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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.



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 TRANSACTION IN RELATION TO THE ACQUISITION OF
170MW SOLAR POWER PLANT PROJECTS IN PRC; AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

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 4 to 18 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 Monday, 7 September 2015, at 3 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 A18, Asia Orient Tower, 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.

20 August 2015

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DEFINITIONS

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

“Acquisition”	the acquisition of 100% of the equity interest in the Target Company by UP (Changzhou) pursuant to the Acquisition Agreement
“Acquisition Agreement”	the legally binding agreement dated 11 May 2015 (as supplemented by a supplemental agreement dated 11 May 2015 and a supplemental agreement dated 17 August 2015) entered into between UP (Changzhou) and the Seller in relation to, among others, the sale and purchase of the 100% Sale Interest
“Board”	the board of Directors
“Company”	United Photovoltaics Group Limited (聯合光伏集團有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Target Group upon completion of the Acquisition
“EPC”	engineering, procurement and construction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	17 August 2015, being the latest practicable date prior to the dispatch 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

DEFINITIONS

“MW”	Megawatt, which equals to 1,000,000 watt
“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”	(1) Guodian Chahaeryouyiqianqi Second Solar Power Company Limited* (國電察哈爾右翼前旗第二光伏發電有限公司) (“Guodian Chahaeryouyiqianqi”) (2) Guodian Kezuozhongqi Photovoltaics Company Limited* (國電科左中旗光伏發電有限公司) (“Guodian Kezuozhongqi”) (3) Guodian Shangdu County Second Photovoltaics Company Limited* (國電商都縣第二光伏發電有限公司) (“Guodian Shangdu”) (4) Haining Heliyuan New Energy Investment Company Limited* (海寧和利源新能源投資有限公司) (“Haining Heliyuan”)
“Sale Interest”	equity interest in the Target Company
“Seller”	Zhongneng Guodian Photovoltaic Green Ecological Cooperation and Development Jiangsu Company Limited* (中能國電光伏綠色生態合作發展江蘇有限公司), a company established in the PRC with limited liability
“SGM”	the special general meeting of the Company to be convened to approve, confirm and ratify the Acquisition Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Target Company”	Nanjing Silk Road New Energy Company Limited* (南京絲綢之路新能源有限公司) (formerly known as Zhongneng Guodian New Energy Cooperation and Development Jiangsu Company Limited* (中能國電新能源開發投資江蘇有限公司)), a company established in the PRC with limited liability in July 2014 and is wholly owned by the Seller
“Target Group”	the Target Company and the Project Companies
“UP (Changzhou)”	United Photovoltaics (Changzhou) Investment Limited* (聯合光伏(常州)投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

* *for identification purpose only*

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)

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

Independent non-executive Directors:

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Ma Kwong Wing

Registered office:

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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

20 August 2015

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF
170MW SOLAR POWER PLANT PROJECTS IN PRC; AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 11 May 2015 in relation to the proposed Acquisition of 100% of the equity interest in the Target Company by UP (Changzhou), an indirect wholly-owned subsidiary of the Company, from the Seller in stages at the aggregate consideration of RMB105 million (equivalent to approximately HK\$132.3 million) pursuant to the Acquisition Agreement.

Subsequent to entering into the Acquisition Agreement, the parties agreed to change the name of the Target Company before completion of the Acquisition, taking into account the advice from the local office of the State Administration of Industry and Commerce on the procedural requirements for equity transfer of the Target Company. As time was required to complete the change of name of the Target Company, the parties further agreed to transfer 100%

LETTER FROM THE BOARD

of the Sale Interest in the Target Company on completion instead of effecting the transfer in two tranches as initially contemplated.

In furtherance to the execution of the Acquisition Agreement, after the date of the Acquisition Agreement, the paid-up registered capital of the Target Company has been increased to RMB212,237,600 (equivalent to approximately HK\$267,400,000) by capitalisation of certain outstanding shareholder's loans in the amount of RMB107,237,600 (equivalent to approximately HK\$135,100,000), and as a result, the parties agreed that the aggregate consideration for the Acquisition shall be increased to RMB212,237,600 (equivalent to approximately HK\$267,400,000), equivalent to the amount of paid-up registered capital of the Target Company.

As disclosed in the announcement of the Company dated 11 May 2015, the Target Company owns, through the Project Companies and Inner Mongolia Zhongneng Guodian New Energy Technology Company Limited* (內蒙古中能國電新能源科技有限公司) (the “**Excluded Company**”), five solar power plant projects with an aggregate installed capacity of 210MW. The Target Company has entered into a share repurchase option agreement with the minority shareholders of the Excluded Company in 2014, pursuant to which the minority shareholders of the Excluded Company shall have the right to acquire 80% equity interest in the Excluded Company from the Target Company by 26 July 2015. As advised by the Seller, the repurchase option has expired unexercised, however, the minority shareholders are still in discussions with the Seller. In view of uncertainty of such discussions and challenge of the presence of minority interests for the operation of the Excluded Company, the Group and the Seller have agreed to exclude the Excluded Company from the Acquisition. On 17 August 2015, UP (Changzhou) and the Seller entered into a supplemental agreement, pursuant to which the parties agreed that (i) the Excluded Company will be excluded from the Target Group and the Seller will purchase the 80% equity interest in the Excluded Company from the Target Company upon the execution of the supplemental agreement for a consideration of RMB16,000,000; and (ii) the total payment for the Acquisition, i.e. the consideration together with the cost of capital expenditure and assumption of the liabilities, net of cash and cash equivalents, trade and other receivables, deposit and prepayment of the Target Group in the aggregate amount of not more than RMB1,903,690,000 (equivalent to approximately HK\$2,400,000,000) will be reduced to not more than RMB1,557,100,000 (equivalent to approximately HK\$1,961,946,000) to reflect the exclusion of the Excluded Company. Taking into account that the Excluded Company will be disposed of at a consideration equivalent to its registered capital, upon completion of which, the Target Company will cease to be responsible for the outstanding EPC payments and liabilities of the Excluded Company, and as a result, the expected total liabilities of the Target Group are reduced accordingly. There is no adjustment to the consideration of the Acquisition, which equals to the amount of the paid-up registered capital of the Target Company. The Directors are of the view that the adjustment to the expected total payment for the Acquisition, based on the amount of outstanding liabilities the Target Group so reduced, is fair and reasonable. Save and except for the above amendments, the terms and conditions of the Acquisition Agreement remain unchanged.

The purpose of this circular is to provide you with, amongst other things, further details of the Acquisition and all matters contemplated thereunder and the notice of the SGM.

LETTER FROM THE BOARD

THE ACQUISITION

The Acquisition Agreement

Date: 11 May 2015 (as supplemented by a supplemental agreement dated 11 May 2015 and a supplemental agreement dated 17 August 2015)

Parties: UP (Changzhou)

The Seller

The Seller is a limited company incorporated in the PRC, whose principal business is development and operation of solar power plants in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Seller and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Equity interest to be acquired

Pursuant to the Acquisition Agreement, UP (Changzhou) has conditionally agreed to purchase and the Seller has conditionally agreed to sell and transfer 100% of the equity interest in the Target Company which owns, through the Project Companies, four solar power plant projects with aggregate installed capacity of 170 MW located in Inner Mongolia and Zhejiang Province, the PRC.

Further information on the Target Group is set out in the section headed "Information on the Target Group" below.

Total consideration and other payments

The total consideration of the Acquisition is RMB212,237,600 (equivalent to approximately HK\$267,400,000), which represents the amount of paid-up registered capital of the Target Company.

Pursuant to the Acquisition Agreement, UP (Changzhou) has paid RMB212,237,600 (equivalent to approximately HK\$267,400,000) in cash as advance payment under the Acquisition Agreement. In return, 100% of the equity interest in the Target Company has been charged in favour of UP (Changzhou) as security for the performance of Seller's obligation under the Acquisition Agreement.

The parties estimate that, in relation to the Acquisition, the total consideration, together with the cost of capital expenditure and assumption of the liabilities, net of cash and cash equivalents, trade and other receivables, deposit and prepayment of the Target Group, will be not more than RMB1,557,100,000 (equivalent to approximately HK\$1,961,946,000). The liabilities of the Project Companies primarily consist of payments due to the EPC contractor(s) and supplier(s).

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Summary of the major EPC contracts/supply contracts of the Project Companies is set out as follows:

Name of Project Company	Nature and date of contract	Background of contractor/supplier	Contract sum	Services provided under the EPC contract/supply contract	Performance of contract
Guodian Chahaeryouyiqianqi	EPC contract dated September 2014	A PRC incorporated company principally engaged in supply of complete equipment and engineering contracting business	RMB250,864,400	Design and construction of the solar power plant with installed capacity of 30MW	Major construction work has been completed
Guodian Shangdu	EPC contract dated September 2014	A PRC incorporated company principally engaged in engineering contracting business	RMB430,500,000	Design and construction of the solar power plant with installed capacity of 50MW	Major construction work has been completed
Guodian Kezuozhongqi	EPC contract dated September 2014	A PRC incorporated company principally engaged in supply of complete equipment and engineering contracting business	RMB510,850,600	Design and construction of the solar power plant with installed capacity of 60MW	Major construction work has been completed
Haining Heliyuan	Main construction contract dated August 2014	A PRC incorporated company principally engaged in investment and development of new energy power plants and supply of solar power plant equipment and materials business	RMB52,000,000	Design and construction of the solar power plant with installed capacity of 30MW	Major construction work has been completed
	Equipment materials procurement contract dated November 2014		RMB112,911,000	Supply of the materials of the solar project and provide consultancy services for the installation of the materials	Materials have been delivered
	7MW modules procurement contract dated November 2014		RMB28,374,000	Supply of the 7MW modules and provide consultancy services for the installation of the components	Modules have been delivered

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These contracts were entered into between the relevant Project Companies and EPC contractors or equipment suppliers established and carrying on business in the PRC. To the best knowledge, information and belief of the Company, having made reasonable enquiries, those EPC contractors and suppliers are independent third parties of the Company and its connected persons. The Company has reviewed the terms of the EPC contracts/supply contracts as part of its due diligence exercise to ensure that they were entered on normal commercial terms and fair and reasonable.

According to the Acquisition Agreement, the Seller agreed that it shall procure each of the Project Companies to negotiate with the relevant EPC contractors and the suppliers to amend the payment terms of the above EPC contracts/supply contracts to the satisfaction of UP (Changzhou).

UP (Changzhou) and the Seller will draw up a payment plan for settlement of the outstanding liabilities of the Project Companies and such payments will be conditional on:-

- (i) the terms of the EPC agreement(s) having been amended to the satisfaction of UP (Changzhou);
- (ii) the filing of the transfer of the entire Sale Interest having been completed and a new business license reflecting the transfer of 100% Sale Interest having been obtained;
- (iii) construction of all of the solar power plants having been completed and they having achieved on-grid connection;
- (iv) construction of the ancillary facilities of the solar power plants owned by the Project Companies having been completed and subject to confirmation of UP (Changzhou);
- (v) the solar power plants owned by the Project Companies having been inspected by the inspection institution designated by the parties and the inspection reports having been issued to the satisfaction of UP (Changzhou); and
- (vi) the Seller having returned to UP (Changzhou) the bank guarantee, if such bank guaranteed has been arranged to secure payment obligation of UP (Changzhou).

For the information of Shareholders, as at the Latest Practicable Date, no such bank guarantee has been delivered to the Seller.

As at the Latest Practicable Date, the parties are still in the process of negotiating the supplemental terms of such EPC contracts/supply contracts.

UP (Changzhou) will withhold approximately 10% of the amount payable to the EPC contractor(s) and supplier(s) for the quality warranty, which will be released when the construction work of the solar power plants having satisfied the standards and requirements specified by UP (Changzhou).

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The total consideration of the Acquisition was determined after arm's length negotiations between the parties taking into consideration of the paid-up registered capital of the Target Company, the amount of the cost of capital expenditure and assumption of the liabilities of the Project Companies and the internal rate of return on the total investment to be achieved by the Project Companies. The net assets value of the Target Group was RMB56,799,000 (equivalent to approximately HK\$71,567,000) as at 31 March 2015. With reference to the net assets value of the Target Group as disclosed in Appendix III to this circular, in which, has reflected the increase of the paid-up registered capital of the Target Company after 31 March 2015 by capitalisation of certain outstanding loans owed to the Seller, the Directors are of the view that the total consideration of the Acquisition of RMB212,237,600 is fair and reasonable.

The Company will finance the total consideration and the liabilities of the Target Group (which include the capital injection of an aggregate amount of RMB300 million for three of the Project Companies by the Target Company) by the proceeds from funding raising activities, long-term banking facilities, finance lease and/or internal resources. Among the total consideration, RMB1,000,000,000 (equivalent to approximately HK\$1,260,000,000) will be financed by the proceeds from the proposed issue of the convertible bonds to Chinastone Capital Management Limited. (Please refer to the circular of the Company dated 27 May 2015 for details of the proposed issue of the convertible bonds). Pursuant to the terms of the convertible bonds to be issued to Chinastone Capital Management Limited, subject to completion of the issue of the convertible bonds and completion of the Acquisition, the equity interest of the Target Company will be pledged in favour of Chinastone Capital Management Limited to secure the convertible bonds. The Company is also in the process of negotiating certain finance lease arrangements with finance lease companies. For the settlement of the liabilities of the Project Companies, the Target Group is in the process of negotiating certain long term loans with banks (Please refer to paragraph 2.1.2 in Appendix II to this circular).

Conditions precedent

The Acquisition is conditional on fulfillment (or wavier by UP (Changzhou)) of the satisfactory results of due diligence by UP (Changzhou) on the Target Group and applicable approvals, permits, authorizations, consents regarding the Acquisition being obtained from the government authorities and other relevant third parties, if any. As at the Latest Practicable Date, UP (Changzhou) does not have intention to waive any condition precedent to completion of the Acquisition.

LETTER FROM THE BOARD

Rights and obligations of UP (Changzhou)

Under the Acquisition Agreement, UP (Changzhou) shall:

- (i) perform its obligations under the Acquisition Agreement and the equity transfer agreement(s) to be entered into for the purpose of effecting the registration of the transfer of the Sale Interest with the registration authority of the PRC government, including but not limited to the State Administration of Industry and Commerce;
- (ii) raise funds in a timely manner to settle all outstanding payable to the Seller;
- (iii) procure the Acquisition be approved by the relevant authorities and its internal departments and/or its ultimate shareholders;
- (iv) subject to the completion of the Acquisition, in the event that the Project Company(ies) fails to settle payables to the EPC contractor(s) according to the EPC contract(s), procure the relevant Project Company(ies) to apply the feed-in tariff payments received by the Project Company(ies) for the settlement of such outstanding EPC payments and shall bear the default interest of 9% per annum for the amount of the delayed payments; and
- (v) enjoy its other rights and perform its other obligations under the Acquisition Agreement.

