THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in United Photovoltaics Group Limited, you should at once hand this circular, together with the enclosed form of proxy, 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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

UNITED PHOTOVOLTAICS GROUP LIMITED

聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 55% EQUITY INTEREST IN CHANGZHOU DINGHUI NEW ENERGY LIMITED*; AND (2) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

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Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "**Definitions**" of this circular.

A letter from the Board is set out from pages 7 to 26 of this circular.

A notice convening the SGM to be held at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 6 June 2014, at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for the SGM is enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *For identification purpose only*

16 May 2014

CONTENTS

In this circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Announcement"	the announcement dated 8 January 2014 made by the Company in respect of the New Sale and Purchase Agreement and the 55% Acquisition and the transactions contemplated thereunder
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of directors of the Company
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the PRC
"CMNEG"	China Merchants New Energy Group Limited (招商新能源集團有限公司), a company incorporated in the BVI with limited liability and a substantial Shareholder;
"Company"	United Photovoltaics Group Limited (聯合光伏集團有限公司), formerly known as Goldpoly New Energy Holdings Limited (金保利新能源有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the 55% Acquisition in accordance with the terms and conditions of the New Sale and Purchase Agreement
"Concession Rights"	the concession rights relating to the development, acquisition, operation and other rights of certain ground-based and rooftop solar power plant projects with a total capacity of up to approximately 5GW (by the financial years ending 31 December 2017) as contemplated under certain agreements or framework agreements with various parties
"Directors"	the directors of the Company
"EBOD"	Renewable Energy Trade Board Corporation, a company incorporated in the British Virgin Islands with limited liability

"EBODHK"	Renewable Energy (Hong Kong) Trade Board Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of EBOD
"EBODHK Acquisition"	the acquisition of the EBODHK Sale Interest by EBODHK pursuant to the Sale and Purchase Agreement
"EBODHK Sale Interest"	55% equity interest in the Target Company
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"EPC Cooperative Agreement"	the EPC cooperative agreement dated 13 December 2013 entered into among the Vendors, Zhongli Changzhou, EBODHK and the Project Companies in respect of the construction of the Projects;
"EPC"	Engineering, Procurement and Construction;
"Group"	the Company and its subsidiaries
"GW"	gigawatt, which equals to 1,000MW or 1,000,000,000 watts
"Hainanzhou Yahui"	海南州亞暉新能源電力有限公司 (Hainanzhou Yahui New Energy Power Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing being all the independent non-executive directors, which has been established for the purpose of advising the Independent Shareholders in relation to the New Sale and Purchase Agreement and the transactions contemplated thereunder

"Independent Financial Adviser" or "Quam Capital"	Quam Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders other than CMNEG and its associates
"Independent Valuer"	American Appraisal China Limited, an independent valuer engaged by the Company to provide assistance to the Group in preparing the business valuation report of the Target Group included in this circular
"Latest Practicable Date"	15 May 2014, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MW"	megawatt(s), which equals 1,000,000 watts
"New Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 8 January 2014 entered into between UP (Changzhou) and EBODHK in respect of the sale and purchase of the 55% Sale Interest and Shareholders' Loan
"New Tariff Policy"	the "Notice on Leveraging the Price for the Development of the Solar Energy Industry" released by the National Development and Reform Commission of China on 30 August 2013 in relation to a new subsidising policy for distributed solar photovoltaics power plants to benchmark on-grid prices for electricity generated by centralised solar PV power plants
"PRC" or "China"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
"Project Companies"	Zhongli Gonghe and Hainanzhou Yahui

"Projects"	three solar power plant projects located at Gonghe, Qinghai Province, China, two with an aggregate installed capacity of approximately 150MW owned by Zhongli Gonghe and one with an aggregate installed capacity of approximately 30MW owned by Hainanzhou Yahui, all of which have successfully achieved on-grid connection
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 13 December 2013 entered into among the Vendors, Zhongli Changzhou and EBODHK in respect of the sale and purchase of the Zhongli Changzhou Sale Interest and the EBODHK Sale Interest, which was completed on 7 January 2014
"SGM"	the special general meeting of the Company to be convened to consider and if thought fit, approve, among other things, the New Sale and Purchase Agreement and the transactions contemplated thereunder
"Shareholder(s)"	holder(s) of the Shares
"Shareholders' Loan"	the assignment of the amount of RMB2,750,000 (equivalent to approximately HK$3,465,000) by EBODHK to the Target Company, which was the shareholder's loan acquired by EBODHK under the Sales and Purchase Agreement
"Share Options"	share options of the Company granted under its share option schemes (of which one was adopted on 10 September 2002 and the other was adopted on 19 June 2012)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning assigned to it by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and replaced from time to time

"Target Company"	常州鼎暉新能源有限公司 (Changzhou Dinghui New Energy Company Limited*), a company established in the PRC with limited liability, which is owned as to 45% by UP (Changzhou) and 55% by EBODHK
"Target Group"	the Target Company, Zhongli Gonghe and Hainanzhou Yahui
"UP (Changzhou)"	聯合光伏(常州)投資有限公司 (United Photovoltaics (Changzhou) Investment Co., Ltd.*), formerly known as 中利騰暉光伏常州有限公司 (Zhongli Photovoltaic Changzhou Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Vendors"	Vendor 1 and Vendor 2;
"Vendor 1"	中利騰暉光伏科技有限公司 (Zhongli Photovoltaic Science and Technology Group Company Limited*), a company established in the PRC with limited liability, which was interested in 90% equity interest in the Target Company as a vendor under the Sale and Purchase Agreement
"Vendor 2"	江蘇中利騰暉光伏材料銷售有限公司 (Jiangsu Zhongli Talesun Photovoltaic Materials Sales Company Limited*), a company established in the PRC with limited liability, which was interested in 10% equity interest in the Target Company as a vendor under the Sale and Purchase Agreement
"Zhongli Changzhou"	中利騰暉光伏常州有限公司 (Zhongli Photovoltaic Changzhou Co., Ltd.*), which was subsequently renamed as 聯合光伏(常州)投資有限公司 (United Photovoltaics (Changzhou) Investment Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Zhongli Changzhou Acquisition"	the acquisition of the Zhongli Changzhou Sale Interest by Zhongli Changzhou pursuant to the Sale and Purchase Agreement
"Zhongli Changzhou Sale Interest"	45% equity interest in the Target Company

"Zhongli Gonghe"	中利騰暉共和新能源有限公司 (Zhongli Talesun Gonghe New Energy Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
"55% Acquisition"	the acquisition of the 55% Sale Interest and Shareholders' Loan by UP (Changzhou) pursuant to the New Sale and Purchase Agreement
"55% Consideration"	RMB5,500,000 (equivalent to approximately HK$6,930,000), being the consideration for the acquisition of the 55% Sale Interest and RMB2,750,000 (equivalent to approximately HK$3,465,000), being the consideration for the assignment of the Shareholders' Loan
"55% Sale Interest"	55% equity interest in the Target Company, which is currently owned by EBODHK
"%"	per cent.

* *For identification purpose only*

UNITED PHOTOVOLTAICS GROUP LIMITED
聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

Executive Directors:
Mr. Li, Alan *(Chairman and Chief Executive Officer)*
Mr. Lu Zhenwei

Non-executive Directors:
Academician Yao Jiannian
Mr. Yang Baiqian
Ms. Qiu Ping, Maggie
Mr. Wu Zhenmian

Independent non-executive Directors:
Mr. Kwan Kai Cheong
Mr. Ching Kwok Ho, Samuel
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Ma Kwong Wing

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Unit 1012, 10/F.
West Tower
Shun Tak Centre
168–200 Connaught Road
Central, Hong Kong

16 May 2014

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 55% EQUITY INTEREST IN CHANGZHOU DINGHUI NEW ENERGY LIMITED*; AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcements dated 13 December 2013, 2 January 2014 and 7 January 2014 in relation to, among other things, the Zhongli Changzhou Acquisition and EBODHK Acquisition in the Target Company, which owns (through its wholly-owned subsidiaries) three solar power plants located at Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 180MW.

* *For identification purpose only*

Reference is also made to the announcements dated 8 January 2014, 10 March 2014 and 14 April 2014 in relation to the New Sale and Purchase Agreement and the 55% Acquisition and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, amongst other things, further details of the terms and conditions of the New Sale and Purchase Agreement and the 55% Acquisition and the transactions contemplated thereunder.

As at the date of this circular, UP (Changzhou) and EBODHK own 45% and 55% of the equity interest, respectively, in the Target Company. On 8 January 2014, UP (Changzhou) and EBODHK entered into the New Sale and Purchase Agreement, details of which are set out below.

THE NEW SALE AND PURCHASE AGREEMENT

Date

8 January 2014

Parties

(A) EBODHK

(B) UP (Changzhou)

EBODHK is a wholly-owned subsidiary of EBOD. EBOD is a party acting in concert with and an associate of CMNEG, a substantial Shareholder of the Company. EBODHK is therefore a connected person of the Company under Rule 14A.11 of the Listing Rules.

Subject matter of the New Sale and Purchase Agreement

EBODHK has conditionally agreed to sell and UP (Changzhou) has conditionally agreed to purchase the 55% Sale Interest, which represents 55% of the equity interest in the Target Company held by EBODHK for a total cash consideration of RMB5,500,000 (equivalent to approximately HK$6,930,000). UP (Changzhou) shall purchase from EBODHK and EBODHK shall assign the Shareholders' Loan to the Target Company in the amount of RMB2,750,000 (equivalent to approximately HK$3,465,000) on a dollar to dollar basis to UP (Changzhou) simultaneously with the transfer of the 55% Sale Interest to UP (Changzhou).

The Group had initially only acquired the Zhongli Changzhou Sale Interest as on-grid connection of the Projects had not yet been achieved at the material time and it was considered that a two-step acquisition approach would be a more prudent business expansion strategy. As announced on 2 January 2014, the Company was informed that all the conditions precedent under the Sale and Purchase Agreement had been fulfilled, which included, among other things, the achieving of the on-grid connection of the Projects.

Achieving on-grid connection represents a milestone in the solar power sectors in China. It demonstrates that the Projects have reached a certain stage of maturity and that the most significant hurdle of obtaining permissions from all relevant authorities in China had been satisfied.

Therefore, following the achievement of on-grid connection of the Projects, the Company decided that the 55% Acquisition presented the Group with a further investment opportunity to maximize its returns on the Projects.

Upon Completion, UP (Changzhou) will hold 100% of the equity interest in the Target Company.

Consideration

The 55% Consideration shall be settled by UP (Changzhou) in cash within 10 Business Days after the 55% Sale Interest is duly transferred and registered in the name of UP (Changzhou).

The Company will satisfy the 55% Consideration from its internal resources.

Basis of Consideration

The 55% Consideration was arrived at after arm's length negotiations between UP (Changzhou) and EBODHK on normal commercial terms and by reference to (i) the registered capital of the Target Company, being RMB10,000,000 and (ii) the Group's internal financial analysis of the financial model of the Target Group with the support of the valuation report set out in Appendix V and taking into consideration the amount of future expenditure required for the operation of the Projects. The amount of the 55% Consideration was also the same amount that EBODHK had previously paid for acquiring the 55% Sale Interest.

Conditions precedent

Completion is conditional upon the fulfillment of the following conditions:

(a) EBODHK continues to legally and beneficially own the 55% Sale Interest and each member of the Target Group having been duly established and existing under and by virtue of the laws of the PRC and having obtained all the requisite approvals, licenses and permits concerning their operation and business as set forth in their respective business license;

(b) the Project Companies having been the sole legal entities for the initial development, investment, construction and operation of the Projects, which beneficially own the assets and rights of the Projects;

(c) the Projects having been approved by the relevant authorities, obtained the approval for the connection of the access system, completed the construction of the principal part of the Projects, completed the testing for on-grid connection and all work relating to the on-grid connection;

(d) EBODHK having provided financial statements of the Target Group satisfactory to UP (Changzhou) or valuation report(s) issued by an internationally recognised independent valuer appointed by the parties;

(e) the information and materials provided by EBODHK being complete, true and accurate, and UP (Changzhou) having been satisfied with the due diligence investigation results of the Project Companies; and

(f) each of the respective parties to the New Sale and Purchase Agreement having obtained their respective internal approvals (which includes but is not limited to the approval of the Independent Shareholders).

If any of the conditions precedent is not fulfilled within 90 days from the date of the New Sale and Purchase Agreement due to the default of any party, the other non-defaulting party may give written notice of termination to the defaulting party. If the default is not resolved within 10 days from such notice of termination, the New Sale and Purchase Agreement shall automatically terminate and lapse upon 15 days from the date of the written notice of termination. Save as aforesaid, no long stop date has been provided for Completion under the New Sale and Purchase Agreement.

Save with the written agreement of both parties, none of the conditions precedent can be waived by any party.

As at the Latest Practicable Date, the Group has no intention on agreeing to waive any conditions precedent and is not aware of any such intention of EBODHK of doing the same.

As at the Latest Practicable Date, save for condition precedent (f) set out above, all other conditions precedent have been fulfilled and remain satisfied.

Completion

EBODHK shall, within 10 Business Days upon the fulfillment of all of the conditions precedent, complete the registration of transfer of the 55% Sale Interest with the relevant authorities and obtain the updated new business licence of the Target Company. UP (Changzhou) shall pay the 55% Consideration to EBODHK within 10 Business Days from the date of issuance of the updated new business licence of the Target Company.

ZHONGLI CHANGZHOU ACQUISITION AND THE EPC COOPERATIVE AGREEMENT

As the 55% Acquisition is related to the Zhongli Changzhou Acquisition and EPC Cooperative Agreement, the key terms of the Sale and Purchase Agreement relating to the Zhongli Changzhou Acquisition and the key terms of the EPC Cooperative Agreement that have been disclosed in the Company's announcement dated 13 December 2013, are set out below for reference:

Sale and Purchase Agreement relating to the Zhongli Changzhou Acquisition

Under the terms of the Sale and Purchase Agreement, the Vendors had conditionally agreed to sell and Zhongli Changzhou had conditionally agreed to purchase the Zhongli Changzhou Sale Interest, which represented 45% equity interest in the Target Company for a total cash consideration of RMB4,500,000 (equivalent to approximately HK$5,670,000) and EBODHK had conditionally agreed to purchase the EBODHK Sale Interest, which represented 55% equity interest in the Target Company for a total cash consideration of RMB5,500,000 (equivalent to approximately HK$6,930,000). Zhongli Changzhou and EBODHK would also acquire the existing shareholders' loan provided by Vendor 1 to the Target Company in the amount of RMB5,000,000 (equivalent to approximately HK$6,300,000) in proportion to the equity interest in the Target Company to be acquired by them respectively. Under the New Sale and Purchase Agreement EBODHK will assign the Shareholders' Loan to UP (Changzhou).

An aggregate refundable deposit of HK$250,000,000 or an equivalent sum in RMB or United States dollar (the "Deposit") was payable by Zhongli Changzhou to Vendor 1 within ten days upon the execution of the Sale and Purchase Agreement. If the parties thereto did not proceed to completion within 20 days from the date of the payment of the Deposit, Vendor 1 would refund the Deposit together with interest at an interest rate to be determined with reference to the prevailing market rate at the material time to Zhongli Changzhou. If the Parties proceeded to completion, the Deposit would be used towards the EPC Consideration (as defined below) under the EPC Cooperative Agreement. As disclosed in the Company's announcements of 2 and 7 January 2014, completion had taken place and therefore the Deposit would be used towards satisfaction of the EPC Consideration (as defined below) under the EPC Cooperative Agreement.

Completion of the Sale and Purchase Agreement was subject to the following conditions precedent:

(a) each member of the Target Group having been duly established and existing under and by virtue of the laws of the PRC and having obtained all the requisite approvals, licenses and permits concerning their operation and business as set forth in their respective business license;

(b) the Project Companies having been the sole legal entities for the initial development, investment, construction and operation of the Projects, which beneficially own the assets and rights of the Projects;

(c) the Projects having been approved by the relevant authorities, obtained the approval for the connection of the access system, completed the construction of the principal part of the Projects and fulfilled the conditions for on-grid connection;

(d) the Vendors having provided warranty as to the quality of the design, equipments, construction, installation and operation of the Projects and each of Zhongli Changzhou and EBODHK having been satisfied with the terms of the EPC Cooperative Agreement in respect of Projects;

(e) the Vendors having guaranteed that the electricity generation capacity of the Projects will meet the target set by the parties;

(f) the Vendors having provided financial statements of the Target Group satisfactory to each of Zhongli Changzhou and EBODHK or valuation report(s) issued by an internationally recognised independent valuer appointed by the parties;

(g) the information and materials provided by the Vendors are complete, true and accurate, and each of Zhongli Changzhou and EBODHK having been satisfied with the due diligence investigation results of the Project Companies; and

(h) the Target Company continuing to hold the entire equity interest in each of the Project Companies.

As mentioned above, all of the conditions precedent had been fulfilled and completion of the Zhongli Changzhou Acquisition took place on 7 January 2014.

The EPC Cooperative Agreement

Date: 13 December 2013

Parties: (1) Vendor 1, (2) Vendor 2, (3) EBODHK, (4) Zhongli Changzhou, (5) Zhongli Gonghe, (6) Hainanzhou Yahui

Subject matter of the EPC Cooperative Agreement

In the EPC Cooperative Agreement, the parties agreed upon the EPC Consideration (as defined below) to be paid to Vendor 1 as EPC contractor providing EPC services to the Project Companies; and (ii) the guarantee of volume of on-grid electricity generation of the Project Companies to be provided by the Vendors.

Consideration

The consideration for the EPC services would be determined with reference to the actual on-grid electricity price obtained by the Projects. Where the on-grid electricity price obtained is RMB0.95 per KWh, the total consideration for the EPC services will be RMB1,854,000,000 (equivalent to approximately HK$2,336,040,000) and where the on-grid electricity price obtained is RMB1.00 per KWh, the total consideration for the EPC services will be RMB1,962,000,000 (equivalent to approximately HK$2,472,120,000) (the "EPC Consideration"). The Project Companies, as the sellers, entered into power purchase agreements individually with the State Grid Electricity Company of Qinghai Province, as the purchaser, with respect to each of the Projects, in which the on-grid electricity prices were fixed at RMB1.00 per KWh.

Major terms of the EPC Cooperative Agreement

Major terms of the EPC Cooperative Agreement are summarised as follows:

a. Vendor 1 shall serve as the EPC contractor of the Projects;

b. the EPC Consideration shall be settled by the Project Companies in the following manner:

   i. a sum equivalent to 51% of the EPC Consideration shall be paid by the Project Companies to Vendor 1 by 28 December 2013;

   ii. a sum equivalent to 39% of the EPC Consideration shall be paid by the Project Companies to Vendor 1 by 30 June 2014;

   iii. the balance of the EPC Consideration shall be paid to Vendor 1 within one year from the date of the EPC Cooperative Agreement;

   As at the Latest Practicable Date, approximately 40% of the EPC Consideration has been paid by the Project Companies to Vendor 1. The Project Companies are in the process of obtaining a long term loan from China Development Bank for repaying the remaining EPC Consideration.

c. the Vendors guarantee and warrant that the electricity actually generated by the Projects will meet the target set by the parties for a term of ten years (as shown below) from the date on which the Projects are connected to the grid and delivered, however, the guarantee does not cover any loss of electricity generation caused by force majeure, repair and maintenance of grid lines by electricity authorities or grid companies, or operation of power transmission etc.

	Hainanzhou Yahui 30MW project									
Year of Operation	**First Year**	**Second Year**	**Third Year**	**Fourth Year**	**Fifth Year**	**Sixth Year**	**Seventh Year**	**Eighth Year**	**Ninth Year**	**Tenth Year**
Unit of electricity 10,000KWh	5,049.13	4,948.14	4,909.77	4,871.90	4,834.03	4,796.67	4,745.17	4,694.17	4,643.68	4,593.70

	Zhongli Gonghe 50MW project									
Year of Operation	**First Year**	**Second Year**	**Third Year**	**Fourth Year**	**Fifth Year**	**Sixth Year**	**Seventh Year**	**Eighth Year**	**Ninth Year**	**Tenth Year**
Unit of electricity 10,000KWh	8,415.21	8,246.91	8,182.95	8,119.84	8,056.72	7,994.45	7,908.62	7,823.62	7,739.47	7,656.16

	Zhongli Gonghe 100MW project									
Year of Operation	**First Year**	**Second Year**	**Third Year**	**Fourth Year**	**Fifth Year**	**Sixth Year**	**Seventh Year**	**Eighth Year**	**Ninth Year**	**Tenth Year**
Unit of electricity 10,000KWh	16,830.43	16,493.82	16,365.91	16,239.68	16,113.45	15,988.90	15,817.23	15,647.25	15,478.94	15,312.32

The generated volume of electricity will be reviewed on an annual basis and any shortfall against the guaranteed target volumes will be compensated by way of monetary payments to the Target Company.

The Company will publish announcements to inform Shareholders of the status of the guarantee in accordance with the disclosure requirements under the Listing Rules as and when required.

d. in the event that the Projects fail to complete the on-grid connection and delivery within 180 days from 1 January 2014, Vendor 1 shall pay to Zhongli Changzhou and EBODHK a compensation sum of RMB X

Where RMB X = (A – B) × C

A = guaranteed volume of electricity generated

B = actual volume of electricity generated

C = on-grid electricity price obtained per KWh

As at the Latest Practicable Date, the Projects have achieved on-grid connection but there remain certain outstanding obligations of Vendor 1 and Vendor 2 in relation to the delivery of the Projects that are in the process of being completed. These outstanding obligations include, among other things, the continued monitoring, testing and maintenance of the operations of the solar power plants relating to the Projects.

e. the Vendors shall assist Zhongli Changzhou and EBODHK to obtain bank facilities to finance the construction of the Projects (the "Projects Loan"). Upon the restructuring of the RMB800,000,000 loan in respect of Project Jiayuguan (A) (as disclosed in the circular of the Company dated 10 May 2013), Vendor 1 agrees to provide guarantee in respect of the Projects Loan for a term of no longer than six months. Zhongli Changzhou and EBODHK shall provide guarantee in respect of the Projects Loan from 30 June 2014.

INFORMATION ON THE TARGET GROUP

The Target Group includes the Target Company, Zhongli Gonghe and Hainanzhou Yahui. The Target Company was established in the PRC on 9 September 2013 and is principally engaged in investment, construction, operation, maintenance and management of solar power plants. Zhongli Gonghe, the subsidiary of the Target Company, was established in the PRC on 21 June 2013 and is principally engaged in developing and operating two solar power plants located at Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 150MW owned by such subsidiary. Hainanzhou Yahui, the subsidiary of the Target Company, was established in the PRC on 12 July 2013 and is principally engaged in developing and operating one solar power plant located at Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 30MW owned by such subsidiary. The Target Group has obtained all the licences, permits and approvals necessary to operate the Projects.

Further details of the solar power plants owned by the Target Group and relating to the Projects are set out below.

Technical information about the three solar power plants under the Projects

Name	Installed Capacity	Size	On-grid Connection	Capital Expenditure (approximate)
Hainanzhou Yahui Phase II	30MW	c. 0.67 km^2	Connected	RMB327,000,000
Zhongli Gonghe Phase III	50MW	c. 1.2 km^2	Connected	RMB545,000,000
Zhongli Gonghe Phase II	100MW	c. 2.35 km^2	Connected	RMB1,090,000,000

The solar power plants are expected to generate electricity of 302,400,000KWh in 2014, if they operate in full capacity, with an annual degradation of power generating capacity of 0.8% p.a.

According to the EPC agreement, the capital expenditure of the Target Company is RMB10.9 per watt which is approximately RMB1,962 million in total.

Financing plans of the Target Group

On 25 December 2013, the Target Group entered into two entrusted loan agreements with a bank in the PRC for the aggregate amount of RMB600,000,000. RMB200,000,000 of this amount will be repayable on 25 September 2014 and the remaining portion of RMB400,000,000 will be repayable on 25 December 2014.

The Target Group is currently in the process of negotiating a 13-year long-term loan with China Development Bank for a principal loan amount of approximately RMB1.3 billion, which would be secured by the Target Group's property, plant and equipment with a carrying value of RMB1,811,271,000 as at 31 December 2013. As at the Latest Practicable Date, negotiations are still on-going with China Development Bank and no definitive terms have been agreed.

Operations of the solar power plants

All three solar power plants of the Target Group have successfully achieved on-grid connection by the end of 2013 with an aggregate installed capacity of approximately 180 MW. Following the completion of certain administrative procedures, the solar power

plants will commence commercial operation and are expected to generate revenue in the second half of 2014. As at the Latest Practicable Date, approximately 80MW of the total installed capacity of the solar power plants have commenced commercial operation and generate revenue and the remaining capacity of 100MW is expected to commence commercial operations with revenue in the second half of 2014. The solar power plants are expected to reach their full capacity by the end of 2014, subject to any loss of electricity generation caused by force majeure, repair and maintenance of grid lines by electricity authorities or grid companies, or operation of power transmission, etc. The solar power plants have an estimated life of 25 years.

The three solar power plants as a whole will commence commercial operation and are expected to generate revenue in the second half of 2014. As at the Latest Practicable Date, electricity in amount of approximately 4,516,000 KWh was generated by the solar power plants since the on-grid connection. The actual amount of revenue recognized by the Target Group is subject to confirmation with the local state grid.

Valuation of the Target Group

Based on a separate valuation report prepared by the Independent Valuer as set out in Appendix V of the circular, the estimated fair value of business enterprise of the Target Group as of 31 December 2013 is estimated to be RMB2,289,000,000.

FINANCIAL INFORMATION ON THE TARGET GROUP

Set out below is certain consolidated financial information of the Target Group for the period ended 31 December 2013 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the period from 21 June 2013 (date of establishment) to 31 December 2013 *RMB'000* (Audited)
Result	
Revenue	—
Net profit (before taxation)	20,934
Net profit (after taxation)	20,934

	As at 31 December 2013 *RMB'000* (Audited)
Assets and liabilities	
Total assets	2,008,074
Total liabilities	1,977,140
Net assets	30,934

The Target Company were not yet set up for the two financial years ended 31 December 2011 and 2012.

REASONS FOR THE 55% ACQUISITION

The Group is principally engaged in the provision of solar energy products and solutions and development, investment, operation and management of solar power plants. It is the Group's strategy to identify suitable investment opportunity to acquire the solar power plants with good prospects and potential for stable returns. The Group implements its strategy by securing concession rights to the development, acquisition and other rights in relation to certain ground-based and rooftop solar power plant projects. In assessing the risks of the 55% Acquisition, the Company has factored into consideration the following risks in its decision-making process for the 55% Acquisition:

(i) the Target Group's lack of operating history and track record may not serve as adequate basis for evaluating its future performance and there is no assurance that the Projects will operate in full capacity on schedule as expected;

(ii) the revenue to be generated from the Projects depends largely upon the sale of electricity and is subject to dispatch to power grids, which is controlled by the dispatch centers of the local grid companies; and

(iii) the Target Group has been in discussion with China Development Bank to secure project financing for the Projects, and while the Directors are confident that such project financing can be obtained, no assurance can be given that it will be able to raise or secure adequate funding on commercially viable terms to finance its current liabilities in a timely manner and meet its working capital requirement. The Target Group anticipates securing a principal loan amount of approximately RMB1.3 billion (approximately HK$1.6 billion) with China Development Bank.

In the event that the Company cannot secure the abovementioned funding from China Development Bank in a timely manner, the Company will negotiate for the deferred payment of the remaining EPC Consideration with the EPC contractor.

In addition to China Development Bank, the Company is also in the process of obtaining other forms of short-term or long-term financing with other parties, further details of which are set out under the Working Capital Statement section of Appendix I to this circular.

As part of the Group's internal pre-acquisition due diligence and financial assessment on potential acquisition targets, the Group had undertaken internal legal, financial and technical due diligence on the Target Group to evaluate the merits of the 55% Acquisition. The following key factors were also taken into consideration in the Group's assessment of the Target Group's prospects and potential for stable returns:

(a) the Projects had successfully achieved the on-grid connection by end of 2013 and the Project Companies had entered into the power purchase agreements with the State Grid Electricity Company of Qinghai Province (國網青海省電力公司), representing an important milestone towards revenue generation of the Projects. The Project Companies, as the sellers, entered into power purchase agreements individually with the State Grid Electricity Company of Qinghai Province, as the purchaser, with respect to each of the Projects. The details of the three power purchase agreements are summarized as below:

Seller	**Approximate aggregate installed capacity (MW)**	**Consideration (RMB/KWh)** *Note 1*	**Annual Contract Electricity Volume (KWh)**	**Period** *Note 2*
Zhongli Gonghe	100	1	165,000,000	25 Dec 2013 to 31 Dec 2014
Zhongli Gonghe	50	1	82,500,000	25 Dec 2013 to 31 Dec 2014
Hainanzhou Yahui	30	1	46,275,900	1 Jan 2014 to 31 Dec 2014

Note 1 The consideration comprises (i) the prevailing benchmark feed-in tariff for desulfurized coal-fired power plants of Qinghai province* (青海省脱硫燃煤機組標杆上網電價) at RMB0.345/KWh which is to be paid by the purchaser, and (ii) the remaining be subsidized by the nationwide feed-in tariff surcharge for renewable energy* (可再生能源電價附加).

Note 2 The power purchase agreements are renewable annually.;

(b) there is a guarantee for electricity generation volume under the EPC Cooperation Agreement that the Projects will meet the target volume set by the parties thereto for a period of ten years, which enhances confidence in the prospective stable returns of the Projects in the future; and

(c) the results of Group's internal financial analysis of the financial model of the Target Group indicated a level of return of an internal rate of return above 9% that is consistent with the Group's business and financial strategy requirements for acquiring solar power plants.

