operation.



*The following are the full texts of the report on the use of previous proceeds and the specific assurance report of the Company (as at 31 December 2020). The reports are prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.*

**ASSURANCE REPORT ON THE USE OF PREVIOUS PROCEEDS**

Ernst & Young Hua Ming (2021) Zhuan Zi No. 60809266\_A01

To: all shareholders of China Suntien Green Energy Corporation Limited

We have been engaged to provide assurance in respect of the attached special report on the use of proceeds, as at 30 September 2020, from the issuance of RMB ordinary shares by China Suntien Green Energy Corporation Limited on 18 June 2020 (the “Previous Proceeds”) (the “Special Report on the Use of Previous Proceeds”).

It is the responsibility of the board of directors of China Suntien Green Energy Corporation Limited to prepare the Special Report on the Use of Previous Proceeds in accordance with the Rules Governing the Report on the Use of Proceeds from Previous Issuance of Securities (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission, and to warrant that the contents thereof are true, accurate and complete without false records, misleading statements or material omissions. Our responsibility is to express an opinion on the Special Report on the Use of Previous Proceeds based on the implementation of the assurance work.

We have conducted our assurance work in accordance with the Standards on Other Assurance Engagements for CPAs of China No. 3101 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, which requires us to plan and perform our assurance work in compliance with the code of professional ethics to reach reasonable assurance of whether the Special Report on the Use of Previous Proceeds is free from material misstatements. In the course of our assurance work, we have carried out procedures including understanding, selective examination, checking and other procedures we have deemed necessary. We believe that our assurance procedures provide a reasonable basis for our opinion.

In our opinion, the Special Report on the Use of Previous Proceeds of China Suntien Green Energy Corporation Limited has been prepared in accordance with the Rules Governing the Report on the Use of Proceeds from Previous Issuance of Securities (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission, and has reflected in all material aspects the use of the Previous Proceeds by China Suntien Green Energy Corporation Limited as at 30 September 2020.

This assurance report is solely to be used in the application by China Suntien Green Energy Corporation Limited to the China Securities Regulatory Commission for its proposed Non-public Issuance of A Shares, and may not be used for any other purpose without our written consent.

Ernst & Young Hua Ming LLP  
(Special General Partnership)

Certified Public Accountant of  
the People's Republic of China:  
Chen Jing

Beijing, China

Certified Public Accountant of  
the People's Republic of China:  
Qi Lina

5 March 2021

**I. PREVIOUS PROCEEDS**

As approved by the “Approval of the Initial Public Offering of Shares of China Suntien Green Energy Corporation Limited” (Zheng Jian Xu Ke [2020] No. 1012) issued by the China Securities Regulatory Commission on 28 May 2020, the Company issued 134,750,000.00 RMB ordinary shares in its initial public offering at an issue price of RMB3.18 per share, raising gross proceeds of RMB428,505,000.00. After deducting the issue and listing expenses undertaken by the Company (excluding VAT) of RMB38,675,734.53, the net proceeds amounted to RMB389,829,265.47.

On 18 June 2020, Zhong De Securities Company Limited (“Zhong De Securities”) deposited the proceeds of RMB400,203,113.21, after deducting the sponsorship and underwriting fees (excluding VAT) of RMB28,301,886.79, into a special account.

The above proceeds raised were verified by Ernst & Young Hua Ming LLP (Special General Partnership), and Ernst & Young Hua Ming (2020) Yan Zi No. 60809266\_A01 Verification Report was issued by it on 18 June 2020.

In accordance with the regulations and requirements of relevant laws and regulations such as the Management Requirements on Funds Raised by Listed Companies of Shanghai Stock Exchange, in June 2020, the Company and Zhong De Securities entered into the “Tripartite Custody Agreement on Special Deposit Accounts for Proceeds” with China Construction Bank Corporation (Hebei Branch) and China Development Bank (Hebei Branch), respectively, which sets forth in detail the relevant responsibilities and obligations of the issuer, the sponsor and the commercial banks where the proceeds are deposited, so as to ensure that the proceeds are used for special purposes only. Given that the investment project funded by the proceeds, “HECIC Fengning Senjitu Wind Farm (phase 3) 150MW Project”, was implemented by Hebei Fengning Construction & Investment New Energy Co., Ltd. (“Fengning New Energy”), a subsidiary of the Company, the Company, Fengning New Energy and Zhong De Securities entered into the “Four-Party Custody Agreement on Special Deposit Account for Proceeds” (the “Four-Party Custody Agreement”) with China Construction Bank Corporation (Hebei Branch) and China Development Bank (Hebei Branch), respectively, in July 2020, which sets forth in detail the relevant responsibilities and obligations of the issuer, the sponsor and the account opening banks, so as to ensure that the proceeds are used for special purposes only.