Rights and obligations of the Seller

Under the Acquisition Agreement, the Seller shall:

- (i) have the right to receive the payments under the Acquisition Agreement and the equity transfer agreement(s) to be entered into for the purpose of effecting the registration of the transfer of the Sale Interest with the registration authority of the PRC government;
- (ii) ensure that the Project Companies have been duly established and existing in good standing and have obtained the requisite approvals, licenses and permits concerning their operations and businesses as set forth in their respective business licenses;
- (iii) ensure that the equity interest of Target Company and the Project Companies are free from any encumbrance (except for those recognized by UP (Changzhou) in writing) and the Project Companies are the sole legal entities for the initial development, investment, construction and operation of the relevant solar power plants projects;
- (iv) procure that the Target Company will own 100% equity interest of the Project Companies (subject to the existing right of the shareholder(s) of the Project Companies, if any) and this obligation shall survive completion of the Acquisition;

LETTER FROM THE BOARD

- (v) ensure that the Project Companies will obtain or have obtained all the approvals for the initial registration, land use rights, commencement of construction, on-grid connection, completion of construction and operation of the solar power plants and will deliver all the licenses, documents, information and seals to UP (Changzhou); and ensure all of the solar power plant projects owned by the Project Companies are qualified to be included in the Catalogue of Additional Subsidies for Renewable Electricity Prices (可再生能源電價附加資金補助名錄);
- (vi) procure the Project Companies to enter into supplemental agreements with the relevant EPC contractors and suppliers to amend the terms of the EPC agreement(s) to the satisfaction of UP (Changzhou);
- (vii) ensure that the EPC contractors and suppliers will provide warranty on the performance and quality of the solar power plants and assist the inspection institution to inspect the solar power plants; and ensure that the electricity generation rate of the solar power plants will not be less than 80% of designed capacity;
- (viii) bear all the liabilities incurred by the Target Company and/or the Project Companies resulted from any acts of the Target Company and/or the Project Companies or events occurred prior to the completion of the Acquisition;
- (ix) ensure that all the solar power plants owned by the Project Companies will satisfy all the requirements of the seventh batch of the Catalogue of Additional Subsidies for Renewable Electricity Prices (可再生能源電價附加資金補助名錄); and
- (x) enjoy its other rights and perform its other obligations under the Acquisition Agreement.

If either party commits a breach of its obligations under the Acquisition Agreement, the non-defaulting party is entitled to submit its arbitration claim for damages for the losses it suffered to the China International Economic and Trade Arbitration Commission. The defaulting party may be liable for all losses and damages that the non-defaulting party may suffer as a result of such breach.

Completion

Completion of the Acquisition will take place upon fulfillment of the conditions precedent, which is expected to take place on or before the end of September 2015. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of UP (Changzhou).

LETTER FROM THE BOARD

If the intermediary which conducted the due diligence on the Target Group has issued an adverse opinion or the parties fail to reach supplementary agreements in relation to the rectification of the issues identified in the due diligence reports, UP (Changzhou) shall have the right not to proceed with the completion of the Acquisition. In such event, the Seller shall return the advance payment paid by UP (Changzhou) and pledge over the Sale Interest in favour of UP (Changzhou) will be discharged.

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 and principally engaged in development, investment, operation and management of solar power plants in the PRC.

INFORMATION ON THE SELLER

The Seller is a limited company incorporated in the PRC, whose principal business is development and operation of solar power plants in the PRC.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the PRC on 2 July 2014, and through its subsidiaries, principally engaged in developing and operating solar power plants in the PRC.

The Target Company owns the following Project Companies:

- (i) Guodian Chahaeryouyiqianqi, a company established in the PRC with limited liability in September 2014 and was owned as to 49% by the Target Company and 51% by Guodian Mengdian New Energy Investment Co., Ltd.* (國電蒙電新能源投資有限公司) (“**Guodian Mengdian**”) as at the date of the Acquisition Agreement. After the increase of the registered capital, the Target Company’s shareholding in Guodian Chahaeryouyiqianqi has been increased to 99% by subscription for the increased registered capital. The injection of the increased registered capital will be made after completion of the Acquisition. Guodian Chahaeryouyiqianqi owns a solar power plant located in Chahaeryouyiqianqi, Inner Mongolia, China with aggregate installed capacity of 30MW.

Guodian Mengdian is a limited company established in the PRC and is a wholly-owned subsidiary of Guodian Inner Mongolia Electricity Co., Ltd.* (國電內蒙古電力有限公司), which is mainly engaged in construction, operation and development of the grid in Inner Mongolia, China. Guodian Mengdian has 7.3%, 9.93% and 6% equity interest in three indirect subsidiaries of the Company respectively.

LETTER FROM THE BOARD

- (ii) Guodian Kezuozhongqi, a company established in the PRC with limited liability in September 2014 and was owned as to 49% by the Target Company and 51% by Guodian Naiman Wind Electricity Co., Ltd.* (國電奈曼風電有限公司) (“**Guodian Naiman**”), a wholly-owned subsidiary of Guodian Inner Mongolia Electricity Co., Ltd.* (國電內蒙古電力有限公司), as at the date of the Acquisition Agreement. After the increase of the registered capital, the Target Company’s shareholding in Guodian Kezuozhongqi has been increased to 99.4% by subscription for the increased registered capital. The injection of the increased registered capital will be made after completion of the Acquisition. Guodian Kezuozhongqi owns a solar power plant located in Keerqinzuoyizhongqi, Inner Mongolia, China with aggregate installed capacity of 60MW;
- (iii) Guodian Shangdu, a company established in the PRC with limited liability in September 2014 and was owned as to 49% by the Target Company and 51% by Guodian Mengdian as at the date of the Acquisition Agreement. After the increase of the registered capital, the Target Company’s shareholding in Guodian Shangdu has been increased to 99.31% by subscription for the increased registered capital. The injection of the increased registered capital will be made after completion of the Acquisition. Guodian Shangdu owns a solar power plant located in Shangdu County, Inner Mongolia, China with aggregate installed capacity of 50MW; and
- (iv) Haining Heliyuan, a company established in the PRC with limited liability in December 2013 and was held as to 98.57% by the Target Company and 1.43% by an independent individual as at the date of the Acquisition Agreement. After the transfer of the 1.43% equity interest to the Target Company, Haining Heliyuan has become a wholly-owned subsidiary of the Target Company. Haining Heliyuan owns a solar power plant located in Haining City, Zhejiang Province, China with aggregate installed capacity of 30MW.

All the solar power plants of the Project Companies have achieved on-grid connection.

Summary of the further information of the Project Companies is set out as follows:

	Guodian Chahaeryouyiqianqi	Guodian Kezuozhongqi	Guodian Shangdu	Haining Heliyuan
Approximate production capacities	30MW	60MW	50MW	30MW
Revenue*	–	RMB19.1 million	–	RMB5.7 million
Cost*	RMB2.4 million	RMB4.9 million	RMB3.9 million	RMB2.8 million
On-grid connection	December 2014	December 2014	December 2014	May 2015

* Approximate figures from date of establishment to 31 March 2015

LETTER FROM THE BOARD

Risk factors affecting the productivity and income of the Target Group include:

- (a) The Project Companies rely on the EPC contractors and suppliers to provide the key equipment of the solar power plants and to install the solar power systems. Although the Seller will ensure that the EPC contractors and suppliers will provide warranty on the performance and quality of the solar power plants and ensure that the electricity generation rate of the solar power plants will not be less than 80% of designed capacity, defect in the equipment of the solar power plants (if any) could adversely affect the productivity and income of the Target Group.
- (b) Timely maintenance is required to ensure the solar power plants can generate electricity effectively and efficiently during the lifetime of the solar power plants. Failure in prompt repairs of the breakdown or failure of any key equipment or structure in the solar power plants could disrupt the generation and transmission of electricity by the solar power plants and in turn affect the income of the Target Group.
- (c) The actual amount of power output produced by the Project Companies will be affected by the amount of solar energy absorbed by the solar power plants which is in turn highly dependent on the amount of exposure to insolation of the solar power plants and therefore their location and other external factors such weather conditions. The solar power plants owned by the Target Group are located in the regions with abundant sunshine, however, it is hard to predict the precise amount of insolation in the future. If there is significant variation in the insolation, the productivity and income of the Target Group may be affected.
- (d) The local grid companies of the regions where the solar power plants owned by the Target Group are located may implement grid curtailment from time to time. The income of the Target Group may be affected by the grid curtailment.
- (e) According to the Acquisition Agreement, the Seller shall ensure all of the solar power plant projects owned by the Project Companies are qualified to be included in the Catalogue of Additional Subsidies for Renewable Electricity Prices* (可再生能源電價附加資金補助名錄). However, there is no guarantee that the subsidies will be provided to the Project Companies in a timely manner. Any delay in provision of the relevant additional subsidies for renewable electricity prices will adversely affect the income of the Target Group.

LETTER FROM THE BOARD

Financial information of the Target Group

Based on the audited consolidated financial statements of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards, the results for the period from 2 December 2013 (date of establishment of the Haining Heliyuan) to 31 December 2013, the year ended 31 December 2014 and the three months ended 31 March 2015 and the net assets position as at 31 December 2013 and 2014 and 31 March 2015 are as follows:

	For the period from 2 December 2013 (date of establishment) to 31 December 2013 <i>RMB'000</i>	For the year ended 31 December 2014 <i>RMB'000</i>	For the three months ended 31 March 2015 <i>RMB'000</i>
Revenue and tariff adjustment	—	—	24,823
Net (loss)/profit for the period/year	—	(4,260)	10,039
	As at 31 December 2013 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>	As at 31 March 2015 <i>RMB'000</i>
Total assets	1,000	1,671,759	1,631,712
Total liabilities	(1,000)	(1,624,999)	(1,574,913)
Net assets	—	46,760	56,799

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

Immediately upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The results, assets and liabilities of the Target Group will be consolidated in the consolidated financial statements of the Group accordingly.

LETTER FROM THE BOARD

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 of the Acquisition having taken place on 31 December 2014, the total net assets attributable to owners of the Company would increase from approximately HK\$1.876 billion to HK\$1.972 billion. The total assets would increase from approximately HK\$9.086 billion to HK\$11.075 billion and the total liabilities would increase from approximately HK\$7.210 billion to HK\$9.103 billion. The conversion of RMB to HK\$ was made at a rate of RMB1 to HK\$1.26. In light of the future prospects of the Target Group with stable electricity generation, the Directors believe that the Acquisition will have a positive impact on the earnings of the Group in the future.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is primarily engaged in the development, investment, operation and management of solar power plants. It is the Group's strategy to identify suitable investment opportunity to acquire solar power plants with good prospects and potential for stable returns.

The PRC government has demonstrated its strong support to the development of solar power industry. For instance, in the 2015 Report on the Work of the Government during the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference, it was stated that the government will put great weight behind the development of solar power. In other words, the solar power generation industry will expect to enter into a rapidly developing epoch.

The Group is joining hands with its partners from different sectors to build up an efficient operation platform specialized in solar power plants in China, and to establish a photovoltaic green ecosphere by employing a low-carbon and economic development model committing to bring clean green energy into millions of families. Recently, the Group has entered into a cooperation agreement with an industry player to acquire on-grid solar power plant projects with an aggregate installed capacity of 930MW. In the meantime, a number of well-known investment funds/financial institutions are showing their support in the Group's strategy and mission in building a green world by subscribing for the Company's convertible bonds.

As at the Latest Practicable Date, the Group and the associates of the Company had 21 grid-connected solar power plants with an aggregate installed capacity of approximately 637MW, covering Fujian, Gansu, Guangdong, Inner Mongolia, Jiangsu, Qinghai and Xinjiang in the PRC. If completion of the Acquisition could proceed as contemplated, the Group and the associates of the Company will have 25 grid-connected solar power plants with installed capacity of approximately 807MW, increasing by 26.7% in terms of installed capacity.

Going forward, the Enlarged Group will continue its efforts in seeking potential investment opportunities in the solar power industry. It is expected that the Acquisition is one of the milestones in achieving the Group's mission and the financial and trading prospects of the Enlarged Group is promising.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the development, investment, operation and management of solar power plants.

It is the Group's strategy to identify suitable investment opportunities to acquire solar power plants with good prospects and potential for stable returns. The PRC government has introduced certain favorable policies with respect to the solar power industry in recent years. On 16 March 2015, the National Energy Administration issued Notice regarding the Implementation Instruction of Photovoltaic Construction in 2015 (國家能源局關於下達2015年光伏發電建設實施方案的通知), which established the 2015 national target scale of newly constructed solar power plants at 17.8 gigawatts. Therefore, there is strong demand for the solar power plant projects with good prospects in the market. As one of the market players and in order to capture the business opportunities brought by the favorable national policies, the Company has to respond promptly to secure the solar power plants with good prospects. It is common that a newly established project company has net current liabilities and negative cash flow. As the solar power plants operated by the Target Group have successfully achieved on-grid connection, these solar power plants are expected to bring in operating cash inflows to the Target Group in the next twelve months. Taking into account the prospects of the Enlarged Group, the Directors are of the view that the Acquisition will enable the Group to further expand its scale of business in the solar energy sector and enhance return to the Shareholders, hence, the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder or any of their respective associates had an interest in the Acquisition Agreement. As such, no Shareholder would be required to abstain from voting on the resolution approving the Acquisition at the SGM.

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 Monday, 7 September 2015, at 3 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 Acquisition Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

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 A18, Asia Orient Tower, 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

The Directors consider that the terms of the Acquisition 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 Acquisition 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 Shareholders to vote in favour of the ordinary resolutions to approve the Acquisition 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 of the Acquisition is subject to fulfilment of a number of conditions precedent under the Acquisition Agreement, the Acquisition under the Acquisition Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

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

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2012, 2013 and 2014 are disclosed in the Company's annual reports for each of the three years ended 31 December 2012, 2013 and 2014, which can be accessed on both of 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

As at the close of business on 30 June 2015, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following indebtedness:

	Secured		Unsecured		Total
	Guaranteed RMB'000	Unguaranteed RMB'000	Guaranteed RMB'000	Unguaranteed RMB'000	
Convertible bonds (i)	92,262	1,954,208	—	857,875	2,904,345
Bank borrowings (ii)	—	2,410,712	—	—	2,410,712
Loans from leasing companies (ii)	—	764,959	—	—	764,959
Loans from third parties	—	—	—	55,500	55,500
Amounts due to associates	—	—	—	45,199	45,199
Other payables	—	—	—	3,610,951	3,610,951
	<u>92,262</u>	<u>5,129,879</u>	<u>—</u>	<u>4,569,525</u>	<u>9,791,666</u>

(i) Convertible bonds

The convertible bonds were stated in their principal amounts which were not segregated into liability and equity component or stated at fair value respectively according to the Group's accounting policy as required by the Hong Kong Accounting Standards.