Notwithstanding that the Target Group, like other newly-established infrastructure companies with intensive capital expenditure, is in a net-liabilities position without an operational track record, the Directors are of the view that the 55% Acquisition presents the Group with a further investment opportunity to maximize its returns on the Projects for the reasons mentioned above. Having weighed the challenges and risks it may face and the inherent prospects of the Projects, the Directors came to the view that the 55% Acquisition was consistent with the Group's strategy of identifying suitable investment opportunities to acquire solar power plants with good prospects and potential for stable returns.

The Group's business expansion strategy requires careful discussions with a number of leading players and potential vendors in the solar industry with a view to expand the Group's business. Numerous site visits to other potential projects are made by the Group in this process to ascertain the quality and prospects of other solar power plants and not many projects meet the Group's requirements for acquisition after such due diligence. Having compared the Projects with other projects reviewed by the Group, the Group observed that the Projects undertaken by the Target Group had reached the required level of maturity such as the on-grid connection, the guarantee for electricity generation volume, and the internal rate of return based on the financial model, which made the 55% Acquisition an ideal opportunity for the Group to allocate its resources so as to acquire 100% control of the Target Group. This is also consistent with the Group's investment strategy as the Projects are part of the potential projects identified to be acquired by China Solar Power Group Limited (formerly known as China Merchants New Energy Holdings Limited) and its subsidiaries prior to their injection into the Group on 10 June 2013. The Projects were part of the identified projects under certain Concession Rights (details of which were also disclosed in the Company's circular dated 10 May 2013 under "Letter from the Board — Table A, paragraph 2"). The Directors have taken into account the Target Group's going concern issue and details of the financing plans in relation to the Target Group are set out under the Working Capital Statement section of Appendix I to this circular.

The EPC Cooperative Agreement provides that non-compliance with, among other things, the payment terms of the EPC Consideration would result in a monetary penalty of 5% of the total consideration under the EPC Cooperative Agreement, being approximately

RMB98,100,000. As at the Latest Practicable Date, the Project Companies are in the process of obtaining a long term loan from China Development Bank for repaying the remaining EPC Consideration and are keeping the Vendors updated on the progress of such discussions.

On the basis that the solar power plants operated by the Project Companies have already started to generate electricity and will commence commercial operation and are expected to generate revenue in the second half of 2014, the Company is of the view that the cash-flows from such operations will assist the Company to secure long term financing to satisfy the remaining EPC Consideration. As at the Latest Practicable Date, the relationship between the Company and the Vendors continue to be on good terms and the Vendors have continued to assist in the Project Companies by providing testing and monitoring services on the Projects. As the day to day operations and control over the Projects are managed by employees of the Group and EBODHK and is not dependent on or reliant on the Vendors, the Company is of the view that there would not be any adverse impact on the operation of the Projects notwithstanding that the full amount of the EPC Consideration has not yet been satisfied.

Notwithstanding that the Company does not have sufficient working capital to settle the consideration and commitment for subsidiaries acquired subsequent to 31 December 2013, the Company believes that this is temporary and is confident that suitable long term financing will be obtained in due course given that such recently acquired solar power plant stations and the Projects have obtained on-grid connection and have already or will generate revenues in the second half of 2014. On this basis, the Company has decided to acquire the remaining interest in the Target Group as the Company is of the view that such an opportunity does not always present itself and the value of the Target Company would be significantly higher once it commences commercial production. As such, the timing for the 55% Acquisition is also crucial to securing an opportunity to increase the value and asset base of the Group at a good price. The Company has already taken measures to address its working capital sufficiency, including securing arrangements to defer payment from certain other vendors of the Group and details are set out under the Working Capital Statement section of Appendix 1 to this circular.

The Directors believe that the 55% Acquisition will enable the Group to consolidate control over the Target Group and further expand its scale of business in the solar energy sector and enhance the return to Shareholders.

The Directors (including the independent non-executive directors) consider that the terms of the New Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE 55% ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Immediately upon Completion, the Target Group will become 100% owned subsidiaries of the Group. The results, assets and liabilities of the Target Group will be consolidated in the consolidated financial statements of the Group.

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming that the Completion having taken place on 31 December 2013, the total net assets attributable to equity shareholders of the Company would decrease from approximately HK$449,921,000 to HK$447,721,000. The total assets would increase from approximately HK$5,990,863,000 to HK$8,468,957,000 and the total liabilities would increase from approximately HK$5,540,942,000 to HK$8,021,236,000. The conversion of RMB to HK$ was made at a rate of RMB1 to HK$1.26. Based on the Group's analysis of the financial model of the Projects, the valuation of the Target Group set out in the valuation report in Appendix V of this circular and taking into consideration the guarantee of electricity generation for a term of ten years given under the EPC Cooperation Agreement which endorses a stable return of the Projects, the Directors are optimistic of the future prospects of the Target Company and believe that the 55% Acquisition will have a positive impact on the earnings of the Group in the future.

On 30 August 2013, the National Development and Reform Commission of China released the "Notice on Leveraging the Price for the Development of the Solar Energy Industry" (the "New Tariff Notice") to launch a new subsidising policy for distributed solar photovoltaics ("PV") power plants and adjust benchmark on-grid price for electricity generated by centralised solar PV power plants. In particular, among other things, according to the New Tariff Notice, (i) for the distributed solar PV stations, the standard subsidy for electricity generated will be RMB0.42/KWh; (ii) for the centralised solar PV plants, the benchmark on-grid price will be set at RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh for the projects in energy zone I, II and III respectively which are categorised based on local solar energy resources and generating plant construction costs; and (iii) the new standards will apply to the PV power stations registered after 1 September 2013 and those registered before 1 September 2013 but which will not start generating electricity until after 1 January 2014.

Based on the facts that (i) the three solar power plants owned by the Target Group have successfully achieved on-grid connection by the end of December 2013; and (ii) the power purchase agreements, which were individually entered into by and among the Target Companies and the State Grid Electricity Company of Qinghai Province, indicate the on-grid electricity price fixed at RMB1.00 per KWh, the Company is of the view that the New Tariff Policy does not apply to the Target Companies and would not have adverse financial impact on the cash flow of the Projects.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group has two operating segments: (a) development, investment, operation and management of solar power plants and (b) manufacturing and sale of solar cells and solar modules. The Group recorded total revenue of approximately HK$223 million and HK$338 million for the year ended 31 December 2012 and for the year ended 31 December 2013, which included (i) the revenue from sale of electricity of HK$nil and approximately HK$40 million for the year ended 31 December 2012 and for the year ended 31 December 2013 respectively;

(ii) the revenue from sale of solar cells and solar modules of approximately HK$213 million and HK$298 million for the year ended 31 December 2012 and for the year ended 31 December 2013 respectively.

In response to various stringent environmental regulations in the recent years, countries worldwide are more and more interested in developing renewable energy for electricity generation. A major growth area in the renewable sector is solar energy.

According to the European Photovoltaic Industry Association (EPIA), a worldwide industry association for the solar photovoltaic electricity market, with 37GW of newly-added capacity in 2013, the global cumulative installed PV capacity reached 136.7GW at the end of 2013, representing an increase by 35% compared to 2012.

As per media reports, the average cost of a completed PV system dropped by 16% during the third quarter 2013 on a year-over-year basis, and the average price of a solar module has dropped by 60% since the beginning of 2011. These price drops will encourage more PV installations in the market.

Per EPIA, China installed around 11GW of solar modules in 2013, making it the world's largest solar market in 2013. With around 6.9GW, Japan was the second global biggest market in 2013, while the United States ranked number three with 4.8GW. Such trend is expected to continue.

As a policy-driven market, the pulse of solar energy industry is tied to the swings in the macro-economy and government policies. For the outlook of the global market, China is expected to experience a robust and sustained growth and lead the world in total electricity generation from renewable sources. It would be followed closely by the United States with its gradually improving economy.

Looking forward in 2014, uncertainties in global economy will continue to affect the liquidity of the capital markets and commercial lending, which would be challenging for the solar project plants developers and investors to obtain the necessary funding. However, as an industrial player in China, the Directors believe that the Enlarged Group will be able to benefit from the financing support from China Development Bank. Furthermore, a number of alternative financing approaches, such as finance lease, internet funding and specific solar PV funds, are being explored recently for developing and investing in the solar power plants in China, which would greatly help in the growth of the Chinese solar industry. The various supporting state and local policies by Chinese government for solar energy industry makes the Directors optimistic about the outlook for the market. The Chinese government has set a solar installation target of 35GW by 2015 under its Five- Year Plan and the National Energy Administration of China has earmarked 14GW of installations nationwide in 2014. In addition, the declining costs for photovoltaic products have led to lower installation costs and a better return for solar power plant operators.

Given that all the three solar power plants owned by the Target Group with an aggregate installed capacity of approximately 180MW have successfully achieved on-grid connection, together with the guarantee of the electricity income by the Vendors for a period of ten years from the date on which the Projects are connected to the grid (except for any loss of electricity generation caused by *force majeure*, repair and maintenance of grid lines by electricity authorities or grid companies, or operation of power transmission, etc.), the Directors considered that the acquisition of the Target Group would provide a stable source of income to the Enlarged Group and is in the interests of the Company and the Shareholders as a whole.

The Directors will consistently apply the accounting policy of the Company, which is in compliance with Hong Kong Financial Reporting Standards, to assess the impairment of the Enlarged Group's property, plants and equipment and intangible assets in the future. The Company's auditor will review the appropriateness of the key assumptions used by management, including its estimated useful life, capacity, insolation hours, degradation factor, electricity tariff, discount rate, to estimate the recoverable amount of the underlying business in accordance with Hong Kong Standards on Auditing consistently in future, based on the facts and circumstance at the end of each reporting period.

INFORMATION ON THE COMPANY AND UP (CHANGZHOU)

The Company is an investment holding company and engaged in the development, investment, operation and management of the solar power plants through its subsidiaries. UP (Changzhou) is an indirect wholly-owned subsidiary of the Company principally engaged in investment, construction, operation, maintenance and management of solar power plants.

INFORMATION ON EBODHK

EBODHK was incorporated in Hong Kong with limited liability on 20 December 2012 and is a wholly owned subsidiary of EBOD. As at the Latest Practicable Date, EBOD holds approximately 1.51% of the issued share capital of the Company and CMNEG holds approximately 37.53% of the total voting rights in EBOD through CMNEG's combined shareholding of preferred and common stock in EBOD. EBOD is therefore an associate of CMNEG, a substantial Shareholder.

As at the Latest Practicable Date, CMNEG holds approximately 11.84% of the issued share capital of the Company, and together with its associate, EBOD, hold an aggregate of approximately 13.35% of the issued share capital of the Company.

EBODHK is therefore a connected person of the Company under Rule 14A.11 of the Listing Rules.

Listing Rules Implications

As the applicable percentage ratios for the 55% Acquisition (when aggregated with the Zhongli Changzhou Acquisition in accordance with Rule 14A.25 of the Listing Rules) are more than 25% but less than 100%, the 55% Acquisition constitutes a major transaction of the Company under the Listing Rules. In addition, EBODHK is a connected person of the Company under Rule 14A.11 of the Listing Rules, and therefore the 55% Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

CMNEG and its associates are regarded as having a material interest in the 55% Acquisition and therefore they are required to abstain from voting on the resolutions proposed to be passed at the SGM for approving the 55% Acquisition and the transactions contemplated under the New Sale and Purchase Agreement.

Save as disclosed above, none of the Shareholders nor their respective associates was materially interested in the 55% Acquisition as at the Latest Practicable Date.

Each of Mr. Li Alan and Mr. Lu Zhenwei declared that they are directors of EBOD, the parent company of EBODHK and they each abstained from voting for the Board resolutions in connection with the 55% Acquisition. Save as aforesaid, none of the other Directors has any material interest in the 55% Acquisition under the New Sale and Purchase Agreement and the transactions contemplated thereunder which would require them to abstain from voting on the board resolutions approving the New Sale and Purchase Agreement and the transactions contemplated thereunder.

SGM

A notice convening the SGM to be held at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 6 June 2014, at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to the New Sale and Purchase Agreement and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to the principal place of business of the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the SGM or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournments thereof should you so desire.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 29 to 52 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the New Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole. The Independent Board Committee is also of the opinion that the New Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the New Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

The Directors consider that the terms of the New Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors are also of the opinion that the New Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the New Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the appendices to this circular and the notice of the SGM as set out on pages SGM-1 to SGM-2, which form part of this circular.

In this circular, the conversions of RMB into Hong Kong dollars have been made at a rate of RMB1 to HK$1.26 unless otherwise stated. Such conversions are for reference only and should not be construed as representations that the RMB amount could be converted into Hong Kong dollars at that or any other rate.

As the Completion is subject to fulfilment of a number of conditions precedent under the New Sale and Purchase Agreement, the 55% Acquisition under the New Sale and Purchase Agreement may or may not proceed. Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares.

For and on behalf of
United Photovoltaics Group Limited
Li, Alan
Chairman of the Board

UNITED PHOTOVOLTAICS GROUP LIMITED
聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

Date: 16 May 2014

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 55% EQUITY INTEREST IN CHANGZHOU DINGHUI NEW ENERGY LIMITED*

We have been appointed as the members of the Independent Board Committee to advise you in respect of the terms of the New Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board in the circular (the "**Circular**") of the Company dated 16 May 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as ascribed thereto in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from the independent financial adviser, Quam Capital Limited, as set out from pages 29 to 52 of the Circular, which contains its advice and recommendation to us as to whether or not the terms of the New Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered the terms as set out under "Letter from the Board — The New Sale and Purchase Agreement — Basis of Consideration" in the Circular, and having taken into account the factors and reasons considered by, and the opinion of, the independent financial adviser as stated in its aforementioned letter of advice, we are of the opinion that the terms of the New Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the New Sale and

* *For identification purpose only*

Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the terms of the New Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
The Independent Board Committee of
United Photovoltaics Group Limited
Mr. Kwan Kai Cheong
Mr. Ching Kwok Ho, Samuel
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Ma Kwong Wing
(being all the Independent Non-executive Directors)

The following is the full text of a letter of advice from Quam Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Sale and Purchase Agreement and the transactions contemplated thereunder.

Quam 華富嘉洛企業融資 CAPITAL **Quam Capital Limited**
A Member of The Quam Group

16 May 2014

To the Independent Board Committee and the Independent Shareholders

United Photovoltaics Group Limited
Unit 1012, 10/F.
West Tower
Shun Tak Centre
168–200 Connaught Road
Central, Hong Kong

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 55% EQUITY INTEREST IN CHANGZHOU DINGHUI NEW ENERGY LIMITED*

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular (the "**Letter from the Board**") issued by the Company to the Shareholders dated 16 May 2014 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 8 January 2014, UP (Changzhou) and EBODHK entered into the New Sale and Purchase Agreement pursuant to which, EBODHK has conditionally agreed to sell and UP (Changzhou) has conditionally agreed to purchase the 55% Sale Interest, which represents 55% equity interest in the Target Company held by EBODHK for a total cash consideration of

* *For identification purpose only*

RMB5,500,000 (equivalent to approximately HK$6,930,000). UP (Changzhou) shall purchase from EBODHK and EBODHK shall assign the Shareholders' Loan to the Target Company in the amount of RMB2,750,000 (equivalent to approximately HK$3,465,000) on a dollar to dollar basis to UP (Changzhou) simultaneously with the transfer of the 55% Sale Interest to UP (Changzhou). Upon Completion, UP (Changzhou) (which currently owns 45% of the equity interest in the Target Company) will hold 100% of the equity interest in the Target Company.

As at the Latest Practicable Date, EBOD holds approximately 1.51% of the issued share capital of the Company and CMNEG holds approximately 37.53% of the total voting rights in EBOD through CMNEG's combined shareholding of preferred and common stock in EBOD. EBOD is therefore an associate of CMNEG, a substantial Shareholder. As at the Latest Practicable Date, CMNEG holds approximately 11.84% of the issued share capital of the Company, and together with its associate, EBOD, hold an aggregate of approximately 13.35% of the issued share capital of the Company. EBODHK, a wholly-owned subsidiary of EBOD, is therefore a connected person of the Company under Rule 14A.11 of the Listing Rules. As such, the 55% Acquisition constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders at the SGM by way of poll. As the applicable percentage ratios for the 55% Acquisition (when aggregated with the Zhongli Changzhou Acquisition in accordance with the Rule 14A.25 of the Listing Rules) are more than 25% but less than 100%, the 55% Acquisition constitutes a major transaction of the Company under the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing, has been established to advise the Independent Shareholders as to whether the terms of the New Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the SGM to approve the New Sale and Purchase Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors, the

management of the Company, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Group and the New Sale and Purchase Agreement and the transactions contemplated thereunder provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Target Group or their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration of the following factors and reasons:

1. Background of and reasons for the entering into of the New Sale and Purchase Agreement

1.1 *Information and business development of the Group*

The Group is principally engaged in the provision of solar energy products and solutions and investment, development, operation and management of solar power plants.

In respect of the provision of solar energy products and solutions, the Group manufactures mainly mono-crystalline and multi-crystalline silicon solar cells and photovoltaic modules. According to the management of the Company, in view of the various supporting state and local policies for solar energy industry in the PRC, the Group has expanded its business downstream to include the investment, development, operation and management of solar power plants in the PRC.

In 2011, the Group has committed to develop a 10.8MW user on-grid PV power generation demonstration project and such project has successfully achieved on-grid connection in June 2013. The electricity generated is used for the Group's production and office purposes, with the residual electricity connected to national grid.

In June 2013, the Group completed the acquisition of the remaining 92.17% of the issued share capital of China Solar Power Group Limited (formerly known as "China Merchants New Energy Holdings Limited (招商新能源控股有限公司)" ("**CSPG**", together with its subsidiaries, "**CSPG Group**") and CSPG became the

wholly-owned subsidiary of the Company upon completion. According to the circular of the Company dated 10 May 2013 (the "**May Circular**"), CSPG Group is principally engaged in the design, development, investment, operation and management of solar power plants and also engaged in the assembling of solar modules. It is also stated in the May Circular that CSPG Group entered into certain framework agreements and definitive sales and purchase agreements (collectively the "**CSPG Agreements**") for the acquisition of the Concession Rights. As at the Latest Practicable Date, as performance and implementation of the CSPG Agreements, the acquisitions of the following projects included in the CSPG Agreements have been completed: (i) acquisition of 100% equity interest in solar power plant projects with aggregate installed capacity of approximately 120MW; (ii) development and operation of solar power plant project with installed capacity of approximately 2.1MW; (iii) acquisition of 45% equity interest in solar power plant projects with aggregate installed capacity of 180MW (i.e. the acquisition of 45% of the Target Company); and (iv) acquisition of 50% equity interest in solar power plant projects with aggregate installed capacity of approximately 23.8MW.

Save for the CSPG Agreements, the Group also entered into several framework agreements for the acquisition of solar power plant projects, of which certain definitive sale and purchase agreements have been entered into in December 2013 for the acquisition of solar power plants projects with aggregate installed capacity of 195MW (the "**195MW Acquisition**").

As at the Latest Practicable Date, the Group and its associates beneficially owns 12 solar power plants with an aggregate installed capacity of approximately 466.7MW and will complete the acquisition of 1 solar power plants with an aggregated installed capacity of approximately 65MW under certain definitive sales and purchase agreements. All of these 13 solar power plants have successfully achieved on-grid connection and the summary of which are set out as follows.

Location	**Number of Solar Power Plant**	**Approximate aggregate installed capacity of the solar power plant**	**Approximate equity interests owned by the Group**
Shenzhen, Guangdong Province, China *(Note 1)*	1	2.1MW	100%
Quanzhou, Fujian Province, China *(Note 2)*	1	10.8MW	100%
Jiayuguan, Gansu Province, China *(Note 3)*	1	100MW	100%
Gonghe, Qinghai Province, China *(Note 3)*	1	20MW	100%
Gonghe, Qinghai Province, China *(Notes 3 and 6)*	3	180MW	45.00%
Fengxian, Jiangsu Province, China *(Note 3)*	2	23.8MW	50.00%
Tuoketuo county, Inner Mongolia, China ("**Target 1**") *(Note 4)*	1	40MW	89.78%
Wulatehouqi town, Inner Mongolia, China ("**Target 4**") *(Note 4)*	1	40MW	90.33%
Chahaeryouyiqianqi area, Inner Mongolia, China ("**Target 3**") *(Note 4)*	1	50MW	86.79%
Tumotezuoqi town, Inner Mongolia, China *(Note 5)*	1	65MW	55.00%
TOTAL	**13**	**531.7MW**	

Notes:

1. The project which is self-developed by CSPG Group
2. The project which is self-developed by the Group
3. The projects which are acquired by CSPG Group under the CSPG Agreements
4. The projects under the 195MW Acquisition which are completed.
5. The projects under the 195MW Acquisition which are not completed.
6. The projects which are acquired under the Zhongli Changzhou Acquisition (i.e. the acquisition of 45% equity interest in the Target Group).

As set out in the annual report of the Company for the year ended 31 December 2013 (the "**2013 Annual Report**"), the Company is confident that solar power plant business will be the growth driver of the Group's business in the future and will continue with the strategy to identify suitable projects with good prospects and potential for stable returns.

1.2 ***Financial information of the Group***

Set out below are the extracts of the Group's audited consolidated financial statements for each of the years ended 31 December 2012 and 2013 based on the 2013 Annual Report:

Extracts of consolidated income statements of the Group

	For the year ended 31 December	
	2013	**2012**
	HK$'000	*HK$'000*
	(Audited)	*(Audited)*
Revenue and tariff adjustment	337,578	223,269
Gross profit/(loss)	(74,063)	(66,537)
Operating loss	(2,302,649)	(747,736)
Loss attributable to the shareholders of the Company	(2,304,986)	(814,801)

Extracts of consolidated balance sheets of the Group

	As at 31 December	
	2013	**2012**
	HK$'000	*HK$'000*
	(Audited)	*(Audited)*
Total assets	5,990,863	1,605,427
Total liabilities	5,540,942	1,381,455
Net asset value	449,921	223,972

For the year ended 31 December 2013, the Group generated revenue (including tariff adjustment) of approximately HK$337.6 million, of which approximately HK$39.5 million was generated from the sale of electricity (including tariff adjustment) and the remaining was generated from the manufacture and sale of solar cells. The revenue (including tariff adjustment) of the Group for the year ended 31 December 2013 represented an increase of approximately 51.2% as compared to that for the year ended 31 December 2012. Such increase was mainly attributed by the (i) the acquisition of CSPG which provided the Group with a new source of income derived from the sales of electricity; (ii) the increase in overseas sales of polysilicon solar cells; and (iii) the appreciation of RMB.

The gross loss of approximately HK$74.1 million was mainly attributable to the (i) gross loss arising from the manufacture and sale of solar cells of approximately HK$68 million as a result of the low utilization of the production capacity; and (ii) gross loss arising from the segment of development, operation and management of solar power plant of approximately HK$6 million as a result of the depreciation charge of solar power plants exceeding the electricity income generated for the year ended 31 December 2013.

The Group recorded the loss attributable to the shareholders of the Company of approximately HK$2,305 million for the year ended 31 December 2013, which was mainly due to (i) immediate impairment of goodwill arising from the acquisition of CSPG; (ii) the impairment of concession rights; (iii) fair value loss on the put option arising from the acquisition of Huabei Sales Interest (as defined under the paragraph headed "3.3 Working Capital" below); and (iv) the finance costs in relation to convertible notes and bank borrowings.

Net asset value as at 31 December 2013 was approximately HK$449.9 million, representing an increase of approximately 100.9% as compared to 31 December 2012. Such increase was mainly attributable to the acquisition of 92.17% of the entire issued share capital of CSPG in June 2013.

1.3 ***Information of the Target Group***

The Target Company, which is owned as to 45% and 55% by UP (Changzhou) and EBODHK respectively, was established in the PRC on 9 September 2013. Zhongli Gonghe, a subsidiary of the Target Company established in the PRC on 21 June 2013, is principally engaged in developing and operating two solar power plants located at Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 150MW. Hainanzhou Yahui, the other subsidiary of the Target Company established in the PRC on 12 July 2013 and acquired by the Target Company on 16 September 2013, is principally engaged in developing and operating one solar power plant located at Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 30MW. As disclosed in the Letter from the Board, the solar power plants have an estimated life of 25 years.

As disclosed in the Letter from the Board, the Projects undertaken by the Target Group are part of the identified projects under certain Concession Rights. As at the Latest Practicable Date, all the three power plants of the Target Group have successfully achieved on-grid connection, and the Project Companies, as the sellers, entered into power purchase agreements individually with the State Grid Electricity Company of Qinghai Province, as the purchaser, with respect to each of the Projects, in which the on-grid electricity prices were fixed at RMB1.00 per KWh. Details of the three power purchase agreements are summarized as below:

Seller	**Approximate aggregate installed capacity** *(MW)*	**Consideration** *(RMB/KWh)* *(Note 1)*	**Annual Contract Electricity Volume** *(KWh)*	**Period** *(Note 2)*
Zhongli Gonghe	100	1	165,000,000	25 Dec 2013 to 31 Dec 2014
Zhongli Gonghe	50	1	82,500,000	25 Dec 2013 to 31 Dec 2014
Hainanzhou Yahui	30	1	46,275,900	1 Jan 2014 to 31 Dec 2014

Notes:

1. The consideration comprises (i) the prevailing benchmark feed-in tariff for desulfurized coal-fired power plants of Qinghai province* (青海省脱硫燃煤機組標桿上網電價) at RMB0.345/KWh which is to be paid by the purchaser, and (ii) the remaining be subsidized by the nationwide feed-in tariff surcharge for renewable energy* (可再生能源電價附加).

2. The power purchase agreements are renewable annually.

Set out below is the financial information of the Target Group for the period from 21 June 2013 (date of incorporation) to 31 December 2013 as extracted from the accountants' report of the Target Group set out in Appendix II to the Circular:

Extracts of consolidated income statements of the Target Group

	For the period from 21 June 2013 (date of incorporation) to 31 December 2013
	RMB'000
Revenue	—
Bargain on acquisition of a subsidiary	23,028
Stamp duties	(570)
Other operating expenses	(17)
Operating profit	**22,441**
Finance income	4
Finance costs	(1,511)
Profit before income tax	**20,934**
Income tax expense	—
Profit for the period	**20,934**

Extracts of consolidated balance sheets of the Target Group

	As at 31 December 2013 *RMB'000*
Total assets	2,008,074
Net asset value	30,934
Total liabilities	1,977,140

No revenue has been recorded for the Target Group for the period from 21 June 2013 (date of incorporation) to year ended 31 December 2013. As disclosed in the Letter from the Board, as at the Latest Practicable Date, approximately 80MW of the total installed capacity of the solar power plants have commenced commercial operation and generate revenue and the remaining capacity of 100MW is expected to commence commercial operations with revenue in the second half of 2014 and the solar power plants are expected to reach their full capacity by the end of 2014, subject to any loss of electricity generation caused by force majeure, repair and maintenance of grid lines by electricity authorities or grid companies, or operation of power transmission, etc. It is also stated in the Letter from the Board that, as at the Latest Practicable Date, electricity in amount of approximately 4,516,000KWh was generated by the solar power plants since the on-grid connection and the actual amount of revenue recognised by the Target Group is subject to confirmation with the local state grid. The profit for the period of approximately RMB20.9 million is mainly attributable to the bargain on acquisition of Hainanzhou Yahui (details of which are set out in note 19 of the Accountants' Report of the Target Group set out in Appendix II to this circular).

Total assets of the Target Group as at 31 December 2013 were approximately RMB2,008.1 million, which mainly comprised of property, plant and equipment of the solar power plants of the Projects. Total liabilities of the Target Group as at 31 December 2013 were approximately RMB1,977.1 million, which mainly comprised of the amount due to the immediate holding company (i.e. Zhongli Photovoltaic Science and Technology Group Company Limited, one of the Vendors) under the EPC Cooperative Agreement of approximately RMB1,365.7 million and borrowings of approximately RMB600 million. The net asset value as at 31 December 2013 was approximately RMB30.9 million.

1.4 ***Economic growth and solar energy industry in the PRC***

According to the National Bureau of Statistics of China, China's gross domestic product ("**GDP**") in nominal value increased from approximately RMB31,405 billion in 2008 to approximately 56,885 billion in 2013, representing a compound annual growth rate ("**CAGR**") of approximately 12.6%. The PRC's real GDP grew at approximately 7.7% from 2012 to 2013. According to the 12th Five-Year Plan, the PRC's GDP growth is expected to achieve an annual growth rate of 7.0% from 2011 to 2015.

Electricity consumption has been growing in the PRC. According to the data from the China Electricity Council, the total electricity consumption in the PRC from 2011 to 2013 was approximately 4,702TWh, 4,966TWh and 5,322TWh respectively. The electricity consumption growth has experienced an increase of approximately 12.0% in 2011, an increase of approximately 5.6% in 2012 and an increase of approximately 7.2% in 2013. The CAGR of total electricity consumption in the PRC from 2009 to 2013 was approximately 9.8%.

Solar energy generation becomes one of the fastest growing renewable sources of electricity in the PRC in recent years as a result of the technological development and government's policy-driven incentives such as "FiT Policy" in the PRC.