**APPENDIX III**

**REPORT ON THE USE OF PREVIOUS PROCEEDS AND  
SPECIFIC ASSURANCE REPORT (AS AT 30 SEPTEMBER 2020)**

The Company deposited and used the proceeds in strict compliance with the provisions of the Four-Party Custody Agreement. The balance of the proceeds deposited in each of the special deposit accounts is set out below:

*Unit: RMB*

<b>Account name</b>	<b>Account Opening Banks</b>	<b>Bank Account Number</b>	<b>Initial amount of the special account for proceeds</b>	<b>Balance as of the cut-off date</b>
China Suntien Green Energy Corporation Limited	China Development Bank (Hebei Branch)	13101560009345480000	100,000,000.00	47,301.85
China Suntien Green Energy Corporation Limited	China Construction Bank Corporation (Ping'an Street, Shijiazhuang, Hebei Sub-branch)	13050161860100001452	300,203,113.21	137,458.59
Hebei Fengning Construction & Investment New Energy Co., Ltd.	China Construction Bank Corporation (Ping'an Street, Shijiazhuang, Hebei Sub-branch)	13050161860100001451	–	17,720.23
Hebei Fengning Construction & Investment New Energy Co., Ltd.	China Development Bank (Hebei Branch)	13101560009347060000	–	–
	<b>Total</b>		<b><u>400,203,113.21</u></b>	<b><u>202,480.67</u></b>

**II. ACTUAL USE OF PREVIOUS PROCEEDS****(I) Use of proceeds in the investment project funded by Previous Proceeds**

Details of the use of the Previous Proceeds as at 30 September 2020 are set forth in the “Comparison Table of the Use of Previous Proceeds” in Appendix I.

**(II) Changes in the actual investment project funded by Previous Proceeds**

As at 30 September 2020, there was no change in the actual investment project funded by Previous Proceeds of the Company.

**(III) External transfer or replacement of the investment project funded by Previous Proceeds**

As at 30 September 2020, there was no external transfer of the investment project funded by Previous Proceeds.

At the thirteenth extraordinary meeting of the fourth session of the board of directors of the Company held on 11 August 2020, the “Resolution on the Replacement of the Self-Raised Funds Previously Invested in the Project Funded by Proceeds of Suntien Green Energy” was considered and approved, approving the Company to use proceeds of RMB389,829,265.47 to replace the self-raised funds previously invested in the project funded by proceeds. The independent directors of the Company and the sponsor have expressed their opinions approving the same.

Ernst & Young Hua Ming LLP (Special General Partnership) conducted a special audit and issued the “Assurance Report on the Replacement of the Self-Raised Funds Previously Invested in the Project Funded by Proceeds” (Ernst & Young Hua Ming (2020) Zhuan Zi No. 60809266\_A07).

**(IV) Temporary use of idle proceeds for other purposes**

As at 30 September 2020, there was no temporary use of the Company’s Previous Proceeds for other purposes.

**(V) Unused Previous Proceeds**

As at 30 September 2020, the Previous Proceeds have been fully used and the balance of the deposits in the special accounts, totaling RMB202,480.67, is the interest accrued thereon.

**III. REALIZATION OF BENEFITS FROM THE INVESTMENT PROJECT FUNDED  
BY PREVIOUS PROCEEDS**

As at 30 September 2020, details of the benefits realized from the investment project funded by Previous Proceeds are shown in the “Comparison Table of Realization of Benefits from Investment Project Funded by Previous Proceeds” in Appendix II.

**IV. SUBSCRIPTION OF SHARES WITH ASSETS**

The Previous Proceeds of the Company did not involve subscription of shares with assets.

**V. COMPARISON BETWEEN THE ACTUAL USE OF THE PREVIOUS PROCEEDS  
AND THE RELEVANT CONTENTS OF THE COMPANY’S INFORMATION  
DISCLOSURE DOCUMENTS**

There is no discrepancy between the actual use of the Previous Proceeds and the relevant contents disclosed in the Company’s regular reports and other information disclosure documents.