Convertible bonds with principal amounts in aggregate of approximately HK\$1,649 million (equivalent to approximately RMB1,308 million) were secured or to be secured by equity interest of, and certain assets and rights in project companies holding solar power plants of an aggregate installed capacity of approximately 230MW.

(ii) Bank borrowings and loans from finance leasing companies

Bank borrowings and loans from finance leasing companies were secured by (A) pledged guarantee deposits; (B) power generating modules and equipment; (C) pledge of the fee collection right in relation to the sales of electricity; and (D) share mortgage over the shares of subsidiaries.

Save as referred to above and apart from intra-group liabilities, the Enlarged Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 June 2015.

There is no material change in the indebtedness and contingent liabilities of the Enlarged Group from 30 June 2015 to the Latest Practicable Date.

3. RECENT DEVELOPMENTS

(a) Acquisitions

- (i) On 2 April 2015, the Group completed the acquisition of a 51% equity interest in Changzhou Guangyu New Energy Company Limited* (常州光昱新能源有限公司) (“**Changzhou Guangyu**”) for a cash consideration of RMB21,700,000 (the “**Changzhou Guangyu Acquisition**”). As part of the acquisition, the Group agreed to contribute RMB364,000,000 to Changzhou Guangyu as additional registered capital to finance the settlement of Changzhou Guangyu’s EPC payable and other payables. To finance this acquisition, the Company issued a 3-year convertible bond with a principal amount of HK\$524,803,198.80 (the “**CM Convertible Bond**”) on 20 April 2015 to China Merchants Fund Management Limited* (招商基金管理有限公司) (“**CM Fund**”), an associate of a substantial shareholder of the Company. The net proceeds from the issuance of the CM Convertible Bond was approximately RMB414 million.
- (ii) On 29 May 2015, the Group completed the acquisition of a 90.9% equity interest in Minfeng County Angli Photovoltaic Technology Company Limited* (民豐縣昂立光伏科技有限公司) (“**Minfeng**”) for a cash consideration of RMB136,000,000 (the “**Minfeng Acquisition**”). To finance this acquisition, the Company issued a 3-year convertible bond with a principal amount of US\$15,000,000 (equivalent to RMB92,000,000) (the “**Fosun Convertible Bond**”) on 23 June 2015 to Peak Reinsurance Company Limited. The net proceeds from the issuance of the Fosun Convertible Bond was approximately RMB92 million.

- (iii) On 11 May 2015, the Group entered into the Acquisition Agreement with the Seller whereby the Group has conditionally agreed to acquire 100% of the equity interest in the Target Company from the Seller and pursuant to supplemental agreement, the parties agreed that the aggregate consideration for the Acquisition shall be RMB212,237,600. Up to the Latest Practicable Date, refundable advance payment of RMB212,237,600 has been made by the Group for the Acquisition. Upon completion of the Acquisition, the Group would assume the EPC payable and other payables of approximately RMB1.4 billion.
- (iv) On 13 May 2015, the Company and Hareon Solar Technology Company Limited* (海潤光伏科技股份有限公司) (“**Hareon**”), a company established in the PRC with limited liability and are listed on the Shanghai Stock Exchange (stock code: 600401), entered into a cooperation agreement (“**Cooperation Agreement**”). Pursuant to the Cooperation Agreement, it is proposed that subject to fulfilment of certain conditions, the Group will acquire from Hareon (and/or parties controlled by it, where applicable) the entire equity interest in each of the target companies, which legally own certain on-grid solar power plant projects with aggregate installed capacity of 930MW in the PRC, at the estimated total consideration of approximately RMB8,800,000,000. Up to the Latest Practicable Date, refundable advance payments of approximately RMB397,000,000 have been paid by the Group in accordance with the terms of the Cooperation Agreement.
- (v) On 30 July 2015, the Group entered into an acquisition agreement with Hubei Qixing Auto-Body Company Limited, a company established in the PRC with limited liability, whereby the Group has conditionally agreed to acquire 100% of the equity interest in Hubei Jingtai Photovoltaics Power Company Limited (“**Hubei Jingtai**”). Hubei Jingtai owns and operates grid-connected solar power plants with an aggregate installed capacity of approximately 100 MW located in Hubei Province, the PRC. Upon completion of the acquisition, the Group would assume the EPC payable and other payables of approximately RMB650 million (HK\$819 million), and together with the consideration payable, totalling approximately RMB850 million (HK\$1,071 million).

(b) Financial position and financing arrangements undertaken by the Group

As at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK\$1.8 billion (equivalent to approximately RMB1.4 billion).

As part of the Group's acquisition of a 50% equity interest in Fengxian Huize Photovoltaics Energy Limited ("**Fengxian Huize**") on 27 December 2013, the Group granted a put option to Huabei Expressway, the other shareholder, under which Huabei Expressway has a right to request the Group to acquire its remaining 50% equity interest in Fengxian Huize for a consideration based on the calculation formula agreed upon, to be settled by way of cash or issuance of the Company's shares at the discretion of Huabei Expressway, for a three-year period up to December 2016 (the "**Put Option**"). Huabei Expressway had confirmed in March 2015 in writing not to request the Group to acquire the 50% equity interest in Fengxian Huize by way of cash before 31 May 2016.

In October 2014, the Company and Power Solar Investments Limited, an independent third party, agreed to provide financial support to Fortune Arena Limited ("**Fortune Arena**"), an associate of the Company, based on their respective shareholding in Fortune Arena of 30% and 70%, so as to enable Fortune Arena to meet its liabilities as and when they fall due and to carry on its business without significant curtailment of operations through to October 2015. As at 31 December 2014, the current liabilities of Fortune Arena exceeded its current assets by HK\$257 million and it incurred a net loss of HK\$383 million for the year then ended. Fortune Arena may require financing from the Company if it does not have sufficient working capital to meet its financial obligations through to October 2015.

(i) *New financing*

The Group has conducted the following financing activities subsequent to 31 December 2014 and up to Latest Practicable Date:

Date of announcement	Nature of financing	Counter parties	Completion date	Net proceeds	Term	Actual use of proceeds as at the Latest Practicable Date
18 December 2014	Placement	China Merchants New Energy Group Limited, Magicgrand Group Ltd. and Zhongli New Energy (Hong Kong) Investment Limited	February 2015	RMB299 million	N/A	Approximately 85% of the proceeds have been used to repay the EPC payables under the existing solar power business of the Group; approximately 15% of the proceeds have been used in connection with the general administrative expenses of the Company.
not applicable	Bank borrowings	China Development Bank and Industrial and Commercial Bank of China	January, February, March and May 2015	RMB785 million	10 to 14 years	Used to repay the EPC payables, general working capital and general expenses under the existing solar power business of the Group.
14 April 2015 and 5 June 2015	Finance leases	China Kang Fu International Leasing Company Limited	April and June 2015	RMB600 million	10 years	Used to repay the EPC payables, general working capital and general expenses under the existing solar power business of the Group.
23 January 2015	Convertible bond	China Merchants Fund Management Limited	April 2015	RMB414 million	3 years	Approximately 79% of the proceeds have been used to acquire new solar power plants in Xinjiang, PRC and details of the acquisition are set out in the Company's Circular dated 27 February 2015; the remaining 21% of the proceeds are kept by the Group and will be used as intended.
4 March 2015	Convertible bond	Golden Express Capital Ltd (Note)	April 2015	RMB183 million	3 years	To be used as intended
28 May 2015	Convertible bond	Driven Innovation Limited (Note)	June 2015	RMB602 million	3 years	Approximately 66% of the proceeds have been used in connection with new solar power plants in the PRC under the 930MW Acquisition (which has been disclosed in the announcement of the Company dated 13 May 2015); the remaining 34% of the proceeds are kept by the Group and will be used as intended.
20 April 2015	Convertible bond	Peak Reinsurance Company Limited	June 2015	RMB92 million	3 years	Used as intended in connection with new solar power plants in Xinjiang, the PRC and details of the acquisition are set out in the Company's announcement dated 16 January 2015.
17 April 2015	Convertible Bond	Chinastone Capital Management Limited	Expect to be completed on or before 30 September 2015	RMB1 billion	3 years	Net proceeds will be used to finance part of the consideration of the Acquisition

Note: The net proceeds from the convertible bonds issued to Golden Express Capital Limited and Driven Innovation Limited are restricted to finance future acquisition of solar power plant projects of the Group and are repayable by October 2015 and April 2016, respectively, if the relevant projects could not be identified pursuant to the terms of the convertible bond agreements.

(ii) *Conditional financial support from Shenzhen China Merchants Yinke Investment Management Limited (“CM Yinke”)*

In August 2014, CM Yinke, a fellow subsidiary of a substantial shareholder of the Company), has renewed the letter of conditional financial support to the Group to enable it to meet its liabilities and obligations in connection with its existing and future solar energy business up to 31 December 2016. Such financial support is intended to be provided to the Group for its solar energy projects undertaken if 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. 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 Group and those that may be acquired by the Group in the next 12 months from the date of this Circular, are expected to generate an internal rate of return of not less than 8% per annum.

(iii) *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*

Under the proposed acquisition, the Group will acquire the entire equity interest in the Target Company at a cash consideration of RMB212 million. Upon completion of the Acquisition, the Group would also assume the EPC payables and other payables of the Target Group of approximately RMB1.4 billion.

On 17 April 2015, the Company entered into a subscription agreement with Chinastone Capital Management Limited (“**Chinastone**”), pursuant to which the Company proposed to issue a 3-year convertible bond with a principal amount of HK\$1.26 billion (equivalent to approximately RMB1 billion) to Chinastone (“**Chinastone Convertible Bond**”). The net proceeds of the Chinastone Convertible Bond is estimated to be RMB1 billion and will be used to finance the Acquisition.

Besides, as at the Latest Practicable Date, the Target Group is currently in the process of negotiating with a bank for certain long-term loan with aggregate principal amount of RMB1.1 billion. The directors of the Target Company are confident that the Target Group would be able to obtain these loans upon completion of the Acquisition.

(iv) Financing plans of the Group to finance its uncommitted planned capital expenditures

As at the Latest Practicable Date, the Group expects to incur capital expenditures of approximately RMB23.4 billion (including the solar power plant projects with aggregate installed capacity of 930MW and 100MW to be acquired pursuant to the cooperation agreement with Hareon and acquisition agreement with Hubei, respectively, as mentioned above) for its solar energy initiatives in the next 12 months from the Latest Practicable Date. None of the planned capital expenditures represents commitment of the Group and the expected cash flows relating to such uncommitted capital expenditures have not been taken into account when preparing the working capital forecast of the Group. The Directors will take the Group's financial position and financial resources into consideration before committing the Group to any future capital expenditure for solar energy business.

In order to finance these uncommitted capital expenditures, the Group assumes that:

- (1) approximately 70% of the estimated total capital expenditures, estimated to be approximately RMB15.7 billion, would be financed by new banking facilities, given the Group's past experience in securing long-term bank borrowings, and
- (2) the remaining 30% of such capital expenditures, estimated to be approximately RMB6.8 billion would be funded by internal resources, including placement of shares or issue of convertible bonds, and the conditional financial support from CM Yinke, as mentioned above.

4. WORKING CAPITAL STATEMENT

Taking into account the expected completion of the proposed acquisition of the entire 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 up to 31 December 2016 from CM Yinke as disclosed in Section 3(b)(ii), (iii) the expected long-term bank loan of approximately RMB1.1 billion of the Target Group as disclosed in Section 3(b)(iii), (iv) the proposed issuance of the Chinastone Convertible Bond as disclosed in Section 3(b)(iii); and (v) other types of short-term or long-term financing that the Directors of the Company are confident to be able to obtain as necessary including bank borrowings, finance lease, placement of shares or issue of convertible bonds, 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.

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

20 August 2015

The Directors
United Photovoltaics Group Limited

Dear Sirs,

We report on the financial information of Nanjing Silk Road New Energy Company Limited (formerly known as Zhongneng Guodian New Energy Cooperation and Development Jiangsu Company Limited) (the “**Target Company**”) and its subsidiaries (together, the “**Target Group**”), which comprises the consolidated statements of financial position of the Target Company as at 31 December 2013 and 2014 and 31 March 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Company for the period from 2 December 2013 (date of establishment of Haining Heliyan New Energy Investment Company Limited, a wholly owned subsidiary of the Target Company) to 31 December 2013, the year ended 31 December 2014 and the three months ended 31 March 2015 (the “**Relevant Periods**”) 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 (the “**Company**”) and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 20 August 2015 (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 private company with limited liability on 2 July 2014.

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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

The audited statutory financial statements of the Target Company for the year ended 31 December 2014 were audited by 江蘇金陵會計師事務所有限公司 (Jiangsu Jinling Certified Public Accountants). The audited financial statements of the subsidiaries now comprising the Target Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these subsidiaries are set out in Note 1(a) of Section II below.

The directors of the Target Company are responsible for the preparation of the consolidated financial statements of the Target Company for the Relevant Periods 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 2014.

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 financial position of the Target Group as at 31 December 2013 and 2014 and 31 March 2015 and of the Target Group’s financial performance and cash flows for the Relevant Periods then ended.