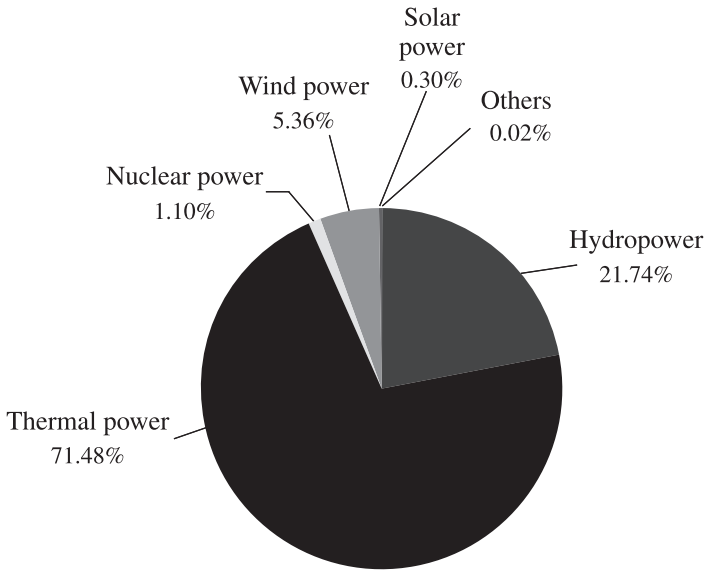
The FiT Policy — In July 2011, the National Development and Reform Commission of the PRC ("**NDRC**") released "the Notice on Perfection of Policy Regarding FiT of Power Generated by Solar PV" 《關於完善太陽能光伏發電上網電價政策的通知》(發改價格[2011]1594號) (the "**FiT Policy Notice**"). According to the FiT Policy Notice, national subsidised standard on-grid tariff of RMB1.0 (expect the district in Tibet) shall be provided for each kilowatt hour for solar projects in the PRC. In August 2013, in order to provide tariff to the solar power projects according to the energy supply conditions and construction cost in different geographic locations, NDRC released The Notice on Leveraging the Price for the Development of the Solar Energy Industry 《國家發展改革委關於發揮價格槓桿作用促進光伏產業健康發展的通知》(發改價格[2013]1638號) (the "**New Tariff Notice**"). According to the New Tariff Notice, solar power projects are categorised into three energy zones according to the geographic locations, namely energy zone I (including but not limited to Ningxia, Qinghai Haixi, Gansu Jiayuguan and Xinjiang Hami, etc.), II (including but not limited to Beijing, Tianjin, Qinghai, Heilongjiang, Liaoning and Yunnan, etc.) and III (including all locations other than energy zones I and II), and the on-grid tariff of RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh shall be provided to solar projects in energy zone I, II and III respectively. As disclosed in the Letter from the Board, based on the facts that (i) the three solar power plants owned by the Target Group have successfully achieved on-grid connection by end of December 2013; and (ii) the power purchase agreements, which were individually

entered into by and among the Target Companies and the State Grid Electricity Company of Qinghai Province, indicate the on-grid electricity price fixed at RMB1.00 per KWh, the Company is of the view that the New Tariff Policy does not apply to the Target Companies.

According to China Electricity Council (a joint organisation of China's power enterprises and institutions founded in 1988 and approved by the State Council of the PRC), total installed capacity of electricity from solar power in PRC increased from 25MWh in 2009 to 3,411MWh in 2012, representing a CAGR of approximately 415%. The percentage of installed capacity of electricity from solar power to total installed capacity of electricity in PRC increased from 0.003% in 2009 to 0.30% in 2012.

The following graph illustrates the overview of renewable energy structure in 2012 in the PRC:

PRC Installed electricity capacity by energy source in 2012



Source: China Electricity Council

In July 2013, the State Council of the People's Republic of China (中華人民共和國國務院) has promulgated the Opinion on Facilitating the Development of the Photovoltaic Industry (《國務院關於促進光伏產業健康發展的若干意見》) (the "**Opinion**") which set out the direction for the development of photovoltaic industry which includes the expansion of domestic market, enhance the technology standard and expedite the upgrade of the photovoltaic industry. The Opinion also set out a target for solar installed capacity of 10GW per annum between 2013 and 2015 and the total installed capacity of 35GW or above by 2015.

1.5 ***Reasons for and benefits of the Acquisition***

As stated in the Letter from the Board, it is the Group's strategy to identify suitable investment opportunity to acquire the solar power plants with good prospects and potential for stable returns. To align with the business strategy of the Group and further to certain CSPG Agreements, Zhongli Changzhou, an indirect wholly-owned subsidiary of the Company, and EBODHK entered into the Sale and Purchase Agreement with the Vendors, pursuant to which Zhongli Changzhou and EBODHK has conditionally agreed to purchase from the Vendors 45% and 55% equity interest in the Target Company respectively. The Zhongli Changzhou Acquisition was completed on 7 January 2014.

As stated in the Letter from the Board, the Company identified certain risks for the 55% Acquisition, which includes (i) the Target Group's lack of operating history and track record; (ii) the revenue to be generated from the Projects depends largely upon the sale of electricity and is subject to dispatch of power grids; and (iii) no assurance to raise or secure adequate funding on commercially viable terms to finance its current liabilities in a timely manner and meet its working capital requirement. Notwithstanding the above, the management is of the view that the 55% Acquisition presents the Group with a further investment opportunity to maximize its return on the Projects having taken into account that (i) the Projects had successfully achieved on grid connection by end of 2013 and the Project Companies had entered into the power purchase agreements with the State Grid Electricity Company of Qinghai Province (國網青海省電力公司); (ii) there is a guarantee for electricity generation volume under the EPC Cooperative Agreement that the Projects will meet the target volume set by the parties thereto for a period of ten years, which enhances confidence in the prospective stable returns of the Projects in the future; and (iii) the results of Group's internal financial analysis of the financial model of the Target Group indicated a level of return of an internal rate of return above 9% that is consistent with the Group's business and financial strategy requirements for acquiring solar power plants.

Conclusion

Having considered (i) the Projects undertaken by the Target Group are part of the identified projects under certain Concession Rights, which the consideration of the Concession Rights have been satisfied; (ii) that the 55% Acquisition is in line with the business development and strategy of the Group to expand the operations of the solar power plants in the PRC, which enables the Group to generate stable income; (iii) the prospect of the solar energy industry as a result of the increasing electricity consumption in the PRC and the government's policy-driven incentives for solar energy industry in the PRC; (iv) that the Projects have successfully achieved on-grid connection and the Project

Companies have entered into the power purchase agreements with the State Grid Electricity Company of Qinghai Province (國網青海省電力公司) and the acquisition of 55% Sale Interest enables the Group to consolidate the control over the Target Group and enhance the return to the Shareholders; and (v) the guarantee for the electricity volume under the EPC Cooperative Agreement enhances confidence in the prospective stable returns of the Projects in future, we are of the view that the 55% Acquisition is in the interests of the Shareholders and Company as a whole.

2. Principal terms of the Acquisition Agreement

2.1 *Subject matter of the New Sale and Purchase Agreement*

On 8 January 2014, EBODHK has conditionally agreed to sell and UP (Changzhou) has conditionally agreed to purchase the 55% Sale Interest, which represents 55% equity interest in the Target Company held by EBODHK for a total cash consideration of RMB5,500,000 (equivalent to approximately HK$6,930,000). UP (Changzhou) shall purchase from EBODHK and EBODHK shall assign the Shareholders' Loan to the Target Company in the amount of RMB2,750,000 (equivalent to approximately HK$3,465,000) on dollar to dollar basis to UP (Changzhou) simultaneously with the transfer of the 55% Sale Interest to UP (Changzhou). Upon Completion, UP (Changzhou) (which currently owns 45% of the equity interest in the Target Company) will hold 100% of the equity interest in the Target Company.

2.2 *The 55% Consideration*

Pursuant to the New Sale and Purchase Agreement, the 55% Consideration shall be settled by UP (Changzhou) in cash within 10 Business Days after the 55% Sale Interest is duly transferred and registered in the name of UP (Changzhou). As stated in the Letter from the Board, the Company will satisfy the 55% Consideration from its internal resources.

Basis of the 55% Consideration

As stated in the Letter from the Board, the 55% Consideration was arrived at after arm's length negotiations between UP (Changzhou) and EBODHK on normal commercial terms and by reference to (i) the registered capital of the Target Company, being RMB10,000,000 and (ii) the Group's internal financial analysis of the financial model of the Target Group with the support of the valuation report set out in Appendix V of this circular and taking into consideration the amount of future expenditure required for the operations of the Projects. The amount of the 55% Consideration was also the same amount that EBODHK had previously paid for acquiring the 55% Sale Interest.

Valuation

The Company engaged American Appraisal China Limited (the "**Valuer**") to assist the Company in the valuation analysis of the business enterprise value of the Target Group (the "**Valuation**"). As referred to in the valuation report (the "**Valuation Report**") as set out in the Appendix V to the Circular, the fair value of business enterprise value of the Target Group as of 31 December 2013 is reasonably stated by the amount of RMB2,289,000,000.

We have discussed with the Valuer and understand that the valuation of business enterprise of the Target Group was based on the summation of the value of concession right as the intangible asset owned by the Target Group ("**Target Group Concession Right**") (as valued by income approach) and the tangible assets and net operating working capital on the financial statements as of the Valuation Date and the use of this summation method is due to the reason that the value of Target Group Concession Right, instead of the value of the business enterprise of the Target Group, is required for the accounting purpose. We are also advised by the Valuer that the business enterprise value of the Target Group by using this summation method is expected to be approximately the same as that by using income approach. Based on the above, we consider this summation method is acceptable.

We have also discussed with the Valuer the valuation methodology for the valuation of the Target Group Concession Right and are given to understand that three generally accepted valuation approaches, namely cost, market and income, are considered for the valuation of the Target Group Concession Right. According to the Valuer, the cost approach is generally not considered applicable to the valuation of a going concern since this approach does not capture future earning potential of the business, and thus the cost approach is not considered as an appropriate valuation methodology for the valuation of the Target Group Concession Right given future earning is expected to be generated by the Projects. We also understand from the Valuer that they are unable to identify pure play public listed companies with major business on solar power plants in China and thus cannot devise appropriate price multiples for market approach. Accordingly, discounted cash flow method of the income approach was used for the valuation of the Target Group Concession Right, and we concur with the Valuer that this method is appropriate. This method explicitly recognises that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. In using the discounted cash flow method, the Valuer relied on financial

projections prepared by the management of the Company and the discount rate was calculated by using capital asset pricing model (CAPM). We have reviewed and discussed with the Valuer the listed comparable companies in measuring systematic risk and other variables adopted for the calculation of the discount rate by CAPM and no unusual comparable companies or variables were noted for the CAPM calculation. We also note from the Valuation Report that the Valuer identified the comparable companies on a best effort and unbiased selection basis, which constitutes the full and exhaustive samples based on the best knowledge of the Valuer. We consider that CAPM is the appropriate method to determine the relevant discount rate and the discount rate determined therefrom are fair and reasonable. We note that PricewaterhouseCoopers, the reporting accountant of the Company, has reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows contained in the Valuation Report and are of the view that the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by the Directors, and that the Directors confirm that the discounted future estimated cash flows has been made after due and careful enquiry. Details of the letter from the reporting accountant and the letter from the Board in relation to the Valuation are set out in Appendix VI of the Circular. We have also reviewed the major assumptions used in the Valuation consider the assumptions are fair and reasonable. We have reviewed the engagement letter of the Valuer and have assessed the experience and the qualification of the Valuer set out in Appendix V in the Circular. In view of the qualification and experience of the Valuer, we consider the engagement of the Valuer is proper.

Analysis of Comparable Transactions

Based on the information publicly available on the website of the Stock Exchange and with our best endeavour, we are unable to identify any company listed in Hong Kong with sole business of developing and operating solar power plants in the PRC which is similar to the Target Group. Accordingly, we are unable to adopt the price-to-book and/or price-to-earnings approach for the analysis on the fairness and reasonableness of the consideration of the acquisition of the Target Group.

We have based on the information publicly available on the website of the Stock Exchange and with our best endeavour, identified a list of transactions involving the acquisition of solar power plants in the PRC by companies listed in Hong Kong (the "**Comparable Transactions**") in the past three years, which we considered represent a general reference as to the valuation of acquisition targets in similar transactions to the acquisition of the Target Company. In

forming our opinion, we have also considered the results of the comparison together with other factors as stated in this letter as a whole. Set out below is the exhaustive list of the Comparable Transactions:

Date of announcement/ circular	**Listed Company (stock code)**	**Target**	**Electricity generation capacity** *(MW)*	**Implied purchase price per MW** *(HK$ million)*
28 January 2011	China Gogreen Assets Investment Limited (397)	GS-Solar (Qinghai) Company Limited	10	23.2 *(Note 1)*
14 July 2011	China Solar Energy Holdings Limited (155)	Solar Market Limited	10	16.0 *(Note 2)*
5 March 2013	China Gogreen Assets Investment Limited (397)	Jun Yang Solar Power Investment Holdings Limited	130	12.2 *(Note 3)*
2 September 2013	Solargiga Energy Holdings Limited (757)	Golmud Solargiga Energy Electric Power Co., Ltd	20	6.8 *(Note 4)*
22 November 2013	United Photovoltaics Group Limited (686)	Fengxian Huize Photovoltaic Energy Limited	23.8	23.8 *(Note 5)*
20 December 2013	United Photovoltaics Group Limited (686)	Guodian Tuoketuo County Solar Power Company Limited	40	13.7 *(Note 6)*
20 December 2013	United Photovoltaics Group Limited (686)	Guodian Chahaeryouyiqianqi Solar Power Company Limited	50	14.0 *(Note 7)*
20 December 2013	United Photovoltaics Group Limited (686)	Guodian Wulatehouqi Solar Power Company Limited	40	14.0 *(Note 8)*
20 December 2013	United Photovoltaics Group Limited (686)	Guodian Nailuntumotezuoqi Solar Power Company Limited	65	14.5 *(Note 9)*
Maximum				**23.8**
Minimum				**6.8**
Average				**15.4**
Median				**14.0**
The acquisition of the Target Company *(Note 10)*			180	15.6

Notes:

1. The implied purchase price is sum of the consideration for the purchase of 100% equity interest of the solar power plant project (which is calculated in proportional to the consideration of RMB5.9 million for the acquisition of 99% equity interest of the target company as set out in the circular) and the estimated total investment in the project of RMB178.19 million as set out in the circular.

2. The implied purchase price is the consideration for the purchase of 100% equity interest of the solar power plant project of HK$160,000,000 which is determined according to the market value appraised by an independent professional valuer based on market-based approach.

3. The implied purchase price is the consideration of the purchase of 100% equity interest of solar power plant (which is calculated in proportional to the consideration of HK$42,284,991.36 for the acquisition of 11.247% equity interest in the project as set out in the circular) and the estimated investment of RMB960,000,000 for two projects under development.

4. The implied purchase price is the consideration for the purchase of 100% equity interest of the solar power plant (which is calculated in proportional to the consideration of RMB22,790,000 for the acquisition of 21% equity interest in the project as set out in the announcement) which has commenced operation.

5. The implied purchase price is the implied consideration for the purchase of 100% equity interest of the solar power plant (which is calculated in proportional to the consideration of RMB225 million for the acquisition of 50% equity in the project as set out in the circular) which has commenced operation.

6. The implied purchase price is sum of the consideration for the purchase of 100% equity interest of the solar power plant project (which is calculated in proportional to the consideration of RMB79,009,810 for the acquisition of 89.7839% equity interest of the target company as set out in the circular) and the estimated total capital expenditure in the project of approximately RMB346 million according to the Working Capital Statement (as defined under the paragraph headed "3.2 Net assets").

7. The implied purchase price is sum of the consideration for the purchase of 100% equity interest of the solar power plant project (which is calculated in proportional to the consideration of RMB86,793,500 for the acquisition of 86.79% equity interest of the target company as set out in the circular) and the estimated total capital expenditure in the project of approximately RMB456 million according to the Working Capital Statement (as defined under the paragraph headed "3.2 Net assets").

8. The implied purchase price is sum of the consideration for the purchase of 100% equity interest of the solar power plant project (which is calculated in proportional to the consideration of RMB72,263,900 for the acquisition of 90.33% equity interest of the target company as set out in the circular) and the estimated total capital expenditure in the project of approximately RMB364 million according to the Working Capital Statement (as defined under the paragraph headed "3.2 Net assets").

9. The implied purchase price is sum of the consideration for the purchase of 100% equity interest of the solar power plant project (which is calculated in proportional to the consideration of RMB66,550,000 for the acquisition of 55% equity interest of the target company as set out in the circular) and the estimated total capital expenditure in the project of RMB628 million according to the Working Capital Statement (as defined under the paragraph headed "3.2 Net assets").

10. The implied purchase price is sum of the estimated total capital expenditure of RMB1,962 million and the consideration transferred of HK$337,484,000 (as set out in note 4 of the unaudited pro forma financial information of the Enlarged Group in Appendix III of the Circular).

Based on the above table, we note that the purchase price per MW of the Comparable Transactions ranged from approximately HK$6.8 million/MW to HK$23.8 million/MW with an average of approximately HK$15.4 million/MW. The purchase price per MW of the Target Company of HK$15.6 million/MW is within the range and comparable to the average of those of the Comparable Transactions.

2.3 ***Assignment of the shareholders' loan***

Pursuant to the New Sale and Purchase Agreement, EBODHK shall assign the Shareholders' Loan to the Target Company in the amount of RMB2,750,000 (equivalent to approximately HK$3,465,000) to UP (Changzhou), on dollar to dollar basis, simultaneously with the transfer of the 55% Sale Interest to UP (Changzhou).

According to the management of the Company, the consideration of the assignment of the shareholders' loan of RMB2,750,000 will be satisfied by the internal resources of the Group.

Conclusion

Having considered that (i) the 55% Consideration was determined with reference to among other things, the registered capital of the Target Company and was the same amount that EBODHK had previously paid for acquiring the 55% Sale Interest; (ii) The implied purchase price per MW of the acquisition of the Target Company is within the range and below the average of those of the Comparable Transactions; and (iii) the shareholders' loan will be assigned on dollar to dollar basis, we are of the view that the principal terms of the New Sale and Purchase Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

3. Potential financial effects of the New Sale and Purchase Agreement on the Group

3.1 *Earnings*

Upon completion of the 55% Acquisition, the Company's equity interest in the Target Company will be increased from 45% to 100%. In this regard, upon completion of the 55% Acquisition, the results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Group. No revenue has been recorded for the year ended 31 December 2013. Notwithstanding there is no track record of the Target Group, having taken account the guarantee of electricity generated according to the EPC Cooperative Agreement and the entering into of the power purchase agreements with the State Grid Electricity Company of Qinghai Province (國網青海省電力公司), stable income is expected to be generated and contributed to the Group upon the commencement of the commercial operations of the Projects.

3.2 *Net assets*

Based on the unaudited pro forma consolidated assets and liabilities statement of the Enlarged Group set out in Appendix III to the Circular, assuming 55% Acquisition and Zhongli Changzhou Acquisition had taken place on 31 December 2013, the net asset value of the Enlarged Group would have been decreased from approximately HK$449.9 million to approximately HK$447.7 million. The decrease of the net asset value is mainly attributable to the professional fee incurred.

We note from the working capital statement as set out under the section headed "Working Capital Statement" in Appendix I of this circular (the "**Working Capital Statement**") that the Group record the net current liabilities position of HK$237 million as at 28 February 2014. We understand from the Company that, (i) approximately HK$164 million represents a financial liability arising from the Huabei Express Put Option (as defined under the paragraph headed "3.3 Working Capital") and which will not result in any cash outflows in the next twelve months; and (ii) the Company will finance the net current liability in terms of cash flow (which is estimated to be approximately HK$73 million as at 28 February 2014) from revenue generated through its business operations.

We also note from the accountant's report of the Target Group as set out in Appendix II of the Circular that the Target Group recorded a net current liabilities position as at 31 December 2013 which may cast significant doubt about the abilities of the Target Group to continue as a going concern. Since the Target Group had completed the construction of the principal part of the Projects and yet to commence the commercial operations as at 31 December 2013, net current liabilities position was recorded as a result of, among other things, the payables and borrowings

incurred for the construction of the Projects. According to the management of the Company, upon commencement of the commercial operations of the Projects, the financial position of the Target Group is expected to be improved as a result of the income generated from the sale of electricity and the financing measures as set out in the Working Captial Statement as discussed below.

3.3 ***Working capital***

We note from the Working Capital Statement that the Enlarged Group would not have sufficient working capital for the 12 months period following the date of this circular. As at 31 December 2013: (i) the Group recorded net current liabilities of HK$1.0 billion and (ii) the Target Group recorded net current liabilities of approximately RMB1.9 billion (equivalent to approximately HK$2.4 billion). In addition, (i) the Group may be required to acquire the remaining 50% equity interest in Fengxian Huize Photovoltaic Energy Limited ("**Fengxian Huize**") (the "**Huabei Sales Interest**") upon request by Huabei Expressway Co. Limited ("**Huabei Expressway**") for RMB225 million (equivalent to approximately HK$284 million) in cash according to the put option granted by the Group in relation to the Group's acquisition of a 50% equity interest in Fengxian Huize (the "**Huabei Express Put Option**"); (ii) the construction cost payables for the projects undertaken by Target 1, Target 3 and Target 4 were amounted to approximately RMB1,166 million (equivalent to approximately HK$1,469 million); (iii) the Group has committed capital expenditures of approximately RMB21 million (equivalent to approximately HK$27 million) which mainly represents the remaining contracted construction cost payable in respect of a 10MW rooftop project on the solar cell factory located Quanzhou, PRC; and (iv) the Group has planned capital expenditure of RMB5.0 billion (equivalent to approximately HK$6.3 billion) for its solar energy initiatives in its business plan based on its forecast in the next twelve months from the date of the Circular.

We have reviewed the Working Capital Statement, the relevant documents for the financing measures available and the working capital forecast memorandum prepared by the management and discussed the same with the management of the Company. Based on the announcements made by the Company and discussion with the management of the Company, we understand that: (i) subsequent to 31 December 2013, the financial position (i.e. the net current liabilities of HK$1.0 billion) of the Group was improved as a result of the Company raising more than HK$809 million through private placement of the Company's ordinary shares; (ii) in January 2014, the Company has further draw down RMB40 million (equivalent to approximately HK$50 million) from its existing 13-year long-term loan facility of RMB800 million from China Development Bank; (iii) in April 2014, the Group has successfully renewed a banking facility of RMB120 million (equivalent to approximately HK$151 million), which will be available until April 2015; (iv) the financial liability resulting

on the Huabei Express Put Option was a non cash item and the Company will finance the net current liability in terms of cash flow from revenue generated through its business operations; and (v) Huabei Expressway has confirmed to the Company, in writing, that it will not request the Group to acquire the Huabei Sales Interest by way of cash before to 31 May 2015; (vi) in respect of the construction cost payables, the EPC contractor has confirmed in writing that the payments will be deferred at an interest rate of 6% per annum until the obtaining of suitable long term financing; and (vii) none of the planned capital expenditures of RMB5.0 billion represents legal commitment of the Group and the Directors will take into account the Group's financial position and financing resources and if necessary, delay its planned capital expenditures, until it can secure suitable financing on terms that are favourable to and in the interests of the Group as a whole.

In respect of the net current liabilities of approximately RMB1.9 billion (approximately HK$2.4 billion) of the Target Group, we understand from the management of the Company that such net current liabilities include mainly the capital expenditures incurred by the Target Group in 2013, which is expected to be financed as to:

(i) 70% by banking facilities (that the estimation of 70% by banking facilities is based on the past financing experience of the Group). In particular, the Group did secure external financing facilities represented approximately 72% of the total capital expenditures required for the 100MW solar power plant project in JiaYuGuan. The Target Group is currently in the process of negotiating a 13 year long term loan with China Development Bank for approximately RMB1.3 billion; and

(ii) the remaining by internal resources, other forms of short-term or long-term financing that the Target Group is currently seeking, and the conditional financial support from Shenzhen China Merchants Yinke Investment Management Limited ("**CM Yinke**") to the Group. In October 2013, CM Yinke, has issued a letter of conditional financial support to the Group to enable it to meet its liabilities and obligation (including capital expenditures and operating expenses) in connection with its existing and future solar energy business up to a period ending 30 June 2015. No maximum limit has been set out in the letter and such financing is intended to be provided to the Group for its solar energy projects undertaken provided that these projects could generate a return of not less than 8% per annum and they are in compliance with the relevant laws and regulations in the PRC. All of the existing solar power plant projects of the Enlarged Group and those that may be acquired by the Group in the next 12 months, are expected to generate an internal rate of return of not less than 8% per annum.

Having taken into account the above factors, in particular, (i) the net current liabilities position of the Group was improved as a result of the placement; (ii) the financing measures for the capital expenditures of the Target Group; (iii) the EPC Contractor has confirmed in writing that the payments will be deferred at an interest rate of 6% per annum until the obtaining of suitable long term financing; (iv) that none of the planned capital expenditures of RMB5.0 billion represents any legal commitment of the Group; and (v) the opinion of the Directors as set out in the Working Capital Statement, we consider the financing arrangement for the solar power plants projects of the Enlarged Group is acceptable.

Our View

Having considered that (i), notwithstanding there is no track record of the Target Group, stable income is expected to be generated upon the commercial operations of the Projects given the guarantee of electricity generated according to the EPC Cooperative Agreement and the entering into of the power purchase agreements with the State Grid Electricity Company of Qinghai Province (國網青海省電力公司); (ii) the net current liabilities position of the Target Group as at 31 December 2013 (which may cast significant doubt about the abilities of the Target Group to continue as a going concern) was mainly due to, among other things, the payables and borrowings incurred for the construction of the Projects and is expected to be improved as a result of the income generated from the sale of electricity and the financing measures as discussed above; and (iii) there is no material impact on the net assets of the Enlarged Group upon completion according to the unaudited pro forma consolidated assets and liabilities statement of the Enlarged Group, we are of the view that the potential financial effect of the 55% Acquisition on the Enlarged Group is acceptable.

RECOMMENDATION

In arriving at our recommendation in respect of the New Sale and Purchase Agreement, we have considered the principal factors and reasons as discussed above, in particular,

— the 55% Acquisition is in line with the business development and strategy of the Group to expand the downstream business of the operations of the solar power plants in the PRC;

— the prospect of the solar energy industry in the PRC;

— the acquisition of 55% Sale Interest enables the Group to consolidate the control over the Target Group and enhance the return to the Shareholders;

— the 55% Consideration was determined with reference to the registered capital of the Target Company and was the same amount that EBODHK had previously paid for acquiring the 55% Sale Interest;

— The purchase price per MW of the Target Company is within the range and comparable to the average of those of the Comparable Transactions;

— the shareholders' loan will be assigned on dollar to dollar basis; and

— the potential financial effect of the 55% Acquisition on the Enlarged Group is acceptable.

we are of the view that the terms of the New Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the New Sale and Purchase Agreement is in ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the New Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2011, 2012 and 2013 are disclosed in the Company's annual reports for each of the three years ended 31 December 2011, 2012 and 2013, which can be accessed on both the website of the Stock Exchange (*http://www.hkex.com.hk*) and the website of the Company (*http://www.unitedpvgroup.com*).

2. INDEBTEDNESS OF THE ENLARGED GROUP

Indebtedness

As at the close of business on 31 March 2014, being the Latest Practicable Date for the purpose of this indebtedness statement, the Group and the Target Group had the following indebtedness:

	The Group			The Target Group			Total
	Secured	Unsecured		Secured	Unsecured		
		Guaranteed	Non-Guaranteed		Guaranteed	Non-Guaranteed	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	1,053,990	—	—	—	—	—	1,053,990
Loans due to third parties	35,280	—	151,830	—	—	—	187,110
Borrowings	—	—	—	—	—	756,000	756,000
Amounts due to related parties	—	—	205,766	—	—	—	205,766
Other payables	—	—	1,276,015	—	—	1,747,742	3,023,757
Total	1,089,270	—	1,633,611	—	—	2,503,742	5,226,623

Bank borrowings

Bank borrowings of approximately RMB72,000,000 (approximately HK$90,720,000) of the Group were secured by certain land use rights, buildings, investment properties with a carrying value of HK$321,591,000 and pledged bank deposits in the amount of RMB50,719,000 (approximately HK$63,906,000) of the Group.

Bank borrowings of approximately RMB725,000,000 (approximately HK$913,500,000) of the Group were secured by 100MW solar power plant project in JiaYuGuan with a carrying value of HK$1,375,014,000. Another bank borrowing of approximately RMB39,500,000 (approximately HK$49,770,000) of the Group were secured by time deposits in the amount of HK$63,700,000.

Loans due to third parties

Loans due to third parties of approximately RMB28,000,000 (approximately HK$35,280,000) of the Group were secured by certain property, plant and equipment, buildings and investment properties with a carrying value of HK$504,208,000.

The below convertible notes and financial liability at fair value through profit or loss are stated in principal amount as at 31 March 2014, which were not segregated into liability and equity component and stated at fair value respectively according to the Group's accounting policy as required by the Hong Kong Accounting Standard.

	The Group			The Target Group			Total
	Secured	Unsecured		Secured	Unsecured		
		Guaranteed	Non-Guaranteed		Guaranteed	Non-Guaranteed	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Convertible note issued on 25 October 2010	—	—	50,700	—	—	—	50,700
Series A convertible notes	—	—	312,484	—	—	—	312,484
Series B convertible notes	—	—	847,964	—	—	—	847,964
US$120 million convertible notes	1,255,500	—	—	—	—	—	1,255,500
HK$233 million convertible note	—	—	232,959	—	—	—	232,959
Financial liability at fair value through profit or loss	—	—	283,500	—	—	—	283,500
Total	1,255,500	—	1,727,607	—	—	—	2,983,107

Convertible notes

On 25 October 2010, the Company issued convertible note in the principal amount of HK$850,000,000 as part of the consideration for acquisition of solar energy business. The convertible note is interest free and is convertible into shares of the Company at a conversion price of HK$0.538 per share at any time up to the maturity date on 24 October 2015. As at 31 December 2013, convertible note with principal amount of HK$799,300,000 have been converted.

On 10 June 2013, the Company issued two convertible notes, Series A convertible notes and Series B convertible notes, in the principal amount of HK$312,484,000 and HK$847,964,000 respectively as part of the consideration for acquisition of China Solar Power Group Limited, which is engaged in the provision of solar energy products and development, operation and management of solar power plants.