**VI. CONCLUSION**

In the opinion of the board of directors, the Company has used the Previous Proceeds in accordance with the plan for the application of the A share proceeds as disclosed in the prospectus for the previous A shares issuance. The Company has fulfilled its disclosure obligations in respect of the investment and progress of the Previous Proceeds in accordance with the Rules Governing the Report on the Use of Proceeds from Previous Issuance of Securities (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission.

All directors of the Company undertake that this report contains no false statement, misleading representation or material omission and they are willing to assume joint and several liabilities for the truthfulness, accuracy and completeness of this report.

The Board of Directors of  
China Suntien Green Energy Corporation Limited  
5 March 2021

## Appendix I:

## Comparison Table of the Use of Previous Proceeds

Unit: RMB'0,000

Investment project		Total amount of investment with the proceeds			Accumulative amount of investment with the proceeds as at the cut-off date			Difference between amount of the actual investment and amount of the committed investment after fundraising	Date on which the project reached the status of designated use (or progress of the construction of the project as at the cut-off date)	
No.	Committed investment project	Actual investment Project	Total amount of the committed investment before fundraising	Total amount of the committed investment after fundraising	Amount of the actual investment	Total amount of the committed investment before fundraising	Total amount of the committed investment after fundraising	Amount of the actual investment		
1	Senjitu wind farm (phase 3) 150MW Project	Senjitu wind farm (phase 3) 150MW Project	38,982.93	38,982.93	38,982.96	38,982.93	38,982.93	38,982.96	0.03 (Note 1)	September 2019 to November 2019
Total			<u>38,982.93</u>	<u>38,982.93</u>	<u>38,982.96</u>	<u>38,982.93</u>	<u>38,982.93</u>	<u>38,982.96</u>	<u>0.03 (Note 1)</u>	

Note 1: Difference between amount of the actual investment and amount of the committed investment after fundraising is the interest in the special accounts accrued on the Previous Proceeds.

Appendix II:

**Comparison Table of Realization of Benefits from  
Investment Project Funded by Previous Proceeds***Unit: RMB'0,000*

No.	Name of project	Actual Investment Project	Accumulative utilisation rate of production capacity of the project as at the cut-off date	Committed benefits	Actual gains in the most recent two years		Accumulative realised gains as at the cut-off date	Whether the expectation of gains was met
					2019 (Operating Income)	January to September 2020 (Operating Income)		
1	Senjitu wind farm (phase 3) 150MW Project		N/A	It is expected to increase operating income by RMB155.48 million per year when the target output of the project is achieved <i>(Note 1)</i>	5,826 <i>(Note 2)</i>	14,586	20,412	Yes

*Note 1:* According to the disclosure in the Company's "Prospectus for the Initial Public Offering of and Listing A Shares" on the projection and analysis of the benefits of investment projects with raised proceeds, the after-tax investment internal rate of return of Senjitu wind farm (phase 3) 150MW Project is 7.10%, and it is expected that the annual operating income will be increased by RMB155.48 million when the target output of the project is achieved.

*Note 2:* Senjitu wind farm (phase 3) 150MW Project reached its intended use status in batches from September to November 2019, and realized revenue of RMB58.26 million in 2019.



*The following is the full text of the remedial measures of the dilution of immediate return and undertakings by the relevant entities as prepared by the Company in respect of the Issuance. The document is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.*

**REMEDIAL MEASURES OF THE DILUTION OF IMMEDIATE RETURN BY THE  
NON-PUBLIC ISSUANCE OF  
A SHARES OF CHINA SUNTIEN GREEN ENERGY CORPORATION LIMITED AND  
UNDERTAKINGS BY THE RELEVANT ENTITIES**

**I. SPECIFIC REMEDIAL MEASURES FOR THE IMMEDIATE RETURN  
DILUTION OF THE COMPANY UPON ISSUANCE AND LISTING OF A  
SHARES**

Upon the Non-public Issuance of A Shares and receipt of the proceeds, the Company's share capital and net assets will increase to certain extent but the indicators of the Company such as earnings per share and return on net assets may decrease, and the immediate return for investors of the Company will possibly be diluted. As such, the Company intends to adopt the following measures to improve its ability to generate return for investors upon receipt of the proceeds:

**(1) Ensuring the investment progress of the Investment Projects to maximize their benefits**

The proceeds from the Non-public Issuance of A Shares will be applied in the Tangshan LNG Project and the Terminal Outbound Pipelines Project, which are the principal business of the Company and in line with the relevant national industry policies and the future development direction of the Company's overall strategy, and have good prospects for development and strong economic benefits. Upon receipt of the proceeds from the Issuance, the Company will strive to ensure the implementation progress of the investment projects. The successful implementation and the realization of benefits of the investment projects will help recover the dilution of immediate return by the Non-public Issuance of A Shares, which is in line with the long-term interests of the shareholders of the Company.