Review of stub period comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II to the Circular which comprises 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 three months ended 31 March 2014 and a summary of significant accounting policies and other explanatory information (the “**Stub Period Comparative Financial Information**”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2014.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

Emphasis of matter

We draw attention to Note 2.1.2 of Section II below which describes that the Target Group’s current liabilities exceeded its current assets by RMB1,494,457,000 and RMB1,473,916,000 as at 31 December 2014 and 31 March 2015, respectively. In addition, it had net operating cash outflows of RMB18,447,000 and RMB11,316,000 for the year ended 31 December 2014 and three months ended 31 March 2015, respectively. These conditions, 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 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 (the “**Financial Information**”) of the Target Group prepared by the directors of the Company as at 31 December 2013 and 2014 and 31 March 2015 and for the period from 2 December 2013 (date of establishment of Haining Heliyuan New Energy Investment Company Limited (“**Haining Heliyuan**”), a wholly owned company of the Target Company) to 31 December 2013, the year ended 31 December 2014 and the three months ended 31 March 2014 and 31 March 2015 (the “**Relevant Periods**”):

Consolidated statements of financial position

		As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
	Note			
Assets				
Non-current assets				
Property, plant and equipment	6	—	1,411,462	1,402,031
Valued-added tax recoverable		—	129,755	128,684
		<u>—</u>	<u>1,541,217</u>	<u>1,530,715</u>
Current assets				
Valued-added tax recoverable		—	35,786	35,744
Trade and other receivables	7	957	18,057	53,923
Cash and cash equivalents	8	43	76,699	11,330
		<u>1,000</u>	<u>130,542</u>	<u>100,997</u>
Total assets		<u>1,000</u>	<u>1,671,759</u>	<u>1,631,712</u>
Equity and liabilities				
Equity attributable to owners of the Target Company				
Registered capital	9	—	50,000	50,000
(Accumulated losses)/retained earnings		—	(4,262)	1,755
		<u>—</u>	<u>45,738</u>	<u>51,755</u>
Non-controlling interests		<u>—</u>	<u>1,022</u>	<u>5,044</u>
Total equity		<u>—</u>	<u>46,760</u>	<u>56,799</u>

		As at 31 December 2013 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i>	As at 31 March 2015 <i>RMB'000</i>
	<i>Note</i>			
Liabilities				
Current liabilities				
Other payables and accruals	10	<u>1,000</u>	<u>1,624,999</u>	<u>1,574,913</u>
Total liabilities		<u>1,000</u>	<u>1,624,999</u>	<u>1,574,913</u>
Total equity and liabilities		<u>1,000</u>	<u>1,671,759</u>	<u>1,631,712</u>
Net current liabilities		<u>—</u>	<u>(1,494,457)</u>	<u>(1,473,916)</u>
Total assets less current liabilities		<u>—</u>	<u>46,760</u>	<u>56,799</u>

Consolidated statements of comprehensive income

		For the period from 2 December 2013 (date of establishment) to 31 December 2013	For the year ended 31 December 2014	For the three months ended 31 March 2015	For the three months ended 31 March 2014 (unaudited)
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Revenue		—	—	8,298	—
Tariff adjustment		—	—	16,525	—
		—	—	24,823	—
Depreciation		—	(14)	(9,478)	—
Employee benefits expenses	11	—	(398)	(385)	(113)
Maintenance costs		—	(300)	(4,000)	—
Travelling and entertainment		—	(1,655)	(237)	—
Legal and professional fee		—	(136)	(266)	—
Other operating expenses		—	(1,770)	(433)	(252)
Operating (loss)/profit		—	(4,273)	10,024	(365)
Finance income		—	13	15	—
Finance costs		—	—	—	—
(Loss)/profit before income tax		—	(4,260)	10,039	(365)
Income tax expense	12	—	—	—	—
(Loss)/profit for the period/ year		<u>—</u>	<u>(4,260)</u>	<u>10,039</u>	<u>(365)</u>
(Loss)/profit and total comprehensive (loss)/ income for the period/year attributable to:					
– Owners of the Target Company		—	(4,262)	6,017	(365)
– Non-controlling interests		—	2	4,022	—
		<u>—</u>	<u>(4,260)</u>	<u>10,039</u>	<u>(365)</u>

Consolidated statements of changes in equity

	Attributable to owners of the Target Company			Non- controlling interest ("NCI") RMB'000	Total equity RMB'000
	Share capital RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total equity RMB'000		
At 1 January 2014	—	—	—	—	—
Total comprehensive loss:					
Loss for the year	—	(4,262)	(4,262)	2	(4,260)
Total transaction with owners:					
Capital injection (<i>Note 9</i>)	50,000	—	50,000	—	50,000
Capital injection from NCI	—	—	—	1,020	1,020
At 31 December 2014	<u>50,000</u>	<u>(4,262)</u>	<u>45,738</u>	<u>1,022</u>	<u>46,760</u>
At 1 January 2015	50,000	(4,262)	45,738	1,022	46,760
Total comprehensive income:					
Profit for the period	—	6,017	6,017	4,022	10,039
At 31 March 2015	<u>50,000</u>	<u>1,755</u>	<u>51,755</u>	<u>5,044</u>	<u>56,799</u>
For the three months ended 31 March 2014 (unaudited)					
At 1 January 2014	—	—	—	—	—
Total comprehensive loss:					
Loss for the period	—	(365)	(365)	—	(365)
At 31 March 2014	<u>—</u>	<u>(365)</u>	<u>(365)</u>	<u>—</u>	<u>(365)</u>

Consolidated statements of cash flows

		For the period from 2 December 2013 (date of establishment) to 31 December 2013	For the year ended 31 December 2014	For the three months ended 31 March 2015	For the three months ended 31 March 2014 (unaudited)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities					
Cash used in operations	14	—	(18,447)	(11,316)	(8)
Cash flows from investing activities					
Purchases of property, plant and equipment		—	(100,497)	(17,777)	—
Interest received		—	13	15	—
Net cash used in investing activities		—	(100,484)	(17,762)	—
Cash flows from financing activities					
Proceeds from capital injection		—	50,000	—	—
Receivables from a third party		(957)	—	—	—
Amounts due to the immediate holding company		1,000	144,567	(36,291)	—
Capital injection from NCI		—	1,020	—	—
Net cash generated from/(used in) financing activities		43	195,587	(36,291)	—
Net increase/(decrease) in cash and cash equivalents		43	76,656	(65,369)	(8)
Cash and cash equivalents at beginning of period/ year		—	43	76,699	43
Cash and cash equivalents at end of period/year	8	43	76,699	11,330	35

Non-cash transactions:

The Target Group purchased property, plant and equipment of approximately RMB1,411,476,000 and RMB47,000 for the year ended 31 December 2014 and the three months ended 31 March 2015, respectively. During the year/period, approximately RMB100,497,000 and RMB17,777,000 of which were paid and the remaining balance were recognised in other payables and accruals as at 31 December 2014 and 31 March 2015, respectively.

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION

(a) General information

Nanjing Silk Road New Energy Company Limited (formerly known as Zhongneng Guodian New Energy Cooperation and Development Jiangsu Company Limited) (the “**Target Company**”) and its subsidiaries (together, the “**Target Group**”) are principally engaged in development, investment, operation and management of solar power 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 2 July 2014. The address of its registered office is 12 Mozhou East Road, Jiangning District, Nanjing City, Jiangsu Province.

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

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	31 December 2013	Registered/ paid up capital as at		Date of this report	Interests held as at		Date of this report
				31 December 2014	31 March 2015		31 December 2014	31 March 2015	
Guodian Chahaeryouyiqianqi Second Solar Power Company Limited 國電察哈爾右翼前旗第二光伏發電有限公司 (“Guodian Chahaeryouyiqianqi”)	The PRC/ 16 September 2014	Development, investment, operation and management of solar power plants	—	Registered: RMB2,000,000 Paid up: RMB980,000	Registered: RMB2,000,000 Paid up: RMB980,000	Registered: RMB102,000,000 Paid up: RMB980,000	49% (notes (i) and (iii))	49% (notes (i) and (iii))	99% (notes (i) and (iii))
Guodian Kezuozhongqi Photovoltaics Company Limited 國電科左中旗光伏發電有限公司 (“Guodian Kezuozhongqi”)	The PRC/ 18 September 2014	Development, investment, operation and management of solar power plants	—	Registered and paid up: RMB2,000,000	Registered and paid up: RMB2,000,000	Registered: RMB169,700,000 Paid up: RMB34,000,000	49% (notes (i) and (iii))	49% (notes (i) and (iii))	99.4% (notes (i) and (iii))

Name	Place and date of establishment	Principal activities	Registered/ paid up capital as at		Interests held as at		
			31 December 2014	31 March 2015	31 December 2014	31 March 2015	Date of this report
Guodian Shangdu County Second Photovoltaics Company Limited 國電尚都縣第二光伏發電有限公司 ("Guodian Shangdu")	The PRC/ 18 September 2014	Development, investment, operation and management of solar power plants	Registered: RMB2,000,000 Paid up: RMB980,000	Registered: RMB2,000,000 Paid up: RMB980,000	Registered: RMB147,170,000 Paid up: RMB980,000	49% (notes (i) and (iii)) 49% (notes (i) and (iii))	99.31% (notes (i) and (iii))
Haining Heliyuan New Energy Investment Company Limited 海寧和利源新能源投資有限公司 ("Haining Heliyuan")	The PRC/ 2 December 2013	Development, investment, operation and management of solar power plants	Registered: RMB5,000,000 Paid up: RMB1,000,000	Registered and paid up: RMB70,000,000	Registered and paid up: RMB70,000,000	98.6% (note (ii)) 98.6% (note (ii))	100% (note (ii))

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.

Notes:

- (i) The statutory financial statements of Guodian Chahaeryouyiqianqi, Guodian Kezuozhongqi and Guodian Shangdu (together, the "Guodian Project Companies") for the year ended 31 December 2014 were audited by 奈曼金曼聯合會計師事務所 (Naiman United Certified Public Accountants).
 - (ii) No audited statutory financial statements of Haining Heliyuan for the year ended 31 December 2014 had been issued as of the date of this circular as there is no statutory requirement.
 - (iii) Pursuant to respective shareholders agreements signed among the Target Company and the non-controlling shareholders of the Guodian Project Companies, all directors of the Guodian Project Companies shall be appointed by the Target Company since their respective date of establishment. The Target Company also possesses the right to govern the financial and operating decisions of the Guodian Project Companies. It was further agreed that, upon the successful on-grid connection of the solar power plants held by the Guodian Project Companies, the Target Company shall additionally inject RMB100,000,000 (equivalent to approximately HK\$126,000,000) into each of the Guodian Project Companies. After the capital injection, each of the Guodian Project Companies shall become 99% held by the Target Company. The capital injection was not completed as of the date of this report.
- Since the Target Company is exposed to variable returns from its involvement with the Guodian Project Companies, and has the ability to affect those returns through its power over them, the Target Company is considered to be have control over the Guodian Project Companies since their respective date of establishment. Accordingly, the Guodian Project Companies are consolidated as 49% owned subsidiaries of the Target Company as at 31 December 2014 and 31 March 2015.

(b) History of the Target Group

According to the plan of Zhongneng Guodian Photovoltaic Green Ecological Cooperation and Development Jiangsu Company Limited (中能國電光伏綠色生態合作發展江蘇有限公司, “**Zhongneng Guodian PV Green**”, the immediate holding company, or the “**Seller**”) and pursuant to the trust agreement signed among the Target Company and the 3 individual shareholders (“**Individual Shareholders**”), the Individual Shareholders established Haining Heliyuan on 2 December 2013 with a registered capital of RMB5,000,000. As set out in the trust agreement, all rights of ownership and the beneficial interests of these Individual Shareholders in Haining Heliyuan shall belong to the Target Company since its date of establishment. Besides, the Individual Shareholders agreed to unconditionally transferred all of their equity interest in Haining Heliyuan to the Target Company, as considered necessary. Accordingly, Haining Heliyuan was consolidated as a wholly owned subsidiary of the Target Company since its date of establishment. On 22 September 2014, the Individual Shareholders transferred a 98.6% equity interest in Haining Heliyuan to the Target Company. The remaining 1.4% equity interest in Haining Heliyuan were transferred to the Target Company on 2 June 2015.

During the period from 2 December 2013 (date of establishment of Haining) to 31 December 2013, RMB1,000,000 was advanced by the Seller to the Individual Shareholders for capital injection into Haining Heliyuan. As such, RMB1,000,000 was reflected as “amounts due to the immediate holding company”. The entire amount has been settled during the year ended 31 December 2014.

The Target Company was established by Zhongneng Guodian PV Green on 2 July 2014, with a registered capital of RMB50,000,000.

Guodian Chahaeryouyiqianqi was established by the Target Company on 16 September 2014, with a registered capital of RMB2,000,000.

Guodian Kezuozhongqi was established by the Target Company on 18 September 2014, with a registered capital of RMB2,000,000.

Guodian Shangdu was established by the Target Company on 18 September 2014, with a registered capital of RMB2,000,000.

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 Target 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 following new standards have been issued but are not yet effective for the financial periods beginning on or after 1 April 2015 and have not been early adopted by the Target Group.

Effective for accounting periods beginning on or after 1 January 2016

Annual Improvements Project
HKFRS 14

Annual Improvements 2012-2014 Cycle
Regulatory Deferral Accounts

HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 Amendment	Equity Method in Separate Financial Statements

Effective for accounting periods beginning on or after 1 January 2017

HKFRS 15	Revenue from Contracts with Customers
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Effective for accounting periods beginning on or after 1 January 2018

HKFRS 9	Financial Instruments
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The Target Group has already commenced an assessment of the impact of adopting the above new standard and interpretations, amendments and revision to existing standards and interpretation to the Target Group. The Target Group is not yet in a position to state whether substantial changes to the Target Group's accounting policies and presentation of the consolidated financial statements will be resulted.

2.1.2 Going concern

The Target Group reported net current liabilities of RMB1,494,457,000 and RMB1,473,916,000 as at 31 December 2014 and 31 March 2015, respectively. It also had net operating cash outflows of RMB18,447,000 and RMB11,316,000 for the year ended 31 December 2014 and three months ended 31 March 2015, respectively.

In addition, the Target Company also entered into a share repurchase option agreement with non-controlling interest (“NCI”) shareholders of Inner Mongolia Zhongneng Guodian New Energy Company Limited (“**Inner Mongolia Zhongneng Guodian**”) (“**Inner Mongolia Zhongneng Guodian NCI Shareholders**”) in 2014. Pursuant to that agreement, the Inner Mongolia Zhongneng Guodian NCI Shareholders were granted a share repurchase option to repurchase the 80% equity interest of Inner Mongolia Zhongneng Guodian from the Target Company (Note 7(ii)). Such share repurchase option is exercisable from 27 May 2015 to its expiry date of 26 July 2015. As at 31 March 2015, Inner Mongolia Zhongneng Guodian had net current liabilities of RMB343,937,000. Should the Inner Mongolia Zhongneng Guodian NCI Shareholders not exercise the share repurchase option, which is exercisable from 27 May 2015 to its expiry date of 26 July 2015, Inner Mongolia Zhongneng Guodian will become a subsidiary of the Target Company such that the Target Group will have to assume the Engineering, Procurement and Construction (“**EPC**”) payables and other payables of Inner Mongolia Zhongneng Guodian of approximately RMB351 million. The share repurchase option expired on 26 July 2015.