Series A convertibles note is interest free and is convertible into shares of the Company at a conversion price of HK$1.00 per share at any time after the first anniversary date of the issue up to 9 June 2018. Series B convertible notes is interest free and is convertible into shares of the Company at a conversion price of HK$1.00 per share

at any time up after the release of pledge upon the announcement of the Company fulfilment of the profit guaranteed terms as specified in the relevant sales and purchases agreement to 9 June 2018.

On 8 October 2013 and 14 November 2013, the Company issued a three-year convertible note in the principal amount of US$50,000,000 (approximately HK$387,500,000) and US$70,000,000 (approximately HK$542,500,000) respectively, with redemption price of 135% of its principal amount which were secured by way of a first legal mortgage of its offshore subsidiaries shares. The coupon rate is 5% per annum and is convertible into shares of the Company at a conversion price of HK$1.60 per share at any time up to the maturity date on 8 October 2016.

On 27 December 2013, the Company issued a five-year unsecured convertible note in the principal amount of HK$232,959,000 (approximately RMB185,000,000). The convertible note is interest free and is convertible into shares of the Company at a conversion price of HK$1.60 per share at any time up to the maturity date on 26 December 2018.

Financial liability at fair value through profit or loss

On 27 December 2013, the Group granted a put option to Huabei Expressway Co. Ltd (''Huabei Expressway''), the shareholder of the remaining 50% equity interest in Fengxian Huize (''Huabei Sales Interest''), to request the Group to acquire the Huabei Sales Interest at RMB225,000,000 (equivalent to approximately HK$283,500,000) with a return of 8% per annum, to be settled by way of cash or issuance of the Company's shares at the discretion of Huabei Expressway during a three-year period till December 2016 (the ''Put Option''). The Put Option was recognised as a financial liability at fair value through profit or loss.

General

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have: (a) any other debt securities issued and outstanding, and authorised or otherwise created but unissued; (b) any other term loans (whether guaranteed, unguaranteed, secured or unsecured); (c) any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (d) any other mortgages or charges; or (e) any other material guarantees or contingent liabilities at the close of business on 31 December 2013.

3. RECENT DEVELOPMENTS

On 20 November 2013, the Company completed the placing of 55,000,000 new shares at the placing price of HK$1.70 per placing share, the gross proceeds of which aggregated to HK$93,500,000.

On 19 December 2013, UP (Changzhou) entered into two sale and purchase agreements with Jiangsu Yongneng New Energy Investment Limited* (江蘇永能新能源投資有限公司) regarding acquisition of 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited* (國電察哈爾右翼前旗光伏發電有限公司) and 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited* (國電烏拉特後旗光伏發電有限公司) respectively (altogether, the "90MW Equity Interest") for a total consideration of RMB159,057,400 (equivalent to approximately HK$200,412,324). On the same date, UP (Changzhou) entered into two sale and purchase agreements with Forty-eighth Research Institute of China Electronics Technology Group Corporation* (中國電子科技集團公司第四十八研究所) regarding acquisition of 89.7839% equity interest in Guodian Tuoketuo County Solar Power Company Limited* (國電托克托縣光伏發電有限公司) and 55% equity interest in Guodian Nailuntumotezuoqi Solar Power Company Limited (國電奈倫土默特左旗光伏發電有限公司) respectively (altogether, the "105MW Equity Interest") for a total consideration of RMB145,559,810 (equivalent to approximately HK$183,405,361). These four target companies own four solar power plants located in Inner Mongolia, China with aggregate installed capacity of approximately 195MW. As at Latest Practicable Date, the acquisition of 90MW Equity Interests and one of the two project companies under 105MW Equity Interest is completed. Whereas certain conditions precedent to the acquisition of the remaining project company under 105MW Equity Interest as stated in the corresponding sales and purchase agreement have not yet been satisfied. The Company is cooperating with all the relevant parties closely to consummate the acquisition of the entire 105MW Equity Interest.

On 27 December 2013, the Group completed the acquisition of a 50% equity interest in Fengxian Huize Photovoltaic Energy Limited ("**Fengxian Huize**") for a total cash consideration of RMB225,000,000 (equivalent to approximately HK$283,500,000). Fengxian Huize and its subsidiaries are principally engaged in operating roof-top solar power plant projects with an aggregate installed capacity of approximately 23.8MW and ecology agriculture and farming related business located in Jiangsu Province, China. Fengxian Huize is accounted for as an associate of the Group after the completion of acquisition and the results and net assets will be equity accounted for in the consolidated financial statements of the Group.

On 7 January 2014, the Group, together with EBODHK, completed the acquisition of the Target Company to which the Group held a 45% equity interest in the Target Company while EBODHK held the remaining 55% equity interest. The total cash consideration for the Group to acquire the 45% equity interest was RMB4,500,000 (equivalent to approximately HK$5,724,000). The Group and EBODHK also acquired the shareholders' loan provided to the Target Company by the former shareholder of the Target Company in the amount of

RMB5,000,000 (equivalent to approximately HK$6,300,000) in proportion to the equity interest in the Target Company respectively. The Target Company is accounted for as an associate of the Group after the completion of acquisition and the results and net assets will be equity accounted for in the consolidated financial statements of the Group.

On 8 January 2014, UP (Changzhou) and EBODHK entered into the New Sale and Purchase Agreement pursuant to which, EBODHK has conditionally agreed to sell and UP (Changzhou) has conditionally agreed to purchase the 55% Sale Interest, which represents 55% equity interest in the Target Company for a total cash consideration of RMB5,500,000 (equivalent to approximately HK$6,930,000). EBODHK shall assign the shareholders' loan to the Target Company in the amount of RMB2,750,000 (equivalent to approximately HK$3,465,000) to UP (Changzhou) simultaneously with the transfer of the 55% Sale Interest to UP (Changzhou).

On 8 January 2014, a special resolution was duly passed by way of a poll by the shareholders of the Company at the special general meeting in relation to the proposed change of the English name of the Company from "Goldpoly New Energy Holdings Limited" to "United Photovoltaics Group Limited" and the adoption of "聯合光伏集團有限公司" as the official Chinese name of the Company, which became effective on 4 February 2014.

On 21 January 2014 the Company and GD Solar Company Limited ("**GD Solar**") entered into the framework agreement, pursuant to which, inter alias, it is proposed that the Company will acquire from GD Solar, the entire equity interest in four companies which own certain solar power plants constructed by GD Solar and located in Jinchang City, Gansu, China with an aggregate installed capacity of approximately 400MW.

On 29 January 2014, the Company completed the placement of 480,000,000 shares of the Company to not fewer than six placees at the placing price of HK$1.72 per Placing Share. The net proceeds from the said placement are approximately HK$808,697,452.

On 27 March 2014 and 28 March 2014, the Group completed the acquisition of 90MW Equity Interest respectively.

On 4 April 2014, the Group completed the acquisition of one of the two project companies under 105MW Equity Interest.

As at the Latest Practicable Date, the Group and its associates beneficially owns twelve solar power plants with an aggregate installed capacity of approximately 466.7MW. All of them have successfully achieved on-grid connection. In addition, the Group is in the process of completing the acquisition of the remaining project companies under the 105MW Equity Interest (as mentioned above), all of which have also successfully achieved on-grid connection.

As at the Latest Practicable Date, the Directors confirm that, there has been no material change in the indebtedness position of the Enlarged Group, except for those mentioned above and any contingent liabilities or any guarantees of the Enlarged Group.

4. WORKING CAPITAL STATEMENT

The Enlarged Group would not have sufficient working capital for its then present requirements, that is for at least 12 months from the date of this circular.

As at 31 December 2013, the Group's current liabilities exceeded its current assets by HK$1.0 billion and the Target Group's current liabilities exceeded its current assets by RMB1.9 billion (approximately HK$2.4 billion).

On 29 January 2014, the Company completed the placing of 480,000,000 shares of the Company at a price of HK$1.72 per share (the "Placement") for cash and had received approximately HK$809 million. Based on the unaudited management accounts as at 28 February 2014, the Group's current liabilities exceed the Group's current assets by approximately HK$237 million. Of this HK$237 million, approximately HK$164 million represents a financial liability arising from the Huabei Express Put Option (as defined below) which will not result in any cash outflows in the next twelve months (see Fengxian Huize acquisition below). Therefore if the Group were to exclude such item, the net current liability would be approximately HK$73 million as at 28 February 2014 and the Company will finance such net current liabilities in terms of cash flow from revenue generated through its business operations.

As at 28 February 2014, based on the unaudited management accounts, the Group had cash and cash equivalents of approximately HK$0.9 billion.

Banking facilities of the Group

As at 31 December 2013, the Group had the following financing arrangements, which would be due for repayment within the next 12 months from the date of this circular. These liabilities were expected to be repaid as and when they fall due, based on the Group's existing agreements with their respective creditors.

Nature	Outstanding amount	Repayments in the next 12 months
13-year long-term loan from China Development Bank (國家開發銀行) — Granted facility of RMB800 million	RMB710 million	Each instalment of RMB25 million repayable in March 2014, September 2014 and March 2015 respectively (Unutilised facilities as at 31 December 2013: RMB90 million)

Nature	Outstanding amount	Repayments in the next 12 months
Loans from existing short-term banking facilities	RMB146 million	Repayable upon maturity in 2014 (Unutilised facilities as at 31 December 2013: RMB120 million)
Other payable to Zhongli Photovoltaic Science and Technology Group Co., Ltd. (中利騰暉光伏科技有限公司)	RMB294 million	Repayable after 30 June 2014
Loans from and other payables to Suzhou Gong Ye Yuan Qu Zhong Fu Investment Management Company Limited (蘇州工業園區中伏投資管理有限公司)	RMB143 million	Repayable after 30 June 2014
Loan from Goldpoly (Xiamen) Trading Co., Ltd. (金保利(廈門)商貿有限公司)	RMB46 million	Repayable in September 2014

Other than those disclosed above, the Enlarged Group did not have any other significant banking facilities.

The Company has taken into account the repayment of the above mentioned financing arrangements in the working capital statement of the Enlarged Group.

As at the Latest Practicable Date, save as disclosed in this working capital statement, the Company has not negotiated, confirmed or agreed to any terms of bank financing with any financial institutions.

Fengxian Huize acquisition

In relation to the Group's acquisition of a 50% equity interest in Fengxian Huize Photovoltaic Energy Limited ("Fengxian Huize") in December 2013, the Group granted a put option to Huabei Expressway Co. Limited ("Huabei Expressway"), the shareholder of the remaining 50% equity interest in Fengxian Huize ("Huabei Sales Interest"), to request the Group to acquire the Huabei Sales Interest at RMB225 million (approximately HK$284 million) with an return of 8% per annum, to be settled by way of cash or issuance of the Company's shares at the discretion of Huabei Expressway during a three-year period till December 2016 ("Huabei Express Put Option"). On 13 March 2014, Huabei Expressway had confirmed in writing to the Company that it would not request the Group to acquire Huabei Sales interest by way of cash before 31 May 2015.

Recent acquisitions of the Group

As set out in the Company's announcements dated at 27 March 2014, 28 March 2014 and 4 April 2014, the Group completed the acquisition of 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited (國電察哈爾右翼前旗光伏發電有限公司, "Target 3"), a 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited (國電烏拉特後旗光伏發電有限公司, "Target 4") (together referred to as the "90MW Equity Interest"), and a 89.78% equity interest in Guodian Tuoketuo County Solar Power Company Limited (國電托克托縣光伏發電有限公司), "Target 1") (referred to as the "40MW Equity Interest"), respectively.

The total consideration for the 90MW Equity Interest is RMB159 million (approximately HK$201 million). As at the Latest Practicable Date, the Company has paid approximately RMB79 million (approximately of HK$100 million) as consideration for the 90MW Equity Interest and the remaining outstanding amount of the consideration of approximately RMB80 million (approximately HK$101 million) will be set off against the initial deposit of HK$100 million, which was paid in December 2013.

The construction cost payables of the projects undertaken by Target 3 and Target 4 amount to approximately RMB820 million (approximately HK$1,033 million) which represents the Engineering, Procurement and Construction ("EPC") cost payables for these projects. The EPC contractor has confirmed in writing that the payments of these construction cost payables will be deferred at an interest rate of 6% per annum until the obtaining of suitable long term financing.

The total consideration for the acquisition of 40MW Equity Interest is RMB79 million (approximately HK$100 million). As at the Latest Practicable Date, the Company has fully paid the consideration.

The construction cost payables of the projects undertaken by Target 1 amount to approximately RMB346 million (approximately HK$436 million) which represents the EPC cost payables for the project. The EPC contractor has confirmed in writing that the payments of these construction cost payables will be deferred at an interest rate of 6% per annum until the obtaining of suitable the long-term financing.

As at Latest Practicable Date, certain condition precedents have not yet been satisfied for the completion of the acquisition of Guodian Nailuntumotezuoqi Solar Power Company Limited (國電奈倫土默特左旗光伏發電有限公司, "Target 2") (referred to as the "65MW Equity Interest"). As set out in the announcement of the Company dated 20 December 2013, the completion of the acquisition of Target 2 is conditional upon, among other things, Target 2 having obtained project financing for no less than 70% of the investment capital required unless the relevant EPC contractor, 國電光伏有限公司 (GD Solar Co., Ltd), agrees in writing that it shall not require immediate settlement of its consideration, including the relevant EPC cost payables, after completion of the equity transfer and prior to the obtaining of the project

financing. The consideration for acquisition of the 65MW Equity Interest will be RMB67 million (approximately HK$84 million) and EPC cost payables will be approximately RMB628 million (approximately HK$791 million). The remaining 30% of its consideration and EPC cost payables will be financed by the internal financial resources of the Group and the conditional financial support from CM Yinke to the Group as mentioned below.

Capital commitments of the Group

As at 31 December 2013, the Group also has committed capital expenditures of approximately RMB21 million (approximately HK$27 million) which mainly represents the remaining contracted construction cost payable in respect of a 10MW rooftop project on the solar cell factory located Quanzhou, PRC. Such committed capital expenditures of RMB21 million (approximately HK$27 million) will be financed by the Group's internal financial resources.

In addition, the Group has planned capital expenditures of RMB5.0 billion (approximately HK$6.3 billion) for its solar energy initiatives in its business plan based on its forecast in the next twelve months from the date of this circular. None of the planned capital expenditures represents legal commitment of the Group.

Section A below details the financing measures undertaken by the Directors to finance the working capital of the Group, the acquisition of Target 1, 3 and 4 and its planned but uncommitted capital expenditures of RMB5.0 billion (approximately HK$6.3 billion) in the next twelve months from the date of the Circular. Section B below details the financing plans of the Target Group and the additional financing measures to be undertaken by the Group to finance the working capital of the Target Group, taking into account the completion of the proposed acquisition of the remaining equity interest in the Target Company.

A. Financing measures under-taken by the Directors to finance the working capital of the Group, the acquisition of Target 1, 3 and 4 and uncommitted capital expenditures

On 29 January 2014, the Company completed the placing of 480,000,000 shares of the Company at a price of HK$1.72 per share (the "Placement"). The net proceeds from the Placement approximated HK$809 million.

In January 2014, the Company has further drawn down RMB40 million (approximately HK$50 million) from its existing 13-year long-term loan facility of RMB800 million from China Development Bank.

In April 2014, the Group has successfully renewed a banking facility of RMB120 million (approximately HK$151 million), which will be available until April 2015.

With regard to the acquisition of Target 1, 3 and 4, the EPC contractor has confirmed in writing that the payments of the related construction cost payables will be deferred at an interest rate of 6% per annum until the obtaining of suitable long term financing.

As at the Latest Practicable Date, the Group expects to incur capital expenditures of RMB5.0 billion (approximately HK$6.3 billion) for its solar energy initiatives in the next 12 months from the date of this circular. None of the planned capital expenditures represents commitment of the Group and the Directors will fully take the Group's financial position and financial resources into consolidation before any future solar energy initiatives constitutes a commitment of the Group. In particular, these solar energy initiatives relate to the acquisition of additional solar power plants contemplated under certain concession rights obtained upon acquisition of approximately 92.17% of China Solar Power Group Limited and its subsidiaries on 10 June 2013 (details of which are also disclosed in the Company's circular dated 10 May 2013). These acquisitions may or may not proceed depending on the Group's financial position and resources. None of the Group's current operations would be affected in the event any of these future solar energy initiatives are not proceeded with or delayed and the Company has completed and sole discretion to decide on the appropriate time to execute its expansion plans depending on the circumstances from time to time.

In addition, the Directors have the following measures taken.

(1) Approximately 70% of the estimated total capital expenditures, estimated to be RMB3.5 billion (approximately HK$4.4 billion), would be financed by banking facilities, with reference to the past financing experience of the Group. In particular, in 2013, the Group did secure external financing facilities totalling RMB0.9 billion (approximately HK$1.1 billion) from China Development Bank and Changshu Zhonghui Cable Accessory Limited to finance approximately 72% of the totalling capital expenditures of RMB1.3 billion (approximately HK$1.6 billion) required for the 100MW solar power plant project in Jiayuguan. The Group is in the process of selecting additional suitable financial institutions to provide the required financing for its expected capital expenditures but has not yet identified any specific candidates as at the Latest Practicable Date. The Company would ideally look for financing candidates with a business or financing history with the Group, such as China Development Bank, or other candidates who are otherwise familiar with the Group's operations and business. The Company will select financing candidates and methods that are the most commercially favorable to the Company and Shareholders as a whole. As none of the expected capital expenditures represents a legal commitment of the Group, the Directors will fully take the Group's financial position and financing

resources into consideration and if necessary, delay its planned capital expenditures, until it can secure suitable financing on terms that are favorable to and in the interests of the Group as a whole;

(2) The remaining 30% of such capital expenditures, estimated to be RMB1.5 billion (approximately HK$1.9 billion) would be funded by internal resources, and the conditional financial support from Shenzhen China Merchants Yinke Investment Management Limited ("CM Yinke"), as well as the financing arrangement with GCL-Poly Investment, as mentioned below.

(a) ***Financial support from CM Yinke (Expected to finance uncommitted capital expenditures of RMB1.2 billion (approximately HK$1.5 billion))***

In October 2013, CM Yinke, has issued a letter of conditional financial support to the Group to enable it to meet its liabilities and obligation (including capital expenditures and operating expenses) in connection with its existing and future solar energy business up to a period ending 30 June 2015. Such financing is intended to be provided to the Group for its solar energy projects undertaken provided that these projects could generate a return of not less than 8% per annum and they are in compliance with the relevant laws and regulations in the PRC. No maximum limit has however been set out in the letter of conditional financial support as such financial support is conditional upon further assessment by CM Yinke on a project by project basis.

All of the existing solar power plant projects of the Enlarged Group and those that may be acquired by the Group in the next 12 months, are expected to generate an internal rate of return of not less than 8% per annum.

(b) ***Financing arrangement with GCL-Poly Investment (Expected to finance uncommitted capital expenditures of RMB0.3 billion (approximately HK$0.4 billion)***

In November 2012, the Group had entered into a framework agreement with GCL-Poly Investment, whereby GCL-Poly Investment or its affiliate will supply wafers or modules at market price for up to RMB5.0 billion (approximately HK$6.3 billion) over a period of 36 months, with trade credit support, subject to definitive agreements to be entered into by the parties. Wafers and modules are key components for construction of solar power plant projects, and purchases of such components will form part of the estimated capital expenditure of the Group. This arrangement provides the Group with flexibility to defer the repayment of the outstanding payable balances arising from purchases of these components for construction of solar power plant projects within the aforesaid limit. As at the Latest Practicable Date, no definitive agreements for trade credit support from GCL-Poly Investment have

been entered into. In this regard, the Company will assess the Group's financial position and financing resources from time to time and to the extent desirable with regard to the Group's financial requirements, it would enter into such trade credit support agreements for specific purchases as the need arises.

B. Financing plans of the Target Group and the additional financing measures to be undertaken by the Group to finance the working capital of the Target Group

As at 31 December 2013, the Target Group's current liabilities exceeded its current assets by RMB1.9 billion (approximately HK$2.4 billion), which mainly arises from the capital expenditures incurred by the Target Group in 2013. With reference to the past financing experience of the Group, the directors of the Target Company expect that approximately 70% of RMB1.9 billion (being the amount of the estimated working capital of the Target Group) would be financed by banking facilities. In particular, the Target Group is currently in the process of negotiating a 13-year long-term loan with China Development Bank for a principal loan amount of approximately RMB1.3 billion (approximately HK$1.6 billion). The directors of the Target Company are confident that the Target Company would be able to obtain this loan upon completion of the proposed acquisition of the remaining equity interest in the Target Company.

The remaining 30% of such capital expenditures, estimated to be RMB0.6 billion (approximately HK$0.8 billion) would be funded by internal resources, other forms of short-term or long-term financing that the Target Group is currently seeking, and the conditional financial support from CM Yinke to the Group as mentioned above.

Conclusion

Taking into account the expected completion of the proposed acquisition of the remaining equity interest in the Target Company, and (i) the financial resources available to the Enlarged Group, including the internally generated funds, (ii) the existing financial support available till 30 June 2015 from CM Yinke, which is a fellow subsidiary of a shareholder of the Company, (iii) the financing arrangement with GCL-Poly Investment, a direct wholly-owned subsidiary of GCL-Poly Energy Holdings Limited, which is a shareholder of the Company, (iv) the financing arrangement with the EPC contractor in respect of the construction cost payables of Target 1, 3 and 4, and (v) the expected additional bank financing of RMB4.8 billion (approximately HK$6.0 billion), including the long-term loan of approximately RMB1.3 billion (approximately HK$1.6 billion) from China Development Bank to the Target Group, to be obtained, the Directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Circular.

If the Enlarged Group would fail to obtain financial support from CM Yinke on its solar energy project and the Target Group could not obtain the long-term loan of approximately RMB1.3 billion (approximately HK$1.6 billion) from China Development Bank, the Enlarged Group would not have sufficient funds for at least 12 months from the Circular date, taking into account the expected completion of the proposed acquisition of the remaining equity interest in the Target Company.

5. ACQUISITIONS SINCE THE LATEST PUBLISHED AUDITED ACCOUNTS

On 7 January 2014, the Group, together with EBODHK, completed the acquisition of the Target Company to which the Group held a 45% equity interest in the Target Company while EBODHK held the remaining 55% equity interest. The total cash consideration for the Group to acquire the 45% equity interest was RMB4,500,000 (equivalent to approximately HK$5,670,000). The Group and EBODHK also acquired the shareholders' loan provided to the Target Company by the former shareholder of the Target Company in the amount of RMB5,000,000 (equivalent to approximately HK$6,300,000) in proportion to the equity interest in the Target Company respectively. The Target Company is accounted for as an associate of the Group after the completion of acquisition and the results and net assets will be equity accounted for in the consolidated financial statements of the Group.

On 27 March 2014 and 28 March 2014, the Group completed the acquisition of 86.79% equity interest of Guodian Chahaeryouyiqianqi Solar Power Company Limited and 90.33% equity interest of Guodian Wulatehouqi Solar Power Company Limited respectively which forms the 90MW Equity Interest. The two target companies are principally engaged in the development, investment, operation and management of solar power plants in Inner Mongolia, PRC, with an aggregate installed capacity of approximately 90MW. They have achieved on-grid connection successfully.

On 4 April 2014, the Group completed the acquisition of 89.7839% equity interest of Guodian Tuoketuo County Solar Power Company Limited*, which is one of the two project companies under 105MW Equity Interest.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

羅兵咸永道

16 May 2014

The Directors
United Photovoltaics Group Limited
(formerly known as Goldpoly New Energy Holdings Limited)

Dear Sirs,

We report on the financial information of Changzhou Dinghui New Energy Limited (the "Target Company") and its subsidiaries (together, the "Target Group"), which comprises the consolidated statement of financial position of the Target Company as at 31 December 2013, statement of financial position of the Target Company as at 31 December 2013 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Company for the period from 21 June 2013 (date of establishment) to 31 December 2013 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of United Photovoltaics Group Limited (formerly known as Goldpoly New Energy Holdings Limited) (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 16 May 2014 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 9 September 2013.

As at the date of this report, the Target Company has direct interests in the subsidiaries as set out in Note 1 of Section II below.

No audited financial statements have been prepared by the Target Company as it is newly incorporated during the Relevant Period.

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The directors of the Target Company are responsible for the preparation of the consolidated financial statements of the Target Company for the Relevant Period that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2013.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company and the Target Group as at 31 December 2013 and of the Target Group's results and cash flows for the Relevant Period then ended.

EMPHASIS OF MATTER

We draw attention to Note 2.1.2 of Section II below which describes that as at 31 December 2013, the Target Group's and the Target Company's current liabilities exceeded their current assets by RMB1,910,099,000 and RMB5,025,000, respectively. This condition, along with other matters as discussed in Note 2.1.2 of section II, indicate the existence of a material uncertainty which may cast significant doubt about the abilities of the Target Group and the Target Company to continue as a going concern. Our opinion is not qualified in respect of this matter.

I FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group prepared by the directors of the Company as at 31 December 2013 and for the period from 21 June 2013 (date of establishment) to 31 December 2013 (the "Financial Information"):

(A) Consolidated statement of financial position

	Note	As at 31 December 2013 RMB'000
Assets		
Non-current assets		
Property, plant and equipment	*6*	1,811,271
Value added tax recoverable	*8*	135,707
		1,946,978
Current assets		
Deposits	*8*	15,000
Value added tax recoverable	*8*	43,938
Cash and cash equivalents	*9*	2,158
		61,096
Total assets		2,008,074
Equity and liabilities		
Equity attributable to owners of the Target Company		
Registered capital	*10*	10,000
Retained earnings		20,934
Total equity		30,934

	Note	As at 31 December 2013 RMB'000
Liabilities		
Non-current liabilities		
Deferred tax liabilities	*13*	5,945
Current liabilities		
Other payables and accruals	*11*	1,371,195
Borrowings	*12*	600,000
		1,971,195
Total liabilities		1,977,140
Total equity and liabilities		2,008,074
Net current liabilities		(1,910,099)
Total assets less current liabilities		36,879

(B) Statement of financial position

	Note	As at 31 December 2013 RMB'000
Assets		
Non-current assets		
Interests in subsidiaries	*7*	15,000
Current assets		
Cash and cash equivalents	*9*	80
Total assets		15,080
Equity and liabilities		
Equity attributable to owners of the Target Company		
Registered capital	*10*	10,000
Accumulated losses		(25)
Total equity		9,975
Liabilities		
Current liabilities		
Other payables and accruals	*11*	5,105
Total equity and liabilities		15,080
Net current liabilities		(5,025)
Total assets less current liabilities		9,975

(C) Consolidated income statement

	Note	For the period from 21 June 2013 (date of establishment) to 31 December 2013 RMB'000
Revenue		—
Bargain on acquisition of a subsidiary	*19*	23,028
Stamp duties		(570)
Other operating expenses		(17)
Operating profit		22,441
Finance income	*14*	4
Finance costs	*14*	(1,511)
Finance costs — net		(1,507)
Profit before income tax		20,934
Income tax expense	*16*	—
Profit for the period		20,934
Profit for the period attributable to owners of the Target Company		20,934

(D) Consolidated statement of comprehensive income

	For the period from 21 June 2013 (date of establishment) to 31 December 2013 *RMB'000*
Profit and total comprehensive income for the period	20,934
Total comprehensive income attributable to:	
Owners of the Target Company	20,934

(E) Consolidated statement of changes in equity

	Attributable to owners of the Target Company		
	Registered capital *RMB'000*	**Retained earnings** *RMB'000*	**Total equity** *RMB'000*
At 21 June 2013 (date of establishment)	—	—	—
Comprehensive income:			
Profit for the period	—	20,934	20,934
Total comprehensive income for the period	—	20,934	20,934
Transaction with owners:			
Capital injection *(Note 10)*	10,000	—	10,000
Total transaction with owners	10,000	—	10,000
At 31 December 2013	10,000	20,934	30,934

(F) Consolidated statement of cash flows

	Note	For the period from 21 June 2013 (date of establishment) to 31 December 2013 RMB'000
Cash flows from operating activities		
Cash used in operations	*18*	(78,606)
Net cash used in operating activities		(78,606)
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	*19*	(4,063)
Purchases of property, plant and equipment		(524,077)
Interest received		4
Net cash used in investing activities		(528,136)
Cash flows from financing activities		
Proceeds from capital injection		10,000
Proceeds from borrowings		600,000
Interest paid		(1,100)
Net cash generated from financing activities		608,900
Net increase in cash and cash equivalents		2,158
Cash and cash equivalents at beginning of the period		—
Cash and cash equivalents at end of the period	*9*	2,158

Non-cash transactions:

The Target Group purchased property, plant and equipment of RMB1,778,945,000 for the period from 21 June 2013 (date of establishment) to 31 December 2013. During the period from 21 June 2013 (date of establishment) to 31 December 2013, approximately RMB524,077,000 of which was paid and the remaining balance of RMB1,254,868,000 was recognised in other payables and accruals as at 31 December 2013.

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) General information

Changzhou Dinghui New Energy Limited (the "Target Company") and its subsidiaries (together, the "Target Group") are principally engaged in development, investment, operation and management of solar plants and investment holding.

The Target Company is a limited liability company established in the People's Republic of China (the "PRC"). It was established on 9 September 2013. The address of its registered office is 405–25, Tian'an Innovation Plaza, Building A, Phase I, Tian'an Cyber Park, No. 588, Changwu South Road, Wujin Hi-Tech Industrial Development Zone, Changzhou, Jiangsu Province, the PRC.

The financial information of the Target Group is presented in units of Renminbi ("RMB"), unless otherwise stated.