**(2) Strengthening the management of proceeds**

In order to regulate the utilization and management of the proceeds by the Company and ensure the standardized, safe and efficient use of the proceeds, the Company has formulated the Management Rules for Proceeds (《募集資金管理規定》) in accordance with laws, administrative regulations, departmental rules and regulatory documents, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Regulatory Guideline for Listed Companies No. 2 – Regulatory Requirements for the Management and Utilization of Proceeds by Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Management Measures for Proceeds by Companies Listed on the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理辦法》).

Upon receipt of the proceeds from the Non-public Issuance of A Shares, the Company will enter into a tripartite custody agreement for proceeds with the sponsor

and the commercial bank at which the proceeds are to be placed in a timely manner in accordance with the Management Rules for Proceeds, and deposit the proceeds into a special account approved by the Board of Directors. During the process of utilization of proceeds, the Company will strictly carry out the application and approval procedures and make records for the utilization of proceeds to set out in detail the expenses of proceeds and the investment made in the Investment Projects to ensure that the proceeds are utilized for specified purposes only.

**(3) Strictly implementing the Company's profit distribution policy and enhancing the mechanism of return for investors**

In order to clarify the dividends to be distributed to the new and existing shareholders of the Company following the Non-public Issuance of A Shares, further refine the provisions of the Articles of Association in relation to profit distribution policy, and strengthen the transparency and operability of the decision-making on profit distribution, the Company has developed the Shareholders' Return Plan for the Next Three Years (2021-2023) after the Issuance (《本次非公開發行後未來三年(2021-2023)的股東分紅回報規劃》).

The Company will strictly implement the profit distribution policy set out in the Articles of Association and strive to create long-term values for Shareholders through the development of reasonable dividend distribution plan to protect the lawful interests of Shareholders of the Company.

**II. UNDERTAKINGS MADE BY THE CONTROLLING SHAREHOLDER,  
DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY IN RESPECT  
OF THE EFFECTIVE IMPLEMENTATION OF THE REMEDIAL MEASURES  
OF THE COMPANY**

In order to protect the right to information and safeguard the interests of minority investors, the controlling shareholder, directors and senior management of China Suntien Green Energy Corporation Limited have made the following undertakings in respect of the effective implementation of the remedial measures of the Company in accordance with the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Work for Protection of Legitimate Rights and Interests of Minority Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110), the Guiding Opinions of the China Securities Regulatory Commission on Matters Relating to Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (《中國證券監督管理委員會關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) and other provisions:

**(1) Undertakings by the controlling shareholder**

HECIC, the controlling shareholder of the Company, has made the following undertakings in respect of the effective implementation of the remedial measures of the Company:

- “1. We undertake that we will not act beyond our power to interfere with the operation and management of Suntien Green Energy nor expropriate the interests of Suntien Green Energy;
2. From the date of this undertaking until the completion of the Non-public Issuance, if securities regulatory authorities including the CSRC and the Shanghai Stock Exchange have any other new regulatory requirements concerning the remedial measures and the undertakings provided by us or make other related requirements, and if the relevant content of this undertaking fails to meet such provisions and requirements of securities regulatory authorities, we undertake to issue supplementary undertakings in accordance with the latest provisions and requirements of securities regulatory authorities including the CSRC and Shanghai Stock Exchange;
3. We undertake that we will ensure effective implementation of the remedial measures formulated by Suntien Green Energy and any of our undertakings provided in respect of the remedial measures. If we breach such undertakings and causes losses to Suntien Green Energy or investors, we are willing to take the responsibility for making compensation to Suntien Green Energy or investors in accordance with law.

If we, as one of the relevant entities responsible for the remedial measures, breach or refuse to perform the above undertakings, we agree to accept relevant punishments or regulatory measures imposed by the securities regulatory authorities including the CSRC and the Shanghai Stock Exchange pursuant to the relevant provisions and rules formulated or issued by them.”