All of the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the abilities of the Target Group to continue as a going concern.

The directors of the Target Company have reviewed the Target Group's cash flow projections, which cover a period of twelve months from 31 March 2015. The directors are of the opinion that, taking into account the following plans and measures, the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2015:

On 27 May 2015, the Target Company capitalised the amount due to the Seller of RMB107 million as registered capital of the Target Company (Note 17). Based on a supplemental agreement dated 17 August 2015, the Target Company will transfer the 80% equity interest of Inner Mongolia Zhongneng Guodian to the Seller for cash consideration of RMB16,000,000. In addition, the Target Group is currently in the process of negotiating certain long-term loans with a bank, with a principal amount of approximately RMB1.1 billion. Such long-term loans would be secured by certain property, plant and equipment of the Target Group with aggregate carrying values of approximately RMB1.5 billion as at 31 March 2015. The directors of the Target Company are confident that they would be able to obtain this long-term bank loan upon completion of

its shareholding changes. In addition, the directors of the Target Group are actively seeking other sources of short-term or long-term financing, including bank borrowings, finance leases and shareholders' loans or capital contribution.

The solar power plants operated by the Target Group have successfully achieved on-grid connection by May 2015. These solar power plants are expected to bring in operating cash inflows to the Target Group in the next twelve months.

The directors of the Target Company are of the opinion that, taking into account the above-mentioned circumstances and measures, the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2015. Accordingly, the Financial Information has been prepared on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether directors of the Target Group can achieve the plans and measures described above. Whether the Target Group will be able to continue as a going concern would depend upon the Target Group's ability to secure the above-mentioned long-term bank loans of approximately RMB1.1 billion in total, obtain other sources of short-term or long-term financing, and generate adequate operating cash inflows.

Should the Target Group 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, 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

A subsidiary is an entity (including a structured entity) 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.

The Target Group applies the acquisition method 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.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and non-controlling interest recognised 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 statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between companies of the Target Group are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Target Group's accounting policies. 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 Renminbi ("**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 statement of 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 statement of comprehensive income 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 generating modules and equipment	25 years
Furniture and fixtures	5 years
Motor vehicles	5 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 statement of comprehensive income.

2.6 Impairment of interests in subsidiaries and 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.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 carrying amount of the assets is reduced and the amount of the loss is recognised in consolidated statement of comprehensive income.

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 statement of comprehensive income.

2.10 Trade and other receivables

Trade and other receivables are amounts due from customers for electricity sold in the ordinary course of business. If collection 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.

Trade and other 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. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.13 Payables

Payables 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 values and are subsequently measured at amortised cost using the effective interest method.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, 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.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(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.

2.15 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.

2.16 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.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for electricity supplied, stated net of value added taxes. The Target Group recognises revenue when the

amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of electricity

Revenue arising from the sale of electricity is recognised in the accounting period when electricity is generated and transmitted.

(b) Tariff adjustment

Tariff adjustment represents subsidy received and receivable from the government authorities in respect of the Target Group's solar power plant business. Tariff adjustment is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Target Group will comply with all attached conditions, if any.

(c) Interest income

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

2.18 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 has no significant interest-bearing assets and liabilities. As a result, it is not exposed to significant interest rate risk.

(b) Credit risk

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

As at the date of the statement of financial position, 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 trade receivables are mainly due from local government authority in relation to revenue generated from the solar power plants, which is well supported by the government policy. The Target Group has concentration of credit risk as over 92% of its trade and tariff adjustment receivables as at 31 March 2015 were due from two largest customers which were all state-owned enterprises. Management believes the risk of default is not significant.

The credit risk on receivables from related companies is considered to be low, taking into account their financial position, default history and other factors.

(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 amounts disclosed as liabilities on the consolidated statement of financial positions represented the Target Group's non-derivative financial liabilities and represented the contractual undiscounted cash flows at each reporting date and these liabilities mature in less than one year.

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 debts divided by total capital. Net debt is calculated as total borrowings (including amount due to the immediate holding company and construction costs payable) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debts.

The Target Group's gearing ratios at 31 December 2013 and 2014 and 31 March 2015 was as follows:

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
Construction costs payable	—	1,476,520	1,457,677
Amount due to the immediate holding company	—	145,267	108,976
	<u>—</u>	<u>1,621,787</u>	<u>1,566,653</u>
Less: cash and cash equivalents (note 8)	(43)	(76,699)	(11,330)
	<u>(43)</u>	<u>1,545,088</u>	<u>1,555,323</u>
Net debts	(43)	1,545,088	1,555,323
Total equity	—	46,760	56,799
	<u>—</u>	<u>46,760</u>	<u>56,799</u>
Total capital	(43)	1,591,848	1,612,122
	<u>(43)</u>	<u>1,591,848</u>	<u>1,612,122</u>
Gearing ratio	N/A	97.06%	96.48%
	<u>N/A</u>	<u>97.06%</u>	<u>96.48%</u>

The Target Group is currently in the process of negotiating with banks to obtain long-term banking facilities in order to improve its liquidity position.

3.3 Fair value estimation

The carrying amounts of the Target Group's financial assets, including cash and cash equivalents and trade and other receivables, and financial liabilities, including other payables and accruals approximated their fair values. The carrying values of these balances were 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 Impairment of property, plant and equipment

The Target Group conducts impairment reviews on property, plant and equipment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised when the carrying amount of an asset is higher than the greater of its fair value less cost of disposal or the value in use. In determining the value in use, management assumes the inflow of revenue based on the stable government policy in relation to the subsidies granted for future years and assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

4.2 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.

4.3 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 Relevant Periods, 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 Periods.

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 Periods.

6 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Motor vehicles	Power generating modules and equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2014					
Opening net book amount	—	—	—	—	—
Additions	25	1,487	—	1,409,964	1,411,476
Depreciation	(1)	(13)	—	—	(14)
Closing net book amount	24	1,474	—	1,409,964	1,411,462
At 31 December 2014					
Cost	25	1,487	—	1,409,964	1,411,476
Accumulated depreciation	(1)	(13)	—	—	(14)
Net book amount	24	1,474	—	1,409,964	1,411,462
Three months ended 31 March 2015					
Opening net book amount	24	1,474	—	1,409,964	1,411,462
Additions	29	18	—	—	47
Transfer	—	—	1,409,964	(1,409,964)	—
Depreciation	(3)	(75)	(9,400)	—	(9,478)
Closing net book amount	50	1,417	1,400,564	—	1,402,031
At 31 March 2015					
Cost	54	1,505	1,409,964	—	1,411,523
Accumulated depreciation	(4)	(88)	(9,400)	—	(9,492)
Net book amount	50	1,417	1,400,564	—	1,402,031

7 TRADE AND OTHER RECEIVABLES

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
Trade receivables (<i>note (i)</i>)	—	—	9,708
Tariff adjustment receivables (<i>note (i)</i>)	—	—	19,335
	—	—	29,043
Other receivables	957	399	167
Loans receivable (<i>note (ii)</i>)	—	16,000	16,000
Amount due from a related company (<i>note (iii)</i>)	—	1,658	8,713
	957	18,057	53,923

Notes:

- (i) Trade receivables represented receivables from sales of electricity. Tariff adjustment receivables represented the government subsidies on renewable energy for ground projects to be received from the State Grid based on the prevailing government policies. These customers usually settle the payment of electricity consumed within one month.

All the trade and tariff adjustment receivables as at 31 March 2015 were not yet due for repayment.

- (ii) On 4 September 2014, the Target Company entered into a share transfer agreement with the three individual shareholders of Inner Mongolia Zhongneng Guodian. Pursuant to the agreement, Target Company purchased 80% of the equity interest of Inner Mongolia Zhongneng Guodian from these individual shareholders (“**Inner Mongolia Zhongneng Guodian NCI Shareholders**”) at a consideration of RMB16,000,000. On the same date, the Target Company also entered into a share repurchase option agreement with Inner Mongolia Zhongneng Guodian NCI Shareholders. Pursuant to the agreement, the Inner Mongolia Zhongneng Guodian NCI Shareholders were granted share repurchase option to repurchase the 80% equity interest from the Target Company at a consideration of RMB17,000,000 and upon settlement of all the liabilities incurred by Inner Mongolia Zhongneng Guodian. The share repurchase option is exercisable within two months after the solar power plant held by Inner Mongolia Zhongneng Guodian achieved on-grid connection.

The Inner Mongolia Zhongneng Guodian’s solar power plant achieved on-grid connection on 27 May 2015 and accordingly the share repurchase option will expire on 26 July 2015.

Due to the share repurchase option, the Target Company may not be exposed to variable returns from its investment in Inner Mongolia Zhongneng Guodian. Under Hong Kong Financial Reporting Standard 10 “Consolidated Financial Statements”, the Target Company is not considered to have control over Inner Mongolia Zhongneng Guodian. Accordingly, the financial results of Inner Mongolia Zhongneng Guodian were not consolidated into the consolidated financial statements of the Target Group as at 31 March 2015. The consideration paid of RMB16,000,000 (equivalent to approximately HK\$20,160,000) was classified as “loans receivable” in the consolidated statement of financial position of the Target Group as at 31 March 2015.

Based on a supplemental agreement dated 17 August 2015, the Target Company will transfer the 80% equity interest of Inner Mongolia Zhongneng Guodian to the Seller for a cash consideration of RMB16,000,000.

Inner Mongolia Zhongneng Guodian is a limited liability company established in the PRC by Inner Mongolia Zhongneng Guodian NCI Shareholders on 15 May 2014. The principal activities of Inner Mongolia Zhongneng Guodian are engaged in development, investment, operation and management of solar power plants. An extract of the financial information of Inner Mongolia Zhongneng Guodian, as adjusted to conform with HKFRS for the year ended 31 December 2014 and three months ended 31 March 2015, is as follows:

	Year ended 31 December 2014 RMB'000	Three months ended 31 March 2015 RMB'000
Operating results		
Revenue	—	—
Result for the year/period	—	—
	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
Statement of financial position		
Non-current assets		
Property, plant and equipment	328,523	328,523
Value-added tax recoverable	37,459	35,414
	365,982	363,937
Current assets		
Other receivables and prepayments	25	81
Value-added tax recoverable	4,509	6,524
Cash and cash equivalents	1,197	715
	5,731	7,320
Total assets	371,713	371,257
Current liabilities		
Other payables and accruals	(351,713)	(351,257)
Net assets	20,000	20,000
Equity		
Registered capital	20,000	20,000

- (iii) The amount from a related company was unsecured, interest-free and repayable on demand.
- (iv) Except for the arrangement mentioned in note (ii), the Target Group did not hold any collateral as security.

8 CASH AND CASH EQUIVALENTS

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
Cash at bank and on hand	43	76,699	11,330

As at 31 December 2013, 31 December 2014 and 31 March 2015, all the Target Group's bank balances, were deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

9 REGISTERED CAPITAL

	Registered and paid up capital RMB'000
As at 2 December 2013 (date of establishment) and 31 December 2013	—
– Capital injection	50,000
As at 31 December 2014 and 31 March 2015	50,000

On 2 July 2014, the Target Company was established in the PRC, with a registered capital of RMB50,000,000. Subsequent to the period ended 31 March 2015, the registered capital was increased to RMB105,000,000 on 12 May 2015. The Target Company further capitalise certain outstanding shareholder's loans in the amount of approximately RMB107,237,600 on 27 May 2015 and accordingly, the paid up registered capital was increased to RMB212,237,600 as at the date of this report.

10 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
Construction costs payable	—	1,476,520	1,457,677
– third parties	—	959,210	940,367
– a NCI	—	2,525	2,525
– a fellow subsidiary	—	514,785	514,785
Other payables and accruals	—	2,912	3,960
Amounts due to the immediate holding company	1,000	145,267	108,976
Amounts due to fellow subsidiaries	—	300	2,800
Amount due to a NCI	—	—	1,500
	1,000	1,624,999	1,574,913

The amounts due to the immediate holding company, fellow subsidiaries and a NCI were unsecured, interest free and repayable on demand. On 27 May 2015, RMB107,237,600 of the outstanding amounts due to the immediate holding company was capitalised as registered capital.

11 EMPLOYEE BENEFIT EXPENSES

	For the period from 2 December 2013 (date of establishment) to 31 December 2013 RMB'000	For the year ended 31 December 2014 RMB'000	For the three months ended 31 March 2015 RMB'000	For the three months ended 31 March 2014 RMB'000 (unaudited)
Wages, salaries and welfare	—	393	344	113
Other benefits	—	5	41	—
	<u>—</u>	<u>398</u>	<u>385</u>	<u>113</u>

12 INCOME TAX EXPENSE

The Target Company and its subsidiaries were established in the PRC and are subject to the China Corporate Income Tax (“CIT”) at a rate of 25% for the Relevant Periods on estimated assessable profits. No provision for CIT has been made as the Target Group has no assessable profit derived in the PRC during the Relevant Periods.

During the Relevant Periods, one subsidiary of the Target Group which are engaged in the development, investment, operation and management of solar power plants have obtained the relevant preferential tax concession. They are fully exempted from the PRC corporate income tax for the first three years, followed by a 50% tax exemption for the next three years. The applicable tax rate for this subsidiary during the year was 0%.

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

	For the period from 2 December 2013 (date of establishment) to 31 December 2013 RMB'000	For the year ended 31 December 2014 RMB'000	For the three months ended 31 March 2015 RMB'000	For the three months ended 31 March 2014 RMB'000 (unaudited)
(Loss)/profit before income tax	—	(4,260)	10,039	(365)
Tax calculated at the corporate income tax rate of 25%	—	(1,065)	2,510	(91)
Income not subject to tax	—	—	(2,510)	—
Temporary difference for which no deferred tax assets were recognised	—	1,065	—	91
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. While other subsidiaries are in the process of applying for the preferential tax concession, the directors of the Target Company are of the view that the approval for such preferential tax concession could be obtained in the foreseeable future, and such temporary differences would be realised in future years when the enacted tax rate of the Target Group is expected to be zero. As such, no deferred tax assets were recognised for tax losses of approximately RMB4,260,000 and RMB364,000 for the year ended 31 December 2014 and the three months ended 31 March 2014, respectively.