(b) Reorganisation

Before completion of the Reorganisation (as defined below), Zhongli Talesun Gonghe New Energy Limited ("Zhongli Gonghe") was engaged in the development, investment, operation and management of solar power plants during the Relevant Period. Zhongli Photovoltaic Science and Technology Group Co., Ltd ("Zhongli Photovoltaic"), the immediate holding company of the Target Company, underwent the Reorganisation by way of the following:

The Target Company was newly established with registered capital of RMB10,000,000. The paid-in capital of RMB10,000,000 was contributed by Zhongli Photovoltaic and Jiangsu Zhongli Talesun Solar Materials Sales Co., Ltd., subsidiaries of Zhongli Photovoltaic on 9 September 2013. Pursuant to the equity transfer agreement entered into between Zhongli Photovoltaic and the Target Company, Zhongli Photovoltaic transferred its entire equity interest in Zhongli Gonghe to the Target Company on 12 December 2013 for a consideration of RMB10,000,000. As at the date of equity transfer, the solar power plants held by Zhongli Gonghe were under construction. These solar power plants were connected to the State Grid by the end of 2013. After the equity transfer, Zhongli Gonghe became a wholly owned subsidiary of the Target Company. As at the date of equity transfer, the solar power plants held by Zhongli Gonghe were under construction. These solar power plants were connected to the State Grid by the end of 2013.

As at the date of this report, the Target Company has direct equity interests in the following subsidiaries:

Name	Place and date of establishment	Principal activities	Registered/paid up capital as at 31 December 2013 and date of this report	Interests held as at 31 December 2013 and date of this report
Zhongli Talesun Gonghe ("中利騰暉共和新能源有限公司")	The PRC/ 21 June 2013	Development, investment, operation and management of solar power plants	RMB10,000,000	100%
Hainanzhou Yahui New Energy Power Company Limited ("Hainanzhou Yahui" or "海南州亞輝新能源電力有限公司")	The PRC/ 12 July 2013	Development, investment, operation and management of solar power plants	RMB5,000,000	100% *(Note 19)*

Note: The above subsidiaries are newly established and the first statutory financial statements are not yet available.

The English name of the above subsidiaries represents the best effort by management of the Company in translating their Chinese names as they do not have official English name.

(c) Basis of presentation

For the purpose of this report, the Financial Information of the Target Group has been presented on the basis as if the Reorganisation had been completed on 21 June 2013 and in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the period from 21 June 2013 (date of establishment) to 31 December 2013 have been prepared using the Financial Information of Zhongli Gonghe, under the common control of Zhongli Science And Technology and now comprising the Target Group as if the current group structure had been in existence throughout the period from 21 June 2013 (date of establishment) to 31 December 2013, or since the date when the combining company first came under the control of Zhongli Science And Technology Group Co., Ltd., whichever is a shorter period. The consolidated statement of financial position of the Target Group as at 31 December 2013 have been prepared to present the assets and liabilities of the companies now comprising the Target Group at that date, as if the current group structure had been in existence as at that date. The net assets and results of the Target Group were consolidated using the existing book values from Zhongli Science And Technology's perspective.

Hainanzhou Yahui was acquired from a third party on 16 September 2013, they are included in the consolidated financial statement of the Target Group from the date of the acquisition.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by HKICPA and under the historical cost convention.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

2.1.1 *Changes in accounting policy and disclosures*

The new standards and amendments to standards have been issued but are not yet effective for the financial periods on or after 1 January 2014 and have not been early adopted by the Target Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, ''Financial instruments'', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.1.2 *Going concern*

As at 31 December 2013, the Target Group's and the Target Company's current liabilities exceeded their current assets by RMB1,910,099,000 and RMB5,025,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's and Target Company's abilities to continue as a going concern.

In order to improve the Target Group's financial position, the Target Group is currently in the process of negotiating a 13-year long-term loan with China Development Bank for a principal loan amount of approximately RMB1.3 billion, which would be secured by the Target Group's property, plant and equipment with a carrying value of RMB1,811,271,000 as at 31 December 2013. The directors of the Target Company are confident that they would be able to obtain this loan upon completion of its shareholding changes.

In addition, the solar power plants held by Zhongli Gonghe and Hainanzhou Yahui, subsidiaries of the Target Group, with an aggregate capacity of 180MW have successfully been connected to the State Grid by the end of 2013. These solar power plants are expected to bring in operating cash inflows to the Target Group

commencing in 2014. In addition, the electricity output to be generated by these 180MW solar power plants were guaranteed by Zhongli Photovoltaic, the immediate holding company of the Target Company, for a period of ten years.

The directors of the Target Company are of the opinion that, taking into account the above-mentioned measures, the Target Group and the Target Company will have sufficient working capital to meet their financial obligations as and when they fall due for the twelve months from the balance sheet date of the Financial Information. Accordingly, the Financial Information has been prepared on a going concern basis. Nevertheless, there is a material uncertainty which may cast significant doubt on the Target Group's and the Target Company's abilities to continue as a going concern in relation to whether the Target Group could generate adequate internally generated cash flows, obtain the long-term bank borrowing of RMB1.3 billion from China Development Bank, and obtain other forms of financing when the repayment obligations of any of the outstanding balance fall due.

Should the Target Group or the Target Company be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the Financial Information.

2.2 Subsidiaries

2.2.1 ***Consolidation***

Subsidiaries are all entities (including structured entities) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

Except for the acquisition of Zhongli Gonghe (Note 1), the Target Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Target group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

2.2.2 ***Separate financial information***

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target Company on the basis of dividend and dividend receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial information exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors that makes strategic decisions.

2.4 Foreign currency translation

(a) ***Functional and presentation currency***

Items included in the financial information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial information is presented in RMB, which is the functional currency of the Target Company and the presentation currency of the Target Group.

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) ***The group companies***

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Power generators and equipment	25 years

Construction in-progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of solar power plants. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Target Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2.7.1 ***Classification***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Group's loans and receivables comprise 'deposits' and 'cash and cash equivalents' in the consolidated statement of financial position.

2.7.2 ***Recognition and measurement***

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Receivables

If collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer and the normal operating cycle of the business is around 12 months), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.12 Registered capital

Registered capital is classified as equity.

2.13 Payables

Payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) ***Deferred income tax***

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) ***Offsetting***

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

The employees of the Target Group in the PRC are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Target Group contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Target Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

The subsidiaries in the PRC participate in employee benefit plans, including pension, medical and other welfare benefits, organised by the government authorities in accordance with relevant regulations. Except for the above security benefits, the subsidiaries have no other material commitment to other employee welfare benefits. According to the relevant regulations, premium and welfare benefit contributions are remitted to the social welfare authorities and are calculated based on percentages of the total salary of employees, subject to certain ceiling. Contributions to the plans are expensed as incurred.

2.17 Provisions

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.19 Dividend distribution

Dividend distribution to the Target Company's shareholders is recognised as a liability in the Target Group's financial information in the period in which the dividends are approved by the Target Company's shareholders or directors, where applicable.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risk: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) ***Market risk***

(i) *Foreign exchange risk*

Since the Target Group mainly operates in the PRC with transactions mainly settled in RMB, the functional currency of the Target Group, it is not exposed to significant foreign exchange risk.

(ii) *Interest rate risk*

The Target Group's interest rate risk mainly arises from borrowings. Borrowings issued at fixed rates expose the Target Group to fair value interest risk.

If interest rate on this borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the period from 21 June 2013 (date of establishment) to 31 December 2013 would have been approximately RMB1,500,000 lower/higher, respectively.

(b) ***Credit risk***

The credit risk of the Target Group mainly arises from cash and cash equivalents and deposits. The carrying amounts of these balances represent the Target Group's maximum exposure to credit risk in relation to financial assets.

As at the balance sheet date, all the Target Group's bank deposits are mainly placed in state-owned banks and certain commercial banks in the PRC. Management believes these financial institutions are of high credit quality and management does not expect any losses arising from non-performance by these counterparties.

The Target Group's deposits are mainly paid to local government authority in relation to construction of solar power plants. The directors are of the opinion that the risk of default is not significant.

(c) ***Liquidity risk***

The Target Group regularly monitors current and expected liquidity requirements to ensure that adequate funding is available for operating, investing and financing activities.

The table below analyses the Target Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 December 2013	**Target Group** *RMB'000*	**Target Company** *RMB'000*
Less than 1 year:		
Borrowings	669,714	—
Other payables and accruals	1,371,195	5,105
	2,040,909	5,105

3.2 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt.

The Target Group monitors capital using a gearing ratio, this ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The Target Group's gearing ratios at 31 December 2013 was as follows:

	As at 31 December 2013 *RMB'000*
Borrowings *(Note 12)*	600,000
Less: cash and cash equivalents *(Note 9)*	(2,158)
Net debt	597,842
Total equity	30,934
Total capital	628,776
Gearing ratio	95.08%

The Target Group is currently in the process of negotiating with a bank to renew its current bank loan upon expiry or to obtain additional short-term and/or long-term banking facilities in order to improve the liquidity position.

3.3 Fair value estimation

The carrying amounts of the Target Group's financial assets, including cash and cash equivalents, deposits, and financial liabilities, including borrowings, other payables and accruals approximate their fair values. The carrying values of these balances are a reasonable approximation of their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Purchase accounting

Accounting for acquisitions require the Target Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. In connection with the acquisition of Hainanzhou Yahui, the Target Group has undertaken a process to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill, and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgements.

4.2 Impairment of property, plant and equipment

The Target Group reviews for impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations required the use of judgements and estimates. Management judgement is required in the area of asset impairment particular in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in impairment assessment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Target Group's financial condition and results of operations.

4.3 Useful life of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4.4 Provision for income taxes

The Target Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary difference or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

5 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the directors of the Target Group. The directors review the Target Group's internal reporting in order to assess performance and allocate resources. For the period from 21 June 2013 (date of establishment) to 31 December 2013, the directors consider that the Target Group's operations are operated and managed as a single segment — development, investment, operation and management of solar power plants. No separate segment information was presented for the Relevant Period.

The Target Group is domiciled in the PRC. All of the Target Group's non-current assets are located in the PRC during the Relevant Period.

6 PROPERTY, PLANT AND EQUIPMENT — TARGET GROUP

	Power generators and equipment *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
Period from 21 June 2013 (date of establishment) to 31 December 2013			
Acquisition of a subsidiary *(Note 19)*	—	32,326	32,326
Additions	—	1,778,945	1,778,945
Transfer	1,811,271	(1,811,271)	—
Closing net book amount	1,811,271	—	1,811,271
At 31 December 2013			
Cost	1,811,271	—	1,811,271
Accumulated depreciation	—	—	—
Net book amount	1,811,271	—	1,811,271

7 INTERESTS IN SUBSIDIARIES — TARGET COMPANY

	As at 31 December 2013 *RMB'000*
At 21 June 2013 (date of establishment)	—
Acquisition of a subsidiary *(Note 19)*	5,000
Additions *(Note 1)*	10,000
At 31 December 2013	15,000

As at 31 December 2013, the list of subsidiaries which the Target Company had equity interests was disclosed in Note 1.

8 VALUE ADDED TAX RECOVERABLE AND DEPOSITS — TARGET GROUP

	As at 31 December 2013 *RMB'000*
Deposits	15,000
Value added tax recoverable	179,645
	194,645
Less: non-current portion of value added tax recoverable	(135,707)
Current portion	58,938

The maximum exposure to credit risk at the reporting date is the carrying value of each of the receivable mentioned above. The Target Group does not hold any collateral as security.

The carrying values of deposits approximate their fair values due to their short maturities and are denominated in RMB.

9 CASH AND CASH EQUIVALENTS

Target Group

	As at 31 December 2013 *RMB'000*
Cash at bank and on hand	2,158

Target Company

	As at 31 December 2013 *RMB'000*
Cash at bank and on hand	80

The carrying amounts of cash and cash equivalents are denominated in RMB.

As at 31 December 2013, the Target Group's bank balance of approximately RMB2,158,000 are deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

10 REGISTERED CAPITAL

	Registered and paid up capital *RMB'000*
As at 21 June 2013 (date of establishment)	
— Capital injection	10,000
As at 31 December 2013	10,000

On 9 September 2013, the Target Company was established in the PRC with a registered capital of RMB10,000,000.

11 OTHER PAYABLES AND ACCRUALS

Target Group

	As at 31 December 2013 *RMB'000*
Other payables	5,100
Accrued expenses	416
Amount due to the immediate holding company *(Note 20(a))*	1,365,679
	1,371,195

Target Company

	As at 31 December 2013 *RMB'000*
Other payables	5,100
Accrued expenses	5
	5,105

The amount due to the immediate holding company is unsecured, interest free and repayable on demand. The carrying amounts of other payables and accruals approximate their fair values and are denominated in RMB.

12 BORROWINGS — TARGET GROUP

	As at 31 December 2013 *RMB'000*
Borrowings	600,000

On 25 December 2013, the Target Group entered into two entrusted loan agreements with a bank in the PRC with the aggregate amount of RMB600,000,000 whereby these entrust loans were entrusted by an independent third party which is established in the PRC.

The borrowings are unsecured, interest bearing at 12.95% per annum, denominated in RMB and are repayable on following days:

	As at 31 December 2013 *RMB'000*
Repayable by 25 September 2014	200,000
Repayable by 25 December 2014	400,000
	600,000

13 DEFERRED TAXATION — TARGET GROUP

Deferred income tax is calculated in full on temporary differences under liability method using a principal taxation rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred income tax amount in respect of revaluation of property, plant and equipment arising from acquisition of Hainanzhou Yahui is as follows:

	RMB'000
As at 21 June 2013 (date of establishment)	—
Acquisition of a subsidiary *(Note 19)*	5,945
As at 31 December 2013	5,945

The above deferred tax liability will be settled after more than 12 months.

14 FINANCE COST — NET

	For the period from 21 June 2013 (date of establishment) to 31 December 2013 *RMB'000*
Finance income:	
Interest income on bank deposits	4
Finance costs:	
Interest expenses on borrowings wholly repayable within one year	(1,511)
Finance costs — net	(1,507)

15 EMPLOYEE BENEFIT EXPENSES

	For the period from 21 June 2013 (date of establishment) to 31 December 2013 *RMB'000*
Wages, salaries and welfare	—
Other benefits	—
	—

Zhongli Photovoltaic, the immediate holding company of the Target Company agreed to bear the employee benefits expenses for the Relevant Period.

None of the directors received or will receive any fees or emoluments in respect of the services to the Target Group during the Relevant Period.

During the Relevant Period, no directors of the Target Company nor senior management of the Target Company waived any emoluments and no emoluments were paid by the Target Company to any of the directors or senior management of the Target Company as an inducement to join or upon joining the Target Company or as compensation for loss of offices.

16 INCOME TAX EXPENSE

	For the period from 21 June 2013 (date of establishment) to 31 December 2013 *RMB'000*
Current income tax	
— PRC corporate income tax	—

The Target Company and its subsidiaries are established in the PRC and are subject to the China Corporate Income Tax ("CIT") at a rate of 25% for the Relevant Period on estimated assessable profits arising in or derived from the PRC.

The tax on the Target Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of the PRC as follows:

	For the period from 21 June 2013 (date of establishment) to 31 December 2013 *RMB'000*
Profit before income tax	20,934
Tax calculated at the corporate income tax rate of 25%	5,233
Income not subject to tax	(5,757)
Temporary difference for which no deferred tax assets were recognised	524
	—

17 DIVIDEND

No dividends had been paid or declared by the Target Company during the Relevant Period.

18 CASH USED IN OPERATIONS

Reconciliation of profit before income tax to cash used in operations:

	For the period from 21 June 2013 (date of establishment) to 31 December 2013 *RMB'000*
Profit before income tax	20,934
Adjustments for:	
Bargain on acquisition of a subsidiary *(Note 19)*	(23,028)
Finance income	(4)
Finance costs	1,511
Operating loss before working capital changes	(587)
Changes in working capital	
Value added tax recoverable and deposits	(86,177)
Other payables and accruals	8,158
Cash used in operations	(78,606)

19 BUSINESS COMBINATIONS

On 16 September 2013, the Target Company completed the acquisition of 100% equity interest in Hainanzhou Yahui from an independent third party at a cash consideration of RMB5,000,000.

Hainanzhou Yahui is mainly engaged in development, investment, operation and management of a 30MW solar power plant at Gonghe, Qinghai Province, the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed as at 16 September 2013.

	16 September 2013 *RMB'000*
Consideration:	5,000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment*	32,326
Deposits	17,910
Cash and cash equivalents	937
Other payables	(17,200)
Deferred tax liabilities	(5,945)
Total identifiable net assets	28,028
Bargain on acquisition of a subsidiary	(23,028)
	5,000

* The fair value of the property, plant and equipment included the fair value of concession rights owned by Hainanzhou Yahui to operate a 30MW solar power plant at Gonghe, Qinghai Province, the PRC of RMB29,000,000 on 16 September 2013, which is estimated based on a separate valuation report prepared by the independent valuer, American Appraisal China Limited. The valuation of these concession rights owned by the Target Group is prepared using the Adjusted Present Value method under the income approach.

Key assumptions adopted are extracted as follows:

Estimated useful life	25 years
Capacity	30MW
Insolation hours	1,680MWh/MWp
Electricity price	RMB1/kWh
Degradation factor	0.8% per annum
Discount rate	8.5%

Acquisition-related costs of approximately RMB3,000 has been charged to the consolidated income statement during the period from 21 June 2013 (date of establishment) to 31 December 2013.

	RMB'000
Inflow of cash to acquire business, net of cash acquired	
— cash consideration	(5,000)
— cash and cash equivalents in a subsidiary acquired	937
Cash outflow on acquisition	(4,063)

Hainanzhou Yahui did not contribute any revenue to the Target Group during the period from 16 September 2013 (date of acquisition) to 31 December 2013. Hainanzhou Yahui contributed loss of approximately RMB94,000 over the same period. Had Hainanzhou Yahui been consolidated from 21 June 2013, the consolidated income statement of the Target Group would show pro-forma profit of approximately RMB20,908,000.

Bargain on acquisition of a subsidiary has been credited to the consolidated income statement for the period from 21 June 2013 (date of establishment) to 31 December 2013.

20 RELATED PARTY TRANSACTIONS

As at 31 December 2013, the Target Company was 90% owned by Zhongli Photovoltaic and 10% owned by Jiangsu Zhongli Talesun Solar Materials Sales Co., Ltd.. The directors also regard Zhongli Science And Technology as being the ultimate holding company.

Other than those balances and transactions disclosed elsewhere in the Financial Information, during the Relevant Period, a summary of significant balances and transactions with related parties are as follows:

(a) Significant balance with a related party — Target Group

	As at 31 December 2013 *RMB'000*
Other payable to an immediate holding company — Zhongli Photovoltaic (中利騰暉光伏科技有限公司) *(Note 11)*	
— In connection with the purchases of power generators and equipment	1,254,868
— Others	110,811
	1,365,679

The balance was unsecured, interest-free and repayable on demand.

(b) Significant transactions with related parties — Target Group

	For the period from 21 June 2013 (date of establishment) to 31 December 2013 *RMB'000*
Purchases of power generators and equipment from the immediate holding companies	
— Zhongli Photovoltaic (中利騰暉光伏科技有限公司)	1,551,469
— Jiangsu Zhongli Talesun Solar Materials Sales Co., Ltd (江蘇中利騰暉光伏材料銷售有限公司)	30,112
	1,581,581

Purchases of power generators and equipment paid were carried out at prices mutually agreed between the parties.

* The English name of certain PRC companies referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

21 EVENTS AFTER THE BALANCE SHEET DATE

On 7 January 2014, United Photovoltaics (Changzhou) Investment Company Limited, an indirect wholly-owned subsidiary of the Company, and Renewable Energy (Hong Kong) Trade Board Limited, a shareholder of the Company, completed the acquisition of 45% and 55% equity interest in the Target Company at consideration of RMB4,500,000 and RMB5,500,000, respectively. Accordingly the ultimate holding company changed from Zhongli Science And Technology to Renewable Energy (Hong Kong) Trade Board Limited thereafter.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2013 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group ("Unaudited Pro Forma Financial Information") which has been prepared based on the consolidated statement of financial position of the Group as set out in the annual report of the Company as at 31 December 2013 after making pro forma adjustments as set out below. This Unaudited Pro Forma Financial Information has been prepared to illustrate the effect of the acquisition of the remaining 55% of the issued share capital of the Target Company (the "55% Acquisition") and the First Acquisition, as if the 55% Acquisition and the First Acquisition had taken place on 31 December 2013.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the 55% Acquisition and the First Acquisition been completed as at 31 December 2013 or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

			Pro forma adjustments					
	Consolidated statement of assets and liabilities of the Group as at 31 December 2013	Audited consolidated statement of assets and liabilities of the Target Group as at 31 December 2013						Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
ASSETS								
Non-current assets								
Land use rights	141,457	—						141,457
Property, plant and equipment	2,561,563	2,282,202		375,480				5,219,245
Investment properties	48,485	—						48,485
Intangible assets	1,647,995	—	(183,897)	(224,763)				1,239,335
Investments in associates	289,819	—	151,868	(151,868)				289,819
Other receivables, deposits and prepayments	562,518	170,991						733,509
	5,251,837	2,453,193						7,671,850
Current assets								
Inventories	8,771	—						8,771
Trade and other receivables, deposits and prepayments	324,850	74,262			3,465	(6,300)		396,277
Financial assets at fair value through profit or loss	94,005	—						94,005
Pledged bank deposits	150,737	—						150,737
Restricted cash	23,250							23,250
Cash and cash equivalents	137,413	2,719	(5,670)	(6,930)	(3,465)			124,067
	739,026	76,981						797,107
Total assets	5,990,863	2,530,174						8,468,957

		Pro forma adjustments						
	Consolidated statement of assets and liabilities of the Group as at 31 December 2013	Audited consolidated statement of assets and liabilities of the Target Group as at 31 December 2013						Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
LIABILITIES								
Non-current liabilities								
Convertible notes	1,235,912	—						1,235,912
Contingent consideration payables	1,244,461	—						1,244,461
Deferred government grant	111,455	—						111,455
Deferred tax liabilities	334,334	7,491	(37,699)	30,896				335,022
Cash-settled share-based payment	35,445	—						35,445
Long-term bank borrowings	839,449	—						839,449
	3,801,056	7,491						3,801,744
Current liabilities								
Trade and bills payable, other payables and accruals	1,154,697	1,727,706				(6,300)	2,200	2,878,303
Amounts due to shareholders	26,200	—						26,200
Amount due to an associate	18,442	—						18,442
Current portion of long-term bank borrowings	63,595	—						63,595
Short-term bank borrowings	185,943	756,000						941,943
Loan from a third party	127,189	—						127,189
Financial liability at fair value through profit or loss	163,782	—						163,782
Current income tax liabilities	38	—						38
	1,739,886	2,483,706						4,219,492
Total liabilities	5,540,942	2,491,197						8,021,236
Net assets	449,921	38,977						447,721

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1 The unadjusted consolidated statement of assets and liabilities of the Group as at 31 December 2013 is extracted from the consolidated statement of financial position of the Group as set out in the annual report of the Company as at 31 December 2013.

2 The consolidated statement of assets and liabilities of the Target Group as at 31 December 2013 is extracted from the financial information of the Target Group as set out in Appendix II to this circular. The translation of RMB to HK$ was made at a rate of RMB1 to HK$1.26.

3 On 10 June 2013, the Group completed the very substantial acquisition of China Solar Power Group Limited ("CSPG") (the "VSA"). As part of the VSA, the Group acquired concession rights to develop and operate solar power plants under certain framework agreements with various shareholders, including Zhongli Photovoltaic Science and Technology Group Company Limited ("Zhongli Photovoltaic") and independent third parties (the "Concession Rights"). The fair values of these Concession Rights were recognised as intangible assets of the Group upon completion of the VSA on 10 June 2013.

On 7 January 2014, pursuant to the framework agreement entered between CSPG and Zhongli Photovoltaic, the Group acquired a 45% equity interest of the Target Group for a cash consideration of RMB4,500,000 (equivalent to approximately HK$5,670,000) (the "First Acquisition") from Zhongli Photovoltaic. The Target Group became an associated company of the Group thereafter. As the First Acquisition is part and partial of the solar power energy initiative in relation to the Concession Rights, an amount of HK$183,897,000 (and the related deferred tax liabilities of HK$37,699,000) was redesignated as part of investment cost of the First Acquisition.

The fair value of the net identifiable assets of the Target Group was estimated to be approximately HK$337,484,000 and hence, 45% of which was HK$151,868,000. The basis of determination of the fair value of the Target Group is set out in Note 4 below.

Cost of investment:

	HK$'000
Consideration transferred:	
Cash consideration	5,670
Redesignation of Concession Rights previously recognised as part of the VSA	
— Intangible assets	183,897
— Deferred tax liabilities	(37,699)
	151,868
Less:	
Net assets of the Target Group as at 31 December 2013 (RMB30,934,000)	38,977
Fair value surplus of property, plant and equipment (Note 4)	375,480
Effect of deferred tax liabilities arising from fair value surplus of property, plant and equipment (Note 4)	(76,973)
	337,484
	45%
Share of net assets of the associated company	151,868
Goodwill	—

4 Pursuant to the Sales and Purchase Agreement dated 8 January 2014, the Group has conditionally agreed to purchase the remaining 55% equity interest in the Target Company for a cash consideration of RMB5,500,000 (equivalent to approximately HK$6,930,000). The completion of the 55% Acquisition is dependent on the fulfilment of a number of conditions, amongst others, the approval from the shareholders of the Company. Upon completion of the 55% Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Upon the completion of the 55% Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the Unaudited Pro Forma Financial Information at fair value under the purchase method of accounting in accordance with HKFRS 3 (Revised).

For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company have estimated the fair values of the concession rights owned by the Target Group to operate three solar power plants with an aggregate installed capacity of approximately 180MW as at 31 December 2013 (''Gonghe II Concession Right''), based on a separate valuation report dated 16 May 2014 prepared by the independent valuer, American Appraisal China Limited, and set out in Appendix V. The valuation of the Gonghe II Concession Right owned by the Target Group is prepared using the Adjusted Present Value method under the income approach.

Key assumptions adopted are extracted as follows:

Estimated useful life	25 years
Capacity	180MW
Insolation hours	1,680MWh/MWp
Electricity price	RMB1/kWh
Degradation factor	0.8% per annum
Discount rate	8.5%

The fair value of the Gonghe II Concession Right owned by the Target Group is embedded into the fair value of the related property, plant and equipment, as such concession rights are specific to their locations and operators. The concession rights and the related property, plant and equipment are valued on the basis of the expected cash flows from the underlying solar power plants, and they cannot be separated.

The fair value adjustments comprise:

- fair value surplus of property, plant and equipment

	RMB'000	*(Equivalent to HK$'000)*
Fair value of the Gonghe II Concession Right	327,000	412,020
Less: property, plant and equipment*	(29,000)	(36,540)
	298,000	375,480

* The amount represents the fair value of the concession right to operate the 30MW solar power plant at Gonghe, Qinghai Province, the PRC, which had been reflected in the consolidated financial statements of the Target Group as at 31 December 2013 as a result of its acquisition of Hainanzhou Yahui by the Target Group on 16 September 2013.

- related deferred tax liabilities of HK$76,973,000 arising from the fair value surplus on the property, plant and equipment of HK$375,480,000, based on a preferential tax concession, which fully exempted the entity from the PRC corporate income tax for three years, followed by a 50% tax exemption for the next three years (i.e. 12.5%).

The fair value of the net identifiable assets of the Target Group was estimated to be approximately HK$337,484,000.

As the 55% Acquisition is also part and partial of the solar power energy initiative in relation to the Concession Rights recognised upon completion of the VSA on 10 June 2013, an amount of HK$224,763,000 (and the related deferred tax liabilities of HK$46,077,000) was redesignated as part of investment cost of the 55% Acquisition.

The provisional purchase price allocation arising from the 55% Acquisition of the Target Group is calculated as follows:

	HK$'000
Consideration transferred:	
Cash consideration	6,930
Redesignation of Concession rights previously recognised as part of the VSA	
— Intangible assets	224,763
— Deferred tax liabilities	(46,077)
Fair value of previously held interests in the Target Group *(see note 3 above)*	151,868
	337,484
Less:	
Net assets of the Target Group as at 31 December 2013 (RMB30,934,000)	38,977
Fair value surplus of property, plant and equipment	375,480
Effect on deferred tax liabilities arising from fair value surplus of property, plant and equipment	(76,973)
Total identified assets acquired and liabilities assumed	337,484
Goodwill	—

In addition, the 55% Acquisition is accounted for as a business combination achieved in stages. In accordance with HKFRS 3 (Revised), the acquirer should re-measure its previously held equity interest in the Target Group at its acquisition-date fair value and recognise the resulting gain or loss in profit and loss. The directors of the Company is of the view that the fair value surplus of its previously held interests in the Target Group is minimal as the 55% Acquisition was assumed to take place on 31 December 2013 for the purpose of preparing the Unaudited Pro Forma Financial Information, which was close to the completion of the First Acquisition on 7 January 2014.

Since the fair value of the Group's previously held interests and the identifiable assets and liabilities of the Target Group at the Completion Date may substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets (including concession rights owned by the Target Group), goodwill to be recognised in connection with the 55% Acquisition may be different from the amounts presented above.

The Directors will consistently apply the accounting policy of the Company, which is in compliance with Hong Kong Financial Reporting Standards, to assess the impairment of the Enlarged Group's property, plants and equipment and intangible assets in the future. The Company's auditor will review the appropriateness of the key assumptions used by management, including its estimated useful life, capacity, insolation hours, degradation factor, electricity tariff, discount rate, to estimate the recoverable amount of the underlying business in accordance with Hong Kong Standards on Auditing consistently in future, based on the facts and circumstance at the end of each reporting period.

5 Upon completion of the 55% Acquisition, Renewable Energy (Hong Kong) Trade Board Limited shall assign the Group a loan of RMB2,750,000 (equivalent to approximately HK$3,465,000) due from the Target Group at a consideration of RMB2,750,000 (equivalent to approximately HK$3,465,000).