**(2) Undertakings by directors and senior management**

The directors and senior management of the Company have made the following undertakings in respect of the effective implementation of the remedial measures of the Company:

- “1. I will not transfer benefits to any other entity or person at no consideration or on unfair terms nor harm the interests of the Issuer in any manner;
2. Restrictions will be imposed on the expenses to be incurred by the directors and senior management of the Company in performing their duties;
3. I will not utilize any assets of the Issuer in any investment or consumption that is not related to my performance of duties;
4. The remuneration system established by the Board of Directors or the Remuneration and Appraisal Committee will be linked to the implementation of the remedial measures of the Issuer for the dilution of return;

5. The conditions to be announced for the exercise of share options of the Issuer will be linked to the implementation of the remedial measures of the Issuer for the dilution of return;
6. I will comply with the future requirements of the CSRC, stock exchanges and other regulatory authorities and actively adopt all necessary and reasonable measures to enable the effective implementation of the remedial measures of the Issuer for the dilution of return;
7. If I fail to perform such undertakings, I will actively adopt measures so that all these undertakings will be re-performed and the remedial measures of the Issuer for the dilution of return will be effectively implemented, and will publicly offer explanations and apologies on the website designated by the CSRC for the failure on my part to perform such undertakings and make compensation in accordance with law for any losses incurred by the Issuer or shareholders as a result of my violation of any of these undertakings.”

*The following is the full text of the Shareholders' Return Plan for the Next Three Years (2021-2023) after the Issuance. The plan is prepared in Chinese and translated into English. If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.*

**SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2021-2023)  
AFTER THE NON-PUBLIC ISSUANCE OF CHINA SUNTIEN GREEN ENERGY  
CORPORATION LIMITED**

The Company has always attached importance to reasonable return on investment to investors, and maintained the consistency and stability of the profit distribution policy. In accordance with relevant regulations such as the Notice on Further Implementing Issues concerning Cash Dividends of Listed Companies” and the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies, the Company has developed the “Shareholders’ Return Plan for the Next Three Years (2021-2023) after the Non-public Issuance”. The specific details are as follows:

**1. Basic Principles for the Profit Distribution Policy of the Company**

The Company adopts an active profit distribution policy and emphasizes on reasonable investment returns to investors. The profit distribution policy of the Company shall be consistent and stable, taking into account the long-term interests of the Company, the entire interests of Shareholders as a whole, and the sustainable development of the Company. The profit distribution shall be up to the distributable profit and shall not harm the Company’s ability to continue as a going concern. In discussing and determining the profit distribution policy, the Board, the Supervisory Committee and the general meeting shall give full consideration to the opinions of independent directors and public investors.

**2. Methods of Profit Distribution**

The Company may distribute profit in cash, shares or in combination of both, and cash dividend shall take precedence in profit distribution.

**3. Condition and Percentage of Dividend Distribution**

Dividends may be distributed subject to the following conditions:

- (1) the distributable profit realised by the Company (i.e. the profit after tax offsetting loss and allocating reserves) for the year is a positive value;
- (2) a standard auditor’s report without qualified opinions has been issued by the auditors for the financial report of the Company for the year.

The Company may distribute profit in cash when it has realized profit but without uncovered loss, and there is sufficient cash for cash dividend distribution without affecting the normal operation of the Company. The profit distributed in cash by the Company each year shall not be less than 20% of the distributable profit attributable to Shareholders of the Company for the year. The distributable profit that has not been distributed for the year can be carried forward for distribution in subsequent years. The profit distribution by the Company shall neither exceed the total distributable profit nor affect the Company’s ability to continue as a going concern.

**4. Percentage and Intervals of Cash Dividends**

The Board shall propose differentiated cash dividend policies after taking into full consideration the characteristics of the industry in which the Company operates, its stage of development, business model, profitability and whether there are any arrangements for significant capital expenses:

- (1) If the Company is at a mature stage and has no arrangement for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 80% of the total dividends distributed;
- (2) If the Company is at a mature stage and has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 40% of the total dividends distributed;
- (3) If the Company is at a growth stage and has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 20% of the total dividends distributed;
- (4) If it is difficult to identify the Company's development stage and the Company has arrangements for significant capital expenses, when making profit distribution, the Company shall distribute cash dividend accounting for at least 20% of the total dividends distributed.