13 DIVIDEND

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

14 CASH USED IN OPERATIONS

Reconciliation of (loss)/profit before income tax to cash used in operations:

	For the period from 2 December 2013 (date of establishment) to 31 December 2013 RMB'000	For the year ended 31 December 2014 RMB'000	For the three months ended 31 March 2015 RMB'000	For the three months ended 31 March 2014 RMB'000 (unaudited)
(Loss)/profit before income tax	—	(4,260)	10,039	(365)
Adjustments for:				
Depreciation	—	14	9,478	—
Finance income	—	(13)	(15)	—
Operating (loss)/profit before working capital changes	—	(4,259)	19,502	(365)
Changes in working capital				
Trade and other receivables	—	(17,100)	(35,866)	357
Other payables and accruals	—	2,912	5,048	—
Cash used in operations	—	(18,447)	(11,316)	(8)

15 RELATED PARTY TRANSACTIONS

As at 31 December 2014 and 31 March 2015, the Target Company was wholly owned by Zhongneng Guodian PV Green. The directors also regard Nanjing Duofen Power Technology Co., Ltd (南京多分動力科技有限公司) as being the ultimate holding company.

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

(a) Significant transactions with related parties

	For the period from 2 December 2013 (date of establishment) to 31 December 2013 RMB'000	For the year ended 31 December 2014 RMB'000	For the three months ended 31 March 2015 RMB'000	For the three months ended 31 March 2014 RMB'000 (unaudited)
Maintenance costs to:				
– fellow subsidiaries	—	300	2,500	—
– a NCI	—	—	1,500	—
	<u>—</u>	<u>300</u>	<u>4,000</u>	<u>—</u>
Purchases of power generating modules and equipment from:				
– fellow subsidiaries	—	571,785	—	—
– a NCI	—	2,525	—	—
	<u>—</u>	<u>574,310</u>	<u>—</u>	<u>—</u>

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

(b) Key management compensation

None of the key management received any compensation during the Relevant Periods.

16 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE TARGET COMPANY

(a) Statement of financial position of the Target Company

	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
Assets		
Non-current assets		
Property, plant and equipment	392	372
Investments in subsidiaries	72,940	72,940
	<u>73,332</u>	<u>73,312</u>
Current assets		
Other receivables	65,094	80,716
Cash and cash equivalents	55,739	20
	<u>120,833</u>	<u>80,736</u>
Total assets	<u>194,165</u>	<u>154,048</u>
Equity and liabilities		
Equity attributable to owners of the Target Company		
Registered capital	50,000	50,000
Accumulated losses	(3,864)	(5,029)
Total equity	<u>46,136</u>	<u>44,971</u>
Liabilities		
Current liabilities		
Other payables and accruals	148,029	109,077
Total liabilities	<u>148,029</u>	<u>109,077</u>
Total equity and liabilities	<u>194,165</u>	<u>154,048</u>
Net current liabilities	<u>(27,196)</u>	<u>(28,341)</u>
Total assets less current liabilities	<u>46,136</u>	<u>44,971</u>

(b) Reserve movement of the Target Company

	Accumulated losses RMB'000
At 2 July 2014 (date of establishment of the Target Company)	—
Loss and total comprehensive loss for the period	(3,864)
At 31 December 2014	(3,864)
At 1 January 2015	(3,864)
Loss and total comprehensive loss for the period	(1,165)
At 31 March 2015	(5,029)

17 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

On 27 May 2015, the paid-up registered capital of the Target Company has been increased by capitalisation of certain outstanding shareholder's loans in the amount of approximately RMB107 million.

Based on a supplemental agreement dated 17 August 2015, the Target Company will transfer the 80% equity interest of Inner Mongolia Zhongneng Guodian to the Seller for a cash consideration of RMB16,000,000.

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 March 2015 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 March 2015.

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 unadjusted consolidated statement of financial position of the Group as set out in the annual report of the Company as at 31 December 2014 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 100% of registered capital of the Target Company (the “**Acquisition**”), as if the Acquisition had taken place on 31 December 2014.

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 Acquisition been completed as at 31 December 2014 or any future dates.

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

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP**

	Unadjusted	Pro forma adjustments					Unaudited
	consolidated	Consolidated					pro forma
	statement of	statement of					consolidated
	assets and	assets and					statement of
	liabilities of	liabilities of					assets and
	the Group as	the Target					liabilities of
	at 31	Group as at					the Enlarged
	December	31 March					Group
	2014	2015	Others				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 3	Note 4	Note 5(i)	Note 5(ii)	Note 6	
ASSETS							
Non-current assets							
Land use rights	571	—					571
Property, plant and equipment	5,807,766	1,766,559			200,329		7,774,654
Intangible assets	1,253,948	—					1,253,948
Investments in associates	367,959	—					367,959
Other receivables, deposits and prepayments	575,480	162,142					737,622
	8,005,724	1,928,701					10,134,754
	-----	-----					-----
Current assets							
Inventories	1,665	—					1,665
Trade and other receivables, deposits and prepayments	588,532	112,980	(20,160)				681,352
Amount due from an associate	23,250	—					23,250
Financial assets at fair value through profit or loss	96,792	—					96,792
Pledged bank deposits	77,326	—					77,326
Restricted cash	23,250	—					23,250
Cash and cash equivalents	269,591	14,276	20,160		(267,419)		36,608
	1,080,406	127,256					940,243
	-----	-----					-----
Total assets	9,086,130	2,055,957					11,074,997

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Unadjusted	Pro forma adjustments						
	consolidated	Consolidated						Unaudited
	statement of	statement of						pro forma
	assets and	assets and						consolidated
	liabilities of	liabilities of						statement of
	the Group as	the Target						assets and
	at 31	Group as at						liabilities of
	December	31 March						the Enlarged
	2014	2015	Others					Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 3	Note 4	Note 5(i)	Note 5(ii)	Note 6	Note 6	
LIABILITIES								
Non-current liabilities								
Convertible bonds	1,047,309	—					1,047,309	
Contingent consideration payables	882,954	—					882,954	
Cash-settled share-based payment	20,375	—					20,375	
Deferred government grant	5,273	—					5,273	
Deferred tax liabilities	317,016	—			41,537		358,553	
Bank and other borrowings	2,062,032	—					2,062,032	
	<u>4,334,959</u>	<u>—</u>					<u>4,376,496</u>	
	- - - - -	- - - - -					- - - - -	
Current liabilities								
Trade and bills payable, other payables and accruals	2,127,290	1,984,390		(135,119)		1,530	3,978,091	
Amounts due to an associates	38,281	—					38,281	
Bank and other borrowings	638,904	—					638,904	
Financial liability at fair value through profit or loss	70,738	—					70,738	
	<u>2,875,213</u>	<u>1,984,390</u>					<u>4,726,014</u>	
	- - - - -	- - - - -					- - - - -	
Total liabilities	<u>7,210,172</u>	<u>1,984,390</u>					<u>9,102,510</u>	
	- - - - -	- - - - -					- - - - -	
Net assets	<u>1,875,958</u>	<u>71,567</u>					<u>1,972,487</u>	
	- - - - -	- - - - -					- - - - -	

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 2014 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 2014.
- 2 The translation of RMB into HK\$ was made at a rate of RMB1 to HK\$1.26.
- 3 The consolidated statement of assets and liabilities of the Target Group as at 31 March 2015 is extracted from the financial information of the Target Group as set out in Appendix II to this circular and is translated into HK\$.
- 4 On 4 September 2014, the Target Company acquired a 80% equity interest of Inner Mongolia Zhongneng Guodian New Energy Technology Company Limited (“**Inner Mongolia Zhongneng Guodian**”) at a cash consideration of RMB16,000,000 (equivalent to approximately HK\$20,160,000). Pursuant to a share repurchase agreement signed among the Target Company and the non-controlling interest shareholders (“**Inner Mongolia Zhongneng Guodian NCI Shareholders**”), the Inner Mongolia Zhongneng Guodian NCI Shareholders have the right to repurchase the 80% equity interest in Inner Mongolia Zhongneng Guodian held by the Target Company (the “**Share Repurchase Option**”) at (i) a consideration of RMB17,000,000 (equivalent to approximately HK\$21,420,000) and (ii) upon the Inner Mongolia Zhongneng Guodian NCI Shareholders settle all liabilities of Inner Mongolia Zhongneng Guodian, which approximated RMB351,000,000 (equivalent to approximately HK\$442,260,000) as at 31 March 2015. The Share Repurchase Option is exercisable within 2 months after the solar power plant held by Inner Mongolia Zhongneng Guodian achieved on-grid connection.

Due to the Share Repurchase Option, the Target Company may not be exposed to variable returns from its investment in Inner Mongolia Zhongneng Guodian. Under Hong Kong Financial Reporting Standard 10 “Consolidated Financial Statements”, the Target Company is not considered to have control over Inner Mongolia Zhongneng Guodian. Accordingly, the financial result of Inner Mongolia Zhongneng Guodian was not consolidated into the consolidated financial statements of the Target Group as at 31 March 2015. The consideration paid of RMB16,000,000 (equivalent to approximately HK\$20,160,000) was classified as “other receivables” in the consolidated statement of financial position of the Target Group as at 31 March 2015.

The solar power plant held by Inner Mongolia Zhongneng Guodian has achieved on-grid connection on 27 May 2015. Hence, the Share Repurchase Option became exercisable and will expire on 26 July 2015. The Share Repurchase Option expired on 26 July 2015.

Pursuant to a supplemental agreement entered into between the Target Company and the Seller dated 17 August 2015 which formed part of the Acquisition Agreement, the parties agreed that the 80% equity interest held by the Target Company will be transferred to the Seller for a cash consideration of RMB16,000,000 (equivalent to HK\$20,160,000).

The adjustment represents the de-recognition of the consideration previously paid for this investment of RMB16,000,000 (equivalent to HK\$20,160,000) and the recognition of corresponding amount to be received from the Seller as ‘cash and cash equivalents’.

- 5 Pursuant to the acquisition agreement (“**Acquisition Agreement**”) dated 11 May 2015, the Group has conditionally agreed to acquire 100% equity interest in the Target Company in stages, at a cash consideration of RMB105,000,000 (equivalent to approximately HK\$132,300,000). The completion of the Acquisition is dependent on the fulfilment of a number of conditions, amongst others, the approval from the shareholders of the Company.

Due to requirements requested by the local office of the State Administration For Industry and Commerce (“**SAIC**”), no transfer of equity interest will be registered until the name of the Target Company has been amended. The Group and the Seller (together, “**the Parties**”) agreed to transfer 100% of the equity interest in the Target Company on completion, instead of effecting the transfer in stages as initially contemplated. The Parties further agreed to capitalise outstanding payable to the Seller of RMB107,237,600 (equivalent to approximately HK\$135,119,000) as the Target Company’s registered capital. As a result, the aggregate consideration for the Acquisition has been increased from RMB105,000,000 (equivalent to HK\$132,300,000) to RMB212,237,600 (equivalent to approximately HK\$267,419,000).

- (i) The adjustment represents the increase in paid-up registered capital of the Target Company from RMB105,000,000 to RMB212,237,600 on 27 May 2015 by capitalisation of RMB107,237,600 (equivalent to approximately HK\$135,119,000) payable due to the Seller.
- (ii) Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. 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) “Business Combinations”.

The provisional purchase price allocation arising from the Acquisition is calculated as follows:

	<i>HK\$’000</i>
Consideration transferred:	
Cash consideration (RMB212,237,600)	267,419

Less:	
Net assets of the Target Group (see Note a below)	206,686
Fair value surplus of property, plant and equipment (See Note b below)	200,329
Effect on deferred tax liabilities arising from fair value surplus of property, plant and equipment (See Note c below)	(41,537)

Total identified assets acquired and liabilities assumed	365,478
Non-controlling interests of Guodian Project Companies (See Note d below)	(1,542)

	363,936

Negative goodwill	96,517
	=====

- a. Net assets of the Target Group is determined as follow:

HK\$'000

Net assets value of Target Group as at 31 March 2015 (*Note 3*) 71,567

Add:

Capitalisation of payables due to Zhongneng Guodian PV Green (*Note 5(i)*) 135,119

Net assets of the Target Group 206,686

- b. Fair value surplus of property, plant and equipment

For the purpose of the Unaudited Pro Forma Financial Information, the fair values of the solar power plants owned by the Target Group with an aggregate installed capacity of approximately 170MW as at 31 March 2015 (“**Solar Power Plants**”) was based on a separate valuation report dated 17 August 2015 prepared by the independent valuer, American Appraisal China Limited. The valuation of the Solar Power Plants owned by the Target Group was prepared using the Adjusted Present Value method under the income approach.

Key assumptions adopted are extracted as follows:

	Ground solar power plants	Rooftop solar power plants
Estimated useful life	25 years	25 years
Capacity	140MW	30MW
Insolation hours	1,400 MWh/MW _p to 1,700MWh/MW _p	1,072MWh/MW _p
Electricity tariff	RMB0.9/kWh to RMB0.95/kWh	RMB1.04/kWh to RMB1.39/kWh
Degradation factor	0.8% per annum	0.8% per annum
Discount rate	8%	8%

- c. Deferred tax liabilities

Related deferred tax liabilities of approximately HK\$41,537,000 arising from the fair value surplus on the property, plant and equipment of HK\$200,329,000 was estimated based on statutory tax rate of 25% and a preferential tax concession, which fully exempted the entity from the PRC corporate income tax for the first three years, followed by a 50% tax exemption for the next three years (i.e. 12.5%).

d. Non-controlling interests

Balances represent the non-controlling interests of Guodian Chahaeryouyiqianqi Second Solar Power Company Limited, Guodian Kezuozhongqi Photovoltaics Company Limited and Guodian Shangdu County Second Photovoltaics Company Limited (together, the “**Guodian Project Companies**”). Guodian Project Companies are 49% held by the Target Company as at 31 March 2015. For the purpose in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, management assumes that the Target Company shall additionally inject RMB100,000,000 (equivalent to approximately HK\$126,000,000) into each of the Guodian Project Companies in accordance with the terms of the Acquisition Agreement and have become a 99% shareholder of the Guodian Project Companies at the date of completion,

Since the fair value of the identifiable assets and liabilities of the Target Group at the Completion Date may be substantially different from the fair value used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets, goodwill or negative goodwill to be recognised in connection with the Acquisition may be different from the amounts presented above.

The Group 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 Target Group’s property, plant and equipment 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 the future, based on the facts and circumstance at the end of each reporting period.

- 6 The adjustment represents the estimated transaction costs of approximately HK\$1,530,000 payable by the Company in connection with the Acquisition.
- 7 Apart from the 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 2014 and 31 March 2015 respectively.