6 In December 2013, Zhongli Photovoltaic Science and Technology Group Company Limited, the then immediate holding company of the Target Company, assigned the Group a loan of RMB2,250,000 (equivalent to HK$2,835,000) due from the Target Group at a consideration of RMB2,250,000 (equivalent to HK$2,835,000).

The adjustment represents elimination of inter-company balances of RMB2,250,000 (equivalent to HK$2,835,000) and RMB2,750,000 (equivalent to HK$3,465,000), totalling RMB5,000,000 (equivalent to HK$6,300,000).

7 The adjustment represents the estimated transaction costs of approximately HK$2,200,000 payable by the Company in connection with the 55% Acquisition.

8 Apart from the First Acquisition and 55% Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group and the Target Group subsequent to 31 December 2013.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF UNITED PHOTOVOLTAICS GROUP LIMITED (FORMERLY KNOWN AS GOLDPOLY NEW ENERGY HOLDINGS LIMITED)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of United Photovoltaics Group Limited (the "Company") and its subsidiaries (collectively the "Group") and Changzhou Dinghui New Energy Limited (the "Target Company") and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2013 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-2 to III-7 of the Company's circular dated 16 May 2014, in connection with the acquisition of the remaining 55% of the issued share capital of the Target Company (the "55% Acquisition") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in notes set out on pages III-4 to III-7.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the 55% Acquisition on the Group's financial position as at 31 December 2013 as if the 55% Acquisition had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements as set out in the annual report of the Company as at 31 December 2013.

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Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the 55% Acquisition at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 May 2014

OUTLOOK OF THE SOLAR ENERGY INDUSTRY

The Target Group is principally engaged in the design, development, investment, operation and management of solar power plants and systems in the PRC. Currently, the Target Group owns three self-developed ground mounted solar power plants located at Gonghe, Qinghai Province, China with an aggregate installed capacity of 180MW.

With the strong policy support on solar industry, the solar industry in the PRC was rapidly growing in 2013 and it is expected that there will be a continuous growth in domestic demand for solar system installation. The Company expects that the positive regulatory developments in the PRC will continue and that the target aggregate installed capacity of not less than 35GW as announced by the State Council in 15 July 2013 shall be met.

The Target Group, comprises of the Target Company, Zhongli Gonghe and Hainanzhou Yahui, which were incorporated on 9 September 2013, 21 June 2013 and 12 July 2013 respectively. The management discussion and analysis of the operating results and business review of the Target Group for the year ended 31 December 2013 is set out as below:

FOR THE PERIOD ENDED 31 DECEMBER 2013

Review of business

During the period ended 31 December 2013, the Target Group started to invest and develop solar power plant projects. All the three power plants of the Target Group have successfully achieved on-grid connection.

Property, plant and equipment

During the period, Target Company acquired Hainanzhou Yahui which is also engaging in the development, operation and management solar power plant. According to the valuation report performed by American Appraisal Chinese Limited, an independent valuer, the fair value of the property, plant and equipment for the solar power business was initially assessed to be approximately RMB32,326,000 (equivalent to approximately HK$40,731,000).

As at 31 December 2013, the net book amount of the property, plant and equipment of the Target Group was approximately RMB1,811,271,000 (equivalent to approximately HK$2,282,201,000).

The Directors of the Target Company are of the view that there was no impairment loss associated with the property, plant and equipment as at 31 December 2013.

Liquidity and financial resources

As at 31 December 2013, the net current liabilities of the Target Group was approximately RMB1,910,099,000 (equivalent to approximately HK$2,406,725,000). The current assets mainly comprised of deposits of approximately RMB15,000,000 (equivalent to approximately HK$18,900,000), cash and cash equivalents of approximately RMB2,158,000 (equivalent to approximately HK$2,719,000) and value added tax recoverable of approximately RMB43,938,000 (equivalent to approximately HK$55,362,000). The Target Group had total assets of approximately RMB2,008,074,000 (equivalent to approximately HK$2,530,174,000), current liabilities of approximately RMB1,971,195,000 (equivalent to approximately HK$2,483,706,000) and non-current liabilities of approximately RMB5,945,000 (equivalent to approximately HK$7,491,000).

Gearing ratio

The overall gearing ratio for the period 29.8% with total borrowings net of cash and cash equivalents of approximately RMB597,842,000 (equivalent to approximately HK$753,281,000) and total assets of approximately RMB2,008,074,000 (equivalent to approximately HK$2,530,173,000) as at 31 December 2013. Overall gearing ratio is defined as total borrowings net of cash and cash equivalents over total assets. The Target Group recorded net cash used in operating activities of approximately RMB78,606,000. (equivalent to approximately HK$99,044,000) and net cash used in investing activities of approximately RMB528,136,000. (equivalent to approximately HK$665,451,000) and net cash generated from financing activities of approximately RMB608,900,000 (equivalent to approximately HK$767,214,000).

Treasury policies

There were no treasury policies for the financial year ended 31 December 2013.

Capital commitments

There was no capital commitments as at 31 December 2013.

Prospect for new business

The Target Group did not have any plans for new investments as at 31 December 2013.

Pledge of assets

There was no pledge of assets as at 31 December 2013.

Remuneration policies and employee information

As at 31 December 2013, the Target Group had 5 employees. The Target Group's former shareholder agreed to bear the cost of employee remuneration since September 2013.

Foreign exchange exposure

The assets, liabilities and business transactions of the Target Group were denominated in Renminbi. There was no financial arrangement for hedging purpose in respect of the Target Group during the financial period ended 31 December 2013.

Contingent liabilities

As at 31 December 2013, the Target Group did not have any contingent liabilities.

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Leading / Thinking / Performing

16 May 2014

The Directors
United Photovoltaics Group Limited

Dear Sirs,

VALUATION REPORT OF BUSINESS ENTERPRISE VALUE

Pursuant to the terms, conditions and purpose of an engagement agreement dated 10 December 2013 and a proposal supplement dated 15 January 2014 (collectively known as "Engagement Agreements") between United Photovoltaics Group Limited (formerly known as Goldpoly New Energy Holdings Limited) ("United PV" or the "Client") and American Appraisal China Limited ("American Appraisal"), we were retained to assist the Client in the valuation analysis ("Valuation") of business enterprise value of Changzhou Dinghui New Energy Limited (常州鼎暉新能源有限公司) ("Target Company") and two of its subsidiaries, namely Zhongli Talesun Gonghe New Energy Limited (中利騰暉共和新能源有限公司) ("Zhongli Gonghe") and Hainanzhou Yahui New Energy Power Company Limited (海南州亞暉新能源電力有限公司) ("Hainanzhou Yahui") (collectively known as "Target Group"). The valuation date is set at 31 December 2013 ("Valuation Date").

United PV is a company listed on The Stock Exchange of Hong Kong Limited and is engaged in the investment, development and operation of solar power plants in China. On 8 January 2014, United Photovoltaics (Changzhou) Investment Co., Ltd. (聯合光伏(常州)投資有限公司) (formerly known as Zhongli Photovoltaic Changzhou Co., Ltd., an indirect wholly-owned subsidiary of United PV) ("UP (Changzhou)"), a wholly-owned subsidiary of United PV, contemplates to acquire 55% equity interest in the Target Company from EBODHK for a total cash consideration of RMB5.5 million ("Proposed Transaction"). EBODHK shall assign the shareholders' loan to the Target Company in the amount of RMB2.75 million to UP (Changzhou) simultaneously with the transfer of the 55% sale interest to UP (Changzhou).

The purpose of the Valuation is to assist the Client in the determination of fair value of the business enterprise of the Target Group based on the prospective financial information, underlying assumptions and information provided by the management of the Target Company and the Client (collectively known as "Management"). The Client, with our written consent, would include this report and the concluded value in the circular for its shareholders' approval

of the Proposed Transaction. No third party shall have the right of reliance on this report and neither receipt nor possession of this report by any third party shall create any express or implied third-party beneficiary rights.

This report identifies the asset appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilised, and presents our conclusion of value. In preparing this report, we aim to largely comply with the reporting standards recommended by the International Valuation Standards ("IVS") published by the International Valuation Standards Council. The depth of discussion contained in this report is specific to the needs of the Client and for the intended use as stated below. Supporting documentation concerning these matters has been retained in our work papers.

PURPOSE OF VALUATION

United PV contemplates to acquire 55% equity interest in the Target Company from EBODHK. With the Client's approval and as stipulated by the Engagement Agreements in formulating our opinion on the fair value of the business enterprise of the Target Group, we relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the Target Group provided by the Management. Since the Target Group has limited historical track record, the fair value of the business enterprise is subject to numerous assumptions adopted in the business plan and prospective financial information. To the extent that any of these assumptions or facts changed, the result of our fair value conclusion would be different. With respect to the prospective financial information regarding the Target Group provided to or otherwise reviewed by or discussed with us, it has been represented by the Management and was assumed for the purposes of this opinion that such analyses and forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of the Management as to the expected future results of operations and financial conditions of the Target Group to which such analyses or forecasts relate. We can give no assurances, however, that such financial analyses and forecasts can be realised or that actual results will not vary materially from those projected.

The intended use of the Valuation is to serve as the basis for the compliance of the Listing Rules and financial accounting purposes. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Group rests solely with the Client. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

STANDARD AND BASIS OF VALUE

The Valuation was prepared on the basis of fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is generally interpreted to have the same definition of Market Value in continued use premise as per the IVS, which is defined as the estimated amount at which the company might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns.

Business enterprise is defined for this appraisal as the total invested capital, that is equivalent to the combination of long-term debts, shareholders' loans and shareholders' equity. Alternatively, the business enterprise is equivalent to the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net operating working capital and intangible assets of a continuing business.

DESCRIPTION OF THE TARGET GROUP

Established in the PRC on 9 September 2013, the Target Company is principally engaged in developing and operating two solar power plants. The Target Group includes the Target Company and two wholly-owned subsidiaries namely Zhongli Gonghe, which operates two solar plant projects with an aggregate installed capacity of 150MW (by 2 phrases of 100MW and 50MW) located at Gonghe county, Qinghai province and Hainanzhou Yahui, which operates a solar power plant project of 30MW located at Gonghe county, Qinghai province, China. These three projects ("Projects"), which are almost completed, have obtained approval by NDRC (National Development and Reform Commission) and have achieved on-grid connection according to the Management.

On 7 January 2014, UP (Changzhou) and EBODHK completed the acquisition of 45% and 55% equity interest, respectively, in the Target Company.

FINANCIAL REVIEW OF THE TARGET GROUP

Since the Projects are green field projects, there is no historical financial performance that could be referenced of.

ECONOMIC OUTLOOK

The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and the inflation rate. An overview of economy of China, where businesses of the Target Group are transacted, was essential to develop this outlook. The following economic discussion was extracted from Economic Intelligence Unit ("EIU") "China: Country outlook" issued on 5 November 2013.

ECONOMIC GROWTH: A modest stimulus package has helped to stabilise economic activity recently: real GDP growth accelerated to 7.8% year on year in July-September, from 7.5% in the second quarter. EIU estimates that economic growth will average 7.7% in 2013 as a whole. As the government's campaign against extravagant public spending moderates, growth in consumption (both public and private) should accelerate in 2014. China's export performance will also strengthen, as external demand conditions improve, especially in the US and the EU. However, the tightening of credit conditions is likely to ensure a continued deceleration in investment expansion next year.

INFLATION: EIU estimates that the average rate of consumer price inflation will remain subdued, at 2.6%, in 2013. Annual inflation is forecast to average 3.8% in 2014–18. An expected decline in global oil costs will help to rein in price increases over the forecast period. However, strong domestic demand growth and weaker expansion in the supply of products (as investment slows) will generate significant inflationary pressures. The threat of a bad harvest pushing food prices sharply higher will remain a concern for policymakers. Producer prices are set to record another decline, of 1.2% on average, in 2013. However, they will be subject to upward forces in 2014–18, partly as a result of policy-driven rises in utility costs. EIU expects producer prices to increase by 3.2% a year on average during the forecast period, with soaring wages putting upward pressure on costs. Uncertainty could cause asset-price volatility in the next five years. Should asset holders become concerned about economic stability-particularly in the banking sector-funds could flow rapidly between different asset classes, or even out of China, with dramatic effects on prices.

EXCHANGE RATES: EIU believes that the Renminbi will strengthen against the US dollar in 2014–17, by a modest annual average of 0.9%, owing to forecast higher productivity growth in China than in the US. The fact that the pace of appreciation will be subdued will partly reflect the strength of the US currency in the period; the value of the Renminbi will rise more swiftly against the euro and the yen.

INDUSTRY OVERVIEW

The industry discussions below were extracted from "Global Market Outlook for Photovoltaics 2013–2017" issued by European Photovoltaic Industry Association ("EPIA") in May 2013 and "China Power Report" issued by Business Monitor International ("BMI") in October 2013.

Global solar landscape

The year 2012 was another historic one for solar photovoltaic (PV) technology, which has experienced remarkable growth over the past decade and is on the way to becoming a mature and mainstream source of electricity. The world cumulative PV capacity surpassed the impressive 100-gigawatt (GW) installed electrical power mark, achieving just over 102GW. This capacity is capable of producing as much annual electrical energy as 16 coal power plants or nuclear reactors of 1GW each. Each year these PV installations save more than 53 million tons of CO2.

It is clear from the results of 2012 and the forecast for the coming years that Europe's leading role in the PV market is coming to an end. In 2011, Europe accounted for 74% of the world's new PV installations; in 2012 this number was around 55%. In 2013 it is almost certain that the majority of new PV capacity in the world will be installed outside of Europe. Part of the reason for the decline in Europe's numbers is a natural cooling down period after very strong growth in the previous two years. To be sure, there are still markets in Europe which have strong and still-untapped potential and room for significant PV growth. But this will occur at a more stable- and sustainable-rate than it has in the last few years. Going forward, the driving forces will be in countries like China, the USA, Japan and India. The PV market is becoming truly global.

China renewable sector

In October 2013, BMI maintained medium- to long-term forecasts for the Chinese renewable energy sector at an average growth rate of 9.0% per annum between 2013 and 2022. BMI believe that a serious lack of financing poses the main risk to the medium- to long-term outlook. In its 12th Five Year Plan, China stated that it was committed to investing US$290 billion in clean energy to achieve invested US$125 billion in renewable energy in the last two years, meaning that it would be looking to invest US$165 billion from 2013 to 2015 (or an average of US$55 billion per year).

The government has also outlined capacity targets for different renewable technologies in its 12th Five-Year plan. When the plan was first approved in March 2011, a target of 5GW of solar capacity was set for 2015. However, the government raised its solar capacity target from 5GW to 15GW in late 2011 and then to 21GW in August 2012. In January 2013, the government announced a new target for solar-power generation. Chinese energy chief Lui Tienan announced that China would double its pace of solar installations to install 10GW of solar capacity in 2013.

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussions with the Management with regard to the history, operations and prospects of the business of the Target Group, an overview of certain financial data, an analysis of the industry and competitive environment, analysis of prospective financial

results, an analysis of comparable transactions and review of transaction documents, operating statistics and other due diligence documents. We made reference to or reviewed the following major documents and data:

- Announcements of the Client in relation to the Proposed Transaction;
- Copies of signed sales and purchase agreement of the Proposed Transaction dated 8 January 2014 and EPC contract dated 13 December 2013;
- Government approval documents for project construction approval;
- On-grid approval issued by Qinghai Electric Power Corporation (青海省電力公司電力交易中心) dated 30 December 2013;
- Financial and legal due diligence reports;
- Feasibility studies of the Projects;
- Applicable value-added tax and income tax policies;
- Industry reports;
- Prospective financial information and the breakdown of major revenue/cost of sales/operating expenses, capital expenditures and relevant taxes relevant to the Target Group ("Financial Projections"); and
- Other relevant documents.

We assumed that the data we obtained in the course of the Valuation, along with the opinions and representations provided to us by the Client and the Target Company are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of value, we have considered the following principal factors:

- the very early stage of development of the Target Group;
- the expected revenue, acquisition costs, construction costs, operating expenses, current financial condition and prospective Financial Projections;
- the economic outlook for China and specific competitive environments affecting the solar power generation industry;
- the legal and regulatory issues of the solar power generation industry in general; and

- the experience of Target Group's management team and support from its shareholders.

Due to the changing environments in which the Target Group is operating, a number of assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this Valuation:

- there will be no major changes in the laws, rules or regulations, financial, economic, market and political conditions where the Target Group operates or intends to operate which may materially and adversely affect their business;
- solar power will not be substantially replaced or made obsolete by other sources of energy;
- there will be no major fluctuations in the solar illumination conditions across the regions that the Target Group's solar power plants operate;
- the business plans of the Target Group will be proceeded as planned;
- electricity price to be subsidised by government would remain constant;
- regulatory environment and market conditions for solar energy industry will be developing according to prevailing market expectations, including continual support from the PRC government in terms of electricity tariff subsidy;
- there will be no major changes in the current taxation law in the PRC;
- the Target Group will fulfil all legal and regulatory requirements for the solar power plant business;
- the Target Group will not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;
- there will not be any adverse events beyond the control of the Target Group's management, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operation of the Target Group;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and
- the Target Group will retain competent management, key personnel and technical staff for its operations and the relevant shareholders will support its ongoing operations.

VALUATION METHODOLOGY OVERVIEW

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to value. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business. Thus this method is not utilised in the Valuation. Although we are unable to identify pure play public listed companies with major business on solar power plants in China and, thus, we cannot devise appropriate price multiples devised from public listed companies for the Target Group, the guideline transaction method (GTM) under the market approach is adopted as a cross-checking method. Given the limitation that we have not identified any market transaction directly comparable to the Target Group due to uniqueness of location and stage of development of projects, the GTM is still adopted to provide guidance of latest market reference price of projects per capacity in the same industry.

In forming our opinion of business enterprise value, we value the intangible asset, namely concession right to operate the Projects (“Gonghe II Concession Right”) by income approach, known as discounted cash flow method. We then sum up the tangible assets and net operating current assets appeared on the balance sheet to arrive at the business enterprise value. We consider that the departure from the IVS, in respect of using various approaches to arrive at a valuation conclusion and the reliance on income approach only are permitted based on the reasons above and will not render the indicative value so derived not credible for intended use

of this report. From the Management's point of view, the value derived from the income approach is considered reasonably sufficient for the purpose of disclosure. The Management is also fully aware of our scope of work.

INCOME APPROACH

Discounted Cash Flow method of the income approach was used to value Gonghe II Concession Right. This method explicitly recognises that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings, or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

Unlike valuation of a business, there is usually a long-term stable target debt to equity ratio which enable the use of weighted average cost of capital ("WACC") to finance a going concern business with indefinite life, as the capital structure of a capital intensive project will change due to debt repayment or additional borrowing throughout the operation period, the Adjusted Present Value ("APV") method was used in order to exclude the distortion resulting from the change in capital structure over the operation period. In the valuation of Gonghe II Concession Right, APV method values projects by discounting projected free cash flows at a rate of return assuming all-equity financing as fundamental value (the "Fundamental Value"). The all-equity financing discount rate or required return on asset ("Asset Discount Rate") is adopted. The Fundamental Value then adds the present value of tax shield effect to arrive at the fair value of Gonghe II Concession Right.

In using Discounted Cash Flow method, we relied on Financial Projections prepared by the Management. Table below presented the summary of the first few years until year 2020 and several selected time intervals and the major assumptions are discussed below:

As of 31 December 2013 **Years ending 31 December** **(All figures in RMB'000 unless specified otherwise)**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2025**	**2030**	**2035**	**2038**
Revenue *(note 1)*	302,400	299,981	297,581	295,200	292,839	290,496	288,172	276,828	265,931	255,462	249,380
Operating Expenses	(93,614)	(94,284)	(94,973)	(95,684)	(96,416)	(97,169)	(97,945)	(102,190)	(107,111)	(112,816)	(116,666)
Earnings Before Interest & Tax (EBIT)	208,786	205,697	202,607	199,516	196,423	193,327	190,227	174,638	158,820	142,646	132,714
Other Income/(Expenses)	(44,026)	(43,674)	(43,325)	(42,978)	(46,290)	(46,514)	(46,142)	(44,326)	(42,581)	(40,905)	(39,931)
EBIT After Other Income/ (Expenses)	164,759	162,023	159,283	156,538	150,133	146,813	144,085	130,312	116,239	101,742	92,783
Income Tax Expense	0	0	0	(19,567)	(18,767)	(18,352)	(36,021)	(32,578)	(29,060)	(25,435)	(23,196)
Net Income	164,759	162,023	159,283	136,971	131,366	128,461	108,063	97,734	87,179	76,306	69,588
Adjustments											
Depreciation & Amortization (Non-Cash Expense)	71,294	71,294	71,294	71,294	71,294	71,294	71,294	71,294	71,294	71,294	71,294
Tax Adjusted Net Interest Expenses/ (Income)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditures	(1,962,000)	0	0	0	0	0	0	0	0	0	0
Decrease/(Increase) In Working Capital	196,200	(196,200)	0	0	0	0	0	0	0	0	0
Other Cash Flow Items	43,938	43,587	43,238	42,892	5,989	0	0	0	0	0	0
Free Cash Flow to Gonghe II Concession Right	(1,485,808)	80,704	273,815	251,158	208,650	199,755	179,358	169,028	158,473	147,601	140,882
Cumulative cashflow for the year	(1,485,808)	(1,405,104)	(1,131,289)	(880,131)	(671,481)	(471,726)	(292,368)	573,505	1,387,090	2,146,985	2,576,385
Estimated effective capacity (MW)	180.00	180.00	180.00	180.00	180.00	180.00	180.00	180.00	180.00	180.00	180.00

* minor differences from casting or arithmetic results are due to decimal numbers were not shown.

Note 1: Average pricing (RMB per kWh) including VAT adopted is shown below:

	Years ending 31 December										
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2025**	**2030**	**2035**	**2038**
Average pricing (RMB per kWh)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Free cashflow to Gonghe II Concession Right from the beginning of year 2014 to the end of year 2038 (being the 25th year after commencement of operation in 2014) would decrease at a compounded rate of 0.8% p.a. due to an annual degradation of power generating capacity which results in decreasing revenue and offset by annual increase in operating expenses by inflation rate.

Revenue

Revenue is derived by multiplication of electricity tariff and power generated by PV power plants over a period of 25 years. The total theoretical electricity generating output by the Target Group amounted to approximately 180MW. The projects are ground mounted on-grid PV power plants (Ground Projects).

Project period and degradation factor

The cash flow projection covers a period of 25 years from the launch of solar power plants as the economic useful life of PV equipment is 25 years. The projects of the Target Group commenced operation in early 2014 and hence, the Financial Projections are prepared until the end of the expected useful life of the equipment, i.e. year 2038. We have reviewed a few PV equipment vendor warranty agreements with a guarantee to maintain at least 80% power output over 25 years, which implies an average of 0.8% degradation per year. The degradation factor is applied to the theoretical output to arrive at the operational output.

Power generation output

Power generated, or operational output, of a PV system is measured by the solar capacity (Wp) while electricity tariff is measured in Watt-hour (Wh). The corresponding conversion factor from Wp into Wh is dependent on the insolation which is closely related to the location of PV power plants. Zhongli Photovoltaic, the original shareholder of the Target Company prior to the first acquisition by United PV, has guaranteed the electricity output at 1,700MWh/MWp for the first ten years of operation, which is equivalent to a conversion factor of 1,680MWh/MWp after adjustment on loss due to fault of electricity line and equipment assumed by the Management. Hence, this figure was adopted in the Financial Projections. This rate is lower than the research report about sunlight distribution[1], an average conversion factor

[1] "Evaluating the Solar Radiation Resources of China in Recent 20 Years by Meteorological Model", published in Journal of Applied Meteorological Science in June 2010 of 3% based on long-term inflation rate.

of 1,800MWh/MWp for other projects of United PV located in Qinghai province and lower than the average conversion factor of 1,750MWh/MWp from the feasibility studies of the Projects.

Given the Projects has achieved on-grid connection as of the Valuation Date, the Management expected the Projects would operate in 2014. In addition, Zhongli Talesun would guarantee the electricity output since the Projects achieved on-grid connection. Hence, revenue is assumed by considering full year operation of 180MW in 2014.

Electricity tariff

For Ground Projects, on-grid tariff stipulated by the National Development and Reform Commission (NDRC) is adopted unless other tariff policy is applicable. As of the Valuation Date, the on-grid tariff was RMB1.0/kWh. For Ground Projects commencing operation on and after January 1,2014, NDRC has announced a new tariff scheme that categorizes the projects into three tiers of tariff according to their locations. Because the Projects have obtained on-grid approval, the tariff of RMB1.0/kWh (including value-added tax ("VAT")), which includes tariff net of VAT of approximately RMB0.85/kWh and VAT of approximately RMB0.15/kWh (i.e. RMB0.85/kWh × 17%), applicable to Qinghai province was adopted in the Financial Projections. The on-grid tariff is assumed to keep constant throughout the 25-year term of projects.

Take year 2014 as an illustration, gross revenue of RMB302 million was the sum of net revenue of RMB258 million (i.e. tariff net of VAT of approximately RMB0.85/kWh multiplied by power generated in 2014) and VAT of RMB44 million (i.e. 17% of net revenue). The portion of VAT payment is shown as other expenses (see below).

Operating Expenses

Operating expenses include maintenance fee, labor cost, material costs, insurance charges, other related expenses and depreciation expense. For cash operating expenses, we have reviewed the historical operating statistics of solar power plants operating in Xuzhou, Jiayuguan and Gonghe, provided by the Management. The estimation of cash operating expenses of RMB124,000 per MW since year in 2014 was adopted in the Valuation and was in line with those historical operating result. Take 2014 as an illustrative case, the operating expenses forecast of RMB93.6 million is comprised of cash operating expenses of RMB22.3 million (i.e. RMB124,000/MW*180MW) and depreciation of RMB71.3 million (i.e. RMB1,782 million over 25 operating years, in which RMB1,782 million represented capital expenditure of RMB1,962 million net of VAT recoverable of RMB180 million). The projection of cash operation expenses was mainly constructed with reference to the capacity of the solar power plant, with an expected annual growth rate of 3% based on long-term inflation rate.

Interest Expenses

The fact that the construction and the acquisition of the Target Group involved debt financing lead to an assumption of a hypothetical debt financing with hypothetical interest expenses. Based on the previous borrowing capacity of other solar power plant projects owned by United PV, capital expenditure could be financed upto 70% with a gradual repayment of the outstanding loan by installment and was expected to have no debt from 2027 onwards. As advised by Management, interest expenses would be tax deductible. The estimated cost of borrowing is 6.55% p.a., with reference to existing long-term best lending rate in China and the loan tenor is expected to be 13 years based on United PV's past borrowing capacity. The impact of the tax shield effect on interest expenses of the Target Group on the future cash flow is dealt with separately to the Fundamental Value and was discussed in the subsequent section.

Tax Expenses

Tax expenses include enterprise income tax and value-added tax. According to the Enterprise Income Tax Law in the PRC, income earned by enterprises from the public infrastructure facility projects, with effect from the first year to which operational revenue earned from the project is attributable, there shall be allowed a credit for the entire enterprise income tax on that income from the first to third years and a 50% credit from the fourth to sixth years. The Catalogue of Public Infrastructure Projects Eligible for Enterprise Income Tax Preferential Treatment 2008 (公共基礎設施專案企業所得税優惠目錄2008年版) has listed government approved solar power generation projects as one of the projects that can enjoy this preferential treatment.

In the Valuation, the Target Group will be charged with 12.5% income tax rate from the fourth to sixth years to which operational revenue earned, and a normal income tax rate of 25% from the seventh year and onward.

Other expenses and other cashflow items

Other expenses mainly represent the VAT collected due to revenue earned, which is calculated as 17% of net revenue. Because the tariff of RMB1.0/kWh adopted in deriving the revenue is a gross amount of tariff net of VAT of approximately RMB0.85/kWh and VAT of approximately RMB0.15/kWh (i.e. RMB0.85/kWh × 17%), the proportion of revenue collected for VAT is considered as other expense to net off the gross tariff. Take year 2014 as an illustration, other expenses of RMB44 million is calculated as 17% of net revenue of RMB258 million.

Other cashflow items represent VAT refund. Under PRC tax rules, revenue is subject to 17% VAT and certain types of asset purchases through capital expenditure are eligible to deduct VAT payment at the same rate of 17%. Among the Target Group's initial capital expenditure spent (approximately RMB1,962 million), approximately RMB1,236 million asset purchases would be eligible to create a VAT recoverable (i.e. RMB1,236 million divided by

117% approximately RMB180 million) to set off against VAT collected due to revenue earned. Net VAT payment would only need to be paid when the VAT recoverable balance is not enough to set off VAT collected from revenue. Take year 2014 as an illustration, other expenses of RMB44 million described in the section above represented VAT outflow due to revenue collected for VAT. However, since the VAT recoverable balance was created as a result of qualified asset purchases, other cash inflow of RMB44 million is essentially an add-back item to set off the VAT outflow. Meanwhile, the VAT recoverable balance would be reduced year-on-year by the amount of VAT collected from revenue in those years, until the balance reaches zero. Hence, the add-back would only exist as long as the VAT recoverable balance is positive, i.e. in the first few years of the Financial Projections.

Capital expenditure

Based on the EPC contract, the capital expenditure would be RMB10.9 per Wp as the on-grid approval was obtained prior to the Valuation Date, so that the applicable tariff is RMB1.0 per kWh. The valuation of Gonghe II Concession Right assumed the capital expenditure for the Projects would need to be incurred during the year. A total of capital expenditure related cashflow in 2014 is estimated to be RMB1,962 million, i.e. RMB10.9/Wp × 180MW.

It was suggested by the Management to assume no future capital expenditure would be required for the Target Group as all routine maintenance and major overhaul would be expensed when incur. Thus, the depreciation expense would be solely originated from the capitalized fixed assets, net of VAT recoverable, over a useful life of 25 years.