The "arrangements for significant capital expenses" above means that the total expenses of the Company in proposed external investments, acquisition of assets or purchase of equipment and buildings for the next twelve months reach or exceed 20% of the latest audited net assets of the Company and are more than RMB50 million in absolute value.

In principle, the Company shall distribute dividends in cash each year following the approval at the annual general meeting, and the Board of the Company may propose interim cash dividends in view of the Company's profitability and capital needs.

**5. Procedures for Reviewing the Profit Distribution Proposal of the Company**

- (1) The annual profit distribution proposal of the Company shall be proposed and prepared by the Board of the Company in accordance with the requirements of the Articles of Association and in view of the profitability and capital supply and needs. Independent Directors shall issue their independent opinions on the profit distribution proposal, which, subject to the consideration and approval by the Board, will be submitted to the general meeting for consideration and approval by the Shareholders. Independent Directors may seek opinions from minority Shareholders, prepare and submit a distribution proposal directly to the Board for consideration.

- (2) When considering the profit distribution proposal at the general meeting, the Shareholders shall be provided with the method of online voting, or the Board, independent Directors and Shareholders satisfying the relevant conditions may solicit voting proxy from Shareholders, in particular the minority Shareholders, in respect of the voting on the profit distribution proposal during the period from the record date for the shareholders' meeting to the date of the shareholders' meeting.
- (3) Subject to the conditions for cash dividends set out in the Articles of Association, if the Company is facing material investment opportunity, great prospects for investment, significant capital needs or other special circumstances, and the Company does not desire to implement the cash dividend proposal for the time being, the Board of the Company shall explain the specific reason for no cash dividends, the purpose and plan of use of the funds that would otherwise be distributed as dividends and disclose the same in regular reports, which shall be proposed at the shareholders' meeting for consideration after the independent Directors have expressed their opinions and shall be disclosed on the media designated by the Company.
- (4) If any adjustment or change to the policy for cash dividends of the Company is indeed necessary, they shall be made in order to protect the interests of the Shareholders. The Board shall thoroughly discuss the rationale of the adjustment or change to the profit distribution proposal and adopt it as a resolution before submission to the shareholders' meeting for consideration. When being considered at the shareholders' meeting, it shall be approved by more than 2/3 voting rights held by Shareholders attending the shareholders' meeting.

## 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

Saved as disclosed below, 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 Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at the Latest Practicable Date, the Directors, Supervisors and senior management of the Company had interests in the Shares of the Company as below:

Name	Position(s)	Class of Shares	Capacity	Number of Shares held	Percentage in the relevant class of share capital (%)	Percentage of the total share capital (%)
Cao Xin	Chairman and non-executive Director	H Shares	Beneficial owner	50,000 (Long position)	0.0027%	0.0013%
Mei Chun Xiao	Executive Director and President	H Shares	Beneficial owner	50,000 (Long position)	0.0027%	0.0013%
Ban Ze Feng	Vice president, Board secretary and joint company secretary	H Shares	Beneficial owner	50,000 (Long position)	0.0027%	0.0013%



**(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).

**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:

<b>Name of Director</b>	<b>Position(s) held in the Company</b>	<b>Position(s) held in HECIC</b>
Dr. Cao Xin	Chairman and Non-executive Director	Deputy general manager of HECIC
Dr. Li Lian Ping	Non-executive Director	Chairman and secretary of Party Committee of HECIC and a director of Jointo Energy Investment Co., Ltd. Hebei
Mr. Qin Gang	Non-executive Director	Assistant to the general manager and department head of the capital 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 2020 (being the date up 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 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. MATERIAL ADVERSE CHANGE**

So far as the Directors are aware, as at the Latest Practicable Date, there are no material adverse changes in the financial or trading position of the Group since 31 December 2020 (being the date up to which the latest published audited accounts of the Group were made up).

**7. 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:

<b>Name</b>	<b>Qualification</b>
Gram Capital	a corporation licensed 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 with the inclusion of its letter dated 1 April 2021 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 2020 (being the date up 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 proposed to be acquired or disposed of or leased by any member of the Group.

**8. GENERAL**

- (a) 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).
- (b) 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.
- (c) 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.

**9. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours (i.e. 9:00 a.m. to 5:00 p.m.) at the Company's principal place of business in Hong Kong at Suite 2103, 21st Floor, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong within 14 days from the date of this circular (excluding Saturdays and public holidays):

- (a) the New Subscription Agreement;
- (b) this circular;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this circular; and
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 27 to 42 of this circular.