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

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 Nanjing Silk Road New Energy Company Limited (formerly known as Zhongneng Guodian New Energy Cooperation and Development Jiangsu Company 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 2014, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages III-1 to III-7 of the Company’s circular dated 20 August 2015, in connection with the proposed acquisition of the entire interest of the Target Company (the “**Acquisition**”) by a wholly owned subsidiary of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described 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 Acquisition on the Group’s financial position as at 31 December 2014 as if the Acquisition had taken place at 31 December 2014. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial statements for the year ended 31 December 2014 on which an audit report has been published.

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 Acquisition at 31 December 2014 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, 20 August 2015

RESULTS OF THE TARGET GROUP**Financial review***Segment information*

The Target Group has been principally engaged in the development, investment, operation and management of solar power plants, and therefore has one single reportable segment.

Revenue

For the three months ended 31 March 2015, the Target Group recognised total sales of electricity and tariff adjustment of approximately RMB24.8 million. No revenue has been recognised before 2015.

The revenue and tariff adjustment from sales of electricity recognised during the three months ended 31 March 2015 was analysed as below:

Location of solar power plants	Aggregate installed capacity MW	Electricity sale RMB'000
Inner Mongolia, China	140	19,084
Jiangsu Province, China	30	5,739
	<u>170</u>	<u>24,823</u>

Depreciation of property, plant and equipment

The depreciation of property, plant and equipment was provided based on the assessment of their respective useful life. Power generating modules were the most significant components within the property, plant and equipment and their useful lives were assessed to be 25 years.

Liquidity, financial resources, gearing ratio and capital structure

The financial information of the Target Group was extracted as below:

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
Total assets	1,000	1,671,759	1,631,712
Current assets	1,000	130,542	100,997
Current liabilities	(1,000)	(1,624,999)	(1,574,913)
Non-current liabilities	—	—	—
Net current liabilities	<u>—</u>	<u>(1,494,457)</u>	<u>(1,473,916)</u>

The Target Group is negotiating with financial institutions for long-term financing so as to manage its net current liabilities position.

The Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including amount due to the immediate holding company and construction costs payables as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as “equity” as shown in the condensed consolidated statement of financial position plus net debt. The gearing ratios of the Target Group at 31 December 2013, 31 December 2014 and 31 March 2015 were as follows:

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 31 March 2015 RMB'000
Construction costs payables	—	1,476,520	1,457,677
Amount due to the immediate holding company	<u>—</u>	<u>145,267</u>	<u>108,976</u>
	—	1,621,787	1,566,653
Less: cash and cash equivalents	<u>(43)</u>	<u>(76,699)</u>	<u>(11,330)</u>
Net debts	(43)	1,545,088	1,555,323
Total equity	<u>—</u>	<u>46,760</u>	<u>56,799</u>
Total capital	<u>(43)</u>	<u>1,591,848</u>	<u>1,612,122</u>
Gearing ratio	<u>N/A</u>	<u>97.06%</u>	<u>96.48%</u>

The Target Group's bank cash and cash equivalents were all denominated in RMB.

During the period/year, the Target Group did not enter into any financial instruments for hedging purposes nor did the Target Group have any currency borrowing and other hedging instruments to hedge against foreign exchange risks.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group had no significant capital commitments.

Material acquisitions and disposals of subsidiaries and associated companies

There was neither acquisition nor disposal of subsidiaries and associated companies during the period.

Exposure to fluctuations in exchange rates and related hedges

The Target Group operates in the PRC where Renminbi is its functional currency. There is no exposure to fluctuations in exchange rates nor any hedge to foreign currency exposure.

Charge on assets

As at 31 December 2013, the Target Group had no charge over its assets.

As at 31 December 2014 and 31 March 2015, the Target Group pledged the share of subsidiaries to a related company and a third party.

Contingent liabilities

As at 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group had no significant contingent liability.

Employees and remuneration policies

As at 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group had Nil, 22 and 63 full-time employees respectively. Employees were remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares	<u>2,000,000,000</u>
<i>Issued and fully paid:</i>		
<u>4,741,266,325</u>	Shares	<u>474,126,632.50</u>

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 of the convertible bonds of the Company 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 granted and to be granted under the share option scheme of the Company adopted on 19 June 2012, the option to CM Yinke approved by the Company on 17 March 2015 and the outstanding convertible securities, 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

Name of Director	Personal interests	Notes	Corporate interests	Notes	Number of issued Shares/ underlying Shares
					Percentage of the issued share capital of the Company
Mr. Li, Alan	6,003,000		159,404,314	1 & 2	3.49%
Ms. Qiu Ping, Maggie	2,401,200				0.05%

(b) Convertible debenture of the Company

					Convertible debentures of the Company/Conversion rights attached to convertible debentures (Shares)
					Percentage of the issued share capital of the Company
Name of Director	Personal interests	Notes	Corporate interests	Notes	
Mr. Li, Alan	4,002,000	3			0.08%
Ms. Qiu Ping, Maggie	1,600,800	4			0.03%

Notes:

- 141,230,827 Shares are beneficially owned by Magicgrand Group Ltd. (“**Magicgrand**”). Magicgrand is directly and indirectly wholly owned by Mr. Li, Alan.
- 18,173,487 Shares are beneficially owned by Pairing Venture Limited. Pairing Venture Limited is directly wholly owned by Mr. Li, Alan.
- 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, convertible bonds in the principal amount of HK\$4,002,000 convertible into 4,002,000 Shares.
- 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, convertible bonds in the principal amount of HK\$1,600,800 convertible into 1,600,800 Shares.

(c) Directors’ Interest in share options

Name of Director	Number of share options held	Date of grant	Exercisable period	Exercise price per Share (HK\$)
Mr. Li, Alan	1,800,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	1,800,000		8 January 2017 to 7 January 2020	1.0
	2,400,000		8 January 2018 to 7 January 2020	1.0

Name of Director	Number of share options held	Date of grant	Exercisable period	Exercise price per Share (HK\$)
Mr. Lu Zhenwei	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0
Academician Yao Jiannian	900,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	900,000		8 January 2017 to 7 January 2020	1.0
	1,200,000		8 January 2018 to 7 January 2020	1.0
Mr. Yang Baiqian	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0
Ms. Qiu Ping, Maggie	900,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	900,000		8 January 2017 to 7 January 2020	1.0
	1,200,000		8 January 2018 to 7 January 2020	1.0
Mr. Kwan Kai Cheong	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0

Name of Director	Number of share options held	Date of grant	Exercisable period	Exercise price per Share (HK\$)
Mr. Yen Yuen Ho, Tony	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0
Mr. Shi Dinghuan	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0
Mr. Ma Kwong Wing	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0

As at the Latest Practicable Date, save as disclosed in this circular, 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 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 were as follows:

(a) 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
China Merchants Group Limited* (招商局集團有限公司) ("China Merchants")	Interest in controlled corporation	683,055,686	1,543,622,303	46.96%
China Merchants Bank Co., Ltd.* (招商銀行股份有限公司)	Interest in controlled corporation	—	547,731,493	11.55%
China Merchants Securities Co., Limited* (招商證券股份 有限公司)	Interest in controlled corporation	—	547,731,493	11.55%
China Merchants Fund Management Limited* (招商基金管理有限公司) ("CM Fund")	Fund manager	—	547,731,493	11.55%
Shenzhen China Merchants Yinke Investment Management Limited* (深圳市招商局銀科投資管理 有限公司) ("CM Yinke")	Beneficial owner	—	555,854,810	11.72%
Snow Hill Developments Limited (note 1)	Beneficial owner Interest in controlled corporation	103,111,436 579,944,250	— 440,036,000	23.69%
China Merchants New Energy Group Limited ("CMNEG") (note 2)	Beneficial owner	579,944,250	440,036,000	21.51%

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
New Energy Exchange Limited (formerly known as Renewable Energy Trade Board Corporation) ("NEX") (note 3)	Beneficial owner Interest in controlled corporation	201,926,000 60,627,621	79,948,000 —	7.22%
Wang Baixing	Interest in controlled corporation	299,922,000	79,948,000	8.01%
Zhongli Science and Technology Group Co., Ltd. (note 4)	Interest in controlled corporation	299,922,000	79,948,000	8.01%
Zhongli Talesun Solar Co., Ltd. (note 5)	Interest in controlled corporation	299,922,000	79,948,000	8.01%
Zhongli New Energy (Hong Kong) Investment Limited ("Zhongli") (note 6)	Beneficial owner	299,922,000	79,948,000	8.01%
Fosun International Limited (note 7)	Interest in controlled corporation	70,924,000	290,860,132	7.63%
Fosun International Holdings Limited (note 8)	Interest in controlled corporation	70,924,000	290,860,132	7.63%
Guo Guangchang	Interest in controlled corporation	70,924,000	290,860,132	7.63%
Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份 有限公司)	Interest in controlled corporation	—	1,246,237,863	26.28%
Li Shan	Interest in controlled corporation	—	1,246,237,863	26.28%
San Shan (HK) Limited (note 9)	Interest in controlled corporation	—	1,246,237,863	26.28%

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Chinastone Capital Management Limited* (滙石股權投資管理(上海)有限公司) (note 10)	Beneficial owner	—	1,246,237,863	26.28%
China Orient Asset Management Corporation	Interest in controlled corporation	20,000,000	395,259,405	8.76%
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)	Interest in controlled corporation	—	631,376,578	13.32%

Notes:

1. Snow Hill Developments Limited is indirectly and wholly owned by China Merchants, which is a party acting in concert with CMNEG according to Section 317 of the SFO.
2. CMNEG is indirectly owned as to 79.36% by China Merchants and as to 20.64% by Magicgrand. Magicgrand is directly and indirectly wholly owned by Mr. Li, Alan, an executive Director and chief executive officer of the Company.
3. NEX is a party acting in concert with CMNEG according to Section 317 of the SFO.
4. Zhongli Science and Technology Group Co., Ltd. is directly owned as to 46.94% by Mr. Wang Baixing.
5. Zhongli Talesun Solar Co., Ltd. is directly owned as to 74.81% by Zhongli Science and Technology Group Co., Ltd.
6. Zhongli is directly and wholly owned by Zhongli Talesun Solar Co., Ltd.
7. Fosun International Limited is indirectly owned as to 79.60% by Fosun International Holdings Limited.
8. Fosun International Holdings Limited is indirectly owned as to 58% by Mr. Guo Guangchang.
9. San Shan (HK) Limited is directly and wholly owned by Mr. Li Shan.
10. Chinastone Capital Management Limited is equally owned by Ping An Insurance (Group) Company of China, Ltd and San Shan (HK) Limited.
11. Further to the shareholders as set out in the above table, as at the Latest Practicable Date, each of China Green Holdings Limited, Sino Arena Investments Limited, Magicgrand and Pairing Venture Limited, being parties acting in concert with CMNEG according to Section 317 of the SFO, was holding 2,205,621 Shares, 36,633,860 Shares, 141,230,827 Shares and 18,173,487 Shares respectively; and Sino Arena Investments Limited was also interested in Series B convertible bonds with a principal amount of HK\$40,020,000, convertible into 40,020,000 Shares.

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.

As at the Latest Practicable Date, Mr. Li, Alan and Mr. Lu Zhenwei, both executive Directors of the Company, and Mr. Yang Baiqian, a non-executive Director of the Company, were also directors of CMNEG.

As at the Latest Practicable Date, Mr. Li, Alan and Mr. Lu Zhenwei, both executive Directors of the Company, were also directors of NEX.

As at the Latest Practicable Date, each of Mr. Lu Zhenwei and Mr. Yang Baiqian, executive Director and non-executive Director of the Company respectively, also held senior positions in CM Yinke.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

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 CONTRACT/ASSET

On 31 October 2014, the Company, CM Yinke, China Merchants Wealth Asset Management Limited* (招商財富資產管理有限公司) and China Merchants Zhangzhou Development Zone Silk Road New Energy Limited* (招商局漳州開發區絲路新能源有限公司) (formerly known as China Merchants Zhangzhou Development Zone Tenda Solar Limited* (招商局漳州開發區創大太陽能有限公司)) entered into a cooperation agreement, in relation to, among other things, the proposed joint acquisition of Changzhou Guangyu New Energy Company Limited* (常州光昱新能源有限公司) by the Company and CM Yinke, which owns four on-grid connected solar power plants in Xinjiang, the PRC with an approximate aggregate installed capacity of 80MW (which was completed on 2 April 2015); and (ii) the conditional call and put options of the Company and CM Yinke in respect of the equity interest to be owned by CM Yinke. Each of Mr. Lu Zhenwei and Mr. Yang Baiqian, executive Director and non-executive Director of the Company respectively, held senior positions in CM Yinke. Mr. Li, Alan and Mr. Lu Zhenwei, executive Directors of the Company, were also directors of China Merchants Zhangzhou Development Zone Silk Road New Energy Limited* (招商局漳州開發區絲路新能源有限公司).

On 18 December 2014, the Company, CMNEG and Magicgrand Group Limited (“**Magicgrand**”) entered into a subscription agreement, pursuant to which the Company agreed to allot and issue an aggregate of 100,000,000 Shares of the Company to each of CMNEG and Magicgrand in cash at a subscription price of HK\$1.0 per Share. Such issue was completed on

10 February 2015. Mr. Li, Alan and Mr. Lu Zhenwei, each an executive Director and Mr. Yang Baiqian, a non-executive Director, were also directors of CMNEG. Magicgrand is directly and indirectly owned as to 100% by Mr Li, Alan, an executive Director.

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

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group or the Target Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group or the Target 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 Group or any of its associated companies (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) 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 litigation or claim and no litigation or claim of material importance as known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the expert who has given an opinion or advice contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

The expert has given and has not withdrawn its written consent 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 name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, the expert had no shareholding directly or indirectly in any member of the 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 Group, nor did it have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Company were made up.