Working capital

Major working capital requirements in running a solar power plant would comprise of accounts receivable and accounts payable.

On accounts receivable side, since the customer of the Target Group is local State Grid, no material accounts receivable is estimated.

On accounts payable side, based on settlement terms of the EPC contract, the Projects are entitled to a retainer fee, which shall be retained for one year from the in-service date of the project as a warranty amount. Such retainer fee amounts to 10% of the aggregate of equipment and construction costs as well as installation fee. As such, account payables was assumed at 10% of capital expenditures according to the initial roll-out period of the Projects and thereafter working capital is estimated at 0% of gross revenue, similar to the level achieved by comparable companies.

Discount rate

The rate at which the annual net cash flows of the Target Group discounted to present value is based on the required return on asset or Asset Discount Rate according to the APV method as described above. Such Asset Discount Rate adopted for the Valuation was 8.5%.

The systematic risk component of Asset Discount Rate for the Valuation was developed through the application of the Capital Asset Pricing Model ("CAPM"), which is the most commonly adopted method of estimating the cost of equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk ("Beta") of times equity market premium in general. In estimating the Beta, we have observed the share price movement relative to overall equity market index of listed comparable companies set out below. Because there is no listed company with solar power generation in the PRC as sole business, based on search from Bloomberg, we have identified 14 comparable companies below on a best effort and unbiased selection basis and selection criteria set out below and to the best of our knowledge, these samples are full and exhaustive.

1. public companies listed in Hong Kong with principal place of operation in the PRC; and

2. companies that are

    a. changing its main business into PV industry or power generation industry; or

    b. companies that involve in the PV value chain or renewable energy business in which they also hold solar power plants and/or have solar power projects pipeline; or

    c. companies that are operating thermal-based power plants in China as they are direct competitors as electricity supplier to end customers of the Target Group or the State Grid.

Comparable companies are regarded generally to be subjected to the same systematic risks as the Target Group. Since the subject solar power plant will commence operation in early 2014, no project specific risk premium was assigned.

	Comparative Companies	Bloomberg Code	Market capitalization as of 31 December 2013 (In HKD million)	Principal business activities
1	Jun Yang Solar Power Investments Ltd	397 HK	614	Manufactures amorphous silicon thin film solar cells and modules
2	Hanergy Solar Group Ltd	566 HK	22,560	Offers equipment and end-to-end manufacturing lines for the mass production of thin film silicon solar modules
3	United Photovoltaics Group Ltd	686 HK	5,271	Manufactures photovoltaic cells and runs solar power plants
4	China Singyes Solar Technologies Holdings Ltd	750 HK	5,396	Manufactures glass and stone curtain walls and solar energy products, produces solar powered bus shelters, solar powered street lighting, solar powered pumping systems, and other products
5	Solargiga Energy Holdings Ltd	757 HK	1,237	Manufactures and processes monocrystalline ingots and wafers
6	GCL-Poly Energy Holdings Ltd	3800 HK	37,159	Produces solar grade polysilicon and operates cogeneration plants
7	China Suntien Green Energy Corp Ltd	956 HK	9,424	Operates a wind farm and a natural gas business
8	China Datang Corp Renewable Power Co Ltd	1798 HK	11,929	China Datang Corporation Renewable Power Company Ltd. generates electricity from renewable resources. The Company operates wind farms and hydroelectric power plants
9	China Longyuan Power Group Corp	916 HK	80,855	Generates electricity from renewable resources, operates wind farms
10	China Resources Power Holdings Co Ltd	836 HK	88,064	Designs, develops, owns, and operates coalfired power plants
11	Huaneng Power International Inc	902 HK	92,970	Develops, constructs, owns and operates coalfired power plants
12	Datang International Power Generation Co Ltd	991 HK	66,143	Develops and operates power plants, sells electricity, repairs and maintains power equipment, and provides power-related technical services
13	Huadian Power International Corp Ltd	1071 HK	27,311	Generates and sales of electricity
14	China Power International Development Ltd	2380 HK	17,675	Develops, constructs, owns, manages, and operates large power plants

The computation of the estimated Asset Discount Rate is shown as follows:

$K_e = R_f + \beta (ERP) + PSP$

Where

K_e	=	Required return on equity			
R_f	=	Risk-free rate of return	=	4.93%	The R_f is based on the yield of Chinese government 25-year bond as of the Valuation Date. The horizon of selected government bond was to match the horizon of the projection period of 25 years.
β	=	Unlevered Beta	=	0.49	Beta is a measure of the relationship between industry risk and the aggregate market. Unlevered beta is based on the betas of the selected comparable companies unlevered in all-equity scenario.
ERP	=	Equity risk premium	=	7.23%	The ERP is the expected return of the market (R_m) in excess of the risk-free rate (R_f), or, is based on US equity risk premium of 6.0% plus the market systematic risk in China, which is referenced to the volatility of local market index in relation to the S&P500.
PSP	=	Project specific risk premium	=	0%	PSP mainly considers the construction risks and others due to the stage of development of the Projects.

We have cross-checked the adopted Asset Discount Rate for the valuation of Gonghe II Concession Right with market research and actual transactions. We concluded the Asset Discount Rate selected is reasonable.

(1) Market research

The power generation industry is a regulated industry in the PRC. It is mentioned in academic literature that for regulated industry, an allowed rate of return generally are based on the respective regulator's perceptions of the cost of debt capital and the cost of equity capital based on studies as well as their conclusions as to the appropriate capital structure. Owning to the monopoly position to supply a needed service in a designated area, their cost of capital should be considerably lower than that for an average company.

As such, we also researched on the required return commonly applied to PV power plant generators. Researches show that the Feed-in Tariff (FiT) for solar PV in the UK targets a 5% return for well located installations. The target rate of return for the German FiT is 5–7% and 5–11% in Spain[2]. In United States, such return would be 8%[3].

From a recent research report on "Utilities — China Solar Energy" published by Deutsche Bank AG/Hong Kong on 21 February 2013, analyst believed the government would likely to set tariff level in order to avoid excess investment returns (an 8% equity IRR would be considered reasonable by government).

(2) Actual transactions

The cooperation agreements and executed sale and purchase agreements entered into by United PV and its subsidiaries with business partners stipulated that the minimum rate of return required by United PV would be 9%–10%. Based on discussion with United PV's management, this level of return is also consistent with their internal policy of approving projects.

Additional considerations were listed as below:

Adjustment of Tax Shield on Interest Expenses Attributable to the Loan Outstanding

Under the APV method, as the discount rate used was at all-equity financing level, an adjustment was made by addition of the present value of tax shield arising from the interest expenses on the hypothetical outstanding loan balances of the Target Group during the projection period. The discount rate used for calculation of the present value of the tax shield was the pre-tax cost of debt of 6.55% p.a., which was based on the Benchmark Interest Rate in the PRC. It was assumed capital expenditures are financed as to 70% by debt and 30% by equity where the loan tenor was assumed to be 13 years based on experience of Management. In March 2013, one of the solar power plant project of United PV has obtained a loan financing from China Development Bank for a tenor of 14 years at a the Benchmark Interest Rate in the PRC.

[2] The UK 50kW to 5MW solar PV market, Ernst & Young UK Solar PV Industry Outlook, June 2011.

[3] "Technical Report: Solar Photovoltaic Financing: Deployment by Federal Government Agencies", published by National Renewable Energy Laboratory, a national laboratory of the U.S. Department of Energy, July 2009.

Lack of Marketability Discount ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In the valuation of Gonghe II Concession Right, option-pricing method was used to estimate the DLOM. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Generally speaking, the farther the Valuation Date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. By using the option-pricing method, the DLOM of 10.0% was applied in the valuation of Gonghe II Concession Right.

Value indicated by the income approach

The above key inputs and assumptions result in the value indication for Gonghe II Concession Right of RMB327 million.

MARKET APPROACH — GUIDELINE TRANSACTION METHOD

Due to variance in location of projects, stage of development, tariff and government subsidy policies, technologies involved, etc. and in light of lacking market data to make appropriate adjustments, the guideline transaction method (GTM) under the market approach was only adopted as a cross-checking method.

We performed research from our available data source. Based on our research, there are only four merger and acquisition transactions (i.e. transaction no. 1, 2, 22 and 26) with target companies located in China which provide sufficient public information for the purpose of our valuation using GTM, in which two of these four transactions (i.e. transaction no. 22 and 26) belong to United Photovoltaics. Because of the limited number of samples, the research for comparable transactions was extended to include transactions in the worldwide solar power plant industry to form a meaningful analysis. We identified 26 merger and acquisition transactions in the worldwide solar power plant industry over the period from 1 July 2011 to 31 December 2013. Based on our available resources and given the selection criteria set out above, on a best effort and unbiased basis and to the best of our knowledge, these samples are full and exhaustive. The targets of the selected transactions are all solar power plants with disclosed information on transaction price, electricity generating capacity and status of development, by the searching of public filing and announcements of relevant companies.

The ratio of implied total equity value to its electricity generating capacity (''Equity Value to Capacity Ratio''), or the equity value divided by capacity, was calculated for each of the comparable transactions. The Equity Value to Capacity Ratio was selected because no historical financial result of the transaction projects was available. We presented in the table below two batches of results, one being all transactions and another set being transactions in Asia. Since the Target Group is located in the PRC, we observed those transactions in Asia where the median and average Equity Value to Capacity Ratio were HKD13.9/W and HKD15.0/W, respectively. We have also reviewed the median and average Equity Value to Capacity Ratio for all samples, being HKD24.4/W and HKD26.7/W, respectively.

By summing up the indicated value of Gonghe II Concession Right and the value of the tangible assets, the indicated business enterprise value of RMB2,289 million was used to divide the capacity of 180MW, which results in the implied ratio of RMB12.7/W or HKD16.3/W. This is in line with the median Equity Value to Capacity Ratio derived from the Asia comparable companies.

Key information of comparable transactions is summarised below:

	Target Companies	Completion Date	EV/Capacity *HKD/Wp*	Note	Status	Location	Place of Listing (Stock Code)
1	Anhui Xinhui Renewable Energy Investment Company Limited	14/07/2011	16.0		Under construction	China	Not applicable
2	Jun Yang Holdings	16/05/2012	5.5	1	Mostly completed	China	Not applicable
3	S-Energy Co., Ltd. (Sacramento Solar Energy Plant)	30/08/2012	35.5		Under construction	California, USA	Korea (095910)
4	GCL Solar Energy Inc (Alpaugh 50 solar plant); GCL Solar Energy Inc (Alpaugh North solar plant)	25/07/2012	22.4		Under construction	California, USA	Hong Kong (3800)
5	Monteboli	09/07/2012	35.8		In operation	Italy	Not applicable
6	Magaz Fotovoltaica S.L.U	06/06/2012	44.2		With permits and licenses and assets	Spain	Not applicable
7	SPP Two Company Limited	24/05/2012	11.5		In operation	Thailand	Not applicable
8	Alex Astral Power Ltd (55% Stake); Alex Spectrum Radiation Pvt Ltd (55% Stake)	17/02/2012	9.5		Built with power purchase agreement	India	Not applicable

	Target Companies	Completion Date	EV/Capacity *HKD/Wp*	Note	Status	Location	Place of Listing (Stock Code)
9	Solar Park Serre 1 S.r.l.; Circus Energy S.r.l.; Poa Solar S.r.l.; Sulmona Energia S.r.l.	09/02/2012	12.4		In operation	Italy	Not applicable
10	OPDE Group (Solar photovoltaic farm in Predosa); OPDE Group (Solar photovoltaic farm in Tortona)	14/11/2011	44.4		In operation	Italy	Not applicable
11	OPDE Group (three photovoltaic plants in Italy)	22/09/2011	43.5		In operation	Italy	Not applicable
12	Terna SpA (78MW photovoltaic plants)	22/10/2011	35.8		Under construction	Italy	Italy (TRN)
13	Skypower Limited	21/06/2012	7.2	2	Not yet started construction	Canada	Not applicable
14	Eco-Kinetics Netherlands Holding BV (5 solar PV plants)	04/12/2012	24.8		Built and connected	Italy	Not applicable
15	Solar Holding (85% Stake)	19/03/2013	11.4		Built	Italy	Not applicable
16	Kokusai Europe GmbH (Borgo Montello)	23/03/2013	37.4		In operation	Italy	Not applicable
17	KR Energy s.p.a. (Three Photovoltaic Plants)	08/08/2013	31.7		In operation	Italy	Italy (KRE)
18	Parsonage Solar Park; Marvel Farms Solar Park	02/12/2013	22.2		Parsonge Solar Park in operation; MarvelFrams Solar Park is almost completed	United Kingdom	Not applicable
19	S.A.G. Solar UK Ltd	11/11/2013	16.8		In operation	United Kingdom	Not applicable
20	Electrawinds Solar NV; Zon Aan Zee NV	14/10/2013	15.1		In operation	Belgium	Not applicable
21	Canadian Solar Solutions Inc. (Brockville 2 and Burritts Rapids solar power facility)	30/09/2013	44.5		In operation	Canada	Not applicable

	Target Companies	Completion Date	EV/Capacity *HKD/Wp*	Note	Status	Location	Place of Listing (Stock Code)
22	Fengxian Huize Photovoltaic Energy Limited	06/09/2013	24.0	3	In operation	China	Not applicable
23	Canadian Solar Solutions Inc. (Brockville 1 solar power facility)	02/07/2013	40.6		In operation	Canada	Not applicable
24	Calabria Solar Srl	01/07/2013	22.4		In operation	Italy	Not applicable
25	Sorgenia (10 solar energy plants)	28/05/2013	26.1		In operation	Italy	Not applicable
26	China Solar Power Group Limited (92.17% Stake)	10/06/2013	13.9		Mostly not yet started operation	China	Not applicable

Note 1: Transaction no. 2 — Jun Yang specialises in thin film-based technology and hence, the transaction price may not be comparable to polysilicon-based technology.

It is excluded in the calculation of ratios below.

Note 2: Transaction no. 13 was excluded in the calculation of the ratios below due to the construction have not been started

Note 3: Transaction no. 22 was acquired by the Client which was a completed solar power plant with higher subsidised tariff.

	All samples *HKD/Wp*	Asia samples *HKD/Wp*	
High	44.5	24.0	
Low	9.5	9.5	
Average	26.7	15.0	
Median	24.4	13.9	
Indicated value of Concession Right (RMB 'M)		327	
Add: tangible assets (RMB 'M)		1,962	
Indicated business enterprise value (RMB 'M)		2,289	(a)
Installed capacity (MWp)		180	(b)
Implied ratio (RMB/Wp)		12.7	(c) = (a)/(b)
Equivalent to (HKD/Wp)		16.3	

SENSITIVITY ANALYSIS

As part of our valuation a sensitivity analysis of value indication of Gonghe II Concession Right arrived at using the income approach was performed. We have tested sensitivity of the value of Gonghe II Concession Right to changes of the following parameters (each of the parameters is tested independently):

- Discount Rate, using a range of 7.5%–10.5% was tested for sensitivity as it represents a likely range indicated by market research presented in the section headed "Discount Rate". Results are presented in Table A;

- Cash operating expenses range from RMB110,000/MW–RMB145,000/MW was tested for sensitivity. The high end of the range selected is approximately 15% higher than the estimated cash operating expense for the Projects of RMB124,000/MW. Results are presented in Table B.

A sensitivity analysis on the fair value of Gonghe II Concession Right was presented in the tables below (with sensitivity results are stated in RMB million).

Table A

Discount rate	**Gonghe II Concession Right**
7.5%	456
8.0%	390
8.5%	327
9.0%	269
9.5%	214
10.0%	164
10.5%	116

Table B

Cash operating expenses *(RMB'000/MW)*	**Gonghe II Concession Right**
115	344
120	335
124	327
130	316
135	307
140	298
145	289

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above, it is our opinion that the fair value of Gonghe II Concession Right of the Target Group as of December 31, 2013 is reasonably represented by the amount of RENMINBI THREE HUNDRED AND TWENTY SEVEN MILLION ONLY (RMB327,000,000). Given the business enterprise value is defined for this appraisal as the combination of all tangible assets, long-term investment, net operating working capital and intangible assets of a continuing business, by summing up the value of Gonghe II Concession Right as the intangible asset of RMB327 million (rounded) and the tangible assets of RMB1,962 million (rounded) and net operating working capital of nil on the financial statements as of the Valuation Date, the fair value of business enterprise of the Target Group is reasonably stated by the amount of **RENMINBI TWO BILLION TWO HUNDRED AND EIGHTY NINE MILLION ONLY (RMB 2,289,000,000)**.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We do not provide assurance on the achievability of any financial results estimated by the Target Company and/or the Client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Client and the Target Company or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Ricky Lee
Senior Vice President and Director

Note: Mr. Ricky Lee ("Mr. Lee") has been involved in business enterprise and intangible asset valuation services for the purposes of joint venture, merger & acquisition and public listing for over fifteen years and is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst. Mr. Lee was in charge of the financial valuations including business enterprises, intangible assets and share options, etc. for Comtec Solar Systems Group Limited (712.HK), Shunfeng Photovoltaic International Limited (1165.HK), Mascotte Holdings Limited (136.HK), Canadian Solar Inc. (CSIQ.US), and Yingli Green Energy Holding Company Limited (YGE.US).

This valuation was prepared under the supervision of Mr. Lee as project-in-charge with significant professional assistance from Ms. Priscilla Cheng and Ms. Anita Kong.

A. LETTER FROM REPORTING ACCOUNTANT IN RELATION TO THE VALUATION REPORT AND THE LETTER FROM THE BOARD

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE SOLAR POWER PLANTS TO BE ACQUIRED BY UNITED PHOTOVOLTAICS GROUP LIMITED ("THE SOLAR POWER PLANTS")

TO THE BOARD OF DIRECTORS OF UNITED PHOTOVOLTAICS GROUP LIMITED (FORMERLY KNOWN AS GOLDPOLY NEW ENERGY HOLDINGS LIMITED)

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") dated 16 May 2014 prepared by American Appraisal China Limited in respect of the appraisal of the fair values of the Solar Power Plants are based. The Valuation is set out in Appendix V of the circular of United Photovoltaics Group Limited (the "Company") dated 16 May 2014 (the "Circular") in connection with the proposed acquisition of the remaining 55% equity interest in Changzhou Dinghui New Energy Limited (the "Target Company") by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages V-5 to V-17 of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibility

It is our responsibility to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based.

We are not reporting on the appropriateness and validity of the bases and assumptions adopted in the valuation of the Solar Power Plants, including but not limited to the likelihood of the lives of the solar power projects, the required working capital, the continual government subsidies over the electricity tariff over the lives of the solar power projects, the amount of government subsidies to be received, the ability to obtain all the necessary financing at the assumed interest rate over the period of the forecast, the cost structure and the operating efficiency of the solar power plants.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out on pages V-5 to V-17 of the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows in the Valuation do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out on pages V-5 to V-17 of the Circular.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 May 2014

B. LETTER FROM THE BOARD

UNITED PHOTOVOLTAICS GROUP LIMITED

聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

To the Shareholders

Dear Sirs,

United Photovoltaics Group Limited (the "Company")

We refer to the report of valuation prepared by American Appraisal China Limited in relation to the valuation analysis ("**Valuation**") of business enterprise value of 常州鼎暉新能源有限公司 (Changzhou Dinghui New Energy Company Limited*) as at 16 May 2014.

We have also considered the letter from PricewaterhouseCoopers dated 16 May 2014 addressed to the Board of the Company regarding whether the Valuation was compiled properly so far as the calculations are concerned.

We are of the opinion that the Valuation has been properly stated and we confirm that we have made the forecast after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
United Photovoltaics Group Limited
Li, Alan
Chairman of the Board

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised:		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and fully paid:		
3,948,782,575	Shares	394,878,258

All the issued shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Conversion Shares to be issued upon conversion shall rank *pari passu* in all respects with the Shares then in issue.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed in this circular and apart from the Share Options and the outstanding convertible notes and convertible bonds issued by the Company, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Long Positions

(a) ***Ordinary shares of HK$0.10 each in the Company***

	Number of issued Shares/underlying Shares of the Company				
Name of Director	**Personal interests**	**Notes**	**Corporate interests**	**Notes**	**Percentage of the issued share capital of the Company**
Mr. Li, Alan	2,001,000	1	467,538,250	3	13.54%
Ms. Qiu Ping, Maggie	800,400	2			0.02%

(b) ***Convertible debentures of the Company***

	Convertible debentures of the company Conversion rights attached to convertible debentures (shares)				
Name of Director	**Personal interests**	**Notes**	**Corporate interests**	**Notes**	**Percentage of the issued share capital of the Company**
Mr. Li, Alan	8,004,000	1	529,439,774	4, 5 & 6	15.49%
Ms. Qiu Ping, Maggie	3,201,600	2			0.09%

Notes:

1. Mr. Li, Alan by undertaking to work for China Solar Power Group Limited ("**CSPG**"), a wholly-owned subsidiary of the Company, for a period until 30 August 2015, is entitled to receive from a trustee company, 2,001,000 Shares and convertible bonds in the principal amount of HK$8,004,000 convertible into 8,004,000 Shares.

2. Ms. Qiu Ping, Maggie by undertaking to work for CSPG, for a period until 30 August 2015, is entitled to receive from a trustee company, 800,400 Shares and convertible bonds in the principal amount of HK$3,201,600 convertible into 3,201,600 Shares.

3. 467,538,250 Shares are beneficially owned by China Merchants New Energy Group Limited ("**CMNEG**"), which is incorporated in British Virgin Islands. The issued share capital of CMNEG is 37% owned by Magicgrand Group Limited ("**Magicgrand**"), 9.44% by Pairing Venture Limited ("**Pairing Venture**") and 53.56% beneficially owned by China Merchants Group Limited ("**CM Group**").

4. Convertible bonds in the Company in principal amount of HK$71,230,287 (with conversion price of HK$1.00 per Share) are beneficially owned by Magicgrand, which is incorporated in the British Virgin Islands. The issued share capital of Magicgrand is 38.83% owned by Mr. Li, Alan and 61.17% by Pairing Venture.

5. Convertible bonds of the Company in principal amount of HK$18,173,487 (with conversion price of HK$1.00 per Share) are beneficially owned by Pairing Venture, which is incorporated in the British Virgin Islands. The issued share capital of Pairing Venture is 100% owned by Mr. Li, Alan.

6. Convertible bonds of the Company in principal amount of HK$440,036,000 (with conversion price of HK$1.00 per Share) are beneficially owned by CMNEG. The issued share capital of CMNEG is 37% owned by Magicgrand, 9.44% by Pairing Venture and 53.56% beneficially owned by CM Group.

(c) *Share options of the Company*

Name of Director	Number of share options held	Date of grant	Exercisable period	Exercise price per share *(HK$)*
Academician Yao Jiannian	500,000	6 April 2011	1 June 2011 to 31 May 2014	1.4340
	500,000		1 June 2012 to 31 May 2014	

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors had any interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

Save as disclosed in this circular, no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group taken as a whole.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director, persons other than a Director who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long Position in Ordinary Shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Hung Chao Hong	Beneficial owner	111,880,000	—	9.62%
	Interest in controlled corporation	220,159,548	48,024,000	
Hong Zhonghai	Beneficial owner	1,800,000	—	3.80%
	Interest in controlled corporation	148,123,548	—	
Jet Mile Limited *(note 1)*	Beneficial owner	148,123,548	—	3.75%
Hyatt Servicing Limited *(note 2)*	Beneficial owner	72,036,000	48,024,000	3.04%
Renewable Energy Trade Board Corporation	Beneficial owner	39,974,000	159,896,000	5.59%
	Interest in controlled corporation	20,829,621	—	
China Merchants New Energy Group Limited *(note 3)*	Beneficial owner	467,538,250	440,036,000	22.98%
Snow Hill Developments Limited *(note 4)*	Beneficial owner	—	103,111,436	25.59%
	Interest in controlled corporation	467,538,250	440,036,000	
China Merchants Group Limited	Interest in controlled corporation	467,538,250	543,147,436	25.59%

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Magicgrand Group Limited *(note 5)*	Beneficial owner	—	71,230,827	24.79%
	Interest in controlled corporation	467,538,250	440,036,000	
Pairing Venture Limited *(note 6)*	Beneficial owner	—	18,173,487	25.25%
	Interest in controlled corporation	467,538,250	511,266,827	
Ease Soar Limited *(note 7)*	Beneficial owner	239,982,000	159,988,000	10.12%
GCL-Poly Energy Holdings Limited	Interest in controlled corporation	239,982,000	159,988,000	10.12%
Zhongli New Energy (Hong Kong) Investment Limited (formerly known as China New Energy Power Investment Corporation Ltd.) *(note 8)*	Beneficial owner	119,922,000	79,948,000	5.06%
Zhongli Photovoltaic Science and Technology Group Company Limited *(note 9)*	Interest in controlled corporation	119,922,000	79,948,000	5.06%
Zhongli Science and Technology Group Co., Ltd. *(note 10)*	Interest in controlled corporation	119,922,000	79,948,000	5.06%
Wang Baixing	Interest in controlled corporation	119,922,000	79,948,000	5.06%
Fosun International Limited *(note 11)*	Interest in controlled corporation	68,000,000	169,531,250	6.02%
Fosun International Holdings Limited *(note 12)*	Interest in controlled corporation	68,000,000	169,531,250	6.02%
Guo Guangchang	Interest in controlled corporation	68,000,000	169,531,250	6.02%
Invesco Hong Kong Limited	Investment manager	266,712,000	—	6.75%

Notes:

1. Jet Mile Limited is beneficially owned as to 66.7% by Mr. Hung Chao Hong and as to 33.3% by Mr. Hong Zhonghai.

2. Hyatt Servicing Limited is beneficially owned as to 99.99% by Mr. Hung Chao Hong and as to 0.01% by an independent third party.

3. China Merchants New Energy Group Limited is indirectly owned as to 53.56% by China Merchants Group Limited and as to 46.44% by Mr. Li, Alan, an executive director.

4. Snow Hill Developments Limited is indirectly and wholly owned by China Merchants Group Limited.

5. Magicgrand Group Limited is directly and indirectly owned as to 100% by Mr Li, Alan, an executive director.

6. Pairing Venture Limited is directly and wholly owned by Mr Li, Alan, an executive director.

7. Ease Soar Limited is indirectly and wholly owned by GCL-Poly Energy Holdings Limited.

8. Zhongli New Energy (Hong Kong) Investment Limited is directly and wholly owned by Zhongli Photovoltaic Science and Technology Group Company Limited.

9. Zhongli Photovoltaic Science and Technology Group Company Limited is indirectly owned as to 66.29% by Zhongli Science and Technology Group Co., Ltd. and as to 33.71% by Mr. Wang Baixing.

10. Zhongli Science and Technology Group Co., Ltd. is indirectly owned as to 56.63% by Mr. Wang Baixing and as to 43.37% by an independent third party.

11. Fosun International Limited is indirectly owned as to 79.03% by Fosun International Holdings Limited.

12. Fosun International Holdings Limited is indirectly owned as to 58% by Mr. Guo Guangchang.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director, other than a Director, no persons had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

Save as disclosed above, the Directors are not aware of any person (not being a Director) who, as at the Latest Practicable Date, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group) was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. DIRECTORS' INTEREST IN COMPETING BUSINESSES

Each of Mr. Alan Li and Mr. Lu Zhenwei, both an executive director of the Company, also holds senior positions in EBOD, a company incorporated in the British Virgin Islands which launched its solar energy business in 2007 and is currently engaged in the manufacturing and sales of solar power modules for electricity generation and the related application products, such as off-grid solar systems, solar lighting and solar power chargers.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS

Each of Mr. Alan Li and Mr. Lu Zhenwei, both an executive director of the Company, also holds the senior positions in EBOD.

As at the Latest Practicable Date, EBOD had entered into certain agreements with the Group. For further details, please refer to the paragraph headed "material contracts" below.

Save as disclosed in this circular, none of the Directors are interested in any contract or arrangement entered into by the Company or any of its subsidiaries or any member of the Target Group which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Enlarged Group or any of its associated companies which are:

(i) continuous contracts with a notice period of 12 months or more; or

(ii) fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigations or claims and no litigations or claims of material importance is pending or threatened against any member of the Enlarged Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
American Appraisal China Limited	Independent Valuer
PricewaterhouseCoopers	Certified Public Accountants
Quam Capital Limited	Independent Financial Adviser

As at the Latest Practicable Date, none of the experts above had any shareholding directly or indirectly in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the experts above had any interest, direct or indirect, in any asset acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up.

Each of the experts above has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to its names in the form and context in which they appear in this circular.

10. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date and are or may be material:

I. The Group

(1) the supplemental agreement dated 21 June 2012 (the "**Supplemental Licence Agreement**") entered into by Gay Giano International Limited, Gay Giano Company Limited, Cour Carré Company Limited, Due G Company Limited and Gay Giano World-wide Limited, the then indirect wholly-owned subsidiaries of the Company and Gay Giano Technology Limited, an indirect wholly-owned subsidiary of the Company and Top Achiever Investments Limited to amend, vary and modify certain terms and conditions of the Licence Agreement.