10. MATERIAL CONTRACTS

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

- (1) a sale and purchase agreement dated 6 September 2013 (as supplemented on 15 December 2013) (the “**6 September 2013 SPA**”) entered into among 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) (“**Suzhou Zhong Fu**”) as seller, China Solar Power Group Limited and United Photovoltaics (Shenzhen) Limited* (聯合光伏(深圳)有限公司) and Huabei Expressway Co., Ltd.* (華北高速公路股份有限公司) (“**Huabei Expressway**”) as purchasers in respect of the sale and purchase of the equity interest in Fengxian Huize Photovoltaic Energy Limited* (豐縣暉澤光伏能源有限公司) (“**Fengxian Huize**”), under which, the acquisition of the 50% equity interest in Fengxian Huize by the Group at the consideration of RMB225,000,000 was completed on 27 December 2013;
- (2) 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 in Fengxian Huize to be held by Huabei Expressway by the Company pursuant to the 6 September 2013 SPA within the stipulated three year period, the consideration to be paid by the Company for the proposed acquisition shall be calculated according to the formula set out in the agreement;
- (3) a subscription agreement dated 13 September 2013 entered into between the Company as issuer and Suzhou Zhong Fu as subscriber in relation to the issue and subscription of unsecured convertible bonds in the principal amount of HK\$232,959,339, which was completed on 27 December 2013;
- (4) a 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. as subscribers, the Company as issuer, various subsidiaries of the Company as guarantors and Credit Suisse AG, Singapore Branch as arranger and settlement agent in connection with the issue and subscription of 5% secured guaranteed convertible bonds due 2016 in the aggregated principal amount of US\$50,000,000 (the “**Bonds**”), which was completed on 8 October 2013;

- (5) a trust deed dated 8 October 2013 (as supplemented on 14 November 2013) entered into among, among others, the Company and the Bank of New York Mellon, acting through its London Branch (“BNYM”) for the appointment of trustee for holding the security for all amounts payable on the Bonds for the benefit of the secured parties;
- (6) an English share mortgage dated 8 October 2013 entered into among, among others, the Company and BNYM in respect of mortgage of the shares in certain subsidiaries of the Company which were incorporated under the laws of the British Virgin Islands as part of the securities for the Bonds;
- (7) a Hong Kong share mortgage dated 8 October 2013 entered into among various subsidiaries of the Company and BNYM in respect of mortgage of the shares in certain subsidiaries of the Company which were incorporated under the laws of Hong Kong as part of the securities for the Bonds;
- (8) a security agreement dated 8 October 2013 entered into among, among others, the Company and BNYM in respect of charge of the assets of the Company and certain subsidiaries of the Company as part of the securities for the Bonds;
- (9) a charge over interest reserve account dated 8 October 2013 entered into between the Company and BNYM in respect of charge over the interest reserve account held by the Company as part of the securities for the Bonds;
- (10) an agency agreement dated 8 October 2013 (as supplemented on 14 November 2013) entered into among, among others, the Company, BNYM, the Bank of New York Mellon (Luxembourg) and the Bank of New York Mellon, acting through its Hong Kong Branch, appointing BNYM and the Bank of New York Mellon (Luxembourg) as agents in respect of the Bonds;
- (11) a placing agreement dated 9 October 2013 entered into between the Company and CITIC Securities Corporate Finance (HK) Limited as placing agent in connection with the placement of 55,000,000 Shares at the price of HK\$1.70 per Share, which was completed on 20 November 2013;
- (12) a subscription agreement dated 16 October 2013 entered into among, among others, the purchasers of the Bonds, the Company as issuer, various subsidiaries of the Company as guarantors and Credit Suisse AG, Singapore Branch as arranger and settlement agent in connection with further issue and subscription of secured 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, which was completed on 14 November 2013;

- (13) a sale and purchase agreement dated 13 December 2013 entered into among Zhongli Photovoltaic Science and Technology Group Co., Ltd.* (中利騰暉光伏科技有限公司) (“**Zhongli Photovoltaic**”) and Jiangsu Zhongli Talesun Photovoltaic Materials Sales Company Limited* (江蘇中利騰暉光伏材料銷售有限公司) (“**Jiangsu Zhongli**”) as sellers, UP United Photovoltaics (Changzhou) Investment Co., Ltd. (“**UP (Changzhou)**”) and Renewable Energy (Hong Kong) Trade Board Limited (“**EBODHK**”) as purchasers in respect of the sale and purchase of the equity interest in Changzhou Dinghui New Energy Company Limited* (常州鼎暉新能源有限公司) (“**Changzhou Dinghui**”) and consideration for the acquisition of the 45% equity interest in Changzhou Dinghui by UP (Changzhou) is RMB4,500,000 and the consideration for the acquisition of the remaining 55% equity interest in Changzhou Dinghui by EBODHK is RMB5,500,000 and such transaction was completed on 7 January 2014;
- (14) an EPC cooperative agreement dated 13 December 2013 entered into among Zhongli Photovoltaic, Jiangsu Zhongli, UP (Changzhou), EBODHK, Zhongli Talesun Gonghe New Energy Limited* (中利騰暉共和新能源有限公司) and Hainanzhou Yahui New Energy Power Company Limited* (海南州亞暉新能源電力有限公司) in relation to construction of the project held by Changzhou Dinghui and the consideration would be in the range of RMB1,854,000,000 to RMB1,962,000,000;
- (15) a pledge agreement dated 16 December 2013 executed by Suzhou Zhong Fu in favour of the Company in relation to pledge of the convertible bonds in the principal amount of HK\$232,959,339 and a sum of cash in the amount equivalent to RMB21,000,000 as security for certain electricity income guarantee by Suzhou Zhong Fu;
- (16) a 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, among others, 480,000,000 new Shares were issued and allotted at the price of HK\$1.72 per Share on 29 January 2014;
- (17) 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**”;

- (18) a purchase agreement dated 27 February 2014 entered into among the Company, Zhongxing Leasing Company and an independent third party, pursuant to which and subject to the 27 February 2014 Finance Lease Agreement taking effect, 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);
- (19) 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;
- (20) a sale and purchase agreement dated 27 August 2014 entered into by the Company, Power Solar Investments Limited and Mr. Chung Rai Lin in relation to the disposal of 70% of the entire issued share capital of Fortune Arena Limited for a consideration of HK\$210,000,000, which was completed on 28 October 2014;
- (21) a subscription agreement dated 18 December 2014 entered into among China Merchants New Energy Group Limited and Magicgrand Group Limited as subscribers and the Company as issuer in relation to the issue and subscription for an aggregate of 200,000,000 Shares at an aggregate consideration of HK\$200,000,000, which was completed on 10 February 2015;
- (22) a subscription agreement dated 18 December 2014 entered into between Zhongli New Energy (Hong Kong) Investment Limited as subscriber and the Company as issuer in relation to the issue and subscription for an aggregate of 180,000,000 Shares at a consideration of HK\$180,000,000, which was completed on 10 February 2015;
- (23) a finance lease agreement dated 19 December 2014 entered into between Zhongli Talesun Gonghe New Energy Limited* (中利騰暉共和新能源有限公司) as lessee and Beijing Culture & Technology Financial Leasing Company Limited* (北京市文化科技融資租賃股份有限公司) as lessor in connection with a finance lease arrangement for a period of 8 years at an aggregate lease consideration of RMB293,263,740 (equivalent to approximately HK\$369,512,312);

- (24) an equity transfer agreement dated 23 January 2015 entered into among UP (Changzhou) and Shenzhen China Merchants Yinke Investment Management Limited (“**CM Yinke**”) as purchasers and China Merchants Zhangzhou Development Zone Tenda Solar Limited as seller in connection with, among others, acquisition of 51% of the equity interests in Changzhou Guangyu New Energy Company Limited* (常州光昱新能源有限公司) (“**Changzhou Guangyu**”) by UP Changzhou for a cash considerations of RMB21,711,440 (equivalent to approximately HK\$27,356,414), which was completed on 2 April 2015;
- (25) an options agreement dated 23 January 2015 entered into among the Company, CM Yinke and UP (Changzhou), pursuant to which, (i) the Company conditionally agreed to grant CM Yinke the put option whereby CM Yinke could request the Company to acquire part or all of the 49% equity interest in Changzhou Guangyu and (ii) CM Yinke conditionally agreed to grant the Company the call option whereby the Company could request CM Yinke to sell to the Company all the 49% equity interests in Changzhou Guangyu;
- (26) a subscription agreement dated 23 January 2015 entered into between the Company as issuer and China Merchants Fund Management Limited as subscriber in relation to the issue and subscription for secured convertible bonds in the principal amount of HK\$524,803,198.80, which was completed on 20 April 2015;
- (27) a joint venture formation agreement dated 9 February 2015 entered into between UP (Changzhou) and CM Yinke in relation to affairs of Changzhou Guangyu;
- (28) a subscription agreement dated 4 March 2015 (as amended on 22 April 2015) entered into between the Company as issuer and Golden Express Capital Ltd. as subscriber in relation to the issue and subscription for the secured convertible bonds in the principal amount of US\$30,000,000 (equivalent to approximately HK\$232,500,000), which was completed on 29 April 2015;
- (29) a finance lease agreement dated 14 April 2015 entered into between China Kangfu International Leasing Company Limited* (中國康富國際租賃有限公司) as lessor and Guodian Wulatehouqi Solar Power Company Limited* (國電烏拉特後旗光伏發電有限公司) as lessee in connection with a finance lease arrangement for a period of 10 years at an aggregate lease consideration of RMB398,925,907 (equivalent to approximately HK\$502,647,000);

- (30) a subscription agreement dated 17 April 2015 entered into between the Company as issuer and Chinastone Capital Management Limited* (濤石股權投資管理(上海)有限公司) as subscriber in relation to the proposed issue and subscription for secured convertible bonds in the principal amount of HK\$1.26 billion;
- (31) a subscription agreement dated 20 April 2015 entered into among the Company as issuer, Profit Icon Investments Limited as guarantor and Peak Reinsurance Company Limited as subscriber in relation to the issue and subscription for secured and guaranteed convertible bonds in the principal amount of US\$15 million (equivalent to approximately HK\$116.25 million), which was completed on 23 June 2015;
- (32) the Acquisition Agreement;
- (33) a cooperation agreement dated 13 May 2015 entered into between the Company and Hareon Solar Technology Company Limited* (海潤光伏科技股份有限公司) (“**Hareon**”), pursuant to which, among other things, the Group will acquire from Hareon (and/or parties controlled by it, where applicable) the entire equity interest in each of the target companies, which legally own certain on-grid solar power plant projects with an aggregate installed capacity of 930MW in the PRC, at the estimated total consideration of approximately RMB8.8 billion (equivalent to approximately HK\$11.09 billion), to be settled partly by cash and partly by the proposed issue of convertible bonds of the Company;
- (34) a subscription agreement dated 28 May 2015 entered into between the Company as issuer and Driven Innovation Limited as subscriber in relation to the issue and subscription for secured convertible bonds in the principal amount of US\$100,000,000 (equivalent to approximately HK\$775,000,000), which was completed on 3 June 2015 (the “**28 May 2015 Subscription Agreement**”);
- (35) a share charge dated 28 May 2015 executed by Green Horizon Developments Limited in favour of Driven Innovation Limited as security for the convertible bonds as set out in 28 May 2015 Subscription Agreement; and
- (36) a finance lease agreement dated 5 June 2015 entered into between China Kang Fu International Financial Leasing Company Limited* (中國康富國際租賃有限公司) as lessor and Guodian Tuoketuo County Solar Power Company Limited* (國電托克托縣光伏發電有限公司) as lessee in connection with a finance lease arrangement for a period of 10 years at an aggregate lease consideration of RMB395,321,992 (equivalent to approximately HK\$498,105,710).

11. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Company were made up, save as disclosed in the profit alert announcement dated 14 August 2015.

12. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM1 1, Bermuda;
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, which situates at A18/F., Asia Orient Tower, 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 CSPG, a wholly-owned subsidiary of the Company. Ms. Qiu holds a Bachelor's degree in Economics and a Bachelor's degree in German Literature from Peking University. Ms. Qiu was also awarded a Master's 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 consisted of two executive Directors, namely Mr. Li, Alan (Chairman and Chief Executive Officer) and Mr. Lu Zhenwei; three non-executive Directors, namely Academician Yao Jiannian, Mr. Yang Baiqian and Ms. Qiu Ping, Maggie; and four independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing; and
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

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 of association and bye-laws of the Company;
- (b) the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix;
- (c) the Accountant’s Reports on the financial information of the Target Group, the text of which is set out in Appendix II to this circular;
- (d) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (e) the annual reports of the Company for each of the two years ended 31 December 2013 and 2014;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (g) the circular of the Company dated 12 January 2015 in relation to connected transaction in relation to subscription of new shares under specific mandate;
- (h) the circular of the Company dated 27 February 2015 in relation to (i) discloseable and connected transactions in relation the acquisition of 51% of the equity interest of Changzhou Guangyu New Energy Company Limited and grant of options over 49% of the equity interest of such company under specific mandate; (ii) formation of joint venture; (iii) connected transaction in relation to the issue of up to HK\$529,000,000 7.5% secured convertible bonds under specific mandate;
- (i) the circular of the Company dated 27 May 2015 in relation to (i) issue of HK\$1.26 billion 7.5% secured convertible bonds under specific mandate; (ii) issue of US\$15 million 7.5% secured convertible bonds under specific mandate, and (iii) proposed increase in authorised share capital;
- (j) the circular of the Company dated 8 July 2015 in relation to the refreshment of general mandate; and
- (k) this circular.

NOTICE OF SPECIAL GENERAL MEETING



UNITED PHOTOVOLTAICS GROUP LIMITED

聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

NOTICE OF SPECIAL GENERAL MEETING

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 Monday, 7 September 2015 at 3 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 acquisition agreement dated 11 May 2015 entered into between United Photovoltaics (Changzhou) Investment Co., Ltd* (聯合光伏(常州)投資有限公司) and Zhongneng Guodian Photovoltaic Green Ecological Cooperation and Development Jiangsu Company Limited* (中能國電光伏綠色生態合作發展江蘇有限公司), in relation to the proposed acquisition of the entire equity interest in Nanjing Silk Road New Energy Company Limited* (南京絲綢之路新能源有限公司) (formerly known as Zhongneng Guodian New Energy Cooperation and Development Jiangsu Company Limited* (中能國電新能源開發投資江蘇有限公司)) (the “**Target Company**”) (as amended by supplemental agreements dated 11 May 2015 and 17 August 2015, collectively the “**Acquisition Agreement**”) (copies of which marked “**A**” have 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) subject to the fulfilment of the conditions of the Acquisition Agreement, 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 agreements or documents and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition Agreement, the transactions contemplated thereunder and registration

NOTICE OF SPECIAL GENERAL MEETING

of the transfer of equity interest in the Target Company, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 20 August 2015

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 at A18/F, Asia Orient Tower, 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 in person 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 in person 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. Votes on the ordinary resolution set out herein and is to be passed at the Meeting 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 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 and Ms. Qiu Ping, Maggie, being the non-executive directors; and Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing, being the independent non-executive directors.

* *For identification purpose only*