Pursuant to the Supplemental Licence Agreement, the Licensors agreed to assign the intellectual property rights attached to the Trademarks at a consideration of HK$8.5 million and upon payment of the consideration by the Licensee to the Licensors, the Minimum Orders Requirement shall have no further effect;

(2) the sale and purchase agreement dated 14 May 2012 entered into among China Green Holdings Limited ("**China Green**"), Renewable Energy Trade Board Corporation ("**EBOD**"), both parties acting in concert with CMNEG, which became a substantial shareholder of the Company on 10 June 2013, Profit Icon Investments Limited ("**Profit Icon**"), a wholly-owned subsidiary of the Company, and the Company, whereby China Green agreed to sell and the Profit Icon agreed to purchase 9% of the then issued share capital of CSPG at a consideration of HK$21,600,000 (the "**14 May 2012 SPA**");

(3) the deed of adherence dated 23 May 2012 executed by the Profit Icon, whereby the Profit Icon agreed to be bound by the shareholders agreement dated 19 April 2012 (the "**Shareholders Agreement**") in relation to the operation and management of the CSPG as if it is a party to the Shareholders Agreement as the shareholder of the CSPG;

(4) the Sale and Purchase Agreement dated 22 November 2012 (as amended by a supplemental agreement dated 31 March 2013) entered into among the CMNEG, Ease Soar Limited ("**Ease Soar**"), which became a substantial shareholder of the Company on 10 June 2013, but no longer a substantial shareholder as at Latest Practicable Date, China Green, Zhongli New Energy (Hong Kong) Investment Limited (formerly known as China New Energy Power Investment Corporation Limited and Talesun Solar Hong Kong Limited) ("**Talesun**"), which became a shareholder of the Company on 10 June 2013, Hyatt Servicing Limited ("**Hyatt Servicing**"), party acting in concert with Mr. Hung Chao Hong, Sino Arena Investments Limited ("**Sino Arena**"), party acting in concert with CMNEG, Profit Icon and the Company in respect of the sale and purchase of the 92.17% of the issued share capital in CSPG for a total consideration of HK$2,119,910,000 (subject to adjustment), which would be settled by the allotment and issue of Shares and convertible bonds by the Company (the "**22 Nov 2012 SPA**");

(5) the agreement dated 22 November 2012 entered into among the CSPG, CMNEG, Ease Soar, China Green, Talesun, Hyatt Servicing, Sino Arena, EBOD, GCL-Poly Investment Limited ("**GCL-Poly Investment**"), a fellow subsidiary of Ease Soar, the Profit Icon and the Company, whereby, among others, the Profit Icon and the Company agreed, subject to the completion pursuant to the terms and conditions of the 22 Nov 2012 SPA (i) all the rights

and obligations of any of the parties to the 14 May 2012 SPA which have not been exercised or fulfilled as at the completion date of the 22 Nov 2012 SPA shall cease and have no further force and effect; and (ii) the Shareholders' Agreement and all deeds of adherence executed by all shareholders of the CSPG shall be terminated with effect upon the completion of the 22 Nov 2012 SPA, whereupon all rights and obligations of the shareholders of CSPG and CMNEG under the Shareholders Agreement and their respective deed of adherence (where applicable) shall cease to be in effect;

(6) the loan agreement dated 18 December 2012 entered into between Goldpoly (Xiamen) Enterprises Limited* (金保利(廈門)商貿有限公司) ("**GPXEL**"), a company which is beneficially controlled by Mr. Hung Chao Hong and Goldpoly (Quanzhou) Science & Technology Industry Company Limited* (金保利(泉州)科技實業有限公司) ("**GPQST**") whereby GPXEL agreed to provide an interest-free loan of RMB100 million to GPQST which will be due on 30 September 2014;

(7) the framework agreement dated 18 June 2012 entered into between GCL-Poly Investment and CSPG in relation to the acquisition by CSPG of the entire equity interests in the project companies for certain solar power plants which are projects eligible for the Golden Sun Program (the "**18 June 2012 Framework Agreement**");

(8) the agreement dated 19 June 2012 entered into between Zhongli Photovoltaic Science and Technology Group Co., Ltd.* (中利騰暉光伏科技有限公司) ("**Zhongli Photovoltaic**"), the shareholder of Talesun and CSPG in relation to the acquisition by CSPG of the equity interests in the project companies for certain solar power plants (the "**19 June 2012 Agreement**");

(9) the supplemental agreement dated 19 June 2012 entered into between Zhongli Photovoltaic and CSPG to supplement the provisions of the 19 June 2012 Agreement (the "**19 June 2012 Supplemental Agreement**");

(10) the subscription agreement dated 19 June 2012 entered into between CSPG and Talesun pursuant to which Talesun agreed to subscribe for 40 ordinary shares in CSPG at a consideration of HK$50,000,000;

(11) the framework agreement dated 13 July 2012 entered into between Beijing Properties (Holdings) Limited* (北京建設(控股)有限公司), an independent third party, and CSPG in relation to the development of rooftop solar power plants by CSPG over the rooftops of the warehouses and distribution centres of certain logistics networks owned by Beijing Properties (Holdings) Limited in the PRC with a total area of not less than 1,000,000 square meters for a term of 25 years;

(12) the supplemental agreement dated 19 July 2012 entered into between GCL-Poly Investment and CSPG to supplement the provisions of the 18 June 2012 Framework Agreement;

(13) the agreement in relation to the change in equity interest in China Merchants Zhangzhou Development Zone Trendar Solar Tech Limited* (招商局漳州開發區創達太陽能科技有限公司) ("**CMTST**") (股權變更協議) dated 20 February 2012 entered into among Beijing Yin Bao Hong Di Shareholding Management Centre (Limited Partnership)* (北京銀保弘迪股權投資管理中心(有限合夥)) ("**Beijing Yin Bao**"), an independent third party, CMTST and CSPG pursuant to which Beijing Yin Bao agreed to subscribe for 8.4% of the equity interest in CMTST at a consideration of HK$5,500,000;

(14) the instrument of transfer and the bought and sold notes dated 30 July 2012 executed by Blear Services Limited ("**Blear Services**") and Sino Delight Developments Limited ("**Sino Delight**"), which became an indirect wholly-owned subsidiary of the Company on 10 June 2013 pursuant to which Blear Services transferred the entire issued share capital in Fortune Wheel Holdings Limited to Sino Delight at a consideration of HK$1;

(15) the letter of intent dated 2 August 2012 entered into among GCL-Poly Investment, EBOD and CSPG in relation to the cooperation among CSPG, GCL-Poly Investment and EBOD in the development of solar power plants in the PRC and the United States in the next 3 years from the date of the letter of intent (the "**2 August 2012 Letter of Intent**");

(16) the supplemental agreement dated 2 August 2012 entered into among GCL-Poly Investment, EBOD and CSPG to supplement the 2 August 2012 Letter of Intent above;

(17) the framework agreement dated 25 August 2012 entered into between Jiangyin Furui Photovoltaic Technology Co., Ltd.* (江陰復睿光伏科技有限公司), an independent third party and CSPG in relation to CSPG's investment in and acquisition of certain solar power plant projects subject to approvals having been granted for the such projects;

(18) the framework agreement dated 29 August 2012 entered into among Hareon Solar Technology Ltd.* (海潤光伏科技股份有限公司), an independent third party, EBOD and CSPG in relation to the acquisition by CSPG of certain solar power plant projects subject to the satisfaction of certain technical standards and investment return rate;

(19) the second supplemental agreement dated 29 August 2012 entered into between Zhongli Photovoltaic and CSPG to modify and further supplement the provisions of the 19 June 2012 Agreement and the 19 June 2012 Supplemental Agreement above;

(20) the framework agreement dated 30 August 2012 entered into among Jintan Zhengxin Photovoltaic Electronics Co., Ltd.* (金壇正信光伏電子有限公司), an independent third party, EBOD and CSPG in relation to the acquisition by CSPG of 70% of the equity interests in the project companies for certain solar power plants subject to the satisfaction of certain technical standards and investment return rate;

(21) the framework agreement dated 31 August 2012 entered into among Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司), an independent third party, EBOD and CSPG in relation to the acquisition by CSPG of 70% of the equity interests in the project companies for certain solar power plants subject to the satisfaction of certain technical standards and investment return rate;

(22) the rooftop lease agreement dated 29 October 2012 entered into between 浙江萬豐汽車製造有限公司 (Zhejiang Wanfeng Auto Manufacturing Company Limited*) and CMSZ in relation to the lease of the rooftops of the properties owned by Zhejiang Wanfeng Auto Manufacturing Company Limited for CMSZ to construct solar power plants with a total capacity of 30MW for a term of not less than 25 years. The lease amount is RMB1 per square meter, per year;

(23) the framework agreement dated 14 November 2012 entered into among GCL-Poly Investment, EBOD and CSPG which superseded the letter of intent dated 2 August 2012 and the supplemental agreement to the letter of intent dated 2 August 2012 in relation to the acquisition by CSPG of certain project companies(or their respective holding companies) with respect to certain power plant projects which are to be developed within the next 5 years from the date of the framework agreement as contemplated under the framework agreement;

(24) the strategic cooperation agreement dated 3 December 2012 entered into between the CSPG and Huawei Technology Co., Ltd.* (華為技術有限公司), an independent third party in relation to the establishment of the strategic cooperation relationship between the parties thereto in respect of certain solar power projects;

(25) the equity interest transfer agreement dated 20 December 2012 entered into between Jiangsu GCL Polysilicon Materials Technology Development Co., Ltd.* (江蘇協鑫硅材料科技發展有限公司), a fellow subsidiary of Ease Soar and CMSZ pursuant to which Jiangsu GCL Polysilicon Materials Technology

Development Co., Ltd. intends to transfer the entire equity interest in Xuzhou Xinneng Renewable Energy Electricity Co., Ltd.* (徐州鑫能可再生能源電力有限公司) to CMSZ for a consideration of RMB34,270,000;

(26) the equity interest transfer agreement dated 20 December 2012 entered into between Jiangsu Zhongneng Polysilicon Industry Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司), a fellow subsidiary of Ease Soar and CMSZ pursuant to which Jiangsu Zhongneng Polysilicon Industry Technology Development Co., Ltd. intends to transfer the entire equity interest in Xuzhou GCL Renewable Energy Electricity Co., Ltd.* (徐州協鑫可再生能源電力有限公司) to be established by it to CMSZ for a consideration of RMB7,050,000;

(27) the equity interest transfer agreement dated 22 December 2012 entered into among CMSZ, Zhongli Photovoltaic and Jiangsu Zhongli in relation to the transfer of the entire equity interest in Zhongli Photovoltaic Changzhou Co., Ltd.* (中利騰暉光伏常州有限公司) from Zhongli Photovoltaic and Jiangsu Zhongli to CMSZ for a consideration of RMB10,000,000 (the "**22 December 2012 Agreement**");

(28) the supplemental agreement dated 22 December 2012 entered into among CMSZ, Zhongli Photovoltaic and Jiangsu Zhongli to supplement the provisions of the 22 December 2012 Agreement above;

(29) the framework agreement dated 2 August 2013 entered into between CSPG and Zhongli Photovoltaic in relation to the proposed acquisition of the entire equity interest in the project companies which own certain completed solar power plants located in Gansu, Qinghai, Xinjiang and Jiangsu provinces in the PRC with an aggregate installed capacity of approximately 300MW;

(30) the framework agreement dated 22 August 2013 entered into among the Company, GD Solar Company Limited* (國電光伏有限公司), together with NARI Technology Development Co., Ltd.* (國電南瑞科技股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange), GUODIAN Inner Mongolia New Energy Investment Limited* (國電蒙電新能源投資有限公司), Poly Solar Technologies (Beijing) Co. Ltd.* (保利新能源科技(北京)有限公司), and Forty-eighth Research Institute of China Electronics Technology Group Corporation* (中國電子科技集團有限公司第四十八所) in relation to the proposed acquisition by the Company from GD Solar Co., Ltd. of the entire equity interest in the project companies which own certain completed solar power plants with an aggregate installed capacity of approximately 400MW;

(31) the strategic cooperation agreement dated 29 August 2013 entered into between the Company and China Singyes Solar Technologies Holdings Limited, an independent third party in relation to the cooperation in respect of the

development of the roof-top and ground solar power plants, micro-grid projects, green energy-saving buildings, application of low-carbon new energy in the islands in China, as well as the development of green intelligent low-carbon satellite cities in China;

(32) the conditional sale and purchase agreement dated 6 September 2013 entered into among Suzhou Gong Ye Yuan Qu Zhong Fu Investment Management Company Limited ("**Suzhou Zhong Fu**"), the CSPG Group and Huabei Expressway in respect of the sale and purchase of the equity interest in Fengxian Huize ("**6 September 2013 SPA**");

(33) the agreement dated 6 September 2013 entered into among the Company, Huabei Expressway and the Fengxian Huize in relation to the proposed acquisition of the 50% equity interest to be held by Huabei Expressway by the Company within the stipulated three year period;

(34) the conditional agreement dated 13 September 2013 and entered into between the Company and Suzhou Zhong Fu in relation to the subscription of the Convertible Bonds;

(35) the subscription agreement dated 27 September 2013 entered into among Seven Points Enterprises Inc., Financial Vantage Limited, York Credit Opportunities Investments Master Fund, L.P., York Asian Opportunities Investments Master Fund, L.P., York Global Finance Fund, L.P. (the "**Purchasers**"), all independent third parties, the Company as issuer, Profit Icon Investments Limited, China Solar Power Group Limited, China Technology New Energy Limited, Faster Assets Limited, Sino Delight Developments Limited, Upper Light Limited, New Light Technology Limited, Fortune Wheel Holdings Limited and Profit Giant Holdings Limited as guarantors and Credit Suisse AG, Singapore Branch as arranger and settlement agent, pursuant to which the Company has conditionally agreed to issue and the Purchasers have conditionally agreed to subscribe for 5% secured guaranteed convertible bonds due 2016 in the aggregated principal amount of US$50,000,000;

(36) the supplemental agreement dated 5 October 2013 entered into among Suzhou Zhong Fu, CSPG and Huabei Expressway to amend certain terms of the 6 September 2013 SPA;

(37) the trust deed dated 8 October 2013 entered into among the Company, Profit Icon Investments Limited, China Solar Power Group Limited, China Technology New Energy Limited, Faster Assets Limited, Sino Delight Developments Limited, Upper Light Limited, New Light Technology Limited, Fortune Wheel

Holdings Limited, Profit Giant Holdings Limited and the Bank of New York Mellon, Acting through its London Branch (the "**8 October 2013 Trust Deed**");

(38) the English share mortgage dated 8 October 2013 entered into among the Company, Profit Icon Investments Limited, China Solar Power Group Limited, Faster Assets Limited, Sky Cypress Limited, Fortune Arena Limited, Jolly Wood Limited, City Mark Holdings Limited and the Bank of New York Mellon, Acting through its London Branch;

(39) the Hong Kong share mortgage dated 8 October 2013 entered into among China Technology New Energy Limited, Sino Delight Developments Limited, Upper Light Limited, Sky Cypress Limited, Gay Giano Holdings Limited, Gay Giano China Development Limited, Goldpoly International Limited and the Bank of New York Mellon, Acting through its London Branch;

(40) the security agreement dated 8 October 2013 entered into among the Company, Profit Icon Investments Limited, China Solar Power Group Limited, China Technology New Energy Limited, Faster Assets Limited, Sino Delight Developments Limited, Upper Light Limited, New Light Technology Limited, Fortune Wheel Holdings Limited, Profit Giant Holdings Limited and the Bank of New York Mellon, Acting through its London Branch;

(41) the charge over interest reserve account dated 8 October 2013 entered into between the Company and the Bank of New York Mellon, Acting through its London Branch;

(42) the agency agreement dated 8 October 2013 entered into among the Company, Profit Icon Investments Limited, China Solar Power Group Limited, China Technology New Energy Limited, Faster Assets Limited, Sino Delight Developments Limited, Upper Light Limited, New Light Technology Limited, Fortune Wheel Holdings Limited, Profit Giant Holdings Limited, the Bank of New York Mellon, Acting through its London Branch, the Bank of New York Mellon (Luxembourg) and the Bank of New York Mellon, Acting through its Hong Kong Branch (the "**8 October 2013 Agency Agreement**");

(43) the placing agreement dated 9 October 2013 entered into between the Company and CITIC Securities Corporate Finance (HK) Limited (the "**Placing Agent**") pursuant to which the Company agreed to place 55,000,000 Shares through the Placing Agent, on a basis effort basis, at the price of HK$1.70 per placing share;

(44) the subscription agreement dated 16 October 2013 entered into among the Purchasers, the Company as issuer, Profit Icon Investments Limited, China Solar Power Group Limited, China Technology New Energy Limited, Faster Assets Limited, Sino Delight Developments Limited, Upper Light Limited, New Light Technology Limited, Fortune Wheel Holdings Limited and Profit Giant Holdings Limited as guarantors and Credit Suisse AG, Singapore Branch as arranger and settlement agent, pursuant to which the Company has conditionally agreed to further issue and the Purchasers have conditionally agreed to further subscribe and pay for, the additional convertible bonds in an aggregate principal amount of US$70,000,000 together with the accrued interest on the terms and subject to the conditions set out therein;

(45) the framework agreement dated 12 November 2013 entered into between the Company and Kunlun Trust Company Limited ("**Kunlun**"), an independent third party, pursuant to which, among other things, the Company and Kunlun will, subject to the fulfilment of certain conditions precedent, respectively acquire 60% and 40% equity interest in certain project companies which own certain completed solar power plants with an aggregate installed capacity of approximately 500MW during the period from 2013 to 2015. Kunlun shall have the right to request the Company to acquire the equity interest in such project companies to be held by it within the three month period immediately prior to the expiration of the three years from the date of the full settlement of its portion of the consideration for the proposed acquisition;

(46) the second supplemental agreement dated 13 November 2013 entered into among Suzhou Zhong Fu, CSPG and Huabei Expressway to amend certain terms of the 6 September 2013 SPA;

(47) the first supplemental agency agreement dated 14 November 2013 entered into among the Company, Profit Icon Investments Limited, China Solar Power Group Limited, China Technology New Energy Limited, Faster Assets Limited, Sino Delight Developments Limited, Upper Light Limited, New Light Technology Limited, Fortune Wheel Holdings Limited, Profit Giant Holdings Limited, the Bank of New Yok Mellon, Acting through its London Branch, the Bank of New York Mellon (Luxembourg) S.A. and the Bank of New York Mellon, Acting through its Hong Kong Branch to supplement the provisions of the 8 October 2013 Agency Agreement;

(48) the first supplemental trust deed dated 14 November 2013 entered into among the Company, Profit Icon Investments Limited, China Solar Power Group Limited, China Technology New Energy Limited, Faster Assets Limited, Sino Delight Developments Limited, Upper Light Limited, New Light Technology Limited, Fortune Wheel Holdings Limited, Profit Giant Holdings Limited, City

Mark Holdings Limited, Fortune Arena Limited, Gay Giano Holdings Limited, Gay Giano China Development Limited, Goldpoly International Limited, Jolly Wood Limited, Sky Cypress Limited and the Bank of New York Mellon, Acting through its London Branch to supplement the provisions of the 8 October 2013 Trust Deed;

(49) the supplement agreement dated 12 August 2013 entered into between FZEA and Fengxian Huize, pursuant to which FZEA and Fengxian Huize agreed to replace article 3 of the green ecological agriculture solar power project land leasing agreement dated 16 November 2011 entered into between FZEA and Fengxian Huize — "Lease term is 50 years, from 18 November 2011 to 17 November 2061" by "Lease term is 20 years, from 18 November 2011 to 17 November 2031". Fengxian Huize had the right to renew the leasing agreement under the same terms and conditions upon expiration;

(50) the supplement agreement dated 12 August 2013 entered into between FZEA and Fengxian Zhonghui, pursuant to which FZEA and Fengxian Zhonghui agreed: (1) that the green ecological agriculture solar power project land leasing agreement dated 27 October 2011 entered into between FZEA and Fengxian Zhonghui was void; (2) to replace article 3 of the green ecological agriculture solar power project land leasing agreement dated 16 November 2011 entered into between FZEA and Fengxian Zhonghui — "the Lease term is 50 years, from 18 November 2011 to 17 November 2061" by "the Lease term is 20 years, from 18 November 2011 to 17 November 2031". Fengxian Zhonghui has the right to renew the leasing agreement under the same terms and conditions, the lease period was 20 years;

(51) the framework agreement dated 28 November 2013 entered into among the Company, GD Solar, Guodian Inner Mongolia New Energy Investment Limited*（國電蒙電新能源投資有限公司）and Forty-eighth Research Institute in relation to the proposed acquisition of equity interest in four companies which own solar power plants in Inner Mongolia, the PRC with an aggregate installed capacity of 195MW;

(52) the Sale and Purchase Agreement;

(53) the EPC cooperative agreement dated 13 December 2013 entered into among Zhongli Photovoltaic, Jiangsu Zhongli, Zhongli Changzhou, EBODHK, Zhongli Gonghe and Hainanzhou Yahui in relation to (i) the consideration to be paid to Zhongli Photovoltaic as EPC contractor providing EPC services to the Project Companies; and (ii) the guarantee of volume of on-grid electricity generation of the Project Companies to be provided by Zhongli Photovoltaic and Jiangsu Zhongli;

(54) the completion agreement dated 15 December 2013 entered into between Union Photovoltaic (Shenzhen) Ltd.* (聯合光伏(深圳)有限公司)， formerly known as China Merchants New Energy (Shenzhen) Ltd.*（招商新能源(深圳)有限公司）, an indirect wholly-owned subsidiary of the Company, CSPG, Huabei Expressway and Suzhou Zhong Fu in relation to various issues towards the completion of the acquisition of Equity Interest In Fengxian Huize;

(55) the pledge agreement dated 16 December 2013 entered into between the Company and Suzhou Zhong Fu in relation to the pledging of the Convertible Bonds in the principal amount of HK$232,959,339 for the first five years and to pledge a sum of cash in the amount equivalent to RMB21,000,000 for the remaining three years as security in favour of the CSPG Group and Huabei Expressway for the Electricity Income Guarantee;

(56) the sale and purchase agreement dated 19 December 2013 entered into between UP (Changzhou) and Jiangsu Yongneng in relation to the transfer of 86.79% equity interest in 國電察哈爾右翼前旗光伏發電有限公司 (Guodian Chahaeryouyiqianqi Solar Power Company Limited*), which owns the solar power plant located in the Chahaeryouyiqianqi, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 50MW that have achieved on grid connection successfully, and such transaction was completed on 27 March 2014;

(57) the sale and purchase agreement dated 19 December 2013 entered into between UP (Changzhou) and Jiangsu Yongneng in relation to the transfer of 90.33% equity interest in 國電烏拉特後旗光伏發電有限公司 (Guodian Wulatehouqi Solar Power Company Limited*), which owns the solar power plant located in the Wulatehouqi, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 40MW that have achieved on grid connection successfully, and such transaction was completed on 28 March 2014;

(58) the sale and purchase agreement dated 19 December 2013 entered into between UP (Changzhou) and Forty-eighth Research Institute in relation to the transfer of 89.7839% equity interest in 國電托克托縣光伏發電有限公司 (Guodian Tuoketuo County Solar Power Company Limited*), which owns the solar power plant located in the Tuoketuo County, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 40MW that have achieved on grid connection successfully, and such transaction was completed on 4 April 2014;

(59) the sale and purchase agreement dated 19 December 2013 entered into between UP (Changzhou) and Forty-eighth Research Institute in relation to the transfer of 55% equity interest in 國電奈倫土默特左旗光伏發電有限公司 (Guodian Nailuntumotezuoqi Solar Power Company Limited*) which owns the solar power plant located in the Tumotezuoqi County, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 40MW that have achieved on grid connection successfully;

(60) the New Sale and Purchase Agreement;

(61) the cooperation agreement dated 9 January 2014 entered into among the Company, China Triumph International Engineering Co., Ltd.* (中國建材國際工程集團有限公司) ("**CTIEC**") and Huawei Technologies Company Limited* (華為技術有限公司) in relation to the proposed acquisition from CTIEC certain companies which own solar power plants located in China, Europe, North America and Japan with an aggregate installed capacity of approximately 500MW and the selection of Huawei as the primary supplier of inverters and information transmission systems;

(62) the framework agreement dated 21 January 2014 entered into between the Company and GD Solar, pursuant to which, *inter alia*s, it is proposed that the Company will acquire from GD Solar, the entire equity interest in four companies which own certain solar power plants constructed by GD Solar and located in Jinchang City, Gansu, China with an aggregate installed capacity of approximately 400MW;

(63) the placing agreement dated 23 January 2014 entered into between the Company, BOCI Asia Limited, CLSA Limited and Morgan Stanley & Co. International plc, pursuant to which, *inter alias*, 480,000,000 new Shares were issued and allotted at the price of HK$1.72 per Share on 29 January 2014;

(64) a strategic cooperation agreement dated 19 February 2014 entered into among the Company, EBODHK and Wangxin Finance Group in relation to the development and construction of certain solar power plant projects to be financed through a crowd-funding platform in China. (the "**19 February 2014 Crowd-funding Strategic Cooperation Agreement**");

(65) a strategic cooperation agreement dated 19 February 2014 entered into among the Company and the Shenzhen Branch of China Development Bank (the "**CDBSZ**"), pursuant to which, among other things, CDBSZ agreed to provide financing for the Group's solar power plant projects with an aggregate installed capacity of approximately one GW, subject to credit assessment and CDBSZ provides escrow/custodian services for funds raised by the Group by through crowd-funding or other Internet-based channels;

(66) a finance lease agreement dated 27 February 2014 entered into between the Company and United Group Facilities Leasing Co., Ltd. ("**Zhongxing Leasing Company**"), pursuant to which, Zhongxing Leasing Company has agreed to purchase polycrystalline silicon modules from an independent third party in accordance with the requirements of the Company and lease the same to the Company for a term of 12 years at an aggregate consideration of approximately US$148,970,000 (equivalent to approximately HK$1,154,517,000). (the "**27 February 2014 Finance Lease Agreement**");

(67) A purchase agreement dated 27 February 2014 entered into among the Company, Zhongxing Leasing Company and an independent third party, pursuant to which the independent third party will sell and Zhongxing Leasing Company will purchase polycrystalline silicon modules at a consideration of US$110,000,000 (equivalent to approximately HK$852,500,000). The effectiveness of the said agreement is conditional upon the 27 February 2014 Finance Lease Agreement becoming effective;

(68) A conditional sale and purchase agreement dated 14 April 2014 entered into between the Company and Yingli Energy (China) Company Limited* (英利能源(中國)有限公司) in relation to the proposed acquisition of the equity interests in certain project companies which own certain ground solar power plants with an aggregate installed capacity of not less than 300MW from 2014 to 2016, subject to the fulfillment of certain conditions precedent; and

(69) a strategic cooperation agreement dated 16 April 2014 entered into between the Company and China Financial Leasing Company Limited (中國金融租賃有限公司), in relation to, subject to the entering into definitive agreements (if entered into), the intended provision of finance lease in the aggregate amount of not less than RMB10 billion, pursuant to the relevant national laws and regulations, the relevant industrial policies and catalogue of guidance for industrial structure adjustment for certain businesses of the Company.

II. The Target Group

As at the Latest Practicable Date, the Target Company and its subsidiaries have not entered into any Material Contracts.

11. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda;

(b) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, which situates at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong;

(c) The company secretary of the Company is Ms. Qiu Ping, Maggie, who is also a non-executive director and a director and president of China Solar Power Group Limited, a wholly-owned subsidiary of the Company. Ms. Qiu holds a bachelor degree in economics and a bachelor degree in German Literature from Peking University. Ms. Qiu was also awarded a master degree in European culture and economics by Ruhr University Bochum in Germany and a master of laws in corporate and financial law in the University of Hong Kong;

(d) The auditor of the Company is PricewaterhouseCoopers;

(e) As at the Latest Practicable Date, the board of directors consisted of two executive directors, namely Mr. Li, Alan (Chairman and Chief Executive Officer) and Mr. Lu Zhenwei; four non-executive directors, namely Academician Yao Jiannian, Mr. Yang Baiqian, Ms. Qiu Ping, Maggie and Mr. Wu Zhenmian; and five independent non-executive directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing;

(f) As at the Latest Practicable Date, no Directors had any interest, direct or indirect, in any asset acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up; and

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

12. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Company were made up.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum and bye-laws of the Company;

(b) the letter from the board, the text of which is set out on pages 7 to 26 of this circular;

(c) the written consents referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;

(d) the annual reports of the Company for each of the three years ended 31 December 2011, 2012 and 2013;

(e) the accountant's reports of PricewaterhouseCoopers dated 16 May 2014 on the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(f) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the report from PricewaterhouseCoopers in relation to the discounted future estimated cash flows in connection with the valuation on the concession rights, the text of which is set out in Appendix VI to this circular;

(h) the material contracts referred to in the paragraph headed "Material Contracts"in this appendix; and

(i) this circular.

* *For identification purpose only*

UNITED PHOTOVOLTAICS GROUP LIMITED

聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**Meeting**") of United Photovoltaics Group Limited (the "**Company**") will be held at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 6 June 2014 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement dated 8 January 2014 entered into between UP (Changzhou) and EBODHK, in relation to the proposed acquisition of the remaining 55% equity interest in 常州鼎暉新能源有限公司 (Changzhou Dinghui New Energy Company Limited*) and the related shareholders' loan (the "**New Sale and Purchase Agreement**") (a copy of which marked "A" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any director of the Company be and is hereby authorised to do, and cause its subsidiaries to do, such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any director of the Company together with the secretary of the Company or in the case of subsidiaries, in compliance with their articles of association) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the New Sale and Purchase Agreement and the transactions contemplated thereunder."

For and on behalf of
United Photovoltaics Group Limited
Li, Alan
Chairman of the Board

Hong Kong, 16 May 2014

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish. In such event, the instrument appointing such a proxy shall be deemed to be revoked.

3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited of 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding of the Meeting or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, the persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. The ordinary resolution set out herein will be taken by way of poll.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 11:00 a.m. on the date of the special general meeting, the meeting will be postponed. The Company will post an announcement on the website of Company at www.unitedpvgroup.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.

7. As at the date hereof, the board of directors of the Company comprises Mr. Li, Alan (Chairman and Chief Executive Officer) and Mr. Lu Zhenwei, being the executive directors; Academician Yao Jiannian, Mr. Yang Baiqian, Ms. Qiu Ping, Maggie and Mr. Wu Zhenmian, being the non-executive directors; and Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing, being the independent non-executive directors.

* *For identification purpose